

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: Thursday, November 19, 1981 2:30 p.m.

[The House met at 2:30 p.m.]

PRAYERS

[Mr. Speaker in the Chair]

head: **INTRODUCTION OF BILLS**

Bill 100**Chartered Accountants Amendment Act, 1981**

MR. HYNDMAN: Mr. Speaker, I ask leave to introduce Bill No. 100, the Chartered Accountants Amendment Act, 1981.

The purpose of this short Bill is to clarify the existing authority of the Institute of Chartered Accountants of Alberta to effectively conduct mandatory practice reviews of the work of its members. The Bill does not change the existing situation respecting fields of practice of the various accounting bodies of the province of Alberta.

[Motion carried; Bill 100 read a first time]

head: **INTRODUCTION OF SPECIAL GUESTS**

MR. STROMBERG: Mr. Speaker, I would like to take this opportunity to introduce to you 36 students from the Edberg school, located in the Camrose constituency. They are represented by grades 7, 8, and 9, and their teachers Mr. Rowswell and Mr. MacKenzie. In discussions with the students, they informed me that they hope to come here again next year and be able to drive on pavement on the new 956. They are seated in the visitors gallery, and I ask them to rise and be recognized by this Assembly.

MR. ISLEY: Mr. Speaker, it's my pleasure today to introduce to you, and through you to the members of the House, a group of distinguished gentlemen from the municipal district of Bonnyville. With us today, and not mentioning any roads, are reeve Stanley Baik from the MD of Bonnyville, councillor George Hutskal, who also serves on the provincial agricultural development board, councillor Don Sinclair, councillor Nick Kalinsky, municipal administrator Roy Doonanco, and assistant administrator Ray Compo. They are seated in the members gallery, and I ask that they rise and receive the welcome of the House.

MR. L. CLARK: Mr. Speaker, it's a real pleasure for me today to introduce to you, and through you to this Assembly, a group of 35 grade 9 students from Samuel Crowther high school in Strathmore. Strathmore, in the heart of the Big Country, is the fastest growing area in the Drumheller constituency, and one of the fastest growing in the province. They are accompanied by their group leader Mr. William Murray, Mrs. Shirley Aschenbrenner, and Kathy Fullerton. Kathy, I might add, is a new teacher who has just come to Alberta from Ontario to

make her home here. I ask them to rise now and receive the welcome of the House.

MR. BRADLEY: Well, Mr. Speaker, on the third try perhaps I'll be successful. It's a distinct pleasure today for me to introduce to members of the Assembly some visitors from the constituency of Pincher Creek-Crowsnest who are visiting the Alberta Association of Municipal Districts and Counties meeting in Edmonton. They are the reeve of the municipality Mr. Hilton Pharis, councillor Tom Ferguson, councillor Joyce McFarland, and her husband Ken. I ask them to rise and receive the welcome of the members of the Assembly.

head: **ORAL QUESTION PERIOD**

Constitution — Aboriginal Rights

MR. R. SPEAKER: Mr. Speaker, my question is to the Premier. It is with regard to the process the Alberta government will use in dealing with aboriginal and treaty rights of the Indian, Inuit, and Metis people. Could the Premier indicate at this time what steps are going to be put in place so full consultation and discussion can take place between now and the proposed constitutional conference next year with regard to this matter?

MR. LOUGHEED: Mr. Speaker, we're in the process of having some discussions with representatives of the Metis Association of Alberta and, tomorrow, with the Metis Settlements. We would welcome discussions with other native groups. The process is to attempt to consider the provisions discussed within a newly revised Canadian constitution, to clarify and understand the nature of the requests and, at the same time, to identify what's involved pursuant to the answers I've previously given in this Legislature.

Perhaps while I'm on my feet, for filing with the legislative office and hence for the availability of the members of the Legislature, I could table two copies of the notice of motion given by the Minister of Justice yesterday in the federal House of Commons with regard to this revised constitution.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the Premier with regard to financial support for the discussions and representations, specifically by the Metis people, because they are the responsibility of the province. Has any consideration been given toward financial assistance in that area to assure that full discussion goes on and that a financial barrier doesn't prevent those discussions? Is the government considering some financial help?

MR. LOUGHEED: Yes, Mr. Speaker. Previously, on Monday of this week, we gave that financial undertaking. We may not be able to come to an understanding, although I'm encouraged by the nature of the discussions. We have made it absolutely clear that the discussions should not in any way be subject to any financial limitations the Metis Association of Alberta may have. As the hon. Leader of the Opposition quite correctly put it, under our constitution, the basic responsibility for treaty Indians lies with the federal government. But with regard to the Metis people within this province, there's a clear responsibility on the government of Alberta.

MR. R. SPEAKER: Mr. Speaker, a final supplementary question in this area with regard to the Alberta government's position on aboriginal rights. Will the government be putting together an in-house type of task force? What will the structure of the body be that will try to define aboriginal rights from a provincial point of view?

MR. LOUGHEED: Mr. Speaker, at this stage, there has been a task force involving the Attorney General and representatives from his department, the Minister responsible for Native Affairs, the caucus committee chairman, the MLA from Edmonton Mill Woods, and solicitors from the Department of the Attorney General. That has formed the task force that has been working during the course of this week. I may be able to expand upon that further, depending upon developments, during the course of the question period tomorrow.

Rights of Disabled Persons

MR. R. SPEAKER: Mr. Speaker, the other question area I wish to cover today is with regard to some of the frustrations of handicapped Albertans. I would like to direct these questions as well to the Premier. I understand there was a request to the Premier from some disabled groups to appoint an independent task force to study the issues of concern of disabled persons. I wonder if the Premier has considered that matter and is prepared to respond.

MR. LOUGHEED: Mr. Speaker, I'd have to refer that question to the Minister of Social Services and Community Health.

MR. BOGLE: Mr. Speaker, on October 22, I believe, a letter was received in the Premier's office from four groups representing disabled Albertans which requested a task force and made a number of other points. Because of the complexities of the letter and the other departments involved in terms of responding to its contents, the letter has not yet been responded to. But I might mention that that should be done within the next week to 10 days.

MR. R. SPEAKER: A further question to the minister, Mr. Speaker. One concern of the groups was the communication with government, a government cabinet committee or beyond the minister. Has any consideration been given to re-establishing the joint MLA/handicapped committee to look at various concerns and problems, so there is a communication system between the Legislature and handicapped groups in the province?

MR. BOGLE: Mr. Speaker, the hon. leader is referring to another piece of correspondence by the Alberta Action Groups for the Disabled, who have requested the re-establishment of the old MLA task force committee. A response recently went to that organization advising them that that would not be done. The process we encourage all groups to follow is to meet with members of the various opposition parties in this Assembly from time to time and with the government caucus, in this particular case the caucus committee on health and social services, which is very ably chaired by the Member for Calgary North West.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the minister. One of the requests in that letter of October 28 was to meet with the Premier and the cabinet

of the province. Is the minister, on behalf of those consumer groups, arranging that meeting so that communication can be brought forward to the government?

MR. BOGLE: Mr. Speaker, in the response I forwarded to the president of the organization, I indicated that I would certainly be prepared to meet with the organization, as I have in the past.

MR. R. SPEAKER: Mr. Speaker, the request was to have a meeting prior to November 30 with the Premier and the cabinet. Is the minister saying that the meeting will be with the minister only, or will it take into consideration a meeting with the Premier and other members of cabinet?

MR. BOGLE: Mr. Speaker, no specific request has been made by the group in terms of other ministers they might like to meet with. It would not be practical to expect the Premier to be involved in such a meeting on that kind of notice. Certainly we would want to ensure that (a) there's a recognition that the caucus committee route is open to all provincial organizations within this province, and we encourage groups to use that route, and (b) when organizations have a request to meet with specific ministers — and in this particular case, meetings in the past have involved my colleague the Minister of Labour, as well as the Minister of Education, on one occasion I believe, because of the nature of the agenda to be discussed — once we receive the agenda proposed by the Action Groups for the Disabled, we'll better be able to assess which ministers and MLAs should be involved in such a meeting.

MR. R. SPEAKER: Mr. Speaker, a supplementary question. Could the minister take on a commitment that the meeting will be arranged prior to mid-December of this year and not held over until early 1982?

MR. BOGLE: Mr. Speaker, I certainly will commit that once a specific request is made with a proposed agenda, it will be responded to immediately.

Tax Incentives for Farmers

MR. MANDEVILLE: Mr. Chairman, my question to the hon. Minister of Agriculture is with regard to changes made in the capital gains tax when the federal budget came down. Has the minister had any representation from farm groups with regard to the capital gains, where now they can't spread their payments over a number of years? I'm thinking of farmers especially.

MR. SCHMIDT: No, Mr. Speaker.

MR. MANDEVILLE: A supplementary question, Mr. Speaker. This capital gains is going to create a serious problem with fathers selling to their sons. Will the minister be meeting with officials of ADC to see if anything can be worked out in this area, as far as spreading the capital gains over a number of years?

MR. SCHMIDT: Mr. Speaker, we've made a request for documentation so we may have the opportunity to study how the implications would affect the future land transactions between father and son.

MR. MANDEVILLE: A supplementary question, Mr. Speaker. Since he brought the budget down, the federal Minister of Finance has had some small concessions each day. Would the minister consider meeting with the federal Minister of Finance and impressing upon him how seriously this is going to affect our farmers as a result of not being able to spread capital gains over a period of years? I'm thinking of a father selling a farm to his sons or to the family.

MR. SCHMIDT: Mr. Speaker, I'm sure that comments in regard to the budget as it would affect Albertans, including those in the agricultural industry, would be better transmitted by the Provincial Treasurer to his federal counterpart.

MRS. OSTERMAN: A supplementary, Mr. Speaker. I ask that the minister please make that same appeal on behalf of mothers who may want to transact land dealings with their daughters.

MR. MANDEVILLE: A supplementary question to the hon. Provincial Treasurer. Is it the intent of the Provincial Treasurer to make a request to the federal Minister of Finance with regard to the capital gains situation faced by farmers across Canada, especially in Alberta?

MR. HYNDMAN: Yes, it is, Mr. Speaker. As hon. members know, next Monday and Tuesday there will be a meeting of the 11 ministers of finance and provincial treasurers in Halifax. At that time, I intend to make representations to the Minister of Finance with respect to that item, and other items as well which relate to the removal or reduction of tax incentives which would adversely affect the investment climate in Alberta.

Home Mortgage Corporation Loans

MR. R. SPEAKER: MR. Speaker, my question is to the Minister of Housing and Public Works. I have that correct today. I've been informed that applications under the Alberta Home Mortgage plan are piling up in Calgary and processing is delayed because of a lack of staff and personnel to deal with them. I wonder if the minister could confirm that and indicate what steps are being taken to eliminate the backlog.

MR. CHAMBERS: Mr. Speaker, I think the Leader of the Opposition should check with the Member for Olds-Didsbury, who asked me that very same question yesterday, but I don't mind repeating it. There has been a backlog. The Home Mortgage Corporation is operating with a very efficient staff. We've faced a very unusual year, you know. We're looking at either financing or building over 24,000 housing units in this province. Because of the high interest situation created by the federal government, we've been in the position of suddenly having to provide that extra service. I suppose the alternative is to double the staff of the Home Mortgage Corporation, but I don't think that's responsible. I think the staff of the mortgage corporation are doing an excellent job. We've looked at every possible way to speed up processing, and it is happening. The time required to process an application has been reduced appreciably since last spring. I'm quite pleased with the progress. I'm hopeful that interest rates will come down, and we'll have the private sector back in in a major way next year. I don't think it would be responsible to increase in a dramatic way the size of

the Home Mortgage Corporation at this time when we're hopeful that the private sector will be back in.

MR. ZAOZIRNY: Mr. Speaker, a supplementary to the minister. Quite apart from speeding up the processing of applications for loans, can the minister advise what steps are being taken to try to speed up the actual disbursement of funds from the time all the security documentation is in place and the request for funds is made, given that it's presently taking upwards of six weeks to actually get the mortgage funded, whereas with commercial lenders you're looking at approximately seven days and the net result is an interest cost to home purchasers? Are some steps being taken to try to speed up the actual funding of the loan from the time the security is all in place and the lawyers have completed their work?

MR. CHAMBERS: Mr. Speaker, we're looking at that area and every area where we can improve efficiency. Again — and I've spent quite a bit of time on this subject — considering the tremendous volume of applications, we have made marked improvements in the time. I would also point out, as I did to the Member for Olds-Didsbury yesterday, that we're talking about public funds and very large subsidies involved. I think it's natural that it's going to take a little longer to process applications than perhaps it would take in a normal private-sector mortgage.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the minister. I understand this question on the subject was not asked. Has any consideration been given to transferring staff from the Edmonton office to the Calgary office on a short-term basis to pick up the backlog or, in turn, bringing some applications to the Edmonton offices, which I understand are not under the same pressure as the Calgary offices, to get the work up to date?

MR. CHAMBERS: Yes, Mr. Speaker, that's one alternative we're looking at. In fact, we're considering a number of areas and have made considerable progress. We're certainly aware of the problem. I can assure members that the process will be speeded up, recognizing the very large volume of applications in Calgary.

MR. GOGO: Mr. Speaker, a supplementary to the hon. minister for clarification, with regard to the time it takes. Could the minister confirm to the House that one reason it takes longer for the Alberta Home Mortgage Corporation to process mortgages compared to the private sector is that in 90 or 95 per cent of all applications a subsidy is involved in the mortgage and, as a result, it takes additional time?

MR. SPEAKER: The hon. member has made a representation which I'm sure the minister has duly noted.

The hon. Minister of Housing and Public Works would like to deal further with a topic dealt with previously in another question period.

Rental Investment Incentive Plan

MR. CHAMBERS: Mr. Speaker, in response to a question from the Member for Bow Valley yesterday with regard to the Alberta rental investment incentive program, as to the *number of units*. I've checked that out. The total units processed to the end of October this year are 7,900 that have benefited from the plan.

Cattle Industry

MR. R. SPEAKER: Mr. Speaker, I have a question for the Minister of Agriculture. It's with regard to the progress being made on a support policy or stop-loss program for the cattle feeders and cow-calf operators in the province. I wonder if the minister could bring us up to date as to whether there will be an announcement shortly. I understand before the end of the year . . . Are enough details in place so that a more specific date can be announced today, or can any further details be given to the Legislature?

MR. SCHMIDT: Mr. Speaker, I think we have stated both within and outside the Legislature that we are now in a position to complete the total review of the information before us. We had promised to make an announcement in regard to whatever direction and the findings of those reviews by the end of the year. We'll be able to meet that deadline.

ORDERS OF THE DAY

MR. HORSMAN: Mr. Speaker, I move that Question 148 and Motion for a Return 147 stand and retain their places on the Order Paper.

[Motion carried]

MR. SPEAKER: With regard to Question No. 148, I might say that I'm somewhat concerned about its length. To save space and printing on the Order Paper, perhaps it could be shortened, because it's the same question with regard to a series of years. All we would need is one statement of the question, then list the number of years.

head: WRITTEN QUESTIONS

141. Mr. Sindlinger asked the government the following question:

- (1) What were the Alberta Heritage Trust Fund securities that were sold over the last three years at a net loss of \$60,282,000;
- (2) What was the date of purchase and the date of sale of each of these securities;
- (3) What was the purchase and sale price of each of these securities;
- (4) What was the interest rate and maturity date of each of these securities;
- (5) If other securities were acquired as a specific replacement for those sold, what were they, when were they purchased, what is their interest rate, when do they mature, and what price was paid for each?

MR. HYNDMAN: Mr. Speaker, in the view of the government, this is not an appropriate question and would not be acceptable because it asks for detailed, specific, buy/sell transactions. We've already had a debate in this Assembly, when the heritage fund Act was debated, with respect to the degree of detail that would be provided. Hon. members will recall that in 1976 when that debate took place a number of amendments were considered and made. They provided that there would be a list of securities under Section 6 of the Act, and there

would be a summary by types under Section 9 of the Act. There was no suggestion and the Act does not relate to any detailed or specific buy/sell transactions.

In the past, I've explained that we're not really looking at what should be described as losses here. The implication in the question relates to something that is a loss. There was a sales loss of about \$60 million over three years balanced against a net profit of over \$1.5 billion over that three-year time. I think it should be pointed out that every well-managed bond portfolio has properly made some of their loss decisions over the past three years with a volatile market. The whole procedure and all the background with respect to realized and unrealized losses was contained in the documents I tabled before the select committee on the heritage fund. As well, I think the impression in the question that there is some cause and effect relationship between the recommendations of the Attorney General with regard to the records and the so-called \$60 million sales loss should be cleared up. Of course, the Auditor General makes it very clear that there is no cause and effect relationship at all.

Mr. Speaker, essentially what we're looking at here is a measurement of performance. I think that's what the hon. member is looking for in asking the question. Of course with respect to this or any similar kind of fund, a measurement of performance is not made by reviewing individual transactions on a buy/sell basis but rather looking at such things as the yield over a span of time, the rate of return, the market values, the terms to maturity of the securities, or the list of holdings on a specific date. The key information of that kind has been provided in various reports and supplementary information which I made available to the committee.

So I urge the Assembly and suggest that the question should not be answered; it's not appropriate.

MR. SINDLINGER: Mr. Speaker, I believe the document to which the Provincial Treasurer has just referred is the one I have in my hand. It's from the Provincial Treasurer to Dr. Ian Reid, M.L.A., chairman of the select standing committee on the Alberta Heritage Savings Trust Fund, dated September 11, 1981. It contains various items of information for the committee, one of which deals with this particular question; that is, realized losses on sales of investments. Actually it's just a general discussion of the subject and doesn't deal specifically with the question asked here on the Order Paper.

In regard to providing details of this nature, I think this document provides a precedent for providing such information to the Legislative Assembly. Indeed, Section 5 of this — the pages aren't numbered — gives a list of Section 9 securities held by the trust fund as at March 31, '81. It goes through a great deal of detail in regard to government of Canada bonds, direct and guaranteed, the coupon rate, the average yield to maturity, the maturity date, the par value, and the amortized cost. It goes on for five pages, in which are listed various types of instruments, including promissory notes, banker's acceptances, guaranteed investment certificates, et cetera, as well as giving the names of institutes or agencies which issued them — Scotia Mortgage Corporation, National Bank, Crown Trust, Alberta Gas Trunk, Barclay's Bank, Royal Bank, et cetera.

Mr. Speaker, if the Provincial Treasurer can see his way clear to giving us the Section 9 securities holding on a particular date, it seems it would follow that the Provincial Treasurer could also identify these other particular instruments on which a loss of \$60 million was

incurred. This particular information, which is randomly selected, is really of no value unless it can be measured against something else.

The problem we have in assessing the net loss on the sale of marketable securities is that we don't know what they were. What the Provincial Treasurer is saying may be true, that they were sold at a loss in this instance so they could gain more over here. Nevertheless, until we are told specifically what those sales and acquisitions were, there's no way the watchdog committee on the heritage fund can really assess those things and determine whether or not what the Provincial Treasurer has said is true.

MR. R. SPEAKER: Mr. Speaker, I'd also like to speak in favor of this question.

MR. SPEAKER: May I just intervene. We're not dealing with a motion; we're dealing with a question. However, the hon. Provincial Treasurer has in effect opened debate on the topic by giving reasons for not answering the question. He doesn't have to give reasons. He can just refuse to answer it. Having given those reasons, it would seem to me that, in fairness, other members ought to be permitted to enter the debate. But of course the debate can't lead to a vote because there's no motion before the House. As all members know, the only vehicle for debate and a vote is a motion.

MR. R. SPEAKER: Mr. Speaker, my . . .

MR. MUSGREAVE: On a point of order, Mr. Speaker. Rather than engage in debate, perhaps we should have a motion on the floor so that we are debating legitimately.

MR. SPEAKER: We'd also have to unanimously waive notice.

MR. MUSGREAVE: Mr. Speaker, that would be available.

MR. SPEAKER: Someone would have to frame a motion. The government doesn't have to give reasons for not answering a question. If a motion is going to be moved that says, don't answer it, it seems to be a little redundant.

MR. HORSMAN: On a point of order, Mr. Speaker. Standing Order No. 33 might be one way of dealing with the matter before the Assembly in order to permit a debate. If in your opinion,

a question on the Order Paper put to a minister of the Crown is of such a nature as to require a lengthy reply, he [meaning you] may, upon the request of the Government, direct the same to stand as notice of motion and to be transferred to its proper place . . . upon the Order Paper, the Clerk of the Assembly being authorized to amend the same as to matters of form.

MR. SPEAKER: I agree there's no question. But I had no request from the government to do this. In addition, we have already had debate on the question. Were we to transfer to the Order Paper under Motions Other Than Government Motions, it would go to the bottom of the list. Unless the session lasts longer than it may, some members will have had their say and other members won't get it.

MR. R. SPEAKER: Mr. Speaker, speaking to the forum that is before me, I'll comment on one area of the Provincial Treasurer's remarks in terms of reconsidering whether the question be answered or not, the comment with regard to not accountable for the buy/sell activities in this Legislature. As a member of the Legislature and of the watchdog committee, I can only make the point that in order to really decide whether the activities in terms of the investments of the Heritage Savings Trust Fund were well carried out, were made in a proper fashion, that the concern of the Auditor General in the management letter directed to the Provincial Treasurer that talks about considerable scope for fraud or possibly collusion, where it discusses that type of thing — the only way we can satisfy ourselves in the end result is to have specific kinds of information on a specific topic. The question raised here is specific, asking specific types of questions with regard to the buy/sell activities and other items identifying transactions that occurred. Mr. Speaker, the only way we can make a judgment is to have that kind of information. I'd certainly like the government to reconsider it on that basis.

MR. NOTLEY: Mr. Speaker, with respect to question 141, I would urge the government to reconsider the position they've taken on it. The more we can move from the general to the specific — it's well and fine for the Provincial Treasurer to stand and say one has to judge this on the basis of the overall performance, \$1.5 billion profits against \$60 million lost. But that doesn't answer the question of what happened to the \$60 million. I think the hon. Member for Calgary Buffalo is absolutely correct. We are not in a position to make any kind of judgment on that \$60 million loss unless we know precisely what the securities were which were sold and what was done with the money in terms of purchasing other securities.

We've had comments in this Assembly about the work of the people in the department, both their integrity and their competence being impugned. In my judgment, that has certainly not been the case. But in terms of knowing for sure on this important question, we must move from the general to the specific. That is essentially what the hon. Member for Calgary Buffalo is questioning. I don't think there's any doubt that this information would be in the public interest. In my view, Mr. Speaker, there's no doubt that it would clear up this issue once and for all. Then it wouldn't just become the realm of political debate. We would know specifically what the securities were; we would know the day they were sold; we would know what was purchased in their place.

Just going back to the comments by the Auditor General, the Auditor General has indicated that he has reviewed, I believe, 78 per cent of these investments. That's fair enough. I certainly appreciate the comments that gentleman has made. But the more assurance and details we have on the specifics — and not 78 per cent, but 100 per cent — the better we are able to clear up this matter to the satisfaction of Albertans, whose money it is and whose loss it is as well.

Mr. Speaker, I would say that the government would be well advised — some detail, no question; no small inconvenience; no small difficulty, no doubt, in obtaining this information. But if the government is serious about cleaning and clearing up any misunderstanding over this matter, then the way to deal with it is to honor the request and move from the general debate we've had for the last while to the specific information which is being

requested. That information, once tabled, would deal with the question once and for all.

MR. MUSGREAVE: Mr. Speaker, during the deliberations of the Heritage Savings Trust Fund committee, it was made very clear how this particular loss arose; that was simply because some bonds had been purchased at around \$100 each and, because of the disastrous situation that developed in the interest rate market, particularly in the western world, a year later they're worth about \$88 apiece. As the market situation deteriorated even further, they were worth about \$50, or roughly half of what was paid for them.

This has been made very clear to members on many, many occasions. But we still hear talk about loss and unexplained loss. We should be telling the people of Alberta that investments were made that, in light of circumstances that developed later, weren't the wisest investments. But we're not alone. People throughout the world have done this. What we are doing, though, and what the hon. Member for Calgary Buffalo is doing, and what I challenged him on in the committee, is that maybe there has been theft, fraud, or misappropriation.

Mr. Speaker, the Auditor General made it very clear that his department had spent more than a normal amount of time auditing the heritage fund, for the simple reason that it was so important to the people of Alberta, and that he had found no evidence of fraud. Certainly he made suggestions that could improve the system within the heritage trust fund and the management of the fund. But he made it very clear that there was no fraud, no evidence of anybody stealing any money.

Yet we have the hon. Member for Spirit River-Fairview saying we have to tell the people that no money was stolen. There was no money stolen. It was a bad investment, and that's it simply; a bad investment only because of the disastrous situation in the money markets throughout the western world. Anybody who would take the time to read any newspaper or any article on it would know what has happened. To suggest that we are trying to hide from the people of Alberta is preposterous. That's the kindest word I can use, Mr. Speaker. It's absolutely preposterous.

MR. SINDLINGER: On a point of order, please. I'd like to correct an inaccuracy just indicated by the Member for Calgary McKnight, and that is that I have said from time to time that there is theft or fraud. I made it very clear to the member in committee what I've said, and I've said it time and time again. I have never said I think there is theft or fraud. All I've ever said is that the Auditor General has written that there is considerable scope for collusion, and I repeat that again. Until the other members, particularly this member, come up with evidence to the contrary, I think he protests too much.

MR. MUSGREAVE: Mr. Speaker, on the point of order. The implication to the public is that there has been a loss. The man on the street thinks a loss means something has been stolen.

MR. SPEAKER: As hon. members know, a disagreement between hon. members as to facts doesn't give rise to a point of order. I respectfully suggest that with some remarks that apparently are about to be made by the hon. Member for Edson, we might conclude this somewhat irregular debate.

DR. REID: Mr. Speaker, rising on the irregular debate we are having on a question, I'd like to clarify some things that have come up from remarks made by other members about the occurrences on hearings and discussions in the select standing committee on the Alberta Heritage Savings Trust Fund Act this summer and fall.

First of all, the hon. Member for Calgary Buffalo is specifically asking about certain investments because a loss of some \$60 million was incurred over three years, approximately \$40 million of that during the year that was under review by the standing committee. During that same year, there was an investment profit or income to the fund of some \$750 million. During the three years he mentions, there is an investment income exceeding \$1.3 billion. Surely if one is going to investigate the investments by the investment committee handling the Alberta Heritage Savings Trust Fund on behalf of Albertans, one has to look at both sides of the ledger, losses and profits.

I'm not an investment expert or an economist, but at least I ask for advice from experts. I have spoken to people in the Investment Dealers' Association and in that industry. It is amply obvious to anybody in that industry that if they get all the details of investments performed on behalf of Albertans, it would be very easy to detect the investment strategy used. I've been told by members of the Investment Dealers' Association that that quite easily could cost the fund 2 per cent in the income to the fund from its investments.

As government or as members of this Legislature, we have the responsibility to act as trustees for Albertans, investing Albertans' money. In that process, we have to take some responsibility and look after the interests of those Albertans in the best way possible. To my mind, it is not in the best interest of Albertans to release to the investment community the strategy behind the investment of those funds and thereby potentially penalizing Albertans to the extent of some 2 per cent interest. [interjection] For the benefit of the hon. Leader of the Opposition, I'm discussing the total strategy, including income and the profits as well as losses. One cannot look at one side without looking at the other.

The other point I'd like to clarify is that in his remarks, the Member for Calgary Buffalo seemed to indicate he had obtained another document. The document he read from is from the Provincial Treasurer to me and to the members of the standing committee, and was passed on to all members of the standing committee. That document listed the one-day window promised in this Legislature by previous legislators during discussions on the Alberta Heritage Savings Trust Fund Act when it was brought to the Legislative Assembly.

I would further like to clarify a partially abbreviated quotation from the Auditor General's remarks in front of the standing committee:

Our tests were to the extent of 78 per cent of those losses, for instance, which means that every transaction was compared with market of that particular day. In most cases, the bonds were sold for higher than market.

If anybody is indulging in collusion, the word mentioned by the Member for Calgary Buffalo, I doubt if they would be selling anything above the market on the basis of collusion.

These losses that have been mentioned in this irregular debate on a question are the ordinary losses suffered when one sells fixed rate bonds at a time of increasing interest rates. One has the option of retaining those bonds and having the value decrease, or of getting out of that

investment and into a more profitable one. It would appear that decision was made in view of increasing interest rates and the decreasing value of the bonds. It was a good investment decision, as the other ones have been.

144. Mr. R. Speaker asked the government the following question:

Were copies of the publications "Energy Issues for the People of Alberta" or "Constitutional Issues for the People of Alberta" distributed to provincial governments, Alberta municipalities, or any other organizations and, if so, did the province receive any compensation for the provision of such copies?

MR. McCRAE: Mr. Speaker, I would like to accept question 144 and file a response thereto:

head: **MOTIONS OTHER THAN GOVERNMENT MOTIONS**

222. Moved by Mr. Notley:

Be it resolved that the Assembly urge the government of the province of Alberta to implement immediately a program designed to proffer to Alberta's beef producers, including cattle producers and cow-calf operators, a one-time-only payment of \$40 per head for all calves, cows, and cattle sold in calendar year 1980, and that such program be modelled on the proposals of the Alberta Cattle Commission.

MR. NOTLEY: Mr. Speaker, in leading off debate on Motion 222, I'd like to take a moment to outline for hon. members some of the other programs available elsewhere in the country for cattle producers. I raise that because one of the reasons I think we have to move forward with some kind of assistance to cattle producers in this province is the competitive position of Alberta cattle producers compared to producers elsewhere in the country.

We've seen that programs have been introduced elsewhere in Canada. The Saskatchewan beef stabilization program commences January 1, 1982. The qualifications are based on a minimum of 10 cows. The maximum herd size would be 200 cattle. Any beef producer can enrol up to 90 per cent of his herd within the above qualifications. The program is organized through what's called a beef stabilization board. The board is the actual seller. It administers the plan under the Act. It's composed of six farmers nominated by various farm groups and appointed by the minister. I think it's important to underline, Mr. Speaker, that the people on the board are nominated by farm organizations in the province of Saskatchewan and then appointed. The benefits to the farmers: for all cattle sold that were enrolled under the program, the farmer receives from the beef stabilization fund 100 per cent of the cash costs involved in bringing the cattle to slaughter weight, including feed costs, and 55 per cent of the non-cash costs. For the information of members, that would include depreciation on machinery, replacement of stock, interest on investment in barns, et cetera, amortized over the whole herd. There is a cost to the farmers because it's a voluntary stabilization program. For every animal sold under the terms of the program, the farmer pays into the beef stabilization fund 4 per cent of the price received for the animal. That's matched by an equal 4 per cent from the government of Saskatchewan. The

position of the Saskatchewan government is appropriate, and that is that this plan is going to stay in place until a national program comes into effect.

We have programs in other jurisdictions as well. As members are probably well aware, for every head of fat cattle sold in the province of Ontario, the farmer receives a flat \$40 from the provincial government. For every feeder sold, the farmer receives a flat \$20 from the provincial government. Mr. Speaker, we have plans in other provinces too that I should just note in passing before welcoming debate from other members of the House this afternoon.

In the province of British Columbia, we have the income assurance program that was brought in in 1974 by the New Democratic government of that province. Basically, when the price received per head falls below the cost of production, the farmer receives the difference from the program.

I might just mention that not too long ago, I was at a meeting in Spirit River sponsored by the Alberta Cattle Commission. Several producers were over from the B.C. side of the border. The startling difference in the proceeds to the producer under the B.C. plan compared to the situation in Alberta was rather graphically drawn to the attention of farmers attending that meeting. I might also point out, Mr. Speaker, that notwithstanding the change of government that occurred in 1975, the income assurance program for beef producers has been continued by the Bennett government in British Columbia.

Mr. Speaker, I should make this observation. In this House in 1975, when we discussed assistance to cow-calf producers — at that time, the request was for \$40 per head — I recall that many people said, well, it's fine for B.C. to bring in a program because British Columbia represents a very small part of the cattle market. That's true. On the other hand, B.C. represents a much larger section of other types of agricultural produce, including fruit-growing, that come under the B.C. income assurance program for agriculture. So, while B.C. has a small part of the cattle production of this country, it's somewhat larger in other areas. The income assurance program has been extended to those other areas. Simply because we have a larger percentage of the overall production in the country, in my judgment, does not justify inaction on the part of the government here.

The province of Quebec has a host of specific programs, ranging from government assistance for the capital costs of setting up a feeder operation to actual stabilization programs for slaughter of cattle. While money loaned from the heritage trust fund to the province of Quebec is for Hydro-Quebec, nevertheless it seems rather strange that we're loaning money to that province at interest rates as low as 11 per cent so the money which would otherwise have to be borrowed to finance their hydro schemes can come from Alberta, yet they can come in with a program of assistance for farmers and as yet we have not moved in that direction.

Manitoba had a stabilization program. It was cancelled two years ago. Perhaps that might have had something to do with the results several days ago. But, Mr. Speaker, I don't want to be unduly provocative in my remarks, except to say that in the election several days ago was one of the largest swings in rural Manitoba that we've seen in a long time.

Mr. Speaker, I could outline the position of various farm organizations on this. The major argument the hon. Minister of Agriculture has presented to the House is that there are differences in the position of farm organizations

and that until those differences are brought together, the government can continue to review and review and review, until such time as farmers go broke.

Mr. Speaker, we're all well aware of the fact that if you've got the National Farmers Union on one side and Western Stock Growers on the other side, there is certainly a nuance of difference between those two positions. I'd be willing to admit that. But what I think has to be argued, and correctly so, is that as a result of Cattle Commission meetings throughout the province, we are moving rapidly towards a consensus. There will be differences over the extent of the coverage, whether it should be \$40 a head or \$40 and \$20 for calves, whether it should be paid in 1980, whether it should be part of a national meat authority, or whether we should stay away from that concept. There are going to be differences. But the important point to stress at this time is that as a result of the initiatives taken by the Alberta Cattle Commission, we are moving toward a pretty clear consensus.

I saw this at the meeting I attended in my own constituency. It was a meeting sponsored for all the cattle producers of the Peace River country. As well, the five elected members of the Legislature were invited to attend. People came from the different groups, and they came with sharply different perspectives. The debate began at 8 o'clock in the evening and carried on until almost midnight. But at the end of the meeting, they had arrived at a position which insisted that at the very minimum there should be a payment for 1980.

Mr. Speaker, I want to say just a word or two about the question of the 1980 payment, and then several observations on the longer term approach advanced by the Alberta Cattle Commission that I think are particularly relevant. The reason I make reference to the Alberta Cattle Commission is that it's not just a question of a short-term program of \$40 a head. One could argue whether that should be for calves, cows, or whether there should be some split, as in other provinces. But the Cattle Commission has made other proposals. I want to come to that in a moment.

The point I'd like to make now is with respect to the reasoning behind the 1980 payment. From my recollection of his statement some five weeks ago in the Assembly, the Minister of Agriculture pointed out that this government was opposed to a payment on a retroactive basis for cattle marketed in 1980. At first glance, that seems to me to be a fairly reasonable proposition. If you're bringing in a program, why don't you apply it to current marketing rather than going back in time. As members of the Cattle Commission explained in Spirit River — and, I'm sure, elsewhere in the province — the difficulty is because if we bring in an income assurance program on Alberta cattle production in 1981, the American cattlemen's association has indicated to the Cattle Commission that they will lobby the Reagan government to cut down the import of American cattle to the United States. That could have very serious consequences on the marketing of meat products in the United States from this province. In the view of the Cattle Commission, the only way around that is to look at this 1980 marketing, this retroactive concept, even though very few producers would find that as a first choice.

Mr. Speaker, I want to take just a moment to explore that question, because it's rather shocking to me that we would find that the ability of the government of Alberta or of cattlemen in this province to develop an income assurance program is being jeopardized by the position of the American cattlemen's association. Frankly, the deci-

sion as to what we do in this country, in this province in particular, to assist our producers seems to me to be our business and not the business of cattlemen across the border. The reason I want to stress it, especially with the Minister of Agriculture present this afternoon, is to recall for members of the Assembly the much-vaunted statements made in this House in 1976, 1977, and 1978 that there would be no more export of natural gas to the United States unless we had ironclad guarantees of entry to the American market for cattle and boxed beef that was either produced or processed in the province of Alberta. The hon. Premier couldn't have made his position any clearer in 1976, 1977, and 1978.

In 1976, he visited a number of officials, governors, senators, and lobbied officials of the American administration. In 1977, the Vice-President of the United States, Mr. Mondale, was in Edmonton. I remember the communique that came out after that particular luncheon meeting. The whole question of entry for Alberta cattle in the American market was underscored. Whatever underscoring of the issue took place for political reasons we now find somehow didn't make a great deal of difference because we now have the cattlemen's association in the United States saying that if you people in Alberta do something we don't like — you produce almost half the cattle production in this province — if you bring in an income assurance program, even if you apply a \$40 payment for 1981, we're going to lobby Mr. Reagan to close the border on Alberta cattle.

Mr. Speaker, I wonder where in heaven's name all these negotiations that we were told about with the price of increased natural gas export to the United States have ended. I refer hon. members to statements made over and over again in this Legislature during that period of time. In any event, four or five years down the road we find the situation where American cattlemen are telling us, you can do something but it has to be done on a retroactive basis.

There isn't any doubt in my mind, Mr. Speaker, that very few producers, especially producers in the northern areas of the province, are overly happy with that prospect. If that's the situation we face in the short run, no one wants to jeopardize our markets in the United States; indeed, perhaps we have to follow that course and, at the same time, pursue new initiatives with the United States government on the market for Alberta cattle in the United States. It might well be worth looking at arrangements in terms of exports of energy products in the same sort of *quid pro quo* way we saw advanced a few years ago in the House.

[Mr. Purdy in the Chair]

Mr. Speaker, a number of objectives are set out in the position proposed by the Cattle Commission. I want to say that, generally, I can agree with some: I have certain differences over others. There probably has to be a much greater move toward a system of orderly marketing than the Alberta Cattle Commission would support. Nevertheless, when we're talking about short-term solutions, I think we have to start some place. The objectives of the Cattle Commission are fairly straightforward: any proposal must be neutral in the market place, must enhance the province's natural comparative advantage, must not endanger access to the United States market, and there must be long-term adjustments necessary in maintaining an efficient industry.

Mr. Speaker, I want to deal with several of the long-

term proposals made by the Cattle Commission that I support quite strongly. Certainly we have to endorse a comprehensive national beef promotion program. There has been a drop in the consumption of beef in this country. Over the long haul, increasing beef consumption is in everybody's interest, whether people support supply management or whether they're in favor of the open market system. There should be no problem there. Similarly, expansion of our market development efforts — and I think we have done some work there; no doubt about that. But additional work is probably necessary.

On that score, Mr. Speaker, we had a lot of debate in this House about the role of the Alberta Export Agency. Frankly, there were many problems with the old Alberta Export Agency. The fact that it was perhaps not as efficiently managed as it could have been stands the test of the passing months and years. All one has to do is look at the discussions we had in Public Accounts to recall some of the problems of the Export Agency. But having said there were serious problems in the administration of it, the fact of the matter was that the concept, in my view, had some considerable merit. I would ask the Minister of Agriculture to seriously consider whether the time has not come for us to renew or re-establish an Alberta Export Agency. However, I think I could suggest to him that in staffing it we be a little more cautious than we were before.

One of the excellent proposals contained in the Alberta Cattle Commission's long-term solution assessment is a new agricultural lending policy:

The [Alberta Cattle Commission] has been studying credit policies in other countries — especially the U.S. — and is making recommendations to Provincial and Federal Governments on programs that would increase the availability and lower the cost of both short and long term credit.

I would say, Mr. Speaker, that if we're serious about the long-term success and health of the livestock industry, dealing effectively with that is an important initiative we should follow. It isn't good enough for some hon. members to stand up and say we have the ADC. The Alberta Cattle Commission know we have the ADC. What they're saying to us is that there has to be a new agricultural lending policy, one that goes somewhat beyond the rather limited scope of the Agricultural Development Corporation at this time.

Mr. Speaker, in concluding my remarks on the motion before the Assembly, I think it would only be appropriate to draw the attention of hon. members — I'm sure they've had an opportunity to review the proposals contained in A Review of the Meat Industry in Alberta by the former Deputy Premier of the province. In that particular proposal, the former Deputy Premier said that the province should provide a one-time payment, on an equitable basis, to cattle production sectors to provide temporary stability until the agricultural products insurance commission, as recommended, comes on stream. Well, we still have the hon. Minister of Agriculture studying this matter. While we have some indication that we'll have action by the end of the year, we have no indication as to whether that action is simply going to be extra promotion or whether there will be a one-time payment as Dr. Horner has recommended.

A number of other points are worth noting: an agricultural research foundation to be established with a commitment of \$200 million from Alberta's Heritage Savings Trust Fund — a far cry from the very limited Farming for the Future investment we've made to date. A provin-

cial Crown corporation, Alberta Meats, to expand and capitalize on domestic and international markets — essentially a reinstitution of the Export Agency. The principle contained in the Export Agency is good, notwithstanding, as I say, some of the administrative problems I alluded to. An agricultural products insurance commission to develop and operate actuarially sound voluntary income programs for meat commodity producers . . .

The major problem we have to deal with in assessing Dr. Horner's recommendation is this difficulty we have with American cattle producers and the impact that such a move would have on the U.S. market. I think this is where we have to see a little more insistent position by the government, support some of the tough talk and the strong position taken four or five years ago: no more gas until we get a nailed-down, ironclad commitment on cattle exports to the states. But I haven't heard that recently.

Finally, Mr. Speaker, I think it would be appropriate to observe that the first recommendation the former Deputy Premier makes, a Pioneer Two Lands Commission to put 10 million new acres of land into agricultural production in Alberta, in my judgment is a very exciting proposition and one that is consistent with recommendations for a number of years from the watchdog committee on the heritage trust fund. I'm sorry to see that the Associate Minister of Public Lands and Wildlife isn't in his place. Notwithstanding our continued recommendations on this matter and a recommendation contained in Dr. Horner's report, we are still moving at a snail's pace when it comes to opening up public lands. We still have inspections lagging months and months and months behind applications.

We still have frustration. Just the other day, I had a person call me from the High Level area expressing no end of concern with the roadblocks and the bureaucracy slowing down the process in an area where we still have literally tens of thousands of potential acres that could and should be opened up on an efficient basis. One of the ways of encouraging young people in the agricultural industry at this time is to make more imaginative use of our public lands and open some of them up. At this stage, with land prices being what they are, especially close to our city — even farther out, as you travel beyond the bounds of the Edmonton and Calgary metropolitan areas, we now have land prices in excess of what the land can realistically produce. It is pricing young people out of agriculture as a way of life.

With those comments, Mr. Speaker, I would invite reaction from hon. members of the House. It seems to me that no solution at the moment is perfect. Having had an opportunity to discuss this with Unifarm, the National Farmers Union, and the Christian Farmers Federation, as well as with people in the Cattle Commission and livestock producers in the Stock Growers' Association. I'm as aware as the minister that it's difficult to find a solution that will have everybody marching according to one drummer. But that's not really the request at the present time. It seems to me that the request of both Dr. Horner and, in a modified way, coming out of these meetings held through the province is for a short-term program which will provide temporary assistance, will form the basis of longer term initiatives where there can be agreement, and then on some of the more controversial aspects — supply management and these sorts of things — obviously there will have to be continued debate and discussion. We're not going to get agreement. There's no doubt about that. But that doesn't mean that while we wait for agreement on these other issues, we do nothing

in the meantime. The message I get and, I'm sure, other members are receiving as well is that there is a problem here that must be addressed in the short term. There is a program which, however modified, is widely supported in the short term. In my view, Mr. Speaker, what we need from the government at this time is a commitment for action, at least to that extent.

MR. THOMPSON: Mr. Speaker, I'd like to speak against the resolution, but before I start, I'd like to congratulate the Member for Spirit River-Fairview for commending the government on opening public lands. I suppose Thursday is the day he's in favor of it; Wednesday is the day he's against Odyssey. We'll keep that in mind.

Before I get started, I'd like to say that all rural members — in fact, I think most members of the House — are very well aware of the problems in the cattle industry. This last summer, I was at about six or seven public meetings, and there's no doubt that a lot of desperate people out there are caught in a real bind. The livestock industry in Alberta is one of the main bases of our agricultural economy, and it has been ever since the province was opened up. We're very fortunate here in Alberta, and almost every time I speak I reiterate the balance we have between grain and livestock production in this province. We slaughter 42 per cent of Canada's cattle, and raise two thirds of the feed grains of the country and consume 60 per cent of them here in Alberta. So there's no doubt in anyone's mind that these two industries are integrated and that, in the long run, we need a healthy livestock industry in Alberta.

We have problems. There's no doubt about that. In 1952, the cattle population in Alberta was 400,000. In 1980, it was 13 million. We've had a considerable increase in that less than 30-year period. Not only that, lately we've had a decrease in consumption of meat. We've gone from 113 pounds in 1977 to 88 pounds last year. So there is a squeeze in the area. But basically, it's a phenomenon that has happened all over North America. We're not alone in Alberta; the same thing is happening in other provinces in Canada and in the United States.

So I really am concerned when I hear the member talking about not really paying any attention to the U.S. market. Here in Canada, we have in our favor a balance of payments of \$200 million a year in exporting meat to the United States. I think we have to keep that market. If we don't, we will have a disaster in the cattle industry. We've had disasters in the cattle industry before. We had one in 1907; we had a real one in 1919. I can remember 1952 when the foot and mouth disease hit this country. It was a real crisis. So crises aren't new to the livestock industry. They've weathered them in the past, and I'm sure they'll weather it this time.

What I basically have problems with in this resolution is using 1980 as the base to set for payment. In 1980, the cattle feeders had a really bad year, but the actual cow-calf producers had a good year. I have real problems when we go back as far as 1980 to use that as a year to pay across-the-board to all cattle producers. It just doesn't make economic sense to me. I have problems with the resolution there.

Another thing I have problems with is that I feel this resolution has to be more specific. It's very general, and I can't really go along with an across-the-board \$40 payment, whether it's cull cows, Holstein calves, or whatever. I have problems in that area too. But I do think the member is right when he says we have to look at long-

term solutions. I think there are alternatives, Mr. Speaker. We have to look at ways to put an assurance program out there that cattle people can live with and that the Americans will accept. The only way we can do that is to work with the cattle producers and come up with something that's acceptable to the industry, that government can live with, and that the Americans can live with.

I think we can do other things. He was right in mentioning that we should look at the Horner report, because there's some real merit in some of Dr. Horner's suggestions. I think we should try some kind of co-operative program with the cattle industry to promote beef. We see the egg and dairy people who have done a real job in promoting their products, and I honestly think we can do something in that area. Basically, Mr. Speaker, I think we have to look at long-term programs, not *ad hoc* programs. We've had two or three of these since I've been in the Legislature. As far as I'm concerned, I urge all hon. members to defeat this resolution.

MR. STEWART: Mr. Speaker, this afternoon the hon. Member for Spirit River-Fairview has brought a subject for debate that I think every rural MLA would feel was pertinent to his constituency. Our livestock industry is probably the one industry that practically every rural constituency, with hardly any exception, is involved in. There's no doubt the discussion this afternoon is pertinent to an issue that is of great concern out there.

I guess we also have to remember that the livestock industry has travelled in cycles since time began, and supply and demand have certainly established the price with utter disregard for what the cost of production is at any given time or place. Also there is a great divergence in the way the industry has carried on and the type of industry carried on throughout this province. Certainly from the dryland of the southeast part of our province to the Peace River area, there's a tremendous difference as each geographic area carries on its industry in a little different fashion.

In the northern part of the province, we have a predominantly cow-calf type of operation in a lot of the smaller herds that are affected strictly by the feeder market. As those cattle move through the industry, they end up in feedlots, a lot of them in the southern part of the province, where they take advantage of the production on irrigated land that makes the cattle-feeding industry in that area more attractive than in some other areas. Through the ingenuity of a smaller group of people, a cattle-feeding industry has developed that by sheer numbers has developed an efficiency and a quality of product that is recognized in the market place.

As evidence of this, the marketing of most of the cattle from those large feedlots in Alberta is done on a bid basis by packers throughout all this province and several packers in Saskatchewan who have to come here for the product because it isn't being fed out in the numbers they require in their own province. A type of sealed bidding has developed that is cost efficient and, recognizing the quality from one feedlot to another, packers are able to save a tremendous amount of money in buying their needs through that style of marketing.

It's recognized that the market ebbs and flows with the demand of the consumer. A few years ago, we hit a peak of about 122 pounds per capita. At present, we're down to about 88, recognizing that other products, through their advertising and the fact that they're putting a product on the market that may be slightly less costly, have changed the eating habits of some of our consumers.

I think our generation changes have also had an effect on that. Our younger population, probably more conscious of the dollars they spend on food than the older generation, are able to get by with a quarter pound hamburger whereas the older generations were traditionally roast eaters who consumed considerably more of the product in a given week than a lot of our younger people are doing today. Our fast food outlets have promoted and pushed that type of product, along with poultry, to the extent that we may never see the same consumption of beef per capita we have in the past. I think we have to recognize this.

Alberta is by far the greatest exporter of beef anywhere in Canada. With our small population and 40 per cent of the production, we obviously are an exporter. We've seen Quebec and British Columbia try to become self-sufficient in beef to the detriment of our opportunity to export to them. I guess it's a free country, and people have governments in those provinces trying to develop their own industries, trying to encourage self-sufficiency in as many products as they can.

We've had very little positive encouragement from the federal government for this industry. Most of the programs brought out have been very little help to the producers in times of oversupply. Basically, that's our problem today. We're in a North American market whether we like it or not. When there's an oversupply of beef in the North American market, certainly Canada is no different from anywhere else. Whenever the opportunity arises, the consumption of beef in eastern Canada takes advantage of oceanic beef to fill the demand for lower grade beef from that source at a cheaper rate than we can produce it.

I think the Member for Spirit River-Fairview analysed quite well what has taken place among the people in industry over the last months. There have been a lot of meetings and, by and large, they've been constructive, for the simple reason that each organization had its own pet theory and solution to the problem several months ago. Out of the discussion of these many meetings has come a resolution that we don't want a subsidized industry. We want something that will stand on its own two feet, and we want to keep the market place as the guide for supply and demand. Any short-term solution by the government to this problem will not resolve it. Certainly a long-term program that will give some sort of stabilization the producers themselves can participate in is the ultimate goal of most of the producers in this province. We recognize that the cow-calf producer is at the bottom of the chain and ultimately suffers any losses incurred on the finished beef market, and it's reflected in the price they receive for their product, which is their calves.

Certainly we as a government have to recognize that in crisis situations we have to react, because the other provinces that are producers in Canada have seen fit to instil extra money into the industry in an effort to be self-sufficient. Consequently, in this province our people in beef production are working at a disadvantage. I don't think we want to get involved in a game of who has the biggest budget to solve the cattle industry problem, because overproduction is not a solution. We have to get out and find a market for the production that's in excess of what the Canadian market will absorb, and certainly we have to look to the Americans for some of this surplus production. We also have to find markets that will take specialized products that can be produced and marketed in the various parts of the world where choice beef sells for much more per pound than we as Albertans would

care to pay for it.

All these meetings in the last couple of months have resulted in a resolution and recommendation that the government is prepared to work with. These meetings of the Cattle Commission have only just been completed. Recommendations from them will be taken into consideration. For my part, Mr. Speaker, I believe I would rather wait an extra month or two and come out with a program that's acceptable to all producers in Alberta than come out with a program that wouldn't be properly accepted by the industry.

I hope this contribution will clear up in the minds of some people in this room that we don't believe in totally subsidized agriculture. It can stand on its feet, but there are crisis situations that have to be taken care of.

MRS. CRIPPS: Mr. Speaker, I'm pleased to enter this debate. Looking at the motion, it only addresses a short-term solution. Although the member talked about the long-term problem, the motion addresses a short-term solution. Having been in the beef industry for the last 22 years, I think it isn't just a short-term solution, it's a long-term problem that recurs. If I go to 1974 when we had the same type of situation, we were looking at emergency situations at that time. Because the long-term problem wasn't addressed, in 1981 we're again back in the same situation.

If one thing stands out in my mind from 1974, it is the fact that Air Canada put out a tender for a beef contract during 1974-75. That contract asked for oceanic beef only. If I can remember rightly, that's the lowest period we've had since we started farming and raising cattle. At that time, a Crown corporation in Canada advertised for oceanic beef. To this day I can't stand to eat anything on Air Canada, and if I can fly any other way, I will.

To get to the motion, I believe there are a number of problems in the beef industry today, along with many other industries. One I recognize in my constituency is the increasing interest rate and the problem that has caused to the farmers in the area. In the last couple of years, it has doubled payments. I've had farmers tell me that they're paying \$20,000 in interest. Quite frankly, they can't pay the interest, let alone the other payments. But that's a problem because of the federal government. It's certainly one that we can't be asked to solve by a short-term solution which, in the long run, isn't going to serve the long-term problem.

Along with the problem of high interest is the disadvantage that western feeders have because of the Crow rate. I'd like to remind the Member for Spirit River-Fairview that in my estimation, he is one of the problems in the Crow rate. That encourages the feeding of our cattle in eastern Canada rather than in western Canada. In fact, it's cheaper to ship raw products to eastern Canada than finished products. I just can't believe that we can ship the live product at a cheaper rate than we can ship boxed or refrigerated beef. This isn't only a problem in the cattle industry; it's also a problem in feed grains, oil seeds, and manufactured goods. We send them all east at preferential rates. When I was in eastern Canada this summer, in Newfoundland I found that they suffer exactly the same kind of preferential rates to the west as we suffer to the east. So something is the matter with the whole rail freight situation.

The problem caused in the beef industry today is going to reflect in the small towns in Alberta because of a decrease in the marketing power of the average small farmer. This is going to cause a recession in small towns.

Machinery dealers, grocery stores, department stores, and automobile dealers are all feeling the effects of the decrease in agricultural prices. This in turn causes a recession in these towns and, again, maybe the interest will become the straw that broke the camel's back. I was at a car dealership last Monday, and in October they suffered the worst year in 15 years, I believe, of car dealing — and October is their good month. So there's definitely a problem in the whole area.

In his state of the province address, the Premier indicated that it was the intention of the Alberta government to ensure that 42 per cent of the beef market today, which is Alberta, will be protected. On occasions, the Minister of Agriculture said that the government in this province will not stand by and see our beef production eroded. This does not mean that there's an easy solution to the problem. But it does mean that the government is not going to see the 42 per cent, which we now have, eroded.

Last week, I was at a Cattle Commission meeting at Winfield. That meeting showed again that there is not an agreement between the cattle producers on what should be done to solve the problem. One person running for director said, you know, the government doesn't pay any attention to agriculture; it isn't doing a thing for agriculture. Quite frankly, it doesn't matter what we do for agriculture, it's not reported. In fact, of all the things I've said about agriculture, the only thing ever reported was when I recently criticized fertilizer prices. I'll tell you, that got some reaction, but not because it was agriculture. The next speaker said the government shouldn't do a thing. They should just keep their hands off. We'll hang on to the cow's tail, and we'll come through.

MR. L. CLARK: He'll pull you out of the mud, will he?

MRS. CRIPPS: Then a motion was proposed to implement a marketing board, and that was defeated. It wasn't unanimously defeated, but it was defeated. So there isn't a consistent position of the cattlemen. Quite frankly, the motion that was defeated was the only formal recommendation made at that meeting.

So two situations must be considered. One is the short term. As you know, the Cattle Commission suggested a 4 per cent subsidy across the board, a once-only subsidy, retroactive to 1980. That suggestion was given consideration by this government. The cattlemen themselves scuttled it, if I remember rightly. I'd like to say that the Cattle Commission is the only organization that has said, look, we have to help every segment of the industry. We have to look at the whole industry, not just parts of it. Some problems are inherent with marketing boards, and that suggestion was made and keeps recurring. We have an egg marketing board and a milk marketing board. They are providing a stable income to the producers. But, Mr. Speaker, these producers haven't even received an increase in their production levels that keeps pace with the population of the province of Alberta. If our population has increased 5 per cent over the last two years — and it's increasing faster than that — we certainly haven't got a 5 per cent increase in our total Canadian allotment for milk or eggs.

If the same held true for our cattle marketing board, and the province of Alberta now has 42 per cent of the Canadian share, the ultimate outcome would be that we'd lose part of our Canadian share of the cattle market. In my estimation, this is one of the most critical areas we have to assess when discussing marketing boards. I think those people in favor of marketing boards have to recog-

nize that as one of the major problems.

Certainly, Alberta cattlemen can compete on a fair and equitable basis with any cattlemen in Canada. But the implementation of subsidies in other provinces has eroded that fair market basis. The Member for Spirit River-Fairview mentioned the B.C. program. We had company from B.C. last week, and they're not even sure they're going to get a payment this year. If they do, it's going to be vastly reduced from last year. Actually, it supposedly isn't a subsidy any more. They pay \$7.50 per head on cows in an assurance program. There's no set rate what that will insure them for. They pay \$4.50 a year for 400 to 800 pound stock. But they're not sure what they're going to get this year. They said they were under the impression that the board is short of funds and they may have a vastly reduced payment.

If, as the member suggests, the government reacts on a short-term basis with a once-only payment — and I presume he's not talking about an annual payment here; at least the Cattle Commission didn't suggest an annual payment — that only solves the problem for today. As I said before, Mr. Speaker, I believe it's only fair that we look at the long-term problem. The long-term problem is markets. The beef producer must have the markets available in order to ensure a return on his production. The importance of trade with the United States cannot be overemphasized. The possibility of a west coast market in the United States has eluded us for years. In my estimation, it's questionable whether we'll ever get into a significant supply of the west coast market. The American cattlemen can supply that market. I think they'd be very vocal if they saw the Alberta cattlemen intruding on their market.

There is, however, a vast market potential in Europe and the Pacific Rim. By contrast to U.S. markets, those markets cannot be totally supplied from their own agricultural sector. I believe this is one area we can look at and make some inroads into. I know the Hon. Horst Schmid, the Minister of State for Economic Development — International Trade, the Hon. Hugh Planche, the Minister of Economic Development, and the Hon. Dallas Schmidt, the Minister of Agriculture, are actively working to promote this trade in Europe. I think it's very, very important that we use every avenue at our disposal to do that. However, I understand there are mammoth mounds of red tape which we have to cut through in order to get into those markets.

The European Common Market has just allowed 10,000 tonnes of U.S. and Canadian beef into that market. However, there is no central selling agency from Canada or Alberta which can take advantage of this opportunity and promote Alberta beef in the European countries. I believe it's critical that somehow we have a central selling agency which can take advantage of such opportunities and promote Alberta beef throughout the world. I want to emphasize this. If you've got two or three packing companies, the Alberta Cattle Commission, and the Western Stock Growers all going over to Europe and presenting a different point of view, trying to get into a market without a concerted effort. I don't think it'll work. I think we have to have some sort of concerted effort. Maybe the Member for Spirit River-Fairview was referring to that in his comment about a marketing agency of some sort.

When we were in Amsterdam, Colorado beef was featured on hotel menus. In Essen, it was Nebraska beef. They were featured outside on a great big poster that said: We serve prime Colorado beef. Nowhere in Europe

did I see Alberta beef featured. Without question, we've got the best beef in the world. All they have to do is taste it, and we'll have a market. I believe there's unlimited opportunity if we take advantage of the product we have and actively market it. The problem is compounded of course because the federal government has jurisdiction over export trade. At the recent GATT negotiations, agriculture was used as a tool, not as a high priority export item. I believe we have to use agriculture as a high priority export item rather than a negotiating tool.

The other long-term problem which needs to be addressed, and I mentioned it before, is the cost of shipping beef to Montreal, which accounts for a good portion of our market. Because of the Crow benefit, dressed beef is more important to ship than live animals. Again, this has to be resolved. I guess the long-term goal of this government must be to ensure that beef producers have the economic advantage that we have naturally of producing, processing, and feeding beef in Alberta. It might be possible to establish forward marketing to European countries, but in this case we'd have to assure a supply of beef. At the present time, that's impossible to do. We just simply can't ensure a supply of beef.

Another long-term problem is the availability of agricultural funds at reasonable rates of interest. The Cattle Commission has been working hard to develop funding proposals which would have agriculture assisting agriculture. This might be possible through the development of an agricultural trust bank, in which agricultural land sales or the moneys from cattle sales could be deposited, and then disburse funds through this trust account. The only way that would be possible is if tax benefit accrued to the depositor. Again, we're looking at a federal jurisdiction. The federal government would have to negotiate an agreement whereby this was possible through tax privileges. With the latest budget that came out last week, it doesn't look like that's a desirable goal of the federal government — just the opposite.

[Mr. Speaker in the Chair]

With regard to the consumer — and I guess that's one of the most important people in this whole beef problem — it's important to remember that the consumer buys food with cash, not credit cards. From an agricultural point of view, I have to think that's one of the most important areas of consumer purchasing and of the way the consumer sees agriculture. They don't see the price the farmer gets for the animal. They see what they're paying on the shelf. They notice any differential in the cost of the product because they buy that product with cash, probably weekly. If they believe that price difference is unjustified, they retaliate by buying another product.

Mr. Speaker, I guess we're our own worst enemies because we criticize each other. We not only say it's because grain prices are high; we criticize other areas within our own industry. I'd like to quote the feuding between farm organizations and within the industry.

For example, the price of beef goes up a little bit and everybody starts talking about it. The purebred man points his finger to the commercial man — the commercial man, at the feeder — the feeder, the wholesaler — the wholesaler, the packer — the packer, the retailer — the retailer, the trucker. Everybody within our industry is pointing his finger at somebody and saying he's the guy responsible for the price going up.

If everybody in the industry says that he's responsible for the price going up, what is the consumer expected to believe?

The price of automobiles goes up \$500 and what happens? The big executives of [Ford Motor Company] don't point their fingers at the workers — the workers, pointing at labor — labor, at aluminum — aluminum, at steel — steel, at labor — labor, at energy ... and saying: "They're the ones who are responsible." The automobile makers simply say the [price of an automobile] has gone up \$500.

And we accept it. We may complain about it, but we don't say that everybody in the industry is responsible.

The second problem I believe we have in consumer merchandising is that the consumer does not have a choice in beef. Cattlemen sell cows, heifers, and steers. They're all processed differently, and we certainly get different prices for them. But the consumer does not have that price differential or preference of meat on the shelves. Maybe we should look at the beef grading system, and maybe it should be changed so the consumer has a preference, and if he prefers a cheaper cut, has that available. The consumer tends to buy fresh meat rather than frozen. Certainly frozen meat is easier to process and cheaper to store, because fresh meat must be marketed immediately.

At the meeting I was at, the suggestion was made that the beef dollar is competing with fur coats, holidays, motor homes, and motor boats. Indirectly, it is. The reason is that beef is purchased with cash and these other things are purchased with credit. You have to pay the credit at the end of the month, and you buy food with what's left over.

As I said before, the motion only addresses the short-term problem. I believe the long-term problem is even more important. It's high time for all industry, not each one pointing at the other segment, to sit down and work toward a long-term solution. This would have to involve industry, provincial government, and federal government, because some of the long-term [solutions] have to be in export markets. I have confidence that we can all work toward a common goal of market stability and a reasonable return to our cattlemen, thus ensuring a viable agricultural sector in this province. I believe it is more important than what this motion suggests, which is the short-term goal, to address that long-term problem.

Thank you.

MR. ISLEY: Mr. Speaker, I welcome the opportunity to participate in debate on Motion 222. If there has been one single subject I've been involved in, in more meetings and discussions in the last three months in rural Alberta, it has been the beef industry and the problems therein. I agree with the hon. Member for Spirit River-Fairview in that he is at least identifying and discussing a current problem in agriculture. My agreement with him tends to cease at that point. I suggest that the solution he proposed shows the same lack of research and logic that many other positions of the the hon. member demonstrate. He spoke in the House earlier about the Saskatchewan plan put in by his idols across the fourth meridian as something extra special. I think many people are led to believe that Saskatchewan producers are receiving payment on cattle for the past, which is totally incorrect.

I have a news release from the Minister of Agriculture in Saskatchewan, the Hon. Gordon MacMurchy, dated September 15, 1981. I'd like to review briefly the main points of the Saskatchewan stabilization plan. It applies

only to slaughter beef, grades A, B, and C. Secondly, it's aimed at the producer. The maximum number of basic herd you can register is 200. You can buy an additional 50. The maximum you can stabilize is 250 head in any given year. I think the key is point 7:

Producers enrolling between now and Dec. 31 will be eligible for stabilization coverage on animals sold after Jan. 1, 1982.

So we're talking about a stabilization program that kicks in next year. The beef counterparts in Saskatchewan at this point in time are not receiving anything for 1980 or 1981.

If I look now at the specific proposal of the hon. Member for Spirit River-Fairview, to pay out \$40 per head for every calf, cow, and head of cattle sold in 1980, I'd like to point out to him a couple of inequities I see developing with that type of program. If you check market prices on November 13 a year ago on a 500 pound steer calf, the top-enders were bringing 93 cents. Today they're bringing 76. If you take that 500-pound calf and calculate the price the producer received in the fall of '80, he received approximately \$465. Yet, the producer who sold the same sized calf this year is receiving \$380. I have a little difficulty supporting a program that says we're going to give it to the producer who made the most money. I don't think any rural MLA here had unhappy cow-calf producers in the fall of 1980. They may not have been super happy, but I think most of them felt they were getting a fair return in that year.

The other real inequity I see in the proposal before this House is the discrimination it would take against the primary producer who decided in the fall of 1980 to carry his calves through the winter and background them at least until spring or maybe even off the grass the following summer. His neighbor down the road who sold his 1980 calf crop in the fall got a fairly good return. He decides to keep them, pumps more feed and costs into them, and sells them in the spring at a lower return. This program doesn't give him anything. It gives the advantage to the person the market place gave the advantage to.

I was very pleased to see that the hon. Member for Spirit River-Fairview was starting to quote the Alberta Cattle Commission as a bit of an authority. I think he's creating a dilemma for himself. I would like to take a look at the September issue of The Alberta Cattle Commission magazine, where they state very clearly:

Resolution of the Crow Rate problem remains vital to the survival of the Alberta livestock feeding industry. . . . We also wish to see a more efficient domestic feed grain marketing and pricing policy that will treat our own grain users as a priority market for Prairie feed grains.

I can't help but wonder how the hon. member can say, on the one hand, that what the Alberta Cattle Commission is saying is correct and is the advice we should be taking and, on the other hand, when it comes to the Crow rate he and the parties he tends to represent and associate with intend to do everything they possibly can to retain a Crow rate which is probably one of the greatest causes of the problems we're facing in the livestock industry in this province. But the hon. member across the floor doesn't have to be logical.

I could quote you some other examples of this same type of discrepancy. He tries to imply in his remarks today that by lending money to other provinces through the Canadian investment division of the Heritage Savings Trust Fund, somehow we're putting that province in a position where it has cheap money and can turn around

and subsidize agriculture and give it an unfair competitive edge against us. Surely, for the length of time the hon. gentleman has been here, he should realize that that province is paying as much interest to our heritage fund as it would be if it had borrowed that money somewhere else in the market. It's paying a commercial rate.

Another example of inconsistency: today he criticized the government because we're not opening public lands fast enough. Yesterday, the important things on public lands were the fish, the fauna, the trees, and the birds. But today they have no importance. The important thing today is to get out, tear up the land, and put it into agricultural production. I don't know, Mr. Speaker. I have problems with that type of logic.

I would like to look briefly at the proposals of the Alberta Cattle Commission. It's interesting to note that in their November issue they did not propose the \$40 1980 payment. They proposed a one-time retroactive support payment to all cattle producers. I think they were prepared to leave the details if it was a direction we were going to move to . . .

MR. SPEAKER: I regret interrupting the hon. member, but the Thursday afternoon time reserved for discussion of Bills other than government Bills has arrived.

head: **PUBLIC BILLS AND ORDERS
OTHER THAN
GOVERNMENT BILLS AND ORDERS
(Second Reading)**

**Bill 258
An Act to Amend
The Auditor General Act**

MR. R. SPEAKER: Mr. Speaker, on a point of order. Could the acting House leader indicate at this point in time whether the government will debate this specific Bill until it is brought to a vote, either this afternoon or this evening?

MR. HORSMAN: Mr. Speaker, it is the intention of the government to provide unanimous support, at least from the government side, to a continuation of the debate on this Bill during the evening sitting, until such time as the matter may be resolved by way of a vote. That can be done now or at the adjournment time at 5:30 p.m.

MR. SPEAKER: I suppose that implies that we now have unanimous consent to move that Bill to the top of the list. Is it agreed that Bill No. 258 will be moved to the top of the list, ahead of Bill No. 201?

HON. MEMBERS: Agreed.

MR. R. SPEAKER: Mr. Speaker, Bill 258, An Act to Amend The Auditor General Act, is to require the government of this province to do public business in the public.

First of all, I'd like to speak on the purpose of this Bill. It's an amendment to The Auditor General Act, which will require the Provincial Treasurer to table in this Assembly all management letters. At the present time, the Provincial Treasurer can do it on an optional basis: he may table them or he may not. With this amendment, Mr. Speaker, it will be very clear that any management letters that come from the Auditor General to the Provin-

cial Treasurer or to other ministers in the government will be tabled in this Legislature so the public can scrutinize the public business, the expenditures of the Heritage Savings Trust Fund, or any other expenditures by the government of Alberta. I believe it is incumbent that this government should support that kind of objective, doing public business in public.

At the conclusion of my remarks today, Mr. Speaker, I'd like to bring forward evidence which indicates great support over a long period of time by this government on that very principle, support that was in place 10 years ago that today we find is not in place. Over the last four or five weeks, the Provincial Treasurer has argued in three different areas that he *cannot* table management papers in this Legislature. He raised three arguments with us. What are they? First of all, management letters are audit working papers. The Provincial Treasurer says that Section 27 prohibits him as the Treasurer of this province from tabling the documents. I'd just like to relate to that point for a few moments, because it relates to the whole aspect of whether management letters can or cannot be tabled optionally at the present time. If this Bill is passed, it will be compulsory for the Provincial Treasurer to table them here in this Legislature.

Let's look at management letters and audit working papers. In this Legislature a few days ago, I tabled a page from the handbook of the Canadian Institute of Chartered Accountants. In that handbook, it pointed out very clearly that there is a difference between auditor working papers and management letters. If we look at Section 12 of The Alberta Heritage Savings Trust Fund Act, it says that the Auditor General is the auditor of the trust fund. The appointment is a bare appointment, unreserved in any fashion, barring anything to the contrary in the applicable legislation. The term "Auditor" should be construed in the grammatical and ordinary sense. And I quote from the book called *Terminology for Accountants of the Canadian Institute of Chartered Accountants*, 1976, page 11. *The Construction of Statutes* by E.A. Driedeger is another document I'd like to quote from. On page 2, they say:

A person who conducts an audit, either in an independent capacity or as an employee [is an] (internal auditor).

Thus, Mr. Speaker, the appointment of the Auditor General should be treated as a normal audit engagement, subject to those additional powers and responsibilities of the Auditor General set forth in The Auditor General Act. Indeed, the tenor and substantive reason for the creation of the Auditor General is for:

improving the accountability of the government, not only to this Assembly but to the people of Alberta, with respect to the collection, management, and use of the people's funds.

Mr. Speaker, that is a quote from the hon. Mr. Leitch, *Hansard*, October 26, 1977, page 1693.

Sections 18 and 19 of The Auditor General Act, prescribing the production and content of the annual reports, further confirms the view that the Auditor General must audit in accordance with generally accepted auditing standards. Both the 1980 and 1981 annual reports of the trust fund and the annual report of the Auditor General for the year ended March 31, 1980, contained wording which is taken virtually verbatim from the form of report suggested in the Canadian Institute of Chartered Accountants handbook, Section 5400.16. As we all know, in our report to the Legislature there is a standard form of reporting. I'd like to read that section, by Douglas W.

Rogers, Auditor General of this province:

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

Mr. Speaker, therefore the use of the term audit working papers, as contained in Section 27 of The Auditor General Act, must take on the meaning commonly used in the accounting profession. I'd like to quote from *The Construction of Statutes* by E.A. Driedeger, page 8. He says:

There is a principle that when the legislature selects technical words to convey its meaning it is in general to be supposed that it uses them in their technical sense.

Audit working papers, Mr. Speaker:

Section 5145.01 to Section 5145.08 inclusive of the CICA Handbook describe the purpose of working papers and documents which are normally included in working papers. Section 5145.05(e) indicates that copies — and I'd like to stress that, Mr. Speaker — of letters or notes concerning audit matters reported to the client are normally included in working papers. Section 5145.07 indicates that audit working papers are the property of the auditor. I agree with that. It goes on to state that during the course of the audit, an auditor may acquire possession of records which are included within his working papers, but which belong to the client, such as correspondence with taxation authorities. From the wording of Section 5145.07, it appears implicit that such documents may form part of working papers but are not the property of the auditor.

There is no specific reference to correspondence which may pass from the auditor to his clients. Therefore, Mr. Speaker, it's clear to me that a copy of a letter written by the auditor to the client may form part of the working papers, but the original — the original, Mr. Speaker — would be the document that would go to the Deputy Provincial Treasurer, the Provincial Treasurer, a minister, or a deputy of that respective department. That original document in the hands of the client, in this case the government of Alberta, would certainly not form part of the working papers.

Mr. Speaker, that is clear to me, based on the handbook of the Canadian Institute of Chartered Accountants. There is a significant difference between the management letter we are requesting in this Legislature and the audit working papers the hon. Provincial Treasurer talks about that are to be protected for the Auditor General of this province. I agree with that. I would not in any way want to violate the principle that audit working papers are the property of the Auditor General. That is accurate and correct, and is a long-standing precedent and convention known in Canada and throughout the world for a long period of time. But to say that the letter received by the client is part of the audit working papers is not accurate, by the evidence of the handbook of the Canadian Institute of Chartered Accountants. Mr. Speaker, that argument doesn't hold water.

At this point in time, as an inserted comment, I can only say that the Provincial Treasurer has control of the management document and other documents in his department and, if he wishes, could table it in this Legislature. But to this point, the Provincial Treasurer has attempted to stand behind a definition of audit working papers that doesn't hold water in any way. The papers can be tabled. However, after we pass this Act and accept it in this Legislature, it will be compulsory that all

management letters from the Auditor General to any minister or the Provincial Treasurer become public information in this Legislature. At that point in time, public business is done in public.

Argument number two carried on by the Provincial Treasurer is that if the Auditor General can't produce them, he can't. I wonder how that argument holds water. If we look at a manual as reference, *The External Audit One: Concepts and Techniques*, by R.J. Anderson, F.C.A., 1977, we find that working papers generally contain the auditor's record of some of the plans he made, the procedures he performed, the audit evidence he obtained, and the conclusions he drew in arriving at his final report. That's the definition of working papers. The description the manual contains of the characteristics of good working papers, Section 16.1.2, under the subheading "Completeness", omits any reference whatever to correspondence from the auditor to the client. That's very important, Mr. Speaker. It omits any reference from the auditor to the client providing recommendations on management controls. In addition, the text comments on the confidentiality of working papers. A review of Section 3.2.7 from that same manual confirms the general confidentiality imposed upon the auditor.

Mr. Speaker, there are a number of reasons for the imposition of confidentiality on auditors. From the text and the Canadian Institute of Chartered Accountants' handbook, it appears clear that there is no restriction whatever on the client using as he wishes any information he has received from the auditor. So how can the Provincial Treasurer hide behind the Auditor General of this province? The confidentiality is imposed on the auditor, not on the client. The client can use the information received as he wishes. Exit conferences took place with regard to the management papers that we want here in this province. Other discussions took place. A final summary paper was put together in terms of a management letter sent to the Deputy Provincial Treasurer. Because of his position, the Auditor General can hold the matter in confidentiality. But the client has the right to do what he wishes with that information.

So, Mr. Speaker, I can't agree with the second argument of the Provincial Treasurer, that because the Auditor General can't produce the documents, the Provincial Treasurer can't produce the documents. Evidence does not show that to be the case. The Provincial Treasurer has control of the documents in his possession. If the government wishes to be open and present all data here in this Legislature, those documents can be produced for the information of either this total Legislature or the select committee. To this point in time, the Provincial Treasurer says we as legislators do not need the information about what goes on behind the scenes in the investment of billions of dollars in Alberta. Mr. Speaker, we don't agree. That's the second argument. We don't agree with the Provincial Treasurer's argument, nor do we agree with the position he has taken in not providing us with information.

What's the third argument the Provincial Treasurer has used in this Legislature and outside this Legislature? The Provincial Treasurer has said that if he released the information, it would weaken management controls and safety. First of all, we must realize the problems we're dealing with. We're dealing with some \$8.5 billion dollars in a Heritage Savings Trust Fund. We're dealing with \$6 billion in General Revenue. In the next few years, we'll be dealing with more billions of dollars of public money. Specifically, in the case at hand that we're debating, we're

dealing with a realized loss of \$60 million in bond investment. Mr. Speaker, there's a real need for this Legislature to know what goes on behind the scenes so we can assure ourselves and the public that everything is all right in good old Alberta, that everything is just fine. Before we leave this Legislature, that is one of the assurances we must have in 1981.

The legislation with regard to the Auditor General is really different in Alberta. Every other province of Canada has legislation that requires the Auditor General to present all findings to the Legislative Assembly and to present information with regard to essential information and records. Mr. Speaker, why is it different in Alberta? Why did the government bring in an Auditor General Act that closes the door to that kind of information to legislators. There is no Act in Canada such as 19(5), that says the Auditor General can send management letters and, if they find that everything is okay, the information or the fault or mismanagement of government does not have to be revealed in this Legislature. No other statute in Canada takes that approach to the use of the Auditor General. The other provinces believe in public business being done in public. I'd like to look at some of those Acts for just a few moments.

First of all, the statute of Nova Scotia with regard to essential records, where all the information that is necessary and should be provided to the Assembly is provided. In Section 7(d):

essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public property.

This is one of the responsibilities of the Auditor General.

With regard to essential records, the province of Ontario says:

In his annual report in respect of each fiscal year, the Auditor shall report on [this is compulsory] . . . such matters as, in the opinion of the Auditor, shall be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matter related to the audit of agencies of the Crown or Crown-controlled corporations or any cases where the Auditor has observed that [and this is Section 12(2)(f)(ii)] . . . essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized.

So, Mr. Speaker, in Ontario, another fine Conservative province, we have essential records along with the discussion with regard to the rules and procedures applied being made available in the Auditor General's statement.

As well, Mr. Speaker, we have the *Revised Statutes of British Columbia 1979* with regard to essential records and the reporting of financial statements. In Section 8:

The Auditor General shall report annually to the Legislative Assembly on the work of his office and call attention to anything [anything] resulting from his examination that he considers should be brought to the attention of the Legislative Assembly including any case where he has observed that . . .

(b) essential records have not been maintained:

Mr. Speaker, we want to know what the essential records were behind the realized, actual loss of \$60 million in this province. In the reports of the auditors general of the other provinces, we would find out.

In Manitoba, for example, Section 13(1)(1)(b) reads:

Each report of the Provincial Auditor under subsec-

tion (1) shall call the attention to anything [just anything; there are no exclusions] that he considers to be of significance and of a nature that should be brought to the attention of the Assembly, including any cases in which he has observed . . .

- (b) that essential records have not been maintained or that the rules and procedures applied have been insufficient

We'll find out about it. All that will be brought to the Legislature.

In this province, we had a management document that was finally released to us through various means. We found out that essential records had not been maintained and management procedures in place were insufficient. We wouldn't have known about that. Supposedly it was rectified, but that's not good enough. Public business must be done in public.

Mr. Speaker, what does the government of Canada say about essential information and records? Section 2:

Each report of the Auditor General, under subsection (1) shall call attention to anything [there it is again: anything, everything] that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any [any] cases in which he has observed that

and (a) talks about accounts,

- (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property . . .

Well, Mr. Speaker, we're asking for essential records in this Legislature. That's the government of Canada.

New Brunswick:

The Auditor General shall report annually to the Legislative Assembly and shall cite each case where . . . there has been a deficiency or loss through fraud, default or mistake of any person . . . the circumstances ought to be reported to the Legislative Assembly.

In other words, everything is reported to the Legislative Assembly.

Saskatchewan says the same thing as well:

The Provincial Auditor shall report annually to the Legislative Assembly the results of his examinations and shall call attention to every case [there aren't any left out] in which he has observed that . . .

It goes on to talk about various items and areas. I bring attention to 26(d) of that section:

an expenditure was made for which there was no authority . . .

Here is a new area of information we haven't raised in this Legislature in this debate that has gone on for just about four weeks; that is, the case with regard to the traders buying and selling. What was the cost of each one of those trades? What expenditure was made with regard to the trader carrying on those various activities with the bonds? That's an expenditure of government. At this time, we have never had any information or detail of that kind of background; not one iota of information. Is there authority for that kind of expenditure? Where does the Provincial Treasurer get the authority to pay for the investments out there, for bonds. There must be some payment to those investment houses.

We don't know what happened with regard to the \$60 million that was a realized loss. How much did it cost the government and the taxpayers of this province to lose \$60 million? We can't even find that out. We have no ac-

counting; none at all. The government doesn't even have to tell the people of the province, to whom they are responsible, how much it costs to lose \$60 million. That's unbelievable.

Earlier, we heard a great speech in this Legislature about the government making billions of dollars in terms of investments and how great things were. But we can't even find out how much it costs to make that money. We can't even find out that kind of information. It can be hidden and kept away from us. It makes us rather suspicious. So that's why I have to bring in a Bill that says, look, all management documents — at least that's a little closer to finding out the truth and all the information in terms of government management.

Let's go on to the province of Prince Edward Island. What does it say in the little province of Prince Edward Island?

The Provincial Auditor shall report annually to the Legislature the results of his examinations and shall call attention [there's the key word] to every case in which he has observed . . .

Then it goes on to talk about items which he observes as an Auditor General, such as:

- (a) any officer or employee has wilfully or negligently omitted to collect or receive any money belonging to the province;
- (b) any public money was not duly accounted for and paid into the Consolidated Fund,
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the legislature [that would all be in his report];
- (d) any expenditure was not authorized or was not properly vouched or certified;
- (e) there has been a deficiency or loss through fraud, default or a mistake of any person; or
- (f) a special warrant authorized the payment of any money, and to any other case that the Provincial Auditor considers should be brought to the notice of the legislature.

"Every case", "to any other case" — that's completely inclusive of all information. All findings of mismanagement or inadequate management are tabled in the Legislature. Public business is done in public in that little province of Prince Edward Island, where the Fathers of Confederation set out the British North America Act and sections 91 and 92, a constitution that lasted for 114 years. And we're not changing the ground rules too much. But right in that little province that was really the heart of democracy and public business in Canada, they still have ground rules which talk about public business being done in public.

Well, Mr. Speaker, I wonder how we got misled in the west. I wonder why we feel that because we're government, because we're a large government, because we have 73 out of 79 seats, we can withhold and not disclose information to the public, to the taxpayers. These words are for the Provincial Treasurer to recall: "information to the taxpayers". I'll recall those words to the Provincial Treasurer within half an hour because of the significance, because I know that the Provincial Treasurer is a champion of the taxpayer in this province and wants them to know all the information. But that isn't the way it exists. We as legislators can't really get all the information. We've been trying to do that for four weeks. Okay, that's the little province of Prince Edward Island.

What does it say in the statutes of Quebec?

The Auditor-General shall each year report the results of his examination to the Minister and point

out any irregularity [any] he has observed which in his opinion should be indicated.

The Minister shall lay the report of the Auditor-General before the [National Assembly] not later than the 31st of December . . .

Mr. Speaker, all becomes public; all is presented again in the national assembly. I can go back over these statutes and look at the province of Nova Scotia. Its Act says:

The Auditor General shall report annually to the House of Assembly the results of his examination and call attention to every case in which he has observed . . .

That's the function of an Auditor General: to observe.

I think I earlier related to the province of Ontario with the same type of information. The province of British Columbia: I can only repeat that in Section 8, the Auditor General shall

call attention to anything resulting from his examination that . . . should be brought to the attention of the Legislative Assembly . . .

There, public business is done in public. Mr. Speaker, that's what other provinces in Canada say.

Back to the original argument: how then can the Provincial Treasurer stand in his place in this Legislature and say that when we as legislators, in the opposition and the members of the Conservative government — and the hon. Member for Calgary McKnight hasn't got the information but he rests assured that everything is great in good old Alberta. I don't know what assurance he has unless he has inside information the rest of us in this Legislature haven't got. But if I were in one of the other provinces, I could obtain all that information. There wouldn't be any such thing as confidential management letters between the Auditor General and the Provincial Treasurer. If all material, all management letters, all documentation of whatever the Auditor General is faced with is presented in legislatures in other places and in the House of Commons, why not here in Alberta?

If management controls and safety in other provinces are not affected — they do the same things as we do here in the province. We don't have an inside track on the management of economic affairs or public business. If it doesn't affect the openness that prevails in other parts of Canada, how can it affect the management controls and safety in this province? There is just no way at all, Mr. Speaker. To me, we can ask for only one thing; that is, full disclosure, just as it is in these other provinces. The section in the Act which says the Provincial Auditor in various cases cannot disclose some of the information is a little unfair to the Auditor. I'd like to talk about that for just a few minutes, but I'd like to conclude the other part of my speech.

On three counts, the Provincial Treasurer has attempted to say to us in this Legislature that the arguments he has given hold water, are substantial, are reasons for government to not give us the information, and the argument that management letters are audit working papers. Conclusively I disagree with that argument. Secondly, I disagree with the argument that because the Auditor General can't produce the information, the Provincial Treasurer can't. The management letters are in the hands of the Provincial Treasurer and, under present legislation without any amendments, it's his discretion, his option, whether or not he tables them. The responsibility lies with the Provincial Treasurer. The third reason the Provincial Treasurer gives is that we will weaken management controls and safety. I can only conclude that if other provinces are functioning well, there's good ac-

countability or an accountability in the other provinces, and the system isn't weakened there that I know of, then why can't it work in Alberta? I just can't understand that at all, Mr. Speaker.

Now what about the fact that these management letters go from the Auditor General to the Provincial Treasurer or other ministers? First of all, I want to say that I have full confidence in the Auditor General of this province. Mr. Bill Rogers is an excellent Auditor General, takes full responsibility for all his actions, has unquestionable honesty, and has good intent in all his actions as Auditor General. I am not in any way being critical of actions or responsibilities he has taken in his new position.

I think, though, that we as legislators should look at the Act which we have asked him to administer, the ground rules by which he carries out his responsibilities and functions. If we in this Legislature, and the government when they brought the Act in and designed it, would have looked a little closer at the Act so that these management letters could go from the Auditor General to the Provincial Treasurer and supposedly be kept behind closed doors, that the Legislature could not obtain all information about all cases, maybe the government would have reassessed its position. That's what I'm saying today: we should reassess that position and change The Auditor General Act so that there are no behind-the-scenes management letters; that all findings, all observations, are brought to this Legislature. That is very important, Mr. Speaker.

For a few moments, I'd like to look at the report of the Auditor General for the year ended March 31, 1980. In his report, the Auditor General discusses for us as members of this Legislature the reporting criteria he uses in accordance with the Act. And, in accordance with the Act, what he is doing is acceptable at that point in time. But I'd like to review those actions and make some observations as to why I think we should change the Act. On page 3, under Reporting Criteria, Section 2.1.1, the Auditor General says to us as members of the Legislature:

In preparing this report, judgement was exercised as required by two specific sections of The Auditor General Act. Section 25 of the Act does not require the report to include matters which, in the opinion of the Auditor General, are immaterial or insignificant.

I agree with that. That's accurate. Anything that's very minor or insignificant in the judgment of the Auditor General — and in terms of an Auditor's experience. I think he is able to determine what is insignificant or immaterial. In all fairness, I believe in all the other Acts in Canada that is one of the sections in their Acts. So I have no argument with that as a point.

But the Auditor General goes on to say:

Sub-section 19(5) of the Act allows the Auditor General to refrain from reporting deficiencies in systems and procedures otherwise subject to report under sub-sections 19(2)(d) or (e) when such deficiencies, in his opinion, have been or are being rectified.

That's what the Act says. Those are the ground rules the Auditor General can work under. He goes on to say:

These two provisions allow the report to concentrate on the more important reportable matters, including significant deficiencies in systems and procedures.

Mr. Speaker, as I pointed out a few moments ago, the role or responsibility of the Auditor General is to observe: not to make a judgment as to the right and the wrong of an item or to recommend procedural changes of kind. It says that as well in the Act. But there is this

judgment of "important reportable matters". The only thing I can say is that one of the items of very great importance to Albertans today is the realized loss of \$60 million. They're asking us as members on this side of the Legislature to hold the government accountable for that realized loss. That's why we are asking for management documents. We're asking for what happened during the traders' selling and buying. We are asking for the new management procedures in place so we can be assured that things are in good shape. We will make that judgment as legislators.

It is the responsibility of the Legislature of this province to make the judgment as to whether the management procedures are as we desire them to be. It is our responsibility to make the judgment as to whether the traders provided adequate notes or did the right thing in investing millions of dollars of the taxpayers' money here in Alberta. I want to know that information, Mr. Speaker. If we wouldn't have had the document, this management letter, passed on to us, we wouldn't have known there were some difficulties with regard to management procedures. We wouldn't have known some management deficiencies existed. We wouldn't even have known whether they were improved or not.

Mr. Speaker, that raises the question of whether that part of the Act allows for an infringement on that very basic principle of public business being done in public. To me, it does. I think we have to look at The Auditor General Act with respect to that matter. I think it's just about unfair for us to impose that kind of responsibility on the Auditor General; to bring about changes in management procedures by this government, which has been elected to take that responsibility not behind the closed doors of management but in the public arena here in the province of Alberta. If something is wrong, something is mishandled, something is inadequate, then come into the Legislature and tell how it's going to be fixed or why it is ignored. Mr. Speaker, that's a responsibility of government. They must do things in public.

I'd like to go on and read further into this report. The Auditor General says:

When deciding whether or not to exercise the powers contained in section 19(5) of the Act, the circumstances surrounding each potentially reportable observation are considered. Management assurances that measures are being taken to remedy systems deficiencies influence these decisions. In this manner

I think this is a very key statement, Mr. Speaker, in my observation and concern.

... the leverage provided by this section of the Act is used to encourage management to take corrective action on a timely basis and thereby avoid the matters being reported to the Legislative Assembly.

Mr. Speaker, I think we have asked the Auditor General right there to take on a responsibility he should not take on. It's noble for the Auditor General to want to carry out that function. I understand it very clearly. The Auditor General is saying: if I can send a management letter to the Provincial Treasurer or another respective minister in this government, the minister will then see the problem — either something has gone wrong or there is some inadequacy in the administrative procedures — and corrective action can then be taken. The minister can do it without the public or anybody else knowing about it. But the Auditor General says, yes, you corrected it; the situation is fine.

Mr. Speaker, my position is very clear. When there is something wrong in government, the public must know about it. At the same time, the government has the responsibility to take the corrective action in public and suffer the consequences. I'm going to argue that in a few moments as well. I don't think it is the responsibility of the Auditor General to concern himself with the change that should take place, or that it really happened. If the government isn't responsible enough to make the change when a situation occurs, then they'd better suffer the political consequences. Mr. Speaker, public business must be done in public. I think it's incumbent upon government.

I'd like to take a case in hand: a realized loss of \$60 million by the government of Alberta through their investments in terms of bonds. A management letter, as I've stated two or three times today, went to the Deputy Provincial Treasurer, indicating there was some inadequacy, indicating there wasn't the formality and documentation that should have taken place, indicating that:

It would appear that traders should be in a position to explain the rationale for purchases and sales transactions long after the event and should be able to provide information on the results of their activities to senior investment management. There is considerable scope for collusion between an investment trader employed by the Treasury Department and someone in one of the brokerage houses, which could result in fraud.

Mr. Speaker, the Auditor General directed this management letter to the Deputy Provincial Treasurer. Supposedly corrective actions were taken. But I don't know. I haven't the slightest idea, and I hope to find out before I leave this Legislature in 1981. Were new management procedures put in place? I don't know; neither does anybody else really know in this Legislature. I know they don't know on this side of the House. Are the traders at this point required to explain the rationale for purchases and sales transactions long after the event? Are they required to do that right now? I don't know. I haven't the slightest idea. But the rationale for Section 19(5) in The Auditor General Act, and I say this with respect, is that behind closed doors information can go on between the Auditor General and the Provincial Treasurer, supposedly to change the system. We don't know whether it's happened. We don't know what the directives were. Mr. Speaker, that's the whole of it.

If the changes did take place, the Auditor General makes a judgment as to what the changes were in management procedures. I'd like to know what they are, Mr. Speaker. That's why I feel documentation, management papers — as I have very clearly requested — should be tabled in this Legislature. It will become compulsory to table that kind of information in the Legislature. I think we should make a judgment on whether the Provincial Treasurer has taken his responsibility or not.

As I started out to say, I think it is very noble, very responsible — we are so lucky to have an Auditor General who will take on this added responsibility to notify a department about a change that's required, allow time for the department to make the change, and in turn check back to see if it's done. He knows that under that system the change takes place very well. But what comes out on the short end? What we lose by doing that is the fact that the public doesn't completely know what happens. The public of the province does not have all the information. We as legislators on this side of the House don't know what really happened. We can't have the

information. I think that's basic to government, Mr. Speaker. I think that's the most basic principle there is. To me, that has to be changed. If change occurs, it's up to the government to do it in public.

I've talked a lot about public accountability today, and I'd like to make some remarks with regard to public accountability before I close my remarks on this Bill. Am I the only one who talks about public accountability, or historically has someone else done that as well? Mr. Speaker, for just a moment I'd like to turn to a book called *Accountability and Audit of Government*, written by E. Normanton, Manchester University Press. There's a quote in the front part of this book that I think is of interest to all of us here in the Legislature and which makes my point with regard to public accountability. Public accountability is the title of chapter one. The author starts with a quote, and it reads as follows: To protect the Treasury from being defrauded, let all public money be issued openly . . .

MR. SPEAKER: The author of that book or the person who is being quoted by the author of that book, so we have a second- or third-hand quote, is not a member of this Legislature and is not entitled to express opinions in this Legislature because the people of Alberta haven't elected him for that purpose. I realize that in a debate of this kind it's quite natural that there should be a considerable amount of reference to or reading quotations, because we're discussing definitions. Of course, a very obvious example of that is in case there's a difference of opinion about a word, you go to a dictionary. Obviously, in a situation like that any hon. member should be entitled to read the dictionary definition. But here we're coming to an outright expression of opinion by someone who is not a member of this Assembly, as far as I'm aware.

MR. R. SPEAKER: Mr. Speaker, I want to say that this is my opinion, and I'd be more than happy, even humble, to accept the words of this great man Aristotle in his book *Politics*. I'm sorry, Mr. Speaker, I should have started there, but I thought I should identify the book in which it was used because it's related. But I hold the same opinion, Mr. Speaker, and . . .

MR. SPEAKER: With great respect to the hon. member, the opinion of Aristotle is less admissible in this House than the opinion of the hon. Leader of the Opposition.

MR. R. SPEAKER: Well, I only stand humble again.

AN HON. MEMBER: Prove it.

MR. NOTLEY: Down through the ages, the wisdom still prevails.

MR. R. SPEAKER: That's right. Down through the ages, this wisdom still prevails, my hon. colleague says. I guess that's right. As Aristotle has said, public business must be done in public.

Mr. Speaker, I think that is what we should believe here in this Legislature. If for hundreds of years the principle of public business being done in public has been a well-known and accepted responsibility of government, it is incumbent upon us in this Legislature to clear all roadblocks, every roadblock in our way, for the public to view or have some vantage point of the public purse.

Mr. Speaker, in the last few moments I have with you

in terms of this topic, I'd like to look at some of the other documentation I think is of significance and members of this Legislature should look at. For example, the Royal Commission on Financial Management and Accountability, which is the final report of March 1979, again only reinforces my words and my concern about public business being done in public. It talks about ways and procedures, and methods by which that can be accomplished. We in this Legislature often are very critical of the federal government as to how they handle accountability and what they do, but here their royal commission supports the very basics I've been talking about, Mr. Speaker, that public business must be done in the public.

I'd just like to bring forward one other piece of information, Mr. Speaker. I think this is really the crux of this whole argument in terms of my Bill. I'd like to look back to a piece of evidence that came into this Legislature on March 25, 1971. It was an act presented in this Legislature called *The Taxpayers' Protection Act*. That sounds very, very good. I think we have to look at it in terms of what it says. It refers to the responsibilities of the Provincial Auditor and makes the point I've been making about accountability, Mr. Speaker: how we must be accountable not on this side of the Legislature but as the Provincial Treasurer and government in the province of Alberta. I'd like to quote from this act:

The Provincial Auditor shall be the Auditor General of Alberta and, in addition to any function performed by him under any Act, shall act as a protector for the taxpayer by examining, in such manner as he may deem necessary, the accounts relating to the General Revenue Fund and to the disbursement of Public Money and shall ascertain whether in his opinion

- (a) there is any waste or needless expenditure.
- (b) the accounts have been faithfully and properly kept.
- (c) all public money has been fully accounted for, and the rules and procedures applied are sufficient to secure an effective check on assessment, collection and proper allocation of the revenue,
- (d) money has been expended for the purposes for which it was appropriated by the Legislature, and the expenditures have been made as authorized . . .

MR. SPEAKER: Order please. Is the hon. member referring to an Act or a Bill?

MR. R. SPEAKER: Mr. Speaker, I'd like to say that I'm referring to a Bill, a document placed in this Legislature which never became an Act. However, I'd like to say that now that the author of the Bill, the Hon. Provincial Treasurer, Mr. Hyndman, March 25, 1971, sits in his place on that side of the Legislature. I am asking him to create open government and accountability, to provide all information to this Legislature. In 1971, the very words of the Provincial Treasurer supported that concept. I'd like to read that section as well into the record here. I am convinced that the Provincial Treasurer really wants to present information to us. He did in 1971. I know a lot of things have changed since 1971. I know this government hasn't met all its commitments. And here, Mr. Speaker, happens to be another one. Let's read Section 2:

The Auditor General shall report annually to the Legislative Assembly the results of the examinations required to be made by him by this Act and shall call

attention to every case ...

How do you like that, eh? Every case, Mr. Speaker. Not one is excluded. To think that the Provincial Treasurer is now trying to defend an Auditor General act which excludes information from this Legislature. Now I wouldn't want to say that is a change of position, nor would I want to say any other words which are not accepted in this Legislature, Mr. Speaker. But I do not know how the government under the leadership of the Acting Premier can ... [interjection] Now that's not funny.

MR. BRADLEY: Did you vote for the Bill?

MR. R. SPEAKER: The hon. Provincial Treasurer is Acting Premier. Let's face that. That was officially documented only a few nights ago. Congratulations.

SOME HON. MEMBERS: Did you vote for it?

MR. R. SPEAKER: Well, I sure hope I did. I'm going to go back to the record and find out. [interjections] I was going to say that one of the inadequacies of the Socred government was *Hansard*. We were a little frugal, and I guess we didn't have one. Fortunately for me today, we didn't have one. [laughter]

Mr. Speaker, that clause is all-inclusive. It just takes in every bit of information. I can remember the comments about open government then: boy, we're just going to open this system right up; we're going to dig down to the bottom. I remember answering questions for days about opening up the government. How many of this, and how many of that, and how many of this one over here? How many pencils did we lose? I remember the Premier taking days asking those kinds of questions. Now he thinks they're a little frivolous. Sometimes even the members of the Conservative Party here who weren't there at that time think our questions become a little frivolous when we dig right down to the roots, right into the back rooms of the Alberta government. That was done back in 1969-70 — all-inclusive. That's what I'm asking for in my piece of legislation.

Mr. Speaker, I'd like to adjourn the debate until 8 o'clock.

[The House recessed at 5:30 p.m. and resumed at 8 p.m.]

MR. NOTLEY: Mr. Speaker, in the absence of the Leader of the Opposition, I am sure that hon. members would not want to bring this important debate to a close so quickly. I certainly welcome the opportunity to participate in the debate on second reading of Bill No. 258.

Mr. Speaker, I would like to begin by referring to a document called Guideposts of the Progressive Conservative Party of Alberta, first introduced by just Peter Lougheed, not a member of the Legislature at that time, in a speech to the Alberta Progressive Conservative annual meeting, January 29, 1966; subsequently ratified and approved at the next annual meeting, November 25, 1967. At that time, Mr. Lougheed was the hon. Member for Calgary West.

Mr. Speaker, I think the first of 12 guideposts is really quite important, because it's at the heart of what we're discussing now. Guidepost No. 1:

We believe that public laws should be made in public. This principle must be protected against the comfortable drift to government by cabinet or through Order in Council. It must be applied to open the doors of federal, provincial, or any other conferences whose private decisions today profoundly affect our future. The public has a right to know.

That was very sound advice on January 29, 1966; equally sound on November 25, 1967. It is essentially the heart of the debate now taking place on Bill No. 258.

Mr. Speaker, there have been two views on the question of the responsibility of tabling management letters: with respect to Section 27, the opposition view that "audit working papers" is left undefined in either The Auditor General Act or The Financial Administration Act. That means that the Provincial Treasurer has the discretionary authority to determine that management letters are not working papers, and thus may table them. Further, standard industry practice should lead the Provincial Treasurer to so determine. On the other hand, we have the Provincial Treasurer's view which is: although left undefined, audit working papers definitely include management letters, thus the Auditor General and the Provincial Treasurer are prohibited from offering these letters for tabling.

Mr. Speaker, I want to just underline one point at this stage. As I see it — certainly my intention when the suggestion was made that both the hon. Member for Calgary Buffalo and I might co-sponsor this Bill — Bill 258 would simply clarify and make mandatory the provision that management letters would be tabled. It is not — and I want to underline this — a tacit recognition that that power no longer exists. It is simply to clarify, to make it crystal clear, to remove any doubt, and in fact to oblige the Provincial Treasurer so to do. But as I review the legislation presently in place, Mr. Speaker, it's my submission that notwithstanding Bill 258, the Provincial Treasurer still has all the necessary authority, should he choose, to table the management letters which are the centre of the current debate.

I don't think there's any doubt that these management letters are important. Frankly, I think it's rather regrettable, particularly for a party that campaigned in 1967 and 1971 on a need for open government, that important information such as the management letter on the year-end March 31, 1980, can only become public because it is leaked to someone in either the press or the opposition. I think that's offensive, Mr. Speaker, because this is the kind of information the public has a right to know. It's regrettable, whether it occurs in Ottawa or in other provinces, that the kind of information which the citizenry of this province should be able to possess, becomes available only from time to time because someone leaks it to the press or sends it to a member of the opposition. Surely in a democratic society, there has to be a better way of dealing with the public business than depending upon little snippets of information which some public servants risk their careers in making available to the press.

It's rather interesting to hear a little bit of the argumentation on the other side and people getting a bit agitated. But having attended the constitutional conference as an observer in 1980, what was the major focal point of the discussion? It was a leaked document on a position paper, a strategy paper the federal government was going to adopt with respect to unilateral action on the constitution. Quite properly, the premiers were objecting to that document. But the point was, it was a leaked document.

I think this sort of information, that led to a whole host of questions before the trust fund watchdog committee on the management letter — these are the kinds of questions that should come because we have tabled in this Legislature the kind of information that allows not only the members on the watchdog committee to do their job properly, but indeed the citizenry of Alberta to be able to assess the performance of everyone, but most particularly, the performance of the Provincial Treasurer.

After all, the Provincial Treasurer has told us that he's responsible. He accepts full responsibility. Mr. Speaker, he must accept responsibility for the kind of control system that is in place. I want to come to that in a moment too because, in my view, we've had an awful lot of misleading representation by members of the government that this kind of information would singlehandedly destroy the control system in place.

Mr. Speaker, as the management letter for the year ended March 31, 1980, observes, there really isn't much of a control system in place. The Auditor General says:

At the present time, there is no formal plan for the investment of such funds to be used as a performance measurement tool and no formal organization structure for approval, implementation and reporting. . . . This office recommends that an organization structure be instituted whereby an umbrella group such as the AHSTF investment committee or the Treasury Board after Cabinet has outlined the overall investment strategy, approve a formal annual implementation plan prepared by the Treasury Department for the investment of residual funds.

In his remarks before the Assembly this afternoon, the hon. Leader of the Opposition talked about the Auditor General's concern with respect to investment sales. I think it's just worth repeating:

it was not possible to obtain from the investment manager a precise reason for these sales because of the time lapse between the transaction date and the examination and because of the high volume of business. Also, it was not feasible to review the substance of the transaction through analysis because of the inability to determine which investments were acquired with the proceeds of the sale.

In other words, Mr. Speaker, much of the information we were attempting to get in the question posed by the hon. Member for Calgary Buffalo is probably going to be impossible to get because the so-called control system, that the Provincial Treasurer warns we may destroy with a single stroke of a pen or the release of a document, was obviously not there. And then it goes on, Mr. Speaker:

It would appear that traders should be in a position to explain the rationale for purchases and sales transactions long after the event and should be able to provide information on the results of their activities to senior investment management.

And then the more well-discussed quote:

There is considerable scope for collusion between an investment trader employed by the Treasury Department and someone in one of the brokerage houses, which could result in fraud.

To be fair to the employees of this government, the Auditor General made it very clear when he addressed the heritage trust fund watchdog committee, that there is no evidence of any collusion or fraud. But the point is, as members of this Assembly, if any of us are going to be able to face our constituents, we must know that the kind of control system is now clearly in place, that would remedy what in my judgment is a rather searing indictment

of the lack of management plan for the investment of the securities division of the heritage trust fund.

None of the members of the House should be cavalier about this question, nor should we take excuses lightly. This province has had large surpluses for a long time, the accumulated cash surplus as far back as 30 years, since the discovery of oil in Leduc. After 30 years of handling large amounts of money, largely in terms of short-term securities or bonds and debentures, if, as of March 31, 1980, we still don't have any formal plan to be used as a performance measurement tool, one really has to ask where this government has been for at least nine of its 10 years in office.

It's fine to say we've corrected it and ask all the members of this Assembly to exercise blind faith and say everything is fine, it's all looked after. But this government's been in office for 10 years. For nine of those years, large amounts of money — amounts so large that just before the last election was announced, almost before the writs were issued, we were able to hand over a billion dollars from the accumulated cash reserve of the province to the municipalities. Nine years into the Tory regime, we now find the Auditor General saying there is no formal plan for the investment of such funds.

Mr. Speaker, it just isn't good enough that the Provincial Treasurer, the Premier, or any of the hon. members in this Assembly, come before us and tell us it's all corrected. We don't need to ask any more questions. If we find out additional information, somehow we're going to cripple the control system. The point the Auditor General has made is not going to jeopardize the investment of funds. What it does, more than anything else, is rip away this government's reputation for being such shrewd handlers of public funds.

I want to deal with this matter of the release of management letters in a somewhat different light for a moment, and contrast it, as the hon. Leader of the Opposition did, with other provinces. I won't go into the detail of Prince Edward Island that the Leader of the Opposition spent some time discussing, nor Quebec. But if you look at the provinces of Ontario, Manitoba, and British Columbia, there is a procedure. I think it's fair to say that in these provinces the Auditor General is not required, as a matter of course, to table the management letters. But in Ontario and Manitoba, should there be a request from the public accounts committee, those letters must be filed with the committee. Of course, public accounts committees are open. And in most provinces, public accounts present an annual report to the Legislature. The point that has to be made, and the Leader of the Opposition quite properly made it this afternoon, is that if this kind of information can be tabled in other provinces — in Prince Edward Island; in Quebec, as a matter of course; if the public accounts committee in Manitoba can request it, and the public accounts committee in Ontario can demand it, and it doesn't destroy the control system in terms of the management of those provinces' finances — I simply say to the members of the Assembly, on what basis is it going to cripple the control system in Alberta?

The members of the Assembly who oppose Bill 258 have the clear obligation to set out, in no uncertain terms, on what basis Alberta is so different. It's fine to say we have more money in Alberta because of our heritage trust fund. But we all know that other provinces, from time to time, have significant cash surpluses too, and also have to deal with their cash surpluses in the same way we formerly had to deal with the accumulated cash surplus of the

province, and now in large measure the heritage trust fund plus additional funds in the accumulated cash surplus. If the control system isn't going to be crippled in other provinces, then in my judgment the question must clearly be put to the government: on what basis is it going to be seriously undermined in Alberta?

I would just refer to *Hansard* November 2, 1981. I put a question to the hon. Provincial Treasurer:

what assessment has been made by the Provincial Treasurer's department of other provinces, including the province of Ontario, where upon request these management letters can ... be tabled before [the] Public Accounts [Committee]?

And the minister's answer:

Mr. Speaker, in this province we make laws for the benefit of Albertans by Albertans in this Assembly. That's what we did in 1976, and we will follow those laws.

Ringier statements, but not an answer to the question, Mr. Speaker. We go on to ask that question over and over again and, unfortunately, as I carefully review the minister's answer ... A question down the line. The hon. Provincial Treasurer:

I'm just suggesting, Mr. Speaker, that when the independent accounting and auditing authorities in this country have met, they have made it very clear that the auditing and control systems in the province of Alberta are among the very best in Canada, if not North America.

There is much that is first rate about our system, no question about that. But where deficiencies are uncovered by the Auditor General, we must satisfy ourselves that these deficiencies are remedied. When other provinces can, through their public accounts committees, appropriately examine in public what corrective measures have been taken, it simply isn't good enough, Mr. Speaker, to slam the door closed on the procedures in other provinces and say, what may work in Manitoba, Ontario, Quebec, or Prince Edward Island, somehow doesn't apply here. Everybody else is out of step except the province of Alberta.

Mr. Speaker, there's very little doubt in my mind that this Legislature would benefit from moving forward and acting upon Bill No. 258. I very carefully read the comments made to the heritage trust fund committee by Mr. Rogers, who incidentally I have an enormous amount of personal respect for. I think he's one of the really outstanding public servants of this province. Mr. Rogers points out that while there is no evidence of collusion or fraud — and I want to underline that, because we want to be fair to the people working in the department — nevertheless, that assessment was made on the basis of evaluating 78 per cent of the transactions, not 100 per cent.

In fact, the only way the Auditor General could review it, because we didn't have this information taken down, we didn't note the time of day the transactions were made, we didn't note what the money was used for — if we sold one set of securities, what securities were purchased in place. All we could do as a performance measurement, if you like, was examine the price: was that the highest price? The Auditor General says, yes it was, but then he corrects himself and says, in most cases; not that in 78 per cent of the cases it was always the highest price, but in most cases. [interjections]

So, Mr. Speaker, while that goes some distance to alleviate the concern, no member of this committee can stand in his place and say that that gives a total clean bill

of health to the performance of this government, particularly when one reads it in the context of the management letter. After all, how could the Auditor General be any more specific than he was in the management letter. Since one or two of the members seem to be objecting, let me just underscore again:

There is considerable scope for collusion between an investment trader employed by the Treasury Department and someone in one of the brokerage houses, which could result in fraud.

It's not the Leader of the Opposition talking, not the Member for Calgary Buffalo or me. This is the Auditor General, Mr. Speaker. While he indicates that he did not find evidence of fraud, nevertheless the Auditor General admits it was based on 78 per cent of the transactions, that the only performance measurement was the price, and that not in every case was the price the highest. So for this government to pat itself on the back and say there is a complete clean bill of health, Mr. Speaker, is stretching things somewhat considerably.

Mr. Speaker, I don't want to go through the extensive testimony the Auditor General made available to members of the heritage trust fund watchdog committee, except to say that throughout it there's one particular observation that the Auditor General made. I asked him whether or not he was completely satisfied. The Auditor General said that as an accountant he could never be completely satisfied. Neither should we, Mr. Speaker, until we have clearly outlined in this House what steps have been taken to ensure that the heritage trust fund has been invested in the most competent, straightforward, and honest way.

In bringing my remarks on this Bill to a close, I would like to say again to members of the House that one of the most vital principles in our system of parliamentary government is at stake, and that is that the public funds in fact must be fully accounted for in a public way, and that the public does have a right to know. After all, Mr. Speaker, why should we have public accounts in the first place? If one looks at the history of public accounts in our parliamentary system of government, there is the most incredible collection of detail on virtually every expenditure of government, because that is part of our system. Our system is based on control of the purse strings by our elected representatives. You can't have control over the purse strings unless you have full accounting.

The reason we have an opposition member heading the public accounts committee in every Legislature to my knowledge in the entire Commonwealth of Nations is because of the principle that the public business should be done in public and that the scrutiny of investments should be examined in a way where there can be no question at all that any information is hidden. Mr. Speaker, we're dealing with the taxpayers' money. We're dealing with money that belongs to all Albertans. We must be assured that a control system is in place which is sophisticated enough not only to deal with the \$8.5 billion in the fund as of March 31, 1981, but the potential for growth is enormous.

One observation Mr. Rogers made during the testimony before the committee was that there had been a decline in the amount of the Heritage Trust Fund that was invested in short-term securities. That's true, Mr. Speaker. But while it's true in the last few months, none of us in this House is so naive as to assume it's going to be true over the months ahead, nor did Mr. Rogers even imply it would be true in the years ahead. Between now

and 1986, if the figures compiled by the two energy departments, the federal energy department and the provincial energy department, are correct — and I certainly hope they should be, because it has taken all sorts of confrontation, argumentation, and everything else over a period of almost two years to arrive at a mutual set of figures, so I assume at least those figures have to be right — we're going to have in the neighborhood of \$19.2 billion plus interest going into the Heritage Savings Trust Fund, assuming we continue the 30 per cent allocation, under the terms of that agreement. Mr. Speaker, a large part of that is going to be going into short-term securities. If the control system we have in place on this one aspect that the Auditor General brought to our attention in his management letter was important in 1980, it's going to be even more important in the years down the road.

So, Mr. Speaker, I think this Legislature in total would be completely remiss were we not to make it clear at this time that reasonable steps can be taken. Among those reasonable steps, first of all, would be, as Bill 258 suggests, that:

"management letter" means a report made by the Auditor General, after examination of a department, Provincial agency or Crown-controlled corporation pursuant to section 28.

A copy of every management letter shall be tabled in the Legislative Assembly by the Provincial Treasurer at the first available opportunity.

In addition to that, Mr. Speaker, I think it is equally important that while that would be tabled in the fall session of the Legislature, this kind of information should be made available to the special legislative committee on the Heritage Savings Trust Fund. I think that committee made the right decision this fall when we asked Mr. Rogers to come before the committee. And I applaud the government members who supported that initiative. That's a good one. We should do it as a matter of course. No question about that. The very first set of meetings we have should be with the Auditor General. But I say to members of the House, Mr. Speaker, that not only would the watchdog committee be better able to perform its responsibility if we had access to these management letters as a matter of course, but all members of the Assembly would as well.

So in summary, what's at stake here is not the kind of unreasonable request some have suggested, but I think a request that is consistent with our parliamentary system, with our democratic system, and with a recognition that this money belongs to all Albertans. As a consequence, all Albertans have some significant rights in having placed before this Assembly the kind of information they need in order to judge not only how well the government is doing but indeed how well all members of the Assembly are performing their responsibilities in terms of the investment of the Alberta Heritage Savings Trust Fund.

MR. SINDLINGER: Mr. Speaker, I'd like to make some comments with regard to Bill 258. To start, I'd like to make four short quotes from a Royal Commission on Financial Management and Accountability and make my comments around those quotations.

The first quotation is with regard to accountability. Mr. Speaker, in my judgment, this Bill deals with exactly that. It is the essence of our function in the Legislative Assembly. It starts by saying that:

accountability is the most important part of our democratic form of government. It is the liability assumed by all those who exercise authority to ac-

count for the manner in which they have fulfilled the responsibilities entrusted to them.

I believe that's true not only of the members in the government, who have authority, but also for the members in the opposition. I believe we have done that, by conducting the thorough, intensive, and extensive review of the Heritage Savings Trust Fund that we've carried out over the last four weeks.

I believe that most of the government members recognize that fact as well. Certainly, it's shown in the remarks made by the Member for Lethbridge West, who said that the opposition is doing a good job in bringing these things to the surface. The Member for Edmonton Whitemud has said the same thing, that he is glad to see the opposition conducting a review of the Heritage Savings Trust Fund, as we are doing now. Finally, it was also said by the Member for Edmonton Mill Woods who, on Friday, when he spoke on second reading of this Bill, indicated that he thought it was good that the opposition members did this and, indeed, that they were fulfilling a responsibility they had. He also went on to say that the members in the opposition should assure themselves beyond any reasonable doubt that what they were doing was in the best interests of those they represent. I believe that is what we are doing.

The second quotation I'd like to refer to is:

Parliament has not only the right, but the duty to seek out and draw attention to shortcomings in the government's conduct of the province's business.

I believe that's what we're doing. Of course, the question was in our minds whether or not it was judicious or prudent to do that when we first had the memorandum from the Auditor General to the Deputy Provincial Treasurer.

MR. PAHL: If the hon. member wouldn't mind, I'd like to raise a point of order.

MR. SINDLINGER: Mr. Speaker, since he's asking me if I would mind or not, I would respectfully ask him if he would keep his comments until I've finished speaking, and then he would have ample opportunity to express them, just as I have.

MR. SPEAKER: The hon. member is raising a point of order. Although he may be shrouding that in some courtesy, it seems that it must have some priority.

MR. PAHL: Thank you, Mr. Speaker. My point of order is simply this: I appreciate being quoted, but I would appreciate even more so being accurately quoted. What I said in my remarks that the hon. member has referred to is:

I think he has a responsibility to his constituents to act as a legislator and to look at the broad view and satisfy in his own mind, within a reasonable level, that the Assembly and its servants and members of the government are accountable for their actions.

MR. NOTLEY: That's what he said.

MR. SINDLINGER: That's indeed what the hon. member said. I have *Alberta Hansard* for November 13, 1981, in my hands too. I had attempted to paraphrase rather than quote directly. [interjections] So I thank you, Milt, for bringing that to our attention tonight.

The second point I quoted here — and I did have this one right, because I read from here as well — was that

the members of this Legislature have

not only the right but the duty to seek out and draw public attention to shortcomings in the government's conduct.

The third point in here, which is very appropriate to this government is this:

In the absence of a requirement to account adequately for the conduct of their affairs, departments and agencies have been under little compulsion to husband the resources available to them, particularly in years when funds flowed freely.

By going through these estimates, we've seen that that's applied in this particular case. There were no adequate definitions of programs or policies for those expenditures under the capital projects division. We had programs initiated, and it was stated that the ultimate expenditure on these things would be such-and-such. And as we went down the columns, we found that in a majority of cases the project parameters had been exceeded.

The final quote I'd like to take from this royal commission is this one. It says that in order for the opposition or any Member of the Legislative Assembly to do their function properly, there has to be full disclosure:

Full disclosure of all relevant information is an essential requirement for full accountability by government to both Parliament and the people.

I believe that's true, and I'll come back to that when I conclude my remarks.

Mr. Speaker, when the Auditor General appeared before the heritage fund committee, he took pains to establish two things. The first thing was in regard to the independence of the Auditor General. He cited various passages from The Auditor General Act which indicated that in fact the Auditor General was an independent entity from the government. He pointed out that the Auditor General was an employee of the Legislative Assembly, and those things that he did were to be for the Members of the Legislative Assembly. A second thing he took great pains to point out was what he was responsible for reporting. He referred to several sections of The Auditor General Act.

The most relevant section in my opinion, however, is Section 19. Section 19 says, in general, that the Auditor General shall conduct certain investigations and he "shall report to the Legislative Assembly". It's not a discretionary matter, Mr. Speaker. It's not a case where the Auditor General may do this or may not do that. The Act is quite specific; it says that the Auditor General "shall" do this. He "shall report to the Legislative Assembly" those instances where he has noted anomalies or improper ways of doing things, where there's a collection of government funds, problems with disbursements of government funds, problems with management and accounting control procedures, and other things of that nature.

There is a provision further on in that Act, Mr. Speaker, which does introduce an element of discretion for the Auditor General. It's at the point where it says that if the Auditor General finds something wrong or improper in the conduct of the government's business, he may bring it to the attention of those responsible for it, or to the head of a particular department. He may do that at his discretion. But there's a caveat to that as well, a qualification. He may do that for one year. But if it doesn't improve over the next year or the year after, he must then bring it to the attention of the Legislative Assembly. It's not a matter of discretion any longer. It's something that the Auditor General "shall" do.

What was interesting throughout the heritage fund committee meetings this fall, Mr. Speaker, was the revelation that the report on the Heritage Savings Trust Fund that we were getting — we the watchdog committee and, indeed, all the people of the province — was not the complete report. It was only part of a report. It was the part of the report that one can find in any audited statement, whether it's public or private. That's the beginning of the audited financial statements. That says simply that the Auditor General has conducted tests that are in accordance with generally accepted accounting standards and practices. That's all we've been seeing for the last six years of the Heritage Savings Trust Fund.

However, this year we've learned that that's only part of the report the Auditor General has been preparing. In addition to that, there is another report that's been referred to as the management reports. That's been kept confidential and private between the Auditor General and the departments concerned, and in the particular case we've revealed over the last few weeks, the Treasury Department. That document in itself is not that extraordinary, Mr. Speaker. It deals with common problems that one can see with any private practice or business and, I would venture to say, in governments as well. Most things in that report are fairly innocuous. For that matter, most of the things in that report were in the report of the Auditor General given to the Legislative Assembly.

However, Mr. Speaker, one particular item in there had not been revealed before. It dealt with a matter that was not new either. It dealt with something that has been reported in the Heritage Savings Trust Fund annual report for three years now, and that was in regard to the sale of marketable securities. I've tried very carefully, when I've discussed this matter, to stick to the words used in the annual report and the words that were used by the Auditor General. I have tried over and over again to emphasize that what I am saying are not my words; they're not my opinions. They are the expert opinions of others. They come from an authoritative and credible source — they have to be — from the Auditor General and from the annual report of the Heritage Savings Trust Fund.

The \$60 million loss referred to quite recently is in fact a loss. It has been said that people in general do not understand what a loss is. I cannot help that, Mr. Speaker. Those are not my words. Those are the words used in the annual report. If those who prepare the annual report feel there is going to be misunderstanding, then I think it's incumbent upon them to change the words. If it's not a loss, then let's report it as whatever they think it is, if they can in fact substantiate that.

Mr. Speaker, I'd like to come back to Section 19 of The Auditor General Act, that one provision or caveat at the end which outlines the responsibilities of the Auditor General, which says that if the Auditor General thinks he can accomplish remedial action by bringing a matter to the attention of the department, he may do so if he deems appropriate. I think I can understand that. The Provincial Treasurer from time to time has said the Auditor General has to have that privacy, that confidentiality, so that he can bring these things forward with all candor; that if he knew it was going to be [made] public, he might not bring that information forward.

There are two points there. First of all, I don't believe it's the Auditor General's position to make that judgment. I believe that we in this Legislative Assembly have been the ones elected to assume that responsibility. It is not the responsibility of the Auditor General to determine what

would or would not make good public news. His responsibility is to report to his employers; that is, we the Members of the Legislative Assembly and not just the members of the government.

The second point in regard to that section. If that caveat is to be effective, if the Auditor General is to take things in confidence to the relevant department, it says that, in essence, if he is to do so, he may do so if he thinks it will ameliorate the problem. Perhaps that would work for one year. But, Mr. Speaker, the \$60 million loss we've been talking about did not occur in one year. In fact it occurred over three years. In the first year, there's a loss of almost \$13 million. In the second year, there is a loss of over \$43 million. And in the subsequent year, there was a loss of over \$3 million.

The question that arises from this, Mr. Speaker, is: why wasn't this reported after the second year? Why wasn't it reported after the third year? We have a right to know what is happening with the heritage fund money. Given the magnitude of that money, and the symbolism in the heritage savings fund, it's incumbent upon every last member of this Assembly to assure every last person in this country that it's being managed responsibly.

Mr. Speaker, when I was a member of the government, and even now, I believe in general and overall that that responsibility has been met. However, when there is confidentiality of this type, it just breeds suspicion. The best thing anyone can do in a situation like this is simply come clean. There should be no attempt to keep anything back. For example, the largest loss in that fund occurred when there was a \$43 million loss, the end of the accounting period March 31, 1980. That showed up in the annual report. It wasn't very long after that, that there were resignations from three key people in the Treasury Department, one of whom was responsible for the day to day operations and sales transactions of marketable securities. Mr. Speaker, I'm not inferring and I don't intend to infer that there was any collusion or fraud, but I'll address that in a minute. But the problem is: when the government isn't open about these things, it raises these questions, and they breed upon themselves and multiply.

The thing about that \$60 million loss that is so interesting at this particular time is that the Auditor General — notwithstanding the comments made by the other members here, notwithstanding the remarks made in committee — wrote in his memorandum to the department that it was not possible to identify the "precise reason for those sales". That's a fact. It's in black and white, and he wrote it. They're not my words. It's not my opinion. This led him to draw the obvious conclusion that there was "considerable scope for collusion" and fraud: again, his words, not mine. The thing about that, Mr. Speaker, is that the Auditor General cannot, he is in no position whatsoever to say decisively and conclusively that there was not fraud or there was fraud. There is not one person who can say decisively and conclusively that there was or was not fraud simply because, as the Auditor General says, accounting records were not adequately kept for these transactions.

So it's not good enough for anyone to stand here and say there was fraud, there was collusion; there wasn't fraud, there wasn't collusion. The fact is, nobody knows. My opinion is that there probably wasn't fraud or collusion. But I have another suspicion, Mr. Speaker: that that money, those losses, need not have been taken. That's difficult to tell, because we don't have all the information. But if one looks at the annual report, and looks at various sections, particularly the deposits, cash deposits

in the Consolidated Cash Investment Trust Fund of government — look at the beginning balance April 1, 1980. The heritage fund had \$44.1 million in the Consolidated Cash Investment Trust Fund. At the end of the year, it had \$42 million. That's a pretty even balance throughout the year, \$44 million to \$42 million.

Yet if one goes through those annual statements, it can be determined that the interest earned on that money was about \$30 million. One doesn't need a calculator to take \$30 million interest on a balance of \$40 million and work out the interest rate. That's 75 per cent. One might say it's pretty good that the government's paying the heritage fund 75 per cent on its money. Mr. Speaker, I doubt that it has. All one has to do is look at the quarterly reports and see what the balance has been in the Consolidated Cash Investment Trust Fund. It's not been \$44 million. It's been almost 10 times that. It's been in the order of magnitude of \$450 million. That's not just for that accounting period, Mr. Speaker. That same pattern has been repeated every year of the Heritage Savings Trust Fund.

What has happened is that the cash deposit from the heritage fund and the Consolidated Cash Investment Trust Fund has been cleared out every year just before the end of the accounting period. Why? It's hard to say why when we don't have adequate information to assess. I suspect it's due to a cash flow forecast problem of the provincial government in the conduct of its normal course of business. I suspect the government has needed funds from time to time to execute its programs. I suspect the government has needed the money to follow through on its capital projects from the Heritage Savings Trust Fund and, rather than go to the bank and borrow it, they've gone to the Heritage Savings Trust Fund and borrowed it. Mr. Speaker, what is disconcerting about that is that it's impossible to determine what interest rate the government has been paying the heritage fund for the borrowing of those moneys. In the shortfall in its cash flow forecasting problems, I think the government has not only borrowed money for its normal programs but I think there's also a possibility that, over the years, its been manifested in the need for special warrants.

Mr. Speaker, all these things are difficult to substantiate; they're just suspicions. I suspect they'll remain suspicions until we can come up with some more quantitative material. I'm afraid that as time goes on and this fund grows larger, the suspicions will grow with it. Sooner or later not only this government but the opposition, too, is going to be held accountable for it.

When it comes to the heritage fund we have a problem with accountability, because we don't have what people normally refer to as a system of accountability similar to that in private practice. The question is asked: who represents the people on this fund? The answer obviously comes back, we do. Mr. Speaker, I submit to you that that's not good enough. If we continue with that analogy, in effect we have a conflict of interest. We have a situation where in fact we have students grading their own examination papers. Sure, we can all sit here and say we're accountable, and we're answerable to the people. But on the same hand, these same people make the management decisions. They're being asked to report on those decisions they themselves made.

Mr. Speaker, in private business and large corporations, for the most part boards of directors are usually outside people. There are people who sit on the board of directors who come from management and represent the officers of the company, but the majority are usually

outside. Those directors do an annual audit — not a four-year audit or four-year accountability period like you might say the government does with its four-year elections; they do it every year. They form audit committees with independent directors and independent auditors. Those people do the auditing. As independent, outside directors, those people grade the exam papers. The managers or officers of the company do not do that themselves.

Mr. Speaker, I think we're going to have to have a restructuring of the accounting structure of the Alberta Heritage Savings Trust Fund. These things aren't new; that's not a new thought on my part. As a matter of fact, my predecessor said the very same things when he stood here when the heritage fund was being debated. At that time, he was the only one making these reservations about the heritage fund. As it is now, only one word applied to this situation; that is, accountability. In 1975 and '76, that word was used over and over and over again in those original debates. It was an issue the government had to address, and it addressed it again and again and again. In reply to those concerns, as an afterthought, the standing committee of the Legislature on the Heritage Savings Trust Fund was established. It was referred to then as a watchdog committee, and from time to time now it's still referred to as a watchdog committee.

Despite the high quality and calibre of the individuals on that committee, despite the best efforts of the members of that committee, I'm sorry to say that that committee has failed. It has not been able to do its job. It's not because of the members on the committee. It's because of the structure within which they've had to work. Until that structure is changed, they won't be able to do their job. As long as they are unable to do their job, the members of this government, the members of this opposition, we all as politicians, will be looked upon with a lot of concern by others outside.

Unfortunately, politicians don't have the greatest credibility in the world. I've been here among politicians; am one myself. I believe we're all very sincere and well intentioned. We fulfil our functions and responsibilities as best we can. But it's no good to send us out to do a job with a teaspoon when we require a backhoe. We have work to do, and unless we have the proper tools to do it with, we'll never do it.

In response to that cry for accountability, the Premier said there would be four ways it could be accomplished. One of them was the watchdog committee. In my opinion, I submit that it has failed. Another way was for members of the opposition or the government to introduce resolutions which would deal with advice on how to invest or not invest, how to handle or not handle, how to disburse funds. I haven't seen any of those come in, and I doubt that any will. Even if any did come in, I doubt that they would be given much consideration.

In my judgment, Mr. Speaker, the last words the Member for Calgary Buffalo said in the debate were pretty prescient. I think it required a great deal of foresight. With hindsight over the last six years, I can now say that as events are unfolding, that member has been proven to be true. I know that member but not very well. I only met him after I was elected and spent two short occasions over lunch with him. But this was one major concern he had in his mind and one major fight he had when he was here. At the time, he didn't get much support from his fellow members. What that member said then, I concur in now. I think most members are going to hear those words again sometime. It was very simply that

governments in the future will rise and fall on the heritage fund. All governments rise and fall eventually; the political pendulum always swings. But in this case, there's one issue, the seeds of which were sown at the very beginning. Unless we build our castles on more than sand, they're bound to tumble.

MR. MUSGREAVE: Mr. Speaker, I would have some difficulty being quite so eloquent as the hon. member, but I would like to point out a few things. First of all, he mentions that until this year he wasn't aware that he could have information or that the Auditor General didn't have to report every single item he came across in his audit. I suggest that he look at the Auditor General's report of March 31, 1980. In the reporting criteria, the Auditor General mentions that

... the Act allows [him] to refrain from reporting deficiencies in systems and procedures otherwise subject to report under subsection 19(2) ... when such deficiencies, in his opinion, have been or are being rectified.

He mentions the fact, too, that in the past the heritage fund hasn't had any good suggestions that have been considered. In my hand I have a copy of a report called *Thinking About the Alberta Heritage Savings Trust Fund* prepared by the Council for Community Development in Cambridge, Massachusetts, which I suggest is a very good report. Unfortunately, it's been disowned by the people who commissioned it.

Mr. Speaker, I'd like to deal with a few items the hon. Leader of the Opposition mentioned when he referred to the several Acts. I agree with the Member for Calgary Buffalo that, yes, the previous member from that constituency had some serious concerns about the management of the fund, but mainly because it was a unique fund. It was something different that is not normal because it's not very often that governments have surplus moneys they can invest and look after as we have in the case of the heritage fund. It was a basic opinion the hon. gentleman had. He expressed it freely in caucus; he debated it here in the House. We knew where he stood on the particular issue. As time goes on, I think we'll probably see some changes that reflect the concerns he made.

But I would like to go back to the hon. Leader of the Opposition. He mentioned all the various Auditor General Acts and said all the things they were supposed to say. While he had the various Acts, I found it unique that he didn't have any of the reports of the auditors general that showed what they actually reported to the legislatures of those various provinces. Most of those Acts are designed to cover a situation where the government is receiving money into the till of the Legislature. Those Acts are framed so that the money is honestly handled, so that assets acquired are honestly accounted for, and things of that nature. Naturally, they spell out that any theft, misappropriation, or fraud should be reported immediately. None of those Acts was designed or written with a heritage savings trust fund in mind.

I'd like to make just a few points. The hon. Member for Calgary Buffalo mentioned the Auditor General and some of the things he commented on. First of all, in the case of the audit itself, he posed a question to the Auditor General:

... were there any areas in your audit that you were unable to cover or tests you were unable to apply because of lack of time or lack of staff or because there were not original source documents or receipts?

Mr. Rogers' reply was:

No, sir. We carry out a systems-based approach, and there was no lack of records that we experienced at all.

Likewise, Mr. Speaker, the Member for Spirit River-Fairview talked about the short-term securities. Again quoting from the Auditor General's report, the Member for Spirit River-Fairview said:

The whole question of how we deal with those kinds of securities, it seems to me is at stake in this issue. Were there any other suggestions or recommendations prior to this that weren't acted upon?

Again quoting the Auditor General:

No, sir. If I'm giving an overall opinion on the last several years, the response to our recommendations has always been very positive. Answering your earlier point: I think the reason this became a concern in 1980 and not earlier was the fact that market interest rates have such an effect on the bond market. It wasn't really short-term money; it's the bond market that we were concerned with, that interest fluctuations were very considerable during that period.

Mr. Speaker, going on to the audit of the fund. Quoting the Auditor General's response to a question from the former Leader of the Opposition when he said there was no adequate formal management investment plan:

Because the amount of funds involved was growing, we felt they should improve their controls — and this was only of the aspects for improving controls — and we made this recommendation. They did not fully agree with it, but for good reason. But what they have come up with now is, I believe, adequate.

Now this is the whole process of improving controls. It was not a reportable item in 1980. Of course by 1981, it had been rectified. That is the way in which we operate under the sanction of the mandate. The Auditor General Act.

The hon. Member for Calgary Buffalo mentioned the things directors in private corporations do in dealing with annual reports. Again, I'd like to quote the Auditor General:

Mr. Chairman, perhaps I can draw on the analogy of the private sector. Under normal circumstances, shareholders do not receive the detailed comments of the auditor, but management does in the first place. Only in an extreme situation would the auditor appear before the annual general meeting and discuss problems with the shareholders. If the situation had not [been] improved, then it would definitely have been reported to the Legislative Assembly.

Mr. Speaker, I'd like to mention another item. This one concerns me the most, and deals with public fraud. The hon. Member for Calgary Buffalo said that if people don't understand what a loss is, that's their tough luck. Well, I don't suggest that's right. We know that the media has time constraints; they have to get the message out as quickly as they can. Particularly in the printed media, what they write is not necessarily what the public reads, because what they write is not what the headline writer writes in the editorial room. We all know that headlines are quite often misleading, and you would never recognize the story from them. But the headlines are what people read.

Mr. Speaker, I'd like to make this very clear. Mr. Pahl, a member of the committee, asked the Auditor General very directly:

... if he could assure this committee that no unaccountable losses, frauds, or thefts occurred from the

Heritage Savings Trust Fund moneys. And if any one of the three had occurred, would it have been reported in a way that we as a committee could recognize it?

Mr. Speaker, quoting the Auditor General:

I can categorically state that I had no evidence whatsoever of any wrongdoing, of any fraud at all. Unfortunately — or fortunately — we did mention the possibility of collusion, the exposure to collusion. But that is a very different thing to saying there was evidence of collusion, and therefore inferring a fraud.

Again quoting the Auditor General:

There's absolutely no evidence there was any wrongdoing whatsoever. I want to emphasize that in fairness to the staff involved. Our tests were to the extent of 78 per cent of those losses, for instance, which means that every transaction was compared with market of that particular day. In most cases, the bonds were sold for higher than market.

I know the hon. Member for Spirit River-Fairview said, well, that's not good enough. I would suggest, sir, if anybody knows anything about the market, that the market place is not one of perfection. Quoting the Auditor General again, and this is what I tried to mention earlier today. He brought a case to the committee:

We have one particular bond that came down from \$99,000 to some \$50,000 market value, over some four years.

He then went on to ask if the committee would like to see the graph he had prepared.

Again, Mr. Speaker, referring to fraud or loss, I quote the Auditor General:

Mr. Chairman, I would assure everyone that if there was any loss detected in the course of our work, it would be reported in the next Auditor General report: or more to the point, in a special report, under Section 20, if it was of the significance that a loss in this area could be. If it was a significant loss in this area, I would immediately submit a ... report, under Section 20 of the Act.

So, Mr. Speaker, I think that should once and for all emphasize to members of the opposition that, while I submit they have a good issue and they've played it well, I would suggest that if the Heritage Savings Trust Fund is going to be managed properly, and the input from the Heritage Savings Trust Fund committee is going to be adequate, then we want to have worth-while suggestions made as to the operation of the fund and how the investment should be. I would suggest, sir, that a fund that is approaching \$7 billion or \$8 billion could certainly have more input from some hon. members than it has had in the past.

DR. REID: Mr. Speaker, I intended to make some rather brief remarks on the subject but, as the debate has gone on, I felt I had to lengthen them somewhat.

[When] this Bill was originally introduced, there was an attempt at co-sponsorship, an unusual event in this Assembly. Co-sponsorship supposedly means that the sponsors take equal responsibility for each other's remarks, and have a common attitude to the matter under debate.

AN HON. MEMBER: Social democrats.

DR. REID: In the remarks by the members of the opposition, there's obviously been considerable research and some interesting quotes were used. But essentially

they are bringing up a matter of two items. I suppose they could both be described as semantics. One is the suggestion by the Leader of the Official Opposition that one copy of a document is covered under Section 27, and shall not be tabled in the Legislative Assembly nor at a committee but, by his suggestion, another copy of the same document shall be tabled. You can go back to Lewis Carroll and *Alice in Wonderland* to get the equivalent of that suggestion.

The other suggestion that comes out is also semantic, I suppose, but is much more serious, and can essentially be translated into one brief sentence: I, or we, do not trust the Auditor General or his staff. That may sound like an accusation, Mr. Speaker, but I think that by the time I'm finished, you will understand why I say that. There have been some interesting quotes, and there are some others, mostly from the Auditor General's reports or from the transcripts of this year's meetings of the Select Standing Committee on The Heritage Savings Trust Fund Act.

First of all, let us look at the independence of the Auditor General. This is quoted from his own report:

A less visible, though equally important, consequence of the Act was that it established an appropriate degree of independence for the Auditor General . . .

To lend such credibility, it is essential that the Auditor General be — and be seen to be — independent of both the government and those responsible for implementing and administering government policy.

Section 3 of The Auditor General Act established the necessary degree of independence by designating the Auditor General an officer of the Legislature.

Perhaps we should also look at the mandate of the Auditor General, which has also come under question by the very content of this Bill. For the first time in Alberta, the Auditor General as opposed to the Provincial Auditor prior to that time,

could report on instances in which it had been observed that management control systems designed to ensure economy and efficiency in the utilization of resources were not in existence, or if they were, were inadequate or had not been complied with. Similarly, the Auditor General could report on instances in which it had been observed that where appropriate and reasonable procedures could be used to measure and report on the effectiveness of programs, such procedures were not established or not being complied with.

There's the matter of the reporting criteria that the Auditor General uses when he's making up his annual report, the document that I have in my hand. Subsection 19(5) of the Act, which has been referred to by members of the opposition,

allows the Auditor General to refrain from reporting deficiencies in systems and procedures otherwise subject to report under sub-sections 19(2)(d) or (e) when such deficiencies, in his opinion, have been or are being rectified.

I will come back to that particular aspect at the end of my remarks. But there are some other aspects of the reporting criteria that should be mentioned as well:

Management assurances that measures are being taken to remedy system deficiencies influence these decisions. In this manner, the leverage provided by this section of the Act is used to encourage management to take corrective action.

Now, I heard the Leader of the Official Opposition

suggest that that was a rather poor way to persuade people. But surely, the purpose of the whole exercise is to ensure proper handling of public funds by public servants.

Also to do with reporting criteria, the Auditor General's report specifically says, and it's true, that

Section 19(5) of The Auditor General Act does not apply to losses or possible losses of public funds or assets acquired with public funds.

The losses he's referring to there are not the investment losses that occurred in the Heritage Savings Trust Fund. They are funds that have gone amiss.

Mr. Speaker, there are some other quotations I would like to use, but they've been used by the Member for Calgary McKnight. But there is an obligation to report. Especially if matters that are reported, not in the annual report of the Auditor but through reports to the various departments, are not corrected, then he has to put it in his annual report. So we then come to the matter raised by the hon. Member for Calgary Buffalo, who attempted to indicate that the deficiencies mentioned in the management letter, which he has quoted but has not yet tabled in this Legislative Assembly, according to the inference of the Member for Calgary Buffalo, were present and had been mentioned before. They had not been mentioned before, and the Auditor General made that amply clear in front of the committee. I will quote again later on the reasons why I say that.

The Auditor General also said:

I could state very clearly, Mr. Chairman, that the amount of testing we do, because of the responsibilities we have, is very much in excess of what one would normally expect any firm of auditors to carry out in the course of an audit. That is because of the, in effect, expanded mandate that I as Auditor General have on behalf of the Assembly We carry out a systems-based approach, and there was no lack of records that we experienced at all.

Then there was a question put to the Auditor General by the Member for Calgary Buffalo:

Mr. Rogers, would you say that the auditing procedures employed for the trust fund are equivalent to the auditing procedures that would be employed for, say, another institution or corporation which had assets of \$10 billion?

The reply by the Auditor General was:

Very definitely. I just said I think that the amount of testing we carry out is in excess of what would normally be required but I consider necessary because of the sensitivity, if you will, of this particular fund.

The amount of time he mentioned in relation to the function of his department with regard to the Alberta Heritage Savings Trust Fund was some 5,000 hours. Of those 5,000 hours, some 2,500 hours — approximately half, I think was the term he used — were spent on the investment transactions. That is 62 weeks of full-time auditing of the investment transactions.

Mr. Speaker, I would like to go a little further into some of this. I said I did not intend originally to spend so much time on the subject, but I feel that someone has to. Further on in the Auditor General's report where he is discussing audit responsibility, he says:

The Auditor General Act . . . does not specify his functional duties and responsibilities. However, the nature of the appointment and the spirit of the Act are believed to place an implicit responsibility on the Auditor General to ensure that, as a minimum, all

auditing activities undertaken by the Audit Office pursuant to the Act adhere to the same contemporary auditing standards and methodologies that are employed by private sector chartered accountants

The Canadian Institute of Chartered Accountants . . . develops and promulgates recommendations which constitute "generally accepted auditing standards." These standards, which are published in the CICA Handbook, are binding on chartered accountants engaged in auditing the financial statements of profit-oriented enterprises. Although government institutions do not fall within the definition of profit oriented enterprises

although the Alberta Heritage Savings Trust Fund is probably one of the closest government enterprises to that

generally accepted auditing standards are adhered to by the Audit Office in the performance of its duties

The following illustrates how the Auditor General's mandate in this regard is broader than the mandate of an attest auditor. Where the Legislative Assembly approves funds for a program included in a supply vote, there is believed to be an inherent presumption on the part of the legislators that Government will ensure that administrators disburse the funds so approved:

- (1) for the purposes specified in the estimates and for no other purposes,
- (2) with probity (rectitude and integrity),
- (3) with due regard for economy,
- (4) with due regard for efficiency, and
- (5) that whenever practicable, the effectiveness of the program will be measured and reported upon to the Legislative Assembly.

I've quoted at some length. But in particular, I would like to go to Section 4(2)(9) of the Auditor General's report and a quote there:

When planning his examination, the auditor has the responsibility, within the inherent limitations of the auditing process, to consider the risk of fraud and error and to be alert for circumstances which might cause him to suspect their existence. If his suspicions are aroused at any time, the auditor must perform additional procedures to confirm or dispel those suspicions.

The management letter sent to the Deputy Provincial Treasurer mentioned the possibility, not the act of collusion or fraud. That has to be taken in the context of him and his staff spending some 62 weeks of auditing time on the investment transactions and the statements that he made in reply to questions at the annual meetings of the Select Standing Committee on The Alberta Heritage Savings Trust Fund Act.

Some of these quotations are repetitions, but others are not. The tests that were done during the 62 weeks of auditing time:

were to the extent of 78 per cent of those losses, for instance, which means that every transaction was compared with market of that particular day. In most cases, the bonds were sold for higher than market.

Mr. Chairman, the losses were not attributable to fraud through collusion or poor control. They resulted solely from investment decisions:

There was no evidence of collusion. Accounting and management controls were satisfactorily in place.

Even before the recommendations for their improvement and their documentation, those controls were not unsatisfactory Mr. Chairman, I can state as clearly as I can, that there are no funds unaccounted for.

The reason, Mr. Speaker, for reading some of that into the record of *Hansard* is that we have a responsibility as government, and the Auditor General as an officer of this Assembly, to make sure that public funds are properly dealt with and accounted for. I think the Auditor General made it amply, manifestly obvious that he had performed his function.

What we are now concerned about is the function of this Assembly. We have to look at why this particular Bill has been brought forward. The purpose of the Auditor General is to make sure public funds are dealt with properly, that there is no misappropriation of funds, and that as far as possible, any possibility of collusion, fraud, or other malfeasance is dealt with. He has described the fact that there are systems he has to use in order to perform that function. If his systems and methods become widely known, his process becomes markedly less effective. Anyone intending malfeasance will then know which methods and systems the Auditor General's staff are going to use. They will also, therefore, be able to cover their tracks better.

I'm willing to accept that the hon. Leader of the Opposition and the members for Spirit River-Fairview and Calgary Buffalo would not wish to decrease the effectiveness of the Auditor General in his particular function. Therefore, we have to look at the other possible interpretation, that they are basically questioning the ability or the integrity of the Auditor General and members of his staff. I would like now to make a fairly long quotation from the meeting of the Heritage Savings Trusts Fund committee on October 28, 1981:

In the case of the documentation of transactions, I'd like to stress the transactions were documented to the extent necessary as accounting transactions. But as I said, with the erratic operation of the market, we felt it could be improved. The recommendations in the management letter in both cases were for improvement. The one item in that letter that I felt was important enough to appear in the annual Auditor General's report, you will note, had to do with deemed assets and with the other item with respect to the estimates of capital projects. Both these were dealt with in the Auditor General's report.

I would like to make abundantly clear — and I can't stress it too forcefully — that the decision as to those items which go into the Auditor General's report is mine.

In other words, purely a decision of the Auditor General.

They owe nothing to any member of the Executive Council, any deputy minister, or any appointed member of staff of the civil service. My judgment alone is the reason why certain items are in, certain items are not. The criteria that I use in making that judgment, as provided for under The Auditor General Act, are the responses. The response does not necessarily say: Mr. Auditor [General], we will do what you say. If that were the case, then we could get rid of a lot of high-priced help, and I could run all the departments. That is not the way it goes. We point out a weakness. We make a recommendation for a correction of that weakness. But that is not necessarily the only answer. As long as the answer satisfies the weakness in control that we've pointed

out, we're happy to accept it after our evaluation of it.

Please note, his staff evaluates the response that comes from the department:

There's always more than one way of achieving an objective. Departments have to have that right.

On other matters, Mr. Chairman, the losses were not attributable to fraud through collusion or poor control. They resulted solely from investment decisions. The audit mandate does not extend to commenting on those decisions. There was no evidence of collusion. Accounting and management controls were satisfactorily in place. Even before the recommendations for their improvement and their documentation, those controls were not unsatisfactory. Simply because you don't have everything written down does not mean that they're necessarily unsatisfactory. These controls on systems are constantly evolving to meet changing circumstances. In 1980, I would suggest, we had a change in circumstance. That led to our recommendations. There was a good acceptance of our recommendations. There was no evidence of fraud or collusion or control weaknesses that would expose, if you will, the heritage trust fund. It was on that basis that I did not include these matters in the Auditor General's report.

And do not forget, Mr. Speaker, he has already clarified that those decisions are his alone. Going back to the Auditor General's remarks:

Mr. Chairman, if it is considered, I could give some extracts from the replies I received to that management letter, to give the flavor of the way in which the recommendations we made were accepted and the action that was taken as a result. I would rather not, but I will if necessary. I can tell this committee that I found them to be satisfactory.

Mr. Speaker, the Bill that's been presented today indicates that some people are not prepared to take that last remark of the Auditor General at its face value. In other words, they are saying: we do not trust the Auditor General, do not accept his integrity and, therefore, wish to insist that the documents be tabled. Mr. Speaker, it's a serious thing to say about an officer of the Legislature. I am very specifically dissociating myself from that remark or that intent. I would seriously urge other members of this Assembly to vote against the proposed amendment to The Auditor General Act.

MR. HYNDMAN: Mr. Speaker, I think the two previous members, the Member for Calgary McKnight and the Member for Edson, have very effectively rebutted the key arguments of the proponents of this Bill. The debate, it seems, has roamed far and wide.

We began with an argument proposed by the hon. Leader of the Opposition for second reading of Bill 258, which was to add a specific clause to The Auditor General Act, the effect of which would be to ensure that, in the future, management letters would be, in the words of the amendment, mandatorily made public and tabled in the Assembly. Although the arguments, certainly of the proponent of the Bill and others, are, I think leaky would be the best word to describe them, from the debate that has followed, there's been some interesting research done. There's no question that this evening and this afternoon, we've had the makings of a good debate and a workman-like discussion on all sides. It's appropriate that the Bill came forward and was up for debate today. I think it brings into focus an issue which has been indirectly dealt

with and referred to in the Assembly for some weeks. It does provide an opportunity for the Assembly of Alberta to hear debate on all sides and reach a conclusion and a judgment on the matter.

Essentially, Mr. Speaker, the mover of the Bill is not comfortable with existing law, which has been in effect for four years, and he wants it changed. He and all but one member of the opposition, of course, voted for the original Auditor General Act the way it now appears, without the amendment, when it first came forward. They want to change it. They'd like to make some amendments, and that's understandable.

We must remember that the implication of the proposed amendment is to reduce the effectiveness of the Auditor General and, in effect, the control system of the government. A number of quotations have usefully been put forward as to the importance of those controls. I've been trying to think of an example of what the amendment really means in terms of loosening up the controls. Perhaps one example might be this. What the opposition is really suggesting is that there be made available and displayed to all the public, the control systems that are being used to try to ensure that there is proper management of all government moneys.

It would be as if the main branch of the Treasury Branch in Edmonton published a large advertisement in newspapers around the province stating what their security system was with respect to the vaults in their system, indicating what the alarms were, pointing out the construction of the safe and how access to it could best be acquired. Now I'm sure that's not what the hon. Leader of the Opposition intends, but that would be the effect of what he's doing.

Mr. Speaker, what we really have here boils down to three arguments. First, the Leader of the Opposition and others have suggested that the management letters are not within the definition of the words "audit working papers" in the present Act. That's a fine argument, if he wants to argue that before a court. Some of the arguments that have been made indicate that some members wouldn't be too bad lawyers. But because he has brought in a Bill to change and modify Section 27, he is really saying he doesn't like the present definition of Section 27, that he doesn't like the original definition of audit working papers, which he voted for and which has been in effect for four years, and that there should be a slightly different definition. That's fine. That's the purpose of the Bill. So by putting in the Bill, he has destroyed that first argument.

Secondly, it was argued that the law is very narrow. The opposition alleges that the present Act says that it's only the Auditor General who cannot produce such things as an audit advice letter, but they say that doesn't prohibit or preclude the Treasurer from doing so. Of course that's not what it says. If you look at the Act, it very clearly says in that section that those letters shall not be tabled, not by the Auditor General, the Treasurer, the Premier, the Lieutenant-Governor, the Prime Minister, or the Queen: shall not be tabled by anybody. So it seems to me that argument doesn't hold water either.

The third argument presented is a strange one. It relates to the research that was done across the country with respect to other statutes relating to auditors general. The implication left by the opposition leader was that only the province of Alberta prevents management letters from being made public. I listened with as much care as I could to the quotes from the other provinces, but I did not hear from the hon. opposition leader — and I wish he

would clear this up when he closes debate — which of the other provinces have statutes which say that management letters shall be made public. I may have missed it. I'd like to hear though from the hon. opposition leader which other provinces actually say that in their statutes, because I did not hear any other province in which that was specifically stated.

The opposition leader referred to other statutes in other provinces that he said were much better than the province of Alberta because they contained such words as the Auditor General shall call attention to every case of problems with respect to funds. Of course, that's the exact wording of Section 19(2) of our Auditor General Act. Without any equivocation, it very clearly states on page 134, where it's included in the latest annual report, that "the Auditor General . . . shall call attention to every case" of any concern with respect to accounting. So if our Act is not the leading Act in the country, in effect it certainly follows the essence of all the other Acts.

As well, the opposition leader says the other statutes across the country enable other auditors general to call attention to matters of urgency or importance. Well, that's covered in the Alberta Act as well. A specific section, Section 20(1), gives our Auditor General complete powers where there is a matter of importance or urgency. He can go and make a special report to the Legislature.

So as well, I believe the opposition leader really destroyed his own argument by quoting the section on page 3 of the latest report of our Auditor General, where he talks about his various powers; where he indicates that, yes, he reports in his annual report those matters that are material, those matters that are significant. As the statute provides and as our Auditor General indicates, he therefore does not report in his annual report to the Assembly those matters which are immaterial or insignificant, or which have been cleared up. That's the way our Auditor General Act operates.

By referring to that, I think the opposition leader has quite clearly indicated that he agrees that our Auditor General, even though he may have had a number of concerns with regard to 1979 in years past, only reports those items which he feels are material or significant. He has reported only two in this document, on pages 34, 36, and 42, and there's only one recommendation. And none of them has anything whatever to do with the matter of \$60 million. They are other items which have already been dealt with.

Therefore, when the Auditor General does not provide that he wants to make comment or report in his annual documents to the Assembly, clearly they are immaterial or insignificant because they have been cleared up to the Auditor General's satisfaction. And I stress, as did other members, Mr. Speaker, that the government's position very simply is that we trust and believe in the Auditor General. We're not asking the Assembly or the opposition to take as given everything we might say. We're simply saying that we believe that the independent Auditor General of this Assembly has done a thorough review, provides objective advice, and has followed everything in the conditions of our Act, and we're prepared to stand by him.

One other argument put forward by the hon. Leader of the Opposition, Mr. Speaker: he said we don't know if there are still significant or material concerns with respect to what happened back in 1979 or whether improvements have been made. Again, the fact that the Auditor General only reports material or significant matters in his report

and did not in any way refer to those matters in his latest report, clearly is evidence that the matters have been cleared up to the satisfaction, at least, of the independent Auditor General of this province.

Then the opposition leader trundled out his big argument, The Taxpayers' Protection Act of 1971. That brought a warm glow to me, Mr. Speaker. Waves of nostalgia were sweeping over me at that time. My heart skipped a beat, thinking that it was more than 10 years ago when that Act was introduced in the Assembly and I was sitting just about in the seat of the hon. opposition leader. I think he will remember, of course, that at that time his government was not prepared to agree with the provisions of that Act, which were just the minimal, mincing steps we were trying to take towards an auditor general, that didn't exist at that time. As well, of course, not only did that Act not get debated, it didn't even appear within miles of the Order Paper. It wasn't even as much as an asterisk in the bottom of the deficit statement of the Alberta Resources Railway. It was never brought forward.

I've been trying to find out whether the hon. opposition leader voted for or against it, of course, but I can't ascertain that either, because the government of the day wouldn't allow a *Hansard*. However, we know at that time that that was the first step taken towards trying to have an auditor general, which we have now. So if the hon. opposition leader is now calling for some review, we know that at least today our Auditor General can call attention to every case of any suspected problem. At that time, there wasn't an auditor general. There wasn't anybody to call attention to anything.

In conclusion, Mr. Speaker, I believe the Assembly should oppose second reading and the principle of this Bill, because essentially it would materially reduce the effectiveness of our independent Auditor General and therefore the quality of the audit which he has been doing so effectively. It would effectively destroy, I think it's very clear, the candor and the frankness he puts into his advice to various departments, would damage the systems in existence now and that would be set up in future for the purpose of reducing the opportunities for problems or for collusion. The amendment which is requested to the Auditor General's [Act] really suggests that the report should contain not simply the 55 key material and significant recommendations which the auditor has made, but rather that it should include all those items which have been corrected, which are in the process of being corrected, and which subsequently have been deemed to be insignificant or not material. I don't think that kind of approach would assist the effective audit of the public moneys of the province of Alberta.

In conclusion, Mr. Speaker, I think that what we need in this province, and what the citizens of the province feel is most important not only for the heritage fund but indeed for all the financial documents of the province, are really two things. One is the best possible financial control system that reduces to an absolute minimum the opportunities that lead to loss. As the Auditor General has said, there is no way in which anyone can totally guarantee, 100 per cent, a situation where there would be no loss whatever. That's not possible. But the goal is to reduce it to a minimum.

This amendment would work against that, and would reveal to all and sundry what the various security systems are. Secondly, I think most citizens would agree that we need an effective Auditor General. He's demonstrated, even in his brief years of office, that he has the leverage to

ensure that what he suggests needs improving, is done. If it's not carried through and improvements aren't made, as the Auditor General has said, then he reports that to the public in his annual reports. What we need, then, is straightforward and totally candid comments. And the reality is that that will not happen if this amendment is passed.

Accordingly, Mr. Speaker, I think the debate has been a good one; the issue has been raised. I would recommend for those reasons that this amendment not be made, and that we carry on with the continuing effective Auditor General Act of Alberta.

MR. MANDEVILLE: Mr. Speaker, just in making a few very brief comments. I appreciate that we've had a fairly wide scope on the amendment. We've been from the Atlantic to the Pacific; we've covered all the provinces. I'd like to make a recommendation to the hon. Provincial Treasurer that we don't get involved in playing the markets, and then we wouldn't have to be tabling such letters in the Legislature, or wouldn't have to have a management letter tabled. I do intend to make an amendment to the amendment, Mr. Speaker, but just very briefly on my recommendation that we do not play the markets from the heritage trust fund. I play it myself, and I know it's very dangerous. I know if you've got the money to put out, with the amount of money we have, it could be very serious.

But seriously, Mr. Speaker, some Albertans certainly don't believe that we should play the markets. They have strong Christian views that we shouldn't get involved in areas like this. I would like to support those people, as a government. I do it myself individually. I don't believe that there's anything wrong with doing it, and I do it. I'll have to agree: to lose \$60 million would be very easy, in the stock market, bond market, or whatever you've been playing. With the economy the way it is, it's so easy to lose.

I would also like to suggest to the Provincial Treasurer that there's two ways of playing the market. You can play it up and you can play it down. When the economy's tough, you play it down. If you don't play it up, you don't lose the \$60 million.

MR. R. SPEAKER: You need a better adviser. If you want to make money, talk to Fred.

MR. MANDEVILLE: Maybe I could get on as a consultant. [interjections]

I just disagree with the provincial government getting involved in the stock market, the bond market, or in any way. With the amount of money we've got, we can control the markets. We can go out and control any of the markets. The small markets can be controlled by the government. I certainly don't think we should be getting into this particular area. If we do get into the area, I think we should involve all the members of the Legislature. My dad always said, many heads are a lot better than one. Let us all get involved and bring in some advice on where you should be investing, and how.

Mr. Speaker, to be fair to the Provincial Treasurer, realizing that if there's any possibility that this amendment goes through, the hon. Provincial Treasurer should know when he has to table the management papers when they come in. We have 105 different reports in the Legislature, and 88 of them are tabled within 15 days of when the session starts.

So the amendment to the amendment that I would like

to make — and I do have copies of the amendment:

Section 3(2) is amended by striking out "at the first available opportunity" and substituting "not later than 15 days following the receipt of the management letter by the department. Provincial agency or Crown-controlled corporation, if the Legislative Assembly is then sitting and, if it is not then sitting within 15 days of the commencement of the next sitting".

MR. NOTLEY: Mr. Speaker, perhaps I could just address a word or two to the amendment to the amendment. I would say that the amendment to the amendment . . .

MR. SPEAKER: With respect, I would point out to the hon. member that I really don't think we're talking about a subamendment. The Bill is a motion, and we are now talking about an amendment.

MR. NOTLEY: That's true. I stand corrected, Mr. Speaker. We're talking about the amendment to Bill 258, which is an amendment to The Auditor General Act — so that we're absolutely correct in our discussions.

Mr. Speaker, in addressing a few comments to the amendment. The proposal would be to change earliest opportunity to "15 days of the commencement of the next sitting". I would say to members of the House that the amendment probably strengthens the Bill somewhat. As a person who spoke in favor of Bill 258 in the first instance. I certainly would be prepared to support the amendment. At the present time, before we can deal with the 30 per cent appropriation Bill, there is, as you're aware, the provision that we must have the report filed of the select committee on the heritage trust fund. That must precede debate on the 30 per cent allocation to the heritage trust fund. The reason that was done, as I recollect the debate in 1976, was to ensure that the committee, which was struck by the Legislature to review the heritage trust fund, had an opportunity to complete their findings. Those findings would be tabled in the House before we got into the allocation of any additional funds to the trust fund.

MR. CRAWFORD: Mr. Speaker, a point of order. I wonder if Standing Order 64 has any application in the present circumstances, and suggest that it does. It says that every Bill must be read two times before amendment.

MR. SPEAKER: That's correct, and I should have spotted that. [interjections] There is another slight difficulty with the amendment, although I suppose that should be left for committee. It says that Section 3(2) of the Bill is amended. There isn't any Section 3(2) of the Bill; it's Section 3. Hopefully a matter of substance wouldn't be in too much difficulty on a little point like that. [interjections]

MR. SINDLINGER: Mr. Speaker, I'm not sure on your ruling. Are you allowing the Member for Spirit River-Fairview to continue or not?

SOME HON. MEMBERS: No, no.

MR. SPEAKER: The amendment is not in order. The principle of the Bill has to be dealt with. Then, after that, it may be amended when it reaches committee.

MR. SINDLINGER: Mr. Speaker, I do agree that Standing Order 64 is quite explicit: "Every public Bill shall be read twice in the Assembly before amendment". But, bearing in mind this afternoon, there was a question on the Order Paper, Question 141, and no rules allowing us to debate it. Nevertheless, through the generosity of all the members, we were allowed to, and perhaps they might consider that this evening.

MR. BRADLEY: Mr. Speaker, on a point of order, with regard to what the hon. member has said. I would like to cite Citation 868 of the 5th edition of *Beauchesne*, which says:

The rules and types of amendments that may be proposed at the second reading stage of public bills applies equally to those for private bills.

MR. SPEAKER: But with great respect to the hon. member, this is not a private Bill. This is a private member's public Bill. [interjections]

MR. R. SPEAKER: Mr. Speaker, I'd like to close the debate, then, if that's all right with the Assembly.

MR. SPEAKER: May the hon. Leader close the debate?

HON. MEMBERS: Agreed.

MR. R. SPEAKER: Mr. Speaker, what I would like to do first of all is respond to some of the remarks of the various members, and then make some other remarks that I think are relevant to the Bill at hand.

To the Member for Calgary McKnight, with regard to the comments and the long exposure to words "fraud" and "collusion", and comments with regard to the Auditor General, I think there have been no statements in this Legislature where we have accused anybody of those kinds of things. If the member's intent was that, I want to clarify once and for all that that's not what we're saying. We're saying we have to be assured that all information is before us; that we know what has happened, when it's happened, what is going to happen in the future. Then we know there's no possibility of fraud, collusion, or any other kind of activity.

To the hon. Member for Edson. When we talk in terms of semantics, about one copy being tabled and one copy being the auditor's working papers, there's not really semantics there. It's a matter of where a document, any document, is physically placed. When a document is physically placed in the files of the auditor's working papers, that means they are just that. If a copy or the original is in another location and not in the possession of the auditor, then that is not an auditor's working paper. It is not a piece of information or document so guarded and that he has a right to keep.

Auditors' working papers are not necessarily confidential. Often in this Assembly, in some of the remarks made, I think there is a feeling that audit working papers are confidential papers or matters. They may be, but they may not be. So they can be documents placed at other locations, such as in the hands of the Provincial Treasurer, the Deputy Provincial Treasurer, other officers of government. Because of that fact, we say they are outside the rules of the auditor's working papers and therefore can be tabled by the Provincial Treasurer. That is why we're saying it's optional now. He may table them, or he may not. It depends on how the concept of open government is defined. I say that these management letters,

which are outside of audit working papers, should be tabled for our information and can be. The whole decision sits with the Provincial Treasurer.

The Provincial Treasurer made some remarks with regard to arguments I used earlier in debate, with regard to our debate being leaky and not quite holding up to standards. I can only say this, Mr. Speaker: I have felt that the evidence I provided, in terms of good sources — the Canadian Institute of Chartered Accountants; the information provided to me, their documentation; their support — indicated to me that the definitions I placed with regard to management letters, auditor working papers, are appropriate and supported by them. If their manual is not credible, then the Provincial Treasurer can say that. They are my authority. I hope that as the debate with regard to these two items goes on in this Legislature. I can present other documents from authoritative personnel that will prove my point even further. I hope I'll be able to do just that in our debate next week, Mr. Speaker.

The Provincial Treasurer raised the matter with regard to the argument I was presenting about other governments in Canada; that in each one, the auditor general's responsibility was to provide every piece of information to those legislatures and to the House of Commons. The Provincial Treasurer raised with me the question of which provinces say that management letters must be tabled. Mr. Speaker, it is not necessary in the legislation of the other provinces and in the legislation of the House of Commons to have that kind of statement in their legislation. Their legislation states that all documents, all findings, all observations of the auditors general across Canada, unless they are very insignificant, are presented in those respective legislatures or to the House of Commons. They present them all.

In this province, the management letter is directed to the respective minister or the Deputy Provincial Treasurer, and it is not obligatory to table them in this Legislature. It's different. It is the only piece of legislation in Canada that has that clause which allows that kind of interdepartment, behind closed doors type of approach. That's why that clause is not in the other Acts across Canada.

Our belief in the Auditor General: I said very clearly that we have complete confidence. We feel the Auditor is doing an honest, excellent job, much beyond his expectation, I'm sure. The point I made early in my remarks was about the Auditor General's noble concern to see that change happens in this government. When management procedures are not accurate, are not meeting expectations or are not bringing about the control or the accountability that is necessary, the Auditor General takes it upon himself to forward a management letter to respective deputy ministers or ministers as such, hoping that when these management letters are kept in confidence, a change strategy will be put in place so that whatever is happening that is wrong will be corrected, and that after the correction, things are good in terms of government. That is the change strategy that the Auditor General has in mind.

That is a very noble type of change strategy. What concerns me is that in that change strategy, the Auditor General makes some judgment about whether government should change their procedures or not, whether government has met the necessary requirements or not, and takes it all on his shoulders. In terms of this Bill, I'm saying we should do public business in public. All those actions should occur in public. If management changes are necessary, then it's incumbent upon the government

to make those management changes even in the light of the public eye, because that's the group they are representing. Mr. Speaker, I don't think it's fair when anybody says we have not got confidence and total belief in the Auditor General. We have. But we do think we are asking him to take on a responsibility beyond what can be expected.

The other comments I would like to make, further to those I made this afternoon, are with regard to a Bill. The Provincial Treasurer as well in his remarks made comment on The Taxpayers' Protection Act, Bill 134, presented to this Legislature in March of 1971, prior to the Conservative government taking over responsibility in this Legislature. I can make the point again that the Provincial Treasurer asked that all items, that every case be observed by the Auditor General — in other words, it was all inclusive — and that this be made available to the Legislature as information.

Just as an aside — and I'm sorry I didn't have this information at an earlier date, Mr. Speaker — the Provincial Treasurer also mentioned that

to ensure that special warrants and the funds spent thereby have met the criteria of being "urgently needed" for the public good,

the Auditor General should scrutinize the use of special warrants in this province and keep to that definition of "urgently needed". I'm sorry I didn't know that in the spring session, or I'd have certainly reminded the Provincial Treasurer of his position on the matter at that time. I'm sure we could have had a greater interest even in question period.

What about this whole area of public business being done in public? In the reading I have done in preparation for this debate, I found some interesting pieces of information. I found this that was said about public information:

It is certainly useful that light, full light, is shed upon the conditions in which the taxes, which impose heavy sacrifices upon every citizen, are employed. . . . Light is the prerequisite of good order.

That position was taken by the chief auditor for France in October 1958, making the point that is my point in this Legislature: that sometimes when you make the errors of government open to the public, it often brings about change and a certain kind of accountability.

As well, in a paper presented by auditors to the Brussels Audit Congress, 1956, a meeting of auditors from around the world, they came to a conclusion I certainly agree with:

They have tried to give the errors committed by administrators a certain amount of publicity. It is beyond doubt that this method can often exert a more effective influence than an administrative punishment or a fine. Nothing is more disagreeable to an official — and this applies with even greater emphasis to a politician — than the public exhibition of his weaknesses.

Mr. Speaker, what I'm saying in this Legislature is that one way we have to bring accountability in terms of this government, in terms of the staff establishment of the government of Alberta, is to make sure all documents are presented in this Legislature. Bill 258 does that. It says that management documents will be presented in this Legislature, that it's compulsory for the Provincial Treasurer to do it, and we as elected members of the Legislature can make judgments as to whether there has been management accountability, financial accountability, and legislative accountability in this province.

Mr. Speaker, I think the fact of the matter is — and I've made this point — in the situation we have talked about in this Legislature, no one can really say, yes there was fraud, or no there wasn't fraud. When you get down to the basic, bare facts of the situation, we don't know because there were inadequate records. That's one reason we want the document tabled, along with other information we feel is necessary; that is, what happened when those bonds had a realized loss of \$60 million? Along with that, what management procedures were put in place? As a member of the Legislature, I think those are three reasonable things to ask for. Without those records, there isn't evidence. We're not sure what has really happened.

What else? The document here is only one document. Along with that, we're asking for full disclosure by the government. We're saying: give us the information, tell us what has happened. That's what we want. But if we don't receive that information as a group here in the opposition and members of the Legislature, not only will we have further suspicions but the population of Alberta will have further suspicions. It always places doubt in their minds. What has really happened? I think it would be a good time to show that we can take that suspicion away from the minds of people and show them that we as legislators have nothing to hide. Everything is open and available, not only to the Legislature but the people of Alberta.

DR. BUCK: We need a freedom of information Bill.

MR. R. SPEAKER: That's what we need. As legislators, I think it's important to build confidence in the people of this province, and not to create suspicion or a type of anxiety.

Mr. Speaker, as far as I'm concerned, the Provincial Treasurer has the authority to table the information we want. There's no reason he can't. If the Provincial Treasurer did that, I'm sure our argument, our debate, our filibuster, that has lasted some four weeks, over 50 to 60 hours of questions and information-seeking — most likely we would have a few more questions, thoughtful concern about the accountability to the public of Alberta. If the Provincial Treasurer could make available the information we want, that would be very acceptable to us.

Passing the Bill before us, I think, would also be a great precedent. That would say that in the future the government of Alberta is open to present all information to this Legislature. Maybe they can't give it to us in the past for some very good reasons. Maybe the government can still raise some reasons with us. To this point, we have not seen those good reasons. Maybe we can't get the documents from the past. Maybe we are unable to trace why that realized loss of \$60 million occurred in those bonds. Maybe we can't trace that. As the Auditor General points out in the report, the records of purchases and sales transactions were inadequate, and recommended that the government should be in a position to explain the rationale for purchases and sales transactions long after the event. Maybe we can do that in the future. That means that that information could be presented in the Legislature. So maybe we're starting a new era, a new direction of open government really concerned to be accountable to the people. I think that's the kind of thing this Bill could show in the province of Alberta. Support of this Bill starts a new era for this government.

People are a little concerned that the government is so large, that it really is getting a little callous, that it doesn't want to listen to the people. Some people use the word

"arrogant". I don't want to overdo anything or raise anybody's anger over words like that because I know you can't speak after I sit down, and that would be a little unfair. [interjections] There's a time to be kind. I know I'm going to get a positive vote on this Bill, so I really don't want to upset things at all. As I heard earlier today, maybe if we keep everybody in a good mood we can get this problem solved and come to a conclusion.

Mr. Speaker, I certainly urge the members of this Assembly to examine their position. I'm very sorry that a number of other members of the back bench or even the cabinet didn't really put their hearts into debating this Bill. I think there is a good point here, in terms of doing public business in public. I didn't feel that argument was destroyed or condemned by anybody. In terms of the differentiation between audit working papers and management papers, I haven't been convinced that my argument in that area is wrong, that the Provincial Treasurer can't table them. It's optional. It will be compulsory with the Bill. I haven't seen any good, strong, valid arguments in this Legislature that those documents can't be tabled. I haven't heard anybody discuss the fact that the sequence of events that occurred with regard to the loss couldn't be documented in this Legislature. Why can't we hear about the new management procedures? I don't think anybody wants the combination to the vault in the treasury branches. Nobody is talking about that kind of thing. I don't think that's a valid enough argument to destroy the position I've taken.

But those are all the priority concerns and arguments we have that either had to be defeated in debate or accepted. I feel very confident that our position is still right, clear, and should be acceptable to government, in terms of the reaction, in terms of the lack, I may say, of any good, strong reasons why those arguments are not valid. I think they are, Mr. Speaker. I urge the members to support my Bill.

[Mr. Speaker declared the motion lost. Several members rose calling for a division. The division bell was rung]

[Three minutes having elapsed, the House divided]

For the motion:

Buck	Notley	Speaker, R.
Mandeville	Sindlinger	

Against the motion:

Adair	Embury	Pahl
Anderson, C.	Fjordbotten	Paproski
Anderson, D.	Gogo	Payne
Appleby	Harle	Pengelly
Borstad	Hiebert	Purdy
Bradley	Hyland	Reid
Campbell	Hyndman	Russell
Carter	Isley	Schmidt
Chambers	King	Shaben
Chichak	Knaak	Thompson
Clark, L.	Kowalski	Topolnisky
Cook	Koziak	Weiss
Cookson	Kushner	Woo
Crawford	Musgreave	Young
Cripps	Osterman	

Totals:	Ayes - 5	Noes - 44
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[On motion, the Assembly resolved itself into Committee of the Whole]

head: **GOVERNMENT BILLS AND ORDERS**
(Committee of the Whole)

[Mr. Appleby in the Chair]

MR. CHAIRMAN: Will the Committee please come to order.

Bill 69

**Alberta Heritage Savings Trust Fund
Special Appropriation Act, 1982-83**

MR. CHAIRMAN: Are there any questions or comments regarding the sections of this Bill?

MR. HYNDMAN: Mr. Chairman, in the select committee on the heritage trust fund some weeks ago, a number of questions were asked, and I indicated at that time and undertook that I would get the information to the extent I was able and would bring some information back to the study today in committee of this Bill.

The questions posed were essentially five. I'd like to provide some information on those questions. The first related as to whether there was a plan for the investment of Section 9 funds. I point out that there has always been a plan for the investment of those Section 9 funds, Mr. Chairman, right from the very beginnings of the heritage fund.

Of course, the plan has been one which has evolved because the heritage fund has evolved over the years, and it has had to be responsive, as any thoughtful plan would be, to the various demands on the heritage fund. In the early years, of course, we had more cash than there was demand for cash financing at that time. Crown corporation needs, such as the Alberta Home Mortgage Corporation, were not as great in the early years as they are now, and the Canada investment division was not being taken up. The commercial and energy investment divisions were not even then created.

So there was a formally approved plan — for example, if we look at the years 1978-79, to acquire bonds of a longer term nature for Section 9. That was one example of the plans that have been in existence since the beginning. At that time, this plan was set forth on the basis that interest rates would peak in the fall of 1979. That was the general impression of the time, and ours as well. Of course, the market didn't do exactly that. Therefore, as has been mentioned in the Assembly on a number of occasions, we have various securities in the fixed-income area that are worth less, as the interest rates went up, than they were when they were originally purchased.

I think the plan for Section 9 today is pretty clear for everybody to see. We're moving away from bonds of a longer term nature, as are most people in the financing area, because of the volatile nature of the market. We're now attempting to maintain a portfolio that has shorter terms and higher yields, to meet the financing needs of the Crown corporations.

I note that, as has been pointed out, the Auditor General has called for a formal plan for the investment of Section 9 funds. There has always been a plan, but he recently indicated that he thought a more formal plan was necessary, because of the more volatile nature of the market in recent years and the projected use of the heritage fund in future years. I certainly agree that investment plans are an important aspect of management control. I would point out, though, that in our view, and certainly in my view, a formal, rigid plan is probably not

desirable.

The investment strategy for marketable securities has to be responsive to the constantly moving capital markets. As a result, I think there's limited value in long-range, detailed plans. If you try to look at it from that point of view for cash reserve funds such as Section 9, the likelihood of error is materially increased. As well, we have to retain sufficient flexibility of plans to deal with the demands called on, for example, through the Alberta Housing Corporation, the Home Mortgage Corporation, AMFC, AGT, Alberta Opportunity Company, and the Ag. Development Corporation.

Note that the Auditor General, in some of the comments he's made to the Heritage Savings Trust Fund committee, said there are practical problems with a formal plan. He said that you have to look at the purpose of the fund and the fact that money is required at various times for Section 9 investments. He said the recommendation is for a formal plan. The stress is on "formal"; there was a plan. Again, the Auditor General has made clear that there was a plan with respect to investment of Section 9 moneys. He also points out that there were constant meetings and planning sessions in Treasury. He notes that his recommendation was that with the growth of the fund at that stage, some thoughts should be given to a formal plan. That's not inappropriate advice at this time.

There were some suggestions that the plan or plans might be used as a performance measurement tool. A formal investment plan has not been used, because I don't see it as an appropriate way to measure investment performance. As I've indicated, the generally accepted method of measuring investment performance is to look at the results: the rates of return and the yield. That's the way performance is measured in similar funds. The numerical measures of investment performance, such as rates of return and yield, are of course available; they're public. They are found in the annual reports of the heritage fund over the last five years. I point out that even the Auditor General stated he did not think you could use any kind of investment plan as a performance measurement tool for Section 9 because of the need for flexibility in the plan and the various demands on the marketable securities portfolio within the heritage fund.

Another question asked during the consideration of the committee was on the organization structure with regard to investments in Section 9. In response to Motion for a Return No. 116 of 1981, tabled in May this year, I provided the Legislature with information on all the senior investment staff positions with responsibilities for the heritage fund. That return outlined all the staff positions, a statement of qualifications, and a statement of the experience requirements, job classifications, and current salary ranges for the senior investment staff.

Of course, since the first days of the heritage fund in 1976, a formal organization structure has existed in Treasury, providing for the clear delegation of authority for investment transactions. That's existed for the last five years. In talking about the question of an organization structure for investment, the Auditor General said to the committee on October 28:

There is such a structure, there is such reporting ... The situation over the past several years has changed. You have Treasury management and ourselves, both trying to improve controls involved in the administration of the heritage fund. It isn't something that is static. Steps have been taken by management, and we have consulted on these steps to

improve the controls. They have improved very much over the last two or three years.

That covers the organization structure for the investments.

A further question was with regard to the information flow for senior investment management. Investment managers have always been in the position to provide information on their activities to senior management, right from the beginning of the fund. The Treasury information system provides senior management with information on a timely basis on all transactions, all portfolio holdings, activity by investment dealers, and other pertinent information.

All investment transactions are reviewed by the head of the investment division on a daily basis, and by more senior management people on a weekly basis, to ensure they conform with the investment objectives and with the strategy designed in accordance with the investment policy approved by the investment committee of the fund. This, I might mention, has been an ongoing process. The Auditor General confirmed that. He said that that reporting procedure has been ongoing and was being done. I draw the attention of the committee to the Auditor General's remarks on October 28 with regard to the documentation of transactions:

I'd like to stress that the transactions were documented to the extent necessary as accounting transactions ... With the erratic operation of the market, we felt it could be improved ... Accounting and management controls were satisfactorily in place. Even before the recommendations for their improvement and their documentation, those controls were not unsatisfactory ... It was our recommendation, which is now being accepted that, in effect, a diary be kept of these transactions. This is over and above what is normal practice in other organizations.

Because investment decisions are made on the basis of expectations about the future, that is always uncertain, not all those decisions taken to sell securities will be correct when you view them with hindsight. Therefore, it is not meaningful to evaluate these individual past transactions, but rather to evaluate investment managers on the rate of return of the portfolio.

I underscore the fact that the Treasury Department maintains detailed records of all investment transactions. Those transactions are reviewed daily, weekly, and monthly, by appropriate senior staff — the people responsible for investment of marketable securities. The strategy used in buying or selling bonds, for example, is discussed with appropriate senior staff responsible, prior to those transactions occurring. What it boils down to on that question, Mr. Chairman, is that Treasury and the government have agreed to comply with the Auditor General's recommendation that the time of day of bond transactions be recorded.

The fourth question posed during those hearings related to whether there was any scope for collusion. That's been discussed a number of times. I'd like to underscore what the Auditor General said on October 27. He quite properly said, as would any auditor:

There is always scope for collusion. All I'm saying is that I believe that through reorganization, tighter management control of transactions, that possibility is greatly lessened.

I'd like to underscore the fact, of course, that the Treasury Department and the government continue to review our controls to do exactly what the Auditor General suggests: minimize opportunities for collusion. It's impor-

tant to underline, as well, that he stated several times during the committee testimony, that he found absolutely no evidence of collusion or fraud. So he, as the independent Auditor General, has been unable to find that. If any evidence is available, I'd be happy to have a look at it.

The fifth outstanding question that I undertook to give an answer to related to the accountability of staff required to do certain jobs; and when they were finished the jobs, would they report to their senior people. This is, of course, an accounting function, and a management control check-list system has been developed and implemented to control the accounting operations. This is the accounting division of the office of the Controller. Those people charged with the responsibility of performing certain routine accounting duties are required to sign off when the tasks are completed. Then the check-lists are reviewed by management, and deficiencies in the progress of accounting records are identified and corrective action is initiated.

Those are the answers I undertook to provide to questions some weeks ago, Mr. Chairman.

MR. SINDLINGER: I must say I appreciated the comments of the Provincial Treasurer with regard to Bill 258 earlier this evening and his response to questions placed when he appeared as a witness before the select standing committee on the Heritage Savings Trust Fund.

One other witness we had before the select standing committee at the time was the Auditor General. He handed out several documents, one of which I now have and to which I am about to refer. It's addressed to the select Standing Committee on The Alberta Heritage Savings Trust Fund Act, Tuesday, October 27, 1981. It has a subtitle, Explanation of Losses Incurred or Provided For in the Financial Statements. I must admit that the document doesn't have the Auditor General's signature on it, nor are the pages numbered. There are six pages to it. But I attest to the fact that indeed the Auditor General did distribute this to the Heritage Savings Trust Fund committee, and I'm certain it can be found in the transcripts. It deals with the explanations of losses incurred or provided for in the financial statements. Of course, two losses are identified in the annual report of the Heritage Savings Trust Fund. I think I should refer to each one for greater certainty.

There are two items on page 30 of the 1981 Annual Report, Statement B, income and retained earnings. One is "Decrease (increase) in provision to adjust marketable securities to lower of aggregate cost or market value". That's one of the losses the Auditor General addresses in his handout. He terms it unrealized losses. That's what we're talking about here: a decrease or increase in provision to adjust marketable securities to the lower of aggregate cost or market value.

The second thing the Auditor General deals with is realized losses. In the annual report, the terminology is "Net loss on sale of marketable securities". This is what is becoming the notorious \$60 million loss from the Heritage Savings Trust Fund. The Auditor General is trying to explain why there are these types of losses. That's the matter just addressed by the Provincial Treasurer. However, the Provincial Treasurer does not go into the detail that the Auditor General went into nor, may I humbly submit, does the Auditor General go into the depth of analysis that, say, an investment trader would. So we have three different levels.

But with regard to the unrealized losses, the Auditor General defines them. First of all, he indicates they are

described in the annual report as "Net loss on sale of marketable securities". They represent the excess of the amortized cost over the sale proceeds. On the next page, the Auditor General goes on to give a simple example of realized losses — the page is titled, Simple Example of Realized Losses — and uses the phrase "sell and replace" as opposed to "holds to maturity". The Auditor General refers to what he calls a "sell and replace" procedure. He says it's carried out in the expectation of earning a greater income than the "hold to maturity". Then he goes through two very simple examples. One is "hold to maturity" and the other is the "sell and replace".

This is exactly what we're talking about here in regard to the net loss on the sale of marketable securities. Why do we do that? Well, to make a decision about that, the Auditor General quite rightly said we have to compare the relative cash flows, the cash flow of holding to maturity and the cash flow of selling and replacing. An example he uses with regard to holding to maturity is the purchase of an 8 per cent two-year bond of \$100,000 at par. And then he gives the cash flow — the interest income and the total income — for two years. Obviously, Mr. Chairman, the cash flow on a \$100,000 bond at 8 per cent is \$8,000 a year. So in year one, \$8,000 is earned, and in year two, \$8,000 is earned. At the end of year two, the bond matures and the redemption value is \$100,000. So there's \$100,000 recovery, plus the annual cash flow from the interest of \$16,000; that's \$116,000. So on the one hand, Mr. Chairman, if the instrument is held to maturity, there is a total cash flow of \$116,000 over those two years.

The Auditor General then compares that to a sell and replace option. The example he gives is sell the bond we just referred to at the end of the first year. Of course, the reason they're saying sell it is because the interest rate has gone up. When interest rates go up, bond values go down. So he's saying, sell the \$100,000 bond at the end of the first year for \$90,000. Well, obviously, right away there's a loss. That is an actual, realized loss when there's \$100,000 paid out but only \$90,000 returned. But that's not the end of the story, because supposedly the reason we're selling the bond is to gain more interest. So we'll take a loss over here — sell the bond, lose \$10,000 — but we'll make it up over here. So the Auditor General analyzed that option and said, if we sell that \$100,000 bond at \$90,000, the alternative then is to purchase a bond which would bear 20 per cent, the par value would be \$90,000, and hold that to maturity.

Then he went on to calculate the interest income. The first interest income came from holding the old bond at 8 per cent initially, so 8 per cent of \$100,000 is \$8,000. However, on the negative side is the loss on the sale of the bond. They bought it for \$100,000 and sold it for \$90,000, so they've lost \$10,000. So we're in the hole \$2,000 in that first year. But going into the second year, we have a bond that returns 20 per cent interest, Mr. Chairman. So 20 per cent interest on a \$90,000 bond is \$18,000. So the cash flow in the sell and replace option amounts to this. There is a negative amount of \$2,000 in the first year. In the second year there is a positive amount of \$18,000, which means that at the end of the second year, there's a net benefit of \$16,000. Now, Mr. Chairman, the hold to maturity example — hold the bond that was already acquired — results in a cash flow of \$16,000 plus the \$100,000 initially that would be redeemed, to \$116,000. However, in the decision to sell and replace, even though there is a higher interest rate, the value of the bond and the loss on the sale of that

bond has resulted in a total net income of \$16,000. Mr. Chairman, in both instances, whether the bond was held or whether the bond was sold and replaced, the total net income is still \$16,000. There has been no gain at all, except for the fact there was a loss of \$10,000 on the sale.

Now that's exactly what's happened on the loss of the \$60 million. Bonds were sold, and money was lost on the sale of investments. They were sold for less than they were purchased for, in the expectation of earning a higher income. The Auditor General gives us this example of the options: holding to maturity and selling to replace. In both instances, the interest income and the total income are the same. If the bond had been held to maturity, it was \$16,000. If it was sold and replaced, it was \$16,000. So what's happened here is that the sale of the bond hasn't generated any more income than had it been held. Obviously, there must be another reason for the sale of the bond.

I think the Auditor General is trying to tell us something. The Auditor General is saying that the net loss is \$60 million. It does not make all that much sense if it's simply to make more money, because you don't make more money. You end up in the same place in terms of interest income, and you actually lose money on the sale of the bond when the maturity date comes up. To the Auditor General's credit, he points out that there can be different reasons for selling the bond. One of the reasons he's given here is that the funds are required for other investments. Obviously, that's what the Auditor General is saying. To sell a bond in expectation of earning greater income is nothing more than illusory. It creates the illusion that more money will be earned because the instrument now held has a higher interest rate than that which was sold. But because of a decrease in the bond value, the interest income over the life expectancy of the two different instruments turns out to be the same. The Auditor General says that if you hold the instrument you have to maturity now, you'll get \$16,000. On the other hand, if you sell and replace it, even though there's a higher interest rate, you'll still end up with only \$16,000.

So the excuse that interest rates were rising over the financial reporting period and bond values were decreasing just does not hold water. The reason has to be that the funds were required for other purposes. The question has to be: what were those other purposes? We don't know. If you look at this annual report, page 36, Note 4: Segmented Information, shows Deposit in the Consolidated Cash Investment Trust Fund of the Province of Alberta: \$30,912,000. That's a lot of money. That's the interest money earned, but earned on what? Well, to find out what it was earned on, we have to go to another page, page 25. Page 25 gives Deposits and Marketable Securities, Summary of Investment Transactions For the Year Ended March 31, 1981. Here is shown again Cash and deposit with the Consolidated Cash Investment Trust Fund of the Province of Alberta. Now, the beginning balance was \$44.1 million. Over the year there were no purchases. There is nothing shown for amortization. There were disposals, repayments, and redemptions of \$1.2 million. The amortized cost at the end of the accounting period: \$42.9 million. What it demonstrates is that at the beginning of the accounting period, there were the same amount of funds, relatively, as there were at the end of the reporting period, about \$43 million. Forty-three million at the beginning; 43 million at the end.

So the question is, how can you earn \$30 million on deposits of only \$44 million? Well, you can't. So in between the point in time in the beginning when there

was \$44 million and the end when there was \$43 million, there must have been a lot more money in there, obviously, to earn the \$30 million interest. One can do a simple calculation and say that, taking roughly an interest rate of 12 per cent, and dividing that into the interest earned, one would find out what the average balance would have to be over the accounting period to give that sort of interest. The indication is that there would have to be something like \$450 million in there. You see, that never shows up in this annual report. It takes a lot of calculating — a lot of, I guess, almost skulduggery — to come up with the answer. Because in the final analysis, one can't come up with the answer. One can't see from this annual report what the interest rate has been on the money the government has taken from the Heritage Savings Trust Fund to use for other purposes.

We don't know what those other purposes were. The Auditor General, I think, is surmising when he says here that perhaps the funds were required for Section 6 investments. Perhaps they were, and perhaps they weren't. The point is: he doesn't know, and nobody else knows. It's a question that has to be addressed, because it shows up not only in the 1980-81 annual report, but in the annual reports prior to this one as well. In each accounting period, the government has made an effort, a successful effort, to clear the cash out of the Consolidated Cash Investment Trust Fund, so that each year it's been at a relatively low level. It's difficult to say that \$40 million is low, but low relative to the size of the heritage fund, low relative to the deposits in the Consolidated Cash Investment Trust Fund. But each year, at the end of the accounting period, funds have been transferred somewhere from the Consolidated Cash Investment Trust Fund. I don't know where; it goes somewhere.

Now, that and other things are indications that there is some sort of last-minute manipulation to present these statistics in the most favorable light, to demonstrate that the funds within the heritage fund have been actively nurtured throughout the year. Another example is on page 22, which gives the Alberta Investment Division Summary of Investment Transactions for the Year Ended March 31, 1981. Now that's an extensive table, Mr. Chairman. It starts out with the Alberta Agricultural Development Corporation Debentures Investments at cost March 31, 1980. Then it gives a list of the investments made during 1980-81. They're listed in chronological order, Mr. Chairman; that is, starting March 1, June, August, October, December, February, March. March. What's interesting here is that one of them starts March 1. It's hard to tell if that's the acquisition date, the issue date ...

MRS. OSTERMAN: A point of order, Mr. Chairman. I'm having a problem understanding the relevance of the hon. member's remarks to the very simple provision, in terms of what we're discussing in committee right now: 30 per cent to be voted to the heritage fund under Bill 69.

MR. NOTLEY: Mr. Chairman, on the point of order raised by the hon. Member for Three Hills. We're talking about a Bill that is the crux of the Legislative accountability and control over the heritage trust fund, and the allocation of 30 per cent. Before 30 per cent can be allocated in the future, we have to have a full and complete accounting of how the money was invested in the past. If there are questions with respect to the investment in the past, it is certainly appropriate and, indeed, the obligation of members to be fully satisfied as to how

funds have been invested in the past, before we authorize the 30 per cent in the future. It's just that simple. This is an appropriation Bill.

I suggest the hon. Member for Three Hills might well review the remarks the Premier made in this House in 1976, at which time the Premier quite properly took considerable time during second reading to discuss the role of the Legislature every year when we address the appropriation of the 30 per cent, to the extent that the total accountability of the government will be placed before the Legislature when we address the question of the 30 per cent allocation. The hon. Member for Calgary Buffalo, as I understand it, has raised questions with respect to how money has been invested in the past and the appropriateness of that, and has a number of questions. Those questions must surely be put, and must be answered, and are totally in order.

MR. R. SPEAKER: Mr. Chairman, speaking to the point of order as well. In the year ended March 31, 1981, if we look at the Heritage Savings Trust Fund annual report on page 31, non-renewable resource revenue transfer: \$1.4 billion. During that year, the Canada investment division, the Alberta investment division received monies. An amount went into the investment division, the capital works division. It's an allocation of funds, 30 per cent. We're talking about maybe \$2 billion this year to those specific purposes. We've got to know how the investment is going to take place. A large portion of them will be invested again into bonds and other investment areas. We have to know the principles on which they're invested. So we must talk about specifics.

MR. COOK: Mr. Chairman, on the point of order, could I make one point. Bill 69 deals solely with authorizing the transfer of 30 per cent of our natural resource income to the Heritage Savings Trust Fund. I think the hon. member could speak about allocating 30 per cent and the purposes the money would be put to. But to discuss past estimates and past performance is a different question. I think he could perhaps be doing that if we were amending the Heritage Savings Trust Fund Act, but that's not the case. This is a separate Act with a separate mandate. I think the hon. members are conveniently confusing the two concepts. That's to their advantage. But quite clearly, in committee, the rules of the House show that we should be following strict procedure. I would suggest in this case, strictly speaking, Bill 69 does not refer to past estimates.

MR. PAYNE: Mr. Chairman, speaking to the point of order. Although I have no quarrel with the objectives as summarized by the opposition members tonight, with respect to the debate in committee, I'd like to refer members to Standing Order 52(2), which reads:

Speeches in committees of the whole Assembly must be strictly relevant to the item or clause under consideration.

Now I recognize we are in Committee of Supply, and consequently would refer members to Section 47, which indicates:

There shall be a committee of the whole Assembly called the Committee of Supply.

It seems to me, Mr. Chairman, that the original framers or authors of our *Standing Orders* and this provision in particular were being very precise in their selection of the adverb "strictly". The word "relevant" appears elsewhere in our *Standing Orders*. It appears also in *Beauchesne* and in other journal-type essays with respect to debate in legislatures and in committee. But I know of no

other reference that contains such a precise and limiting adverb as this provision and its reference to "strictly relevant".

I have no desire to limit debate tonight. But I do have a concern as to the productivity of the House, the relevance of the House, the relevance of what we're doing and the public perception of that relevance when our questions and replies stray so far from the provisions under debate, that I have to seriously question whether strict relevance in fact is being observed, Mr. Chairman.

MR. NOTLEY: On the point of order again. Mr. Chairman, there is no doubt that the hon. Member for Calgary Buffalo, in putting the questions he has placed before the committee, is following the strictures contained in the provisions cited by the Member for Calgary Fish Creek. He is strictly relevant. There is absolutely no question about it. The question is strictly relevant. [interjections] If members don't agree, they can get up and say so.

First of all, I remind members of the committee that we're dealing with an authorization of 30 per cent. Should it be 20 per cent, 40 per cent, 10 per cent, 0 per cent? In order to make that judgment, any question that relates to the performance of the fund is strictly relevant. I also remind hon. members that this Bill cannot be dealt with in the committee, as members know, until we have filed the report of the Heritage Savings Trust Fund committee. What is the report based on? The report is based on the year that the hon. Member for Calgary Buffalo is citing statistics with respect to. So how can that not be strictly relevant to the discussion?

If this committee and members on this committee are suggesting that we as members of the committee are not able to ask questions with respect to the reporting year of the trust fund watchdog committee, which is tabled in the House, before we decide to authorize another 30 per cent — or perhaps we may, in our judgment in this committee, make it 40 per cent or change that in some way, and that would certainly be an appropriate amendment. That again, Mr. Chairman, would be strictly relevant. If we're not able to do that, then there is no way that members of this committee could even begin to discharge our collective responsibilities.

The hon. Member for Calgary Buffalo was raising questions. It would be my submission, sir, that those questions are in order. If the government doesn't wish to answer them and instead pay the price of the harsh judgment of the public for not answering them ... But to suggest that they can't be put when we are dealing with an appropriation Bill of this kind, in my view, is preposterous.

For the information of the hon. members, I suggest with great respect that they might all carefully read the debate that took place in 1976 and the emphasis that was placed on this very procedure. At that time there was no suggestion that there would be a limitation of debate. Indeed, the government's entire case for legislative accountability in large measure was placed on this fundamental question of legislative control. Before we decide on the 30 per cent, there must be adequate accounting.

As long as the questions relate, as the hon. member for Calgary Buffalo's questions have, or his comments — and it may well be that a little later on this evening, we'll be getting suggestions as to what we might be doing with that 30 per cent. That's just possible. But the fact of the matter is that the questions that have been put, to this point in time at any rate, are strictly relevant within the most narrow definition of the rules. I hate to think any

member of this committee would want to use the rule book to limit debate in this, the people's forum. We should be expanding the opportunities to raise relevant questions, as the Member for Calgary Buffalo has. In my view, Mr. Chairman, his questions are totally in order and should be accepted. It's up to the minister to answer them.

MR. SINDLINGER: Speaking to the point of order, Mr. Chairman. I appreciated hearing from the Member for Three Hills, and I value the comments she's made. I appreciate her bringing the question of relevancy to our attention. I always enjoy listening to the Member for Calgary Fish Creek, because in my experience, and when he was chairman of the heritage fund committee, he was very fair and sagacious, if I may say so.

I do think, however, that I was addressing the issue here. The issue is whether or not we should transfer 30 per cent of non-renewable resource revenue into the heritage fund. Certainly after I listened to the responses to our questions, that the Provincial Treasurer will be giving us, I too will make up my mind whether or not the government should transfer 30 per cent. It may be that perhaps the government should transfer 50 per cent or maybe 10 per cent. But I don't know until we get answers to these questions. I think there are two reasons why we should go into things that perhaps one might not, on the surface, deem to be strictly relevant to the 30 per cent. One is the debate when the Premier of the province was speaking about accountability. To ameliorate concerns of the then Member for Calgary Buffalo in particular, he said there were four ways that there could be accountability. One of those four was in regard to the debate on Bill 69. As a matter of fact, after pointing out the three, it was his final point. If I may quote from the April 23, 1976, *Hansard*:

Fourthly, Mr. Speaker, the major change . . . Not just the change, but the major change

. . . I set forth in Bill 35, as compared to Bill 74 that was presented in the fall session of the House, was to establish a special act of this Legislature each year to authorize in advance 30 per cent of the non-renewable resource revenue.

If I had another quote here, I would refer to it, but at great risk I will try to paraphrase. I did that earlier tonight and was corrected. Nevertheless, this fall when the Provincial Treasurer appeared as a witness before the select standing committee of the Legislature on the heritage fund, he was asked several questions, to which he responded tonight. The reason he responded tonight was that when he was asked the questions, he said he would answer them in greater detail when we got to committee stage of Bill 69. I submit to you, Mr. Chairman, inasmuch as we are now at committee stage of Bill 69 and the Provincial Treasurer did give the undertaking to answer these questions in detail and has in fact done so, I respectfully request the indulgence of the Legislature to pose supplementary questions in detail as well.

Mr. Chairman, over the last four weeks we have had a difference of opinion in regard to the heritage fund, in particular the \$60 million. To this point, Mr. Chairman . . .

MR. CHAIRMAN: As far as the point of order is concerned, I think the hon. Member for Calgary Buffalo is probably straying in the degree of relevance right now. Did the hon. Leader of the Opposition wish to speak?

MR. R. SPEAKER: Yes, Mr. Chairman, I'd like to make one comment on the point of order, in terms of the relevance of the debate of the hon. Member for Calgary Buffalo, to the hon. Member for Three Hills. The discussion was on the topic of bonds and the relevance to the 30 per cent allocation being requested through Bill 69.

For four weeks we have attempted to hold the government accountable for their actions in terms of investments and marketable securities, specifically bonds. We've attempted to get management letters relative to management procedures. We're attempting to get information with regard to how the loss occurred. We're also trying to get information as to what types of management procedures were put in place and whether the government really qualifies as managers for a larger sum of money.

This next year, the 30 per cent of the royalties will supposedly be greater than it was last year, greater than \$1.4 billion. That means that the government will have more money to handle in their investment portfolio, in terms of deposits, money market securities, and bonds. We must be assured there was accountability in the past before we can pass and give more money in the future. That's just like giving it to . . .

MR. CHAIRMAN: Perhaps we could deal with the point of order. We don't need to get into the actual debate about the question at the present time.

MR. R. SPEAKER: Mr. Chairman, that's a good point. In terms of the question raised on Section 52(2), where the matter "must be strictly relevant to the item or clause under consideration", I'm saying that a discussion of bonds and how they were handled in 1980-81 or previous years is relevant to whether the government has had good management procedures in place, that they have been accountable to this Legislature, that there has been a quality of management. If there has, we can say, fine, 30 per cent looks great for this coming year. Then we will approve the item under discussion. But we must be able to assure ourselves that past management is good in order to be given money in the future. It's just like giving your child money. If they blow it and waste it one time, the next time you take it away, you reduce the percentage — not to equate the government with children; I'll be careful of that, Mr. Chairman. But the debate is relevant to Section 52(2) and certainly relevant to Bill 69.

MR. KING: If I could speak, Mr. Chairman, I think we have two problems. One, some hon. gentlemen, in the fashion of my young son, want to use a chisel to do the work of a screwdriver. There is a purpose for the rules of the Legislative Assembly, including — although this may amuse the hon. members — rule 52(2), and it is to ensure that debate is limited to the item before the House. To limit that debate is not to restrict any member from making debate in the House on any other occasion.

Today in this House, we have debated a written question, in spite of the fact that the rules don't allow for it. We have debated a principle on second reading of a private member's Bill. We have received a report from a select committee. To say that on this particular occasion we will not allow an hon. member to wander endlessly through the forest is not the same as saying that he can't go for a walk in the forest on some other occasion. All we ask is that this evening their comments be relevant to committee consideration of this Bill.

First of all, Mr. Chairman, I can only refer you to 52(2), which has already been cited and, secondly, to rule

22 because, of course, the rules of the House apply in committee as well:

A member will be called to order by Mr. Speaker if that member ...

- (b) speaks to matters other than
 - (i) the question under discussion, or ...
- (c) persists in needless repetition or raises matters which have been decided during the current session ...

for example, the principle of the Bill only recently defeated, or

- (e) anticipates, contrary to good parliamentary practice any matter already on the Order Paper or on notice for consideration;
- (f) reflects upon any previous vote of the Assembly unless it is that member's intention to move that it be rescinded.

For example, I haven't heard the hon. member move that the allocation be reduced to \$1.

Secondly, in addition to absolutely complete disregard for the rules of the Assembly, we appear to have a situation in which relevance depends upon the logic applied. As I understand it, the logic of the hon. members of the opposition is that if they are a little dissatisfied with the government's responsibility, they'll want to reduce the allocation a little. If they're very dissatisfied, they'll want to reduce it a lot. I would suggest to them that if they are dissatisfied with the exercise of responsibility, they're completely dissatisfied. And that's not going to influence a 5 or 10 per cent shift in the amount of money to be voted.

MR. NOTLEY: That's a matter of opinion.

MR. R. SPEAKER: That's what it's all about.

MR. KING: Exactly. I think it is a question of logic. I think they are in violation of 52.2 as well as 20.2.

MR. KNAAK: Mr. Chairman, I too want to participate on the point of order and particularly comment on the remarks of the Member for Spirit River-Fairview. He too is a member of the watchdog committee. We've heard him repeat here: how can we as a committee exercise our responsibilities and question the government on various matters? Well, the very purpose for the watchdog committee is to do exactly that, one minister at a time. This fall, we went through that procedure in quite some detail. That is when the ministers were questioned in detail. Here we are again. We're in a position — I think the Leader of the Opposition is quite proud of the fact that he has transformed from responsible questioning to what he now calls a filibuster. If we don't follow the rules of this House, we'll be put in a position where the people of this province who have elected a government they have confidence in will be stopped by an opposition they did not have confidence in.

Thank you.

MR. NOTLEY: That's not a point of order; that's a point of opinion.

MR. CHAIRMAN: Dealing with the point of order raised by the hon. Member for Three Hills. I must admit that this matter of relevancy is a cause of concern for both me and the deputy chairman of committees. We have discussed it a number of times. If we refer to our own *Standing Orders*, Section 52(2), I wish there were a more clear definition of how you're going to deal when they say "strictly". If we refer to other sources in the matter, Erskine says that if you're dealing with a vote which has appropriation of funds for a special, particular purpose, you can very easily restrain the discussion to that subject. Here, of course, we are dealing with a vote which doesn't indicate the manner in which those funds are going to be disbursed, so it is difficult to say whether you're completely staying with the subject.

Beauchesne, in 299, says "Relevancy is not easy to define." That is certainly true. "In borderline cases the Member should be given the benefit of the doubt." Subsection (2) says:

The rule against repetition is difficult to enforce as the various stages of a bill's progress give ample opportunity and even encouragement for repetition.

In practice, wide discretion is used by the Speaker and the rule is not rigidly enforced.

I have had some difficulty in following the debate on the estimates we have under consideration as to relevance, particularly this evening when the hon. Member for Calgary Buffalo spoke. But every once in a while, it seemed to me there was probably a very thin thread in there somewhere which would indicate he is speaking to the subject under discussion.

So at this time, I would have to say that as far as relevancy is concerned, I have some concerns about it but I can't rule against the Member for Calgary Buffalo. I would ask him to continue his debate.

MR. CRAWFORD: Mr. Chairman, I move that the committee rise and report.

[Motion carried]

[Mr. Speaker in the Chair]

MR. APPLEBY: Mr. Speaker, the Committee of the Whole has had under consideration and reports progress on Bill 69.

MR. SPEAKER: Having heard the report, do you all agree?

HON. MEMBERS: Agreed.

MR. CRAWFORD: Mr. Speaker, tomorrow there will be Royal Assent to the Bills on the Order Paper that are pending Royal Assent and, after that, Committee of Supply, Department of Transportation.

[At 11:15 p.m., on motion, the House adjourned to Friday at 10 a.m.]