

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Monday, December 14, 1981 2:30 p.m.**

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

PRAYERS

[Mr. Speaker in the Chair]

head: **NOTICES OF MOTIONS**

MR. CRAWFORD: Mr. Speaker, I would like to give oral notice that tomorrow I will move the following resolution:

Be it resolved that when the Assembly adjourns, it shall stand adjourned until such time and date prior to the commencement of the 1982 session as is determined by Mr. Speaker after consultation with the Lieutenant Governor in Council.

head: **TABLING RETURNS AND REPORTS**

MR. KOZIAK: Mr. Speaker, during the course of the estimates, my colleague the Minister of Energy and Natural Resources indicated that if he was unable to complete reading the agreement between AOSTRA, Shell Canada Resources Limited, and Shell Explorer Ltd., he would file that at the end of his estimates. I do so now.

MR. HORSMAN: Mr. Speaker, I wish to table answers to Written Question 122 on the Order Paper.

MR. MILLER: Mr. Speaker, I would like to file four reports of the Land Agent Advisory Committee on the qualifications and standards of conduct for land agents.

MR. NOTLEY: (Inaudible) with the Legislature Library three copies of background memos I submitted to you, sir, and which were distributed to members of the Legislature, with respect to the question of privilege raised on November 24.

head: **ORAL QUESTION PERIOD**

Computer Technology in Schools

MR. R. SPEAKER: Mr. Speaker, my question to the Minister of Education is with regard to the computers that are going to be made available to school boards across the province. It's my indication that the Alberta School Trustees' Association has asked the department that local boards be able to defer decisions on purchases of computer technology until the Alberta School Trustees' Association task force has reported. I wonder if the minister has had that request made to him. What action will be taken?

MR. KING: I have not had that request made to me, Mr. Speaker.

MR. R. SPEAKER: Mr. Speaker, a supplementary question. Could the minister indicate how many local school boards have purchased the computer equipment at this time?

MR. KING: No, I'm sorry I can't, Mr. Speaker.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the minister. My understanding is that the task force will take about 11 months to do their work. Could the minister indicate whether consideration would be given to deferring the purchase or this agreement with regard to the computers?

MR. KING: Since I have no knowledge of the Alberta School Trustees' Association task force, referred to by the hon. Leader of the Opposition, I'm afraid I can't comment on his question.

Housing Standards

MR. R. SPEAKER: Mr. Speaker, I'd like to ask a question of the Minister of Housing and Public Works, with regard to the occupancy-rate situation in Alberta. A lot of substandard housing is being occupied by Albertans at the present time. I wonder if the minister has looked at any type of assistance program to help persons upgrade some of these homes and bring the living conditions up to standard.

MR. CHAMBERS: Mr. Speaker, we've discussed on previous occasions the program we have which allows for the conversion of suites — whether they be basement, upstairs, or attic suites, or individual, light housekeeping rooms. As I indicated before, to this point in time that program has not gone as well as I hoped it would, primarily because of municipal zoning restrictions and so forth. I'm optimistic that during the next year and in the years ahead, the municipalities will take a more realistic view of this, and that program will come into its own and generate a lot more of such units.

MR. R. SPEAKER: Mr. Speaker, a supplementary question to the Minister of Consumer and Corporate Affairs. I wonder if the minister could indicate the number of complaints received by the department, if any, with regard to persons renting condemned or substandard premises.

MR. KOZIAK: Mr. Speaker, I was asked that question some time ago, in the last two to three weeks. At that time, I checked with department officials to determine the nature and number of complaints in this area and was informed that there had not been any.

The Leader of the Opposition is well aware of the provisions of The Landlord and Tenant Act, 1979, which impose a responsibility on the landlord to assure that the premises are habitable at the commencement of tenancy. We have not received complaints in this respect. We assume that prospective tenants would be in the best position to relay those concerns to us, because they would be the ones who view the premises before determining whether or not they should occupy them.

Water Management — TV Production

MR. NOTLEY: Mr. Speaker, I'd like to direct this question to the hon. Minister of Agriculture. It's further to my

questions last week with respect to the television program *On The Waterfront*. So there's no misunderstanding, in terms of XTV making their decision to delay or at least not show the film as originally scheduled, is the minister in a position to advise the Assembly whether there was any representation by any official of the government of Alberta to the management of XTV before that decision was made?

MR. SCHMIDT: Mr. Speaker, it's my understanding that the contact was made on behalf of the CBC studio to the department, suggesting that the time schedule, which had been laid out and printed in many media pamphlets, be delayed for a period of time. The indication was that it came from the television studio to the department.

MR. NOTLEY: Mr. Speaker, a supplementary question. Then the minister is saying that the initiative on the question of the delay came exclusively from the station, and that no one in the government of Alberta — either the minister's department or any other department — contacted the CBC, either formally or informally, to recommend the delay?

MR. SCHMIDT: Mr. Speaker, in reply to a question last week, I believe, I stated that over the years information that is available goes out through the television and radio media. And over the last 12 years with the CBC, an arrangement has existed that if by their choice the media wish not to show any of the available material, that option is in the basic understanding and agreement we have with them. It's my understanding that the call suggesting that the time frame be changed was made under that agreement.

MR. NOTLEY: Mr. Speaker, a supplementary question. Then the minister is advising the House that no informal representation was made by anyone from either the minister's department or any other department of government, with respect to the delay in this particular showing, and that it was exclusively the initiative of XTV.

MR. SCHMIDT: Mr. Speaker, it's my understanding that the initial submission was made in this case by CBC to the department. It was on that joint submission that the decision was made to delay. There was no communication from my department or my office. It's my understanding that no other exchange was carried on in this particular case, other than the normal procedure through CBC and the department.

MR. NOTLEY: Mr. Speaker, a supplementary question. The minister said "joint" representation. Is the minister able to advise the Assembly what is meant by that? Was there a meeting of the minds, as a result of a discussion of this matter? What was meant by "joint" representation?

MR. SCHMIDT: Mr. Speaker, to my knowledge CBC suggested that the time frame be changed. The department received that suggestion and agreed. That was the joint decision made on behalf of both.

MR. NOTLEY: Mr. Speaker, a further supplementary question. On page 2,181 of *Hansard*, December 8, the minister indicates that *On The Water Front* is only one of four programs the department is showing this year. Is the minister in a position to advise the Assembly whether the

other three programs are completed, and what the subject matter will be?

MR. SCHMIDT: Mr. Speaker, from memory, I believe two deal with marketing — one deals with the overseas marketing of Alberta products, and one is consumer oriented and deals with the use of Alberta products by the consumer in our province — one was *On The Water Front*, and the other topic fails me at the moment. Four films are available through the Department of Agriculture this particular year.

MR. NOTLEY: Mr. Speaker, one final supplementary question. The minister indicated that the cost of this film was \$25,000. Are any other financial obligations still to be met with respect to the production costs of this film?

MR. SCHMIDT: Mr. Speaker, to my knowledge, the \$25,000 is the total cost of the production itself. Any other costs incurred would be for services rendered for showing the various films through the various outlets that exist.

Reservoir Development

MR. MANDEVILLE: Mr. Speaker, my question is to the hon. Minister of Environment. Could the minister indicate what response his department has given to the Eastern Irrigation District request for funds to develop the Crawling Valley reservoir within its boundaries?

MR. COOKSON: Mr. Speaker, I'd have to have more information from the member. The Department of Environment administers \$234 million from the Heritage Savings Trust Fund for development of on-stream and off-stream water supply plus channelization. If the question is related to the trust fund administration, I'd have to check to see if that specific was included in the '82-83 year. I don't think it is. However, if it has to do with expenditures by Agriculture, it might be better to refer the question to the Minister of Agriculture.

MR. MANDEVILLE: A supplementary question to either the hon. Minister of Environment or the Minister of Agriculture, with regard to the same project. Is it the policy of the department to let irrigation districts transfer money from one project to another? The Eastern Irrigation District wants to transfer some money approved for one project to the Crawling Valley project.

MR. SCHMIDT: Mr. Speaker, further to the comments of my hon. colleague the Minister of Environment, for the ag. portion irrigation districts have a basic upgrading program for a five-year period. That plan is followed very closely and, of course, is approved by the irrigation council. If, through either engineering or time-frame changes, a change has to be made in their basic long-term upgrading plan, a submission to the irrigation council has the flexibility to give irrigation districts an opportunity to change, within reason and, of course, within the purview of the engineering design.

MR. SPEAKER: The hon. Member for Pincher Creek-Crowsnest wishes to supplement some information given in a previous question period.

Syncrude Operations

MR. BRADLEY: Mr. Speaker, last Friday the hon. Member for Spirit River-Fairview asked some questions with regard to a filing by the Minister of Energy and Natural Resources and its relationship to the Crown agreement, and Schedule A in particular. I'd like to respond as follows.

The information tabled on October 15 by the Minister of Energy and Natural Resources was in response to Motion for a Return 136 of June 2, 1981, by hon. Member for Spirit River-Fairview, requesting a return showing all audited annual reports of Syncrude Canada Ltd. provided to the government, in accordance with its role as an equity participant in the Syncrude project, for the years 1976, '77, '78, '79, and '80. The audited annual financial statements of Syncrude Canada Ltd. relate to the business arrangement between the Syncrude participants and, as such, accurately reflect the financial transactions of the private company, Syncrude Canada Ltd. Schedule A of the Alberta Crown agreement relates to the Alberta joint venture between the Syncrude participants and Alberta royalty. For this reason they are not, nor should they be, consistent with Schedule A of the Alberta Crown agreement.

Further, Mr. Speaker, the hon. member requested information as to when the accounting manual for Schedule A to the Alberta Crown agreement would be tabled in the Legislature. As a matter of fact, that has been tabled. Schedule A to the Alberta Crown agreement is the accounting manual and, as such, was filed in this Legislature on May 4, 1976.

ORDERS OF THE DAY

head: **GOVERNMENT BILLS AND ORDERS**
(Second Reading)

Bill 83

**Appropriation (Alberta Heritage Savings
Trust Fund, Capital Projects Division)
Act, 1981**

MR. HYNDMAN: Mr. Speaker, I move second reading of Bill No. 83, the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1981.

[Motion carried; Bill 83 read a second time]

Bill 84

**Appropriation (Alberta Heritage Savings
Trust Fund, Capital Projects Division)
Supplementary Act, 1981**

MR. HYNDMAN: Mr. Speaker, I move second reading of Bill No. 84, the Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Supplementary Act, 1981.

[Motion carried; Bill 84 read a second time]

[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 83

**Appropriation (Alberta Heritage Savings
Trust Fund, Capital Projects Division)
Act, 1981**

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

[Title and preamble agreed to]

MR. HYNDMAN: Mr. Chairman, I move that Bill No. 83 be reported.

[Motion carried]

Bill 84

**Appropriation (Alberta Heritage Savings
Trust Fund, Capital Projects Division)
Supplementary Act, 1981**

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

[Title and preamble agreed to]

MR. HYNDMAN: Mr. Chairman, I move that Bill No. 84 be reported.

[Motion carried]

Bill 69

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

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

MR. R. SPEAKER: Mr. Chairman, I'd like to make some opening remarks with regard to Bill 69, first of all as to where we are and what is happening. As we all know, Bill 69 allots 30 per cent of the natural resource revenue of this province to the Provincial Treasurer, to be used for the functions of the Heritage Savings Trust Fund, in terms of the Canada division, the Alberta division, the capital division, and other investments. At this point in time, I think it is very important for us to review not only what has happened but, as well, to be assured in this Legislature that we know where the funds are going in the future and where they are going to be invested, hopefully for the good of Albertans.

We must focus, though, on the problem we've raised in this Legislature, because it is an example of what can happen and describes the character of the management of the Heritage Savings Trust Fund. As have many people in Alberta, we have noted that there is a realized loss of some \$60 million over the last years, in terms of bonds invested in this purchase and sold in this province. I'm sure that sounds like a record in this Legislature, or words that are not necessary to say anymore. But, Mr. Chairman, that is the focus of concern.

Over the last seven or eight weeks, we have raised our concern about accountability and how that loss occurred. We've asked for specific information to back up those losses, to trace the pattern of the losses. Time and time again, the Provincial Treasurer refused to give this Legislature that information. I don't know what his position is as of today. But that's important information, Mr. Chairman. We must know what the traders did with over \$1 billion of our money, in investing it in bonds. We must know how responsible they are; who they are; who the firms are — maybe not only in Alberta but in Toronto or Ontario or wherever they are — that are investing the heritage savings trust funds. Who are those people? What are they doing with it? How are they affecting the market? We're talking about the traders and the investment firms.

What about the department, Mr. Chairman? Who is responsible in that department? Who is qualified to make good investments? We don't know. We are not sure who those people are. We don't know whether they have adequate qualifications. We look at the very limited information before us — and in questions today, I hope to dig into that further. But in looking over the list of people who invest over \$1 billion on our behalf, I cannot be assured: one, that they can trace and follow the investment in the bond market and other markets; and secondly, whether good management procedures are in place and have been put in place by the Provincial Treasurer. We don't even know what those management procedures are. We don't know the communication between a trader and investment personnel of the Treasury Department, between that person and the Deputy Provincial Treasurer and the Provincial Treasurer.

Mr. Chairman, we don't know any of those kinds of things. We don't know the daily or hourly checks, which are necessary when you're investing in the bond market, to assure yourself that the trader is not collaborating with somebody — maybe in the Treasury Department — and that there isn't any collusion, any fraud. We're not assured of that kind of thing happening. So we're concerned. We've raised that matter in this Legislature for seven or eight weeks, but to no avail.

This is only one example, Mr. Chairman, one example of many, many others that occur across government. When we look at long-term investments, we ask ourselves what the accountability is. When we look in the 1980-81 report, page 5, some \$461 million of the Alberta Heritage Savings Trust Fund is in long-term investments. Who is watching those investments? I don't know of anybody. If I don't, the people of Alberta don't. The government has not told us who they are. They have not told us what procedures are in place to assure us of accountability. They have shown us no records, not one record which documents accountability. The only thing we have had in this Assembly is the empty words: everything's okay, don't ask us for the documented information. That's the only thing we have got, Mr. Chairman. Beyond that, nothing.

Those are the long-term investments. But then we look at short-term investments, \$897 million under Section 9 of The [Alberta] Heritage Savings Trust Fund Act: cash and deposits, \$43 million; money market securities, \$855 million, which includes the bonds we have been talking about, the bonds that had a realized loss.

Mr. Chairman, between the long term and the short term, our report shows that \$1,334 billion is in deposits and marketable securities. Many things can happen with that amount of money if someone is not right on top of

the job. Certainly fraud and collusion can happen. Not only I say that, but the Auditor General says that. Then we must be concerned — \$1.3 billion in this one division of the Heritage Savings Trust Fund. We have no back-up material to say that things are proper and properly accounted for in this Legislature.

What other conclusions come from that, Mr. Chairman? I think this is the only conclusion the public of Alberta can come to: after this seven or eight weeks of questioning, the public is saying that they know there is a \$60 million realized loss, a loss to them as Albertans. The second thing they're saying in the coffee shops, on the street, and in the meetings across this province, is that the government is covering something up. When they don't give you the information, they're covering something up; there is a cover-up. Mr. Chairman, from there, there is only one other conclusion. Maybe the government is not coming clean and telling us what's really going on. Maybe there is some fraud and collusion behind the scenes. [interjections] Who knows? When the government cannot present the documents, what other conclusion can you come to? I don't know of any others the people of Alberta can come to.

Mr. Chairman, where does the responsibility for this kind of attitude rest? Certainly it rests with all members of the Conservative Party in this Legislature, each and every one who didn't take the opportunity of speaking out in this Legislature during this session, this Legislature which is now going to be closed up. The barn door is going to be closed and whatever is happening and has happened is going to be kept behind the barn door so Albertans will not know. At least that's what the Conservative Party thinks. The whole party, every one of you is a witness and part of the crime that has been committed. [interjections] Every one of you.

MR. CHAIRMAN: Order please. I would judge the remark just made by the hon. Leader of the Opposition as not appropriate for discussion within the committee here today.

MR. R. SPEAKER: Mr. Chairman, let's define what a crime is. A crime is often when a person doesn't speak out and stand up for his responsibilities when he's in this Legislature. [interjections] That's what's happened here.

MR. CHAIRMAN: Order please. I wouldn't think the Leader of the Opposition would want to set himself up as judge and jury in deciding that what he is talking about is absolutely correct. I think it would be appropriate not to make that kind of remark in the committee. It was not necessary, and it could be withdrawn.

MR. R. SPEAKER: Mr. Chairman, in terms of the remark being withdrawn, I was using the definition of the word. The word was "crime". That's a given. The second part of that is the definition of the word "crime". Crime is when people do not speak out on behalf of their constituents, bring out information, and reveal whether something happened or it didn't. That's the definition . . .

MR. CHAIRMAN: Order please. We're still into a matter of judgment on the part of the Leader of the Opposition deciding what a certain issue is. I do not think that type of language is necessary in this committee.

MR. R. SPEAKER: Mr. Chairman, I'll withdraw the word "crime" and replace it with the word "irresponsi-

ble". Maybe that's a little stronger and a little more direct.

The point I want to make is that there is one minister in this Legislature who is responsible for the situation we are in today, the Provincial Treasurer. If the Provincial Treasurer isn't willing to take his responsibility, it is the Premier. In terms of accountability, the buck stops, one, with the Provincial Treasurer and, two, with the Premier. Even though other members in this Legislature do not stand up and take their responsibility, they can walk home and feel free that they don't have to take the responsibility, the direct ramifications or implications of the act that has occurred. The responsibility lies with the Provincial Treasurer.

Today the Provincial Treasurer and this government have limited the time to show accountability. If the Provincial Treasurer has not presented us with any information, any documents, even to support this one example of mismanagement, by 10 o'clock tonight, the people of Alberta will have to deal with that problem. Hopefully the people of Alberta will be voting against that kind of irresponsible action and lack of accountability. Mr. Chairman, that's what is out at the grass roots in Alberta today. People are concerned about the accountability for the Heritage Savings Trust Fund. They know in their minds and feel that the government is covering something up, covering up some kind of action that they do not want to reveal to the public of Alberta. If we don't clear up that lack of accountability today in this Legislature and it is left to drag out and go into the streets of Alberta, then the Conservative party in this province must live with the implications of that, live with the image of a lack of accountability.

The Provincial Treasurer, who has aspirations to be the leader of this Conservative party in the province of Alberta, will leave that as a mark on his leadership. That will be a mark on his leadership. In no way can the hon. Provincial Treasurer go into a leadership convention and say, I believe in public business being done in the public or in open government like my predecessor, Mr. Lougheed, stood for. He can no longer say that, Mr. Chairman, because it is clear in this fall Legislature that one, the Provincial Treasurer will not present any documents to substantiate his actions and, two, there has been no open government through the example set by the hon. Provincial Treasurer. That is the case the Provincial Treasurer must live with in this Legislature.

Through our questions today, the Provincial Treasurer has one last chance to come clean and show Albertans that there isn't anything wrong, that there is no cover-up. That's what we expect through our questions today, Mr. Chairman. We expect that kind of responsible action. If we don't get it, we're going to do everything we can do to ferret out information. If we're stonewalled and closed out at 10 o'clock with no information, then we speak to the people of Alberta. We're going to travel this province from one end to the other and talk about free speech. We're going to talk about accountability. We're going to talk about \$60 million being lost.

Mr. Chairman, I'll tell you that the people of Alberta are ready to hear that information like they have never wanted to hear it before. They don't believe, and didn't believe to this point in time, that the Conservative party was really this closed, this arrogant, this unwilling to give the people of Alberta information about their management. The people in Alberta didn't believe that until the last five or six weeks, when we raised an example and placed it on the kitchen table of every Albertan. They

now realize that this government isn't as great as they thought it would be. The government's going to have to live with that. This government will have to work harder than ever to disprove that doubt in the minds of Albertans today.

Over the last 10 years, I've been very gentle with this government, very, very gentle in my approach to this government. This government has had its way to do what it wants. But that period of time has stopped, because Albertans are demanding accountability like they've never demanded it before. They want accountability. As I go into offices of Conservative supporters, they're saying, ask for accountability, don't stop the actions you've taken to this point in time. Mr. Chairman, we don't intend to stop. We'll start that job today, and continue it as we have over the last six or seven weeks.

Mr. Chairman, we are going to ask as many questions as we can in the time between now and 10 o'clock. If the Provincial Treasurer has good answers to those questions, maybe he can relieve some doubts. But the performance to this point in time would not leave you with that hope in mind.

DR. PAPROSKI: Mr. Chairman, rising to speak on Bill 69 raises the issue of the 1975 and 1979 campaigns when, over two years prior to 1975, the citizens of Alberta had an opportunity to debate this on every street corner and in every household, farm yard, and farm home. We know what happened in 1975. We know what happened in 1979, when the issue was raised again by the opposition members' trying to create a cloud over this very important Heritage Savings Trust Fund, where 30 per cent is allocated for and invested in for special items for not only generations now but future generations.

When I hear the kind of talk coming from the hon. opposition member's mouth, I get distressed, not for myself but for the citizens out there: every man, woman, and child, the young and the senior citizens. The need for such a fund for future generations was as well known then as it's known now. They recognized the management of that fund, and it was clearly articulated across this province. It was submitted in 1975, again in 1979, and since that time. The citizens recognized that it was a good and proper way to manage this fund. The need and the direction was there. They recognized that this was an investment fund and that it should be carried on that way.

Mr. Chairman, no one wanted to spend all the non-renewable resource [revenues]. I think the opposition members are missing the point. They forget that 70 cents of every non-renewable resource revenue dollar goes on the day to day management for our citizens, and only 30 per cent goes for investment for a rainy day, for future generations. They don't mention that. They forget because they want to forget or don't want to mention it. They zero in on one item, which has been clearly explained over and over again in this Assembly. Every bit of information that had to be provided under the rules of the House, has been provided. As a matter of fact, we know that additional information will be provided through the Auditor General, as requested by the Premier and the Lieutenant Governor in Council.

The level of services from non-renewable resources — 70 cents of every dollar flows on a day to day basis to give us the lowest corporate tax, the lowest provincial tax, the lowest personal tax, lowest natural gas prices in all Canada, no sales tax, no gasoline tax, et cetera, et cetera. In other words, Mr. Chairman, we must recall

that 70 per cent of the dollar is being spent on a day to day basis to the extent — and this is a rough figure, but I challenge any one of the opposition members on this figure — that every husband and wife with two children earning \$25,000 to \$30,000, is \$5,000 a year better off living in Alberta than in any other province. That's because of the money spent on a day to day basis. What we're talking about and zeroing in on here is that under this Bill, 30 cents of every dollar — 30 per cent, if you wish — goes into a special fund to be invested on a day to day basis and, I submit, is being managed very well.

AN HON. MEMBER: Saving for the future.

DR. PAPROSKI: Saving for the future, as the hon. member indicates.

Turning to accountability, who brought in the independent Auditor General, Mr. Chairman? This government, not the previous government. And what has this independent Auditor General stated regarding the fund? Of course, we were talking about the capital division for these 21-plus days. The hon. opposition leader says six or seven weeks. Indeed, questions have been up over and over again for the past six or seven weeks. [The Auditor General] says that every dollar has been accounted for. There was no evidence of fraud or collusion — no evidence of fraud or collusion. Every dollar and cent has been accounted for.

The citizens out there know about that, Ray Speaker. You must be speaking to your hon. opposition members when you say they are concerned about it. They know that the \$60 million — and we're not going to go over that again — was a realized loss, because the bonds had a lower interest rate. They were sold. Every citizen would do that and transcribe that into a higher yield. As a matter of fact, the yield proves it. Because over that same period of time, the yield was a \$60 million loss and over a \$1.5 billion gain. Well, the citizens will not be duped by this kind of commentary over and over again. I'd be prepared to go on every street corner or every table across this province and challenge the hon. opposition leader any time on that basis.

Let's talk about accountability, Mr. Chairman. They don't want to talk about the accountability regarding this fund. They don't speak of the annual report. They don't speak of the quarterly report. Every citizen has an opportunity to see it. They don't speak of this debate that goes on every year to raise the issues, and properly so. I'm not criticizing the debate, Mr. Chairman; I'm criticizing the items they're bringing to the debate, as if to make citizens believe that something terrible has happened. In fact, they have no evidence whatsoever that something has happened. As a matter of fact, the independent Auditor General, who reports under the rules of the House, did not say that anything happened. There was no evidence of fraud or collusion. A special report is even coming in to show that. Mr. Chairman, I would be the first in this House to indicate that if the independent Auditor's special report, requested by the Premier, indicates that something unusual has happened, I'm sure that will be corrected forthwith. But I'd be amazed, in view of the commentaries made already by the independent Auditor General.

Then we have a special select committee that sits and reviews the 30 per cent allocation, and is able to call the Premier and the ministers responsible for the various sections of the fund. They debate that over the summer, prior to coming here in the fall session. The opposition members sit on that committee. They ask all the ques-

tions they want, then they come to this House and repeat the whole situation over again. We have the debate on estimates, as we're having today. So I have great difficulty with the verbalizing, the repetitive questions, and the circular way they're talking in trying to create an illusion that something has happened when, in fact, they have no evidence that anything has happened.

They say that the non-cabinet government members are not free to speak. Well, I challenge him on that right now. I'm sure that if we wanted to stay for another four or five weeks, there is not one member who wouldn't get up and speak for half an hour, 45 minutes, or an hour. But it has been stated very clearly by other members, and we don't like to repeat ourselves in a repetitive, circular manner to convince ourselves and create an illusion. We know the facts.

Mr. Chairman, they talk about limitation of time. Again, that is going to be raised over and over again. Yet, the rules of the House are followed. There is a limitation of time on the question period, but we have a question period. We've backed off many times to allow the opposition members to question the government on the specific items we're talking about. What have they done? They've either walked out of the House or become mute. There are remarkable supplementaries on this specific item over and over again.

So, Mr. Chairman, I'm saying that at least I know now where the opposition members stand: the Social Credit, the socialist party, and the independent. They're all in bed together. They want to create an illusion of a problem by saying there's no freedom of speech, when they've had all the opportunity in the world to make their point. They're delaying, they're repeating and, frankly, they're politicking, pure and simple, just politicking.

Mr. Chairman, I want to get onto a more specific item and say that we've spent 21 days on the capital division. Although the hon. Leader of the Opposition says six or seven weeks, I'll give him the benefit of the doubt. There were questions on that item in question periods too. Six or seven weeks on a portion of the fund that represents only 3 cents of the whole non-renewable resource dollar. We're now talking about the rest of it, Mr. Chairman: 27 cents of every dollar of the \$9 billion fund for all our citizens and future generations; that is, the Alberta investment division, the Canada investment division, the marketable securities, and the energy investment division.

I'd like to spend a few minutes on that, especially in reference to the Alberta division, which represents some \$4.9 billion of the \$9 billion. It represents such items as the Agricultural Development Corporation; the Alberta Home Mortgage Corporation; the Alberta Housing Corporation; the Alberta Municipal Financing Corporation, which gives low interest loans to all cities, towns, and municipalities; the Alberta Opportunity Company; the Alberta Energy Company; and so forth. I'm sure other members will pick one or two of those and cover them in detail. I hope we have an opportunity to do that, Mr. Chairman, because I think the citizens are entitled to know what's happening through this fund. They should know in detail, but it's difficult to assimilate because of the vast number of programs carried on for all citizens of all ages.

Before I go to the Alberta Housing portion of the Alberta division, I want to say clearly, once and for all — because I don't think I will have an opportunity to speak again in this sitting — that no one has said there is fraud; no one has said there is collusion; no one has said there is mismanagement. Every cent of the fund is accounted for,

according to an independent Auditor who, by the rules of the House, provides all the information he must provide. He couldn't provide any more if he wanted to, because we as a government, as a Legislative Assembly, brought in that Act. If the hon. opposition member or any of the opposition members want to bring in an amendment and try to change that Act, that's a different story.

So let's talk about the Alberta Housing Corporation, where a good portion of the fund — as a matter of fact, a significant portion — goes to helping citizens with a very important item: affordable housing for every man, woman, and child. We have the Alberta family home purchase program. Incidentally, that fund is over \$1 billion — \$1.5 billion, as I understand it. I haven't the exact figures, but it's over \$1.5 billion.

AN HON. MEMBER: A lot of money.

DR. PAPROSKI: It's a lot of money indeed. The hon. member is prompting me, and he's just like an echo. I wish the hon. member would restrain himself for a few minutes.

But it's true, Mr. Chairman. There are so many of these programs that I won't be able to cover this one program in the minutes allotted to me. I hope hon. members will spend just a few moments on any one of the programs, because we're not talking about the capital division now; we're talking about the other division.

What about the Alberta family home purchase program? Every man and woman with a dependent child can qualify for this. The income could be up to \$38,000. The subsidy could be up to \$500 a month. Now, the hon. socialist leader has difficulty swallowing that. Up to \$500 per month: that's called performance, and that's called a program. The mortgage could be up to 90 per cent. So there we are. [interjection] He's trying to echo, Mr. Chairman, but he's having difficulty.

We have co-operative housing, Mr. Chairman, again for families or single parents with one or more dependants. They can act as general contractors and construct their own homes. We have the shell housing program. "Shell housing" means that the home is 75 per cent completed, then the couple can complete it as they see fit. Again, the funding occurs under the Alberta family home purchase program.

We have rental housing, where the target group is households whose adjusted income is up to only \$15,000. Low rental: loans of up to 95 per cent of cost for builders. We've stimulated that rental market tremendously. In spite of these programs, because of an influx of people into this province from other provinces, to the extent of 2,500 to 3,000 per month in Edmonton alone and about 75,000 per year, we have a problem. When you get that kind of influx of people into this province, you have to ask why. I know the opposition members have difficulty with that one. Why? Because here there are jobs, programs, opportunities, and an investment climate that is second to none in Canada. And incidentally — again repeating it — because of the variety of programs, a couple earning between \$25,000 and \$30,000 a year and living in Alberta is \$5,000 better off, in round figures, than in any other province.

What about the modest apartment program for small centres in Alberta — small rental housing. Again, loans up to 90 per cent. We have the municipal non-profit program for rental housing, Mr. Chairman. We have the community housing program, again a rental housing program. We have the self-contained housing program for

senior citizens not only aged 65 but, where they have serious housing problems, aged 60 to 65. What do tenants pay? Twenty to 25 per cent of income. It was 30. But I'm happy to say that I, with other members, fought to lower it to 25 per cent, and we got it down to 25 per cent of income. And they're very happy with that. Mr. Chairman, the other rental program is the one-third capital grant program.

Just to read the titles takes 15 to 20 minutes: rental housing programs; the senior citizens' lodge program, again for senior citizens; the nursing home financing program, to provide loans to voluntary non-profit organizations for the construction of nursing homes. In addition to providing this kind of 95 per cent financing for nursing homes, our subsidy for the nursing home patients is double that in Saskatchewan, a socialist province. Mr. Chairman, the hon. Member for Spirit River-Fairview can check. If it's not double, it's very close. That's a government subsidy, Mr. Chairman. In other words, a nursing home patient in Saskatchewan has to pay twice as much to stay in a nursing home, and they have fewer nursing home beds.

We have the rural mobile-home program. The Alberta pioneer repair program for senior citizens: they get \$2,000 by way of a grant to repair their homes, whether it's the roof, the chimney, floor coverings, a fence, or whatever. We have the Alberta home conversion program, a new program of up to \$5,000 for converting homes so as to have an extra suite or a light housekeeping room. It not only helps the owners, who are usually senior citizens, because they can rent that portion of their premises, but it also increases the rental units, which are in such high demand in our province because of our good programs and the influx of people. We have housing assistance for those in wheel chairs, Mr. Chairman, \$1,000 for each housing unit that has a wheel-chair occupant. To get it, that person doesn't have to own the house; he merely has to occupy it. We have the residential land program.

I could go on and on, Mr. Chairman. But in concluding, I'm not only proud but exhilarated by what's happening here, and I hope we can transfer 30 per cent more . . . As a matter of fact, I'm amazed that the opposition members haven't come up with the idea of increasing that amount. But in either case, the dollars provided to date have done a very important job for investment for all citizens, especially for our future generations, our young people. I hope the Legislative Assembly will indeed pass this Bill, and I hope the opposition members will bring up something positive instead of getting on a negative, repetitive kick. They've created an illusion. They've already convinced themselves that something is wrong, when nothing is wrong at all.

MR. NOTLEY: Mr. Chairman, in the dying hours of this debate, as we complete committee study of this important Bill with closure staring us square in the face at 10 o'clock tonight, might I say that it is interesting to all of a sudden see this remarkable interest on the part of government backbenchers, such an amazing number of people who have suddenly found their voices. I must say that I appreciate that, although I think it would have been more useful had we had somewhat more contributions over the last few weeks. But isn't it interesting that we now have a government filibuster, if you like. [interjections] in a debate that has about four and a half hours to run before closure is brought down, not at the behest of the opposition but rammed through by this government.

Mr. Chairman, in dealing with Bill 69, our primary

responsibility is to hold this government accountable. We've talked about the loss of \$60 million and, at this stage of the game, we still haven't had any kind of reasonable answer in the Legislature from the Provincial Treasurer, a clear response to the observation in the leaked memo from the Auditor General. I think it's worth repeating that again. If the hon. Member for Edmonton Kingsway says that's repetition, too bad. These points have to be made and, until we get an answer, those questions have to be raised:

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. Chairman, the Auditor General has now been given the special assignment to look into this matter. It is extremely unfortunate that this committee does not have an opportunity to review our position on Bill 69 after we get the special report of the Auditor General. But no, we're facing closure; we're going to be booted out of this Assembly before we have an opportunity to review the observations made by the Auditor General. The fact that the Member for Edmonton Kingsway is convinced that everything is fine, that there are no problems, that there's nothing but sweetness and light and sunshine and roses, is very intriguing. But until we get the special report from the Auditor General, the people of Alberta are not going to be prepared to accept that, nor should they. It is outrageous that this committee, as Committee of Supply, is not in a position to decide whether or not we allocate 30 per cent after getting the report from the Auditor General, not before.

Mr. Chairman, when one looks at the investment of additional funds in the Heritage Savings Trust Fund, it's not just a question of insisting that this government measure up to accountability on the \$60 million. That's fundamentally important, because we still have no answers. This government is always prepared to trumpet the gains, but never to explain the losses. Well, Mr. Chairman, we have a responsibility to find out why the losses occurred.

Let's look at some other areas as well. During the discussion of the estimates, where for the most part the opposition members raised the questions, we indeed found some interesting information that relates very specifically to the management, by this government, of the heritage trust fund. Let's begin with the Walter C. MacKenzie construction at the University of Alberta hospital. A great announcement was made in 1976, an announcement that the cost of construction of Walter C. MacKenzie would be \$86 million. The chairman of the investment committee himself, the Premier of the province, made the announcement of \$86 million. Now, five years later, we have the Minister of Hospitals and Medical Care admitting in this House that by the time the project is complete, it will cost \$500 million, more than five times the original estimate. There is really very little that members with any kind of credibility at all can do other than probe, question, and challenge that kind of management, when a project goes from \$86 million in 1976 to over \$500 million by the time construction is complete.

We had the Minister of Hospitals and Medical Care

and, to his credit, he was frank with the committee. But he pointed out that we had a whole desk drawer full of change orders, which apparently had been going on for months, almost a year, without anybody knowing about it, even though there was an implementation committee that included the Deputy Minister of Hospitals and Medical Care. With that kind of management, we now have this government saying that they want another 30 per cent. And they want us to trust them — after that kind of management.

Mr. Chairman, when citizens in our two major cities or small communities in the province see a municipal project escalate in cost, they properly jump on their local councillors. How aghast they must be at a project that goes from \$86 million in 1976 to over half a billion dollars by the time construction is completed. Or we have the Kananaskis project; again, an announcement by the Premier on November 2, 1977, four years ago. And what was the announcement? Was it that we'd be spending more than \$200 million, almost a quarter of a billion dollars? No it wasn't. The announcement was a \$40 million program. But as a result of changes, additions, and expansion, we find that it is now well over \$200 million. Somebody has to hold that kind of government accountable.

In the city of Edmonton now, all kinds of issues are being raised about the convention centre because of the overruns and the increase in the cost of that project, and rightly so. In the city of Calgary, people are raising questions about the coliseum and possible overruns in that city, and rightly so. But in Kananaskis and Walter C. MacKenzie, we have two capital works projects where there have been phenomenal overruns. We have all the government members saying, oh, everything is fine; don't worry about us; don't ask any questions; trust us. Well, Mr. Chairman, the people of Alberta are saying very clearly that they aren't prepared to trust this kind of government. They want some concrete answers. Frankly, to this point in time, we haven't got them.

The other day, on a small item, the university library program — it's not major, but it's important — we had the Minister of Advanced Education and Manpower tell us that the money we were voting for the heritage library program was for expansion, additional books, and additional periodicals for university libraries. Well, I have a memo from the General Faculties Council library committee, November 17, 1981, which clearly points out that for the last three years, the University of Alberta has not been using their money to supplement because they've been so squeezed in other areas of their university budget that they've had to use their heritage money to maintain their existing library program. So, Mr. Chairman, where has the minister, who is accountable, been all this time that at this stage of the game, on November 17, 1981, we find that the heritage library program has actually been used to maintain existing services because this government hasn't provided adequate funding to the universities through the normal operating budget of the province.

Members can say no all they like. The fact of the matter is that we have to hold this government accountable in the House for the estimates set out. When those estimates come in five times over budget; when we have the Premier himself saying \$86 million for Walter C. MacKenzie, and now it's over half a billion; when we have the Premier saying \$40 million for Kananaskis, and now it's almost a quarter of a billion; when we have these kinds of wild overruns, surely it is a bit much to get a bit uppity when opposition members stand in their places and say, we want an accounting. We want to know what's

going on with our money. We have a right to know what's going on with our money. The people have a right to know what's going on with their money. They want a little better accountability and management than they've received from this government for the last period of time.

Mr. Chairman, several months ago, just shortly after the House reconvened, we had the minister announcing with great fanfare that we'd finally converted the Syncrude debentures — as well we should have. When one looks over the arithmetic of the Syncrude debentures, we should have converted them at least a year ago. But we lost money because we didn't convert at the earliest appropriate time. Whose responsibility is that? The responsibility for that fiasco clearly has to rest with this government.

Hon. government members can get as upset as they like. The fact of the matter is that we have a number of major items where this government has failed to explain and document in a convincing manner why heritage trust fund money either hasn't been used the way it should have been, or an awful lot more money than we were told about in the first place has had to be used to complete the objective. Either we have estimates which are ludicrously, ridiculously low, or we have a lack of control. Whether it's a lack of control in the administration, monitoring, and execution of those funds; whether it's \$60 million lost in the bond market, and for what reason — I think we have to be able to satisfy ourselves what the reasons were for this kind of loss; whether it's overruns in major projects, or even in a relatively small project, which seem to have been used for a different purpose than we were told in this Assembly by the minister when he was asking for supply, when he was requesting money to be voted by the Legislative Assembly for heritage projects: whatever the reason, it seems to me, at this stage of the game at least, that we have precious little in the way of concrete answers.

The Member for Edmonton Kingsway is so convinced that everything is fine with respect to this \$60 million. I really have to say to that hon. member — and I respect him — that when you see the information in the memo of February 20, 1981, which very clearly draws to the attention of the Provincial Treasurer and now, as a result of publication of this memo, to the attention of the people of Alberta, that a very serious problem was documented, surely no member in this committee this afternoon, no member on either side of the House, would stand up and justify what had been going on. Surely no member could be satisfied that for the period from 1975 until 1981, from the very election the hon. Member for Edmonton Kingsway documents — you know, the great election where the people of Alberta applauded the idea of the heritage trust fund. Yes, they did. But they weren't jumping up and down at the thought of having management which was so sloppy that there was considerable scope for collusion between the investment traders employed by the department and someone in the brokerage houses. They weren't asked for a mandate on that, Mr. Chairman.

What we find now is information which has been tabled in this House and which has been brought forward not as a result of the government voluntarily coming forward with it. If the government had come forward and said, we have a major problem, we want to lay the information on the table, and we want to do this before you vote another 30 per cent, many of us would have been much more willing to say, all right, we will trust them, because it would have been a forthright approach by the government. But we didn't get that. We got the

brown-envelope routine, the very kind of thing the Conservatives in Ottawa quite rightly jump on the Liberals for: secretive government. When people like Joe Clark raise this issue in the House of Commons, they're right. When Mr. Baldwin, the former distinguished Member for Peace River, raised this kind of issue in the House of Commons, he was right. But what is sauce for the Liberal goose in Ottawa is clearly sauce for the Tory gander in Alberta.

What we have now is a memo which shows there was a serious lack of management control. For hon. members on the government side to say that everything is fine, don't worry, just trust the Provincial Treasurer, he has it all worked out; for hon. members to say that the Auditor General looked at the information . . . To be fair to the Auditor General, on the basis of 78 per cent of the transactions, not 100 per cent, he found no evidence of collusion or fraud. That should be said, and it should be said fairly — on the basis of 78 per cent of the transactions. But that does not justify the failure to have a system in place which protects public dollars.

Mr. Chairman, once again all we have now from the Provincial Treasurer or from hon. government members is a plaintive appeal: trust us, we've worked it out. We didn't work it out between 1971 and 1981. Until February 20, 1981, almost 10 years into our term in office, we didn't bother doing anything. But all of a sudden we had this instantaneous recognition that we should do something. Well, Mr. Chairman, frankly that is a little hard to believe unless we have some evidence supplied by the Provincial Treasurer. It's the Provincial Treasurer who tells us he's accountable for this fund; it's the Provincial Treasurer who must clearly be answerable, along with the Premier, for the management of the heritage trust fund.

So today, as far as I'm concerned, we have to look at this \$60 million and have a pretty forthcoming response from the government as to what happened to it. I also think the Provincial Treasurer and the Premier have to be held accountable for the \$86 million at Walter C. MacKenzie going to \$500 million; for \$40 million at Kananaskis going to almost a quarter of a billion dollars; for some of the other overruns and problems which have developed in the management of this Heritage Savings Trust Fund. As the Leader of the Opposition has pointed out, the buck must ultimately rest on the desk of the chairman of the investment committee. Those who would applaud the good things about the heritage trust fund — and there are many good things about it; there's no doubt about that — at the same time have to be clearly answerable, not only to this House but to the people of Alberta, for the shortcomings, deficiencies, and problems in the management of this fund.

MR. PAHL: Mr. Chairman, I felt I should rise to the challenges of both the hon. Leader of the Opposition and the Member for Spirit River-Fairview, and their collective suppositions that some hon. members did not rise on the proper occasions. I must admit that both hon. gentlemen are quite right: I did not rise on the occasion because in the Standing Committee on The Alberta Heritage Savings Trust Fund Act, we asked our questions sitting down; at least, most of us did.

I refer to the minutes of a meeting on October 27, 1981:

Mr. Pahl asked Mr. Rogers [the Auditor General] if he could assure the Committee that no unaccountable losses, frauds, or thefts had occurred from the Heritage Fund monies. Mr. Rogers indicated there is no evidence whatsoever of any wrong doing. If it had

been a significant loss, it would immediately be submitted as a report under Section 20 of the Act.

Mr. Chairman, the fact is that the question was asked; the response was given by the independent servant of the Legislature who was responsible.

Additionally, when the Minister of Hospitals and Medical Care appeared before the Standing Committee on The Alberta Heritage Savings Trust Fund Act, questions were asked about the expenditure overruns on the Walter C. MacKenzie program. At that time, the minister clearly acknowledged the problems and where the responsibility was, with respect to both the Department of Hospitals and Medical Care and the owner of the structure. So, Mr. Chairman, I just cannot sit in my place and hear hon. members who were at that committee and had full opportunity to ask all their questions, suggest that the other members of the committee were not doing their jobs and that they did not have full opportunity at that time.

[Mr. Purdy in the Chair]

Mr. Chairman, in speaking at committee stage in support of Bill 69, the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1982-83, I can't help but respond to the repeated references in this session by the hon. Leader of the Opposition to the "man on the street" who wants to know what the Alberta Heritage Savings Trust Fund has done for him today. First, the man on the street whom I meet is just not that selfish. Quite frankly, I think the hon. Leader of the Opposition knows that too. The man on the street has sort of been left in the background here in the last few weeks. I suppose that's a recognition that, as I feel, the man on the street fully appreciates the value of putting 30 cents of every non-renewable resource dollar towards the future, while the remaining 70 cents go to everyday expenditures for the citizens of Alberta: schools, roads, hospitals, salaries for nurses and teachers, and the like. The impact of non-renewable resource revenue is such that normal taxation provides less than 50 per cent of the regular government funding requirements and still means there is no sales tax or gasoline tax in Alberta.

If I met the hon. leader's "What's the world done for me today lately?" man on the street — and I must admit that I haven't met him yet — I'd like to say, the Heritage Savings Trust Fund hasn't done one darned thing for you today, and don't hold your breath. That's what I'd like to say to the hon. leader's me-minded man on the street, whom I've never met. But I can't. I would be wrong if I said that, because investments for the future made by the Heritage Savings Trust Fund provide immediate direct and indirect spinoff benefits today. There are many examples of direct benefits in the various Heritage Savings Trust Fund divisions. The hon. Member for Edmonton Kingsway did an excellent job of outlining those, particularly in the area of housing.

In supporting Bill 69, I should like to refer to the Alberta Heritage Savings Trust Fund expenditures on the Alberta Oil Sands Technology and Research Authority, that provide a couple of present and future direct and indirect or spinoff benefits of the Heritage Savings Trust Fund. AOSTRA is a provincial corporation funded from the capital projects division of the Heritage Savings Trust Fund, and dedicated to unlocking the secrets of Alberta's oil sands and heavy oil deposits and to getting more of the conventional oil, already found, out of the ground. Since 1976, AOSTRA has received \$128.9 million from the Heritage Savings Trust Fund. Because of the nature

of AOSTRA's generally fifty-fifty working arrangements with industry, a roughly similar expenditure has been provided by industry. With the passage of Bill 69, a further \$74 million will be invested in Project Energy Breakthrough, which was announced by our Premier in 1974.

Mr. Chairman, \$260 million is a lot of money, whether you say it fast or slowly. So what has been the prize or goal of this research effort? The oil sands and heavy oil deposits of Alberta contain more oil in place than in all the Middle East. The problem is that present technology is costly and can recover only about 5 per cent of the oil in place. The average conventional light- or medium-gravity crude oil reservoir yields about 30 to 35 per cent of the oil in place to conventional extraction techniques, which include, for some reservoirs, replacing each barrel of oil produced with a barrel of fresh water. As an aside, I'm sure some of the Arab nations would call that a very bad trade. The objective of the Alberta Oil Sands Technology and Research Authority is to raise the recovery of oil to about 50 per cent of the total oil in place through the application of economically feasible and environmentally acceptable technologies: pretty straightforward goals, Mr. Chairman, and, I would think, pretty obvious future benefits if the secrets of the oil sands are successfully unlocked.

But what about the man on the street who wants something today? The objective, back in 1974, was to speed up development of new oil sands technology, and certainly that has been done to the extent that industry has spent about \$130 million in matching expenditures in oil sands research that would not have been undertaken otherwise. I might add that another objective, Canadianization of that effort, has occurred at least to 50 per cent and sometimes greater, depending on the nature of the projects.

Mr. Chairman, I should add that not all oil sands research is jointly funded by AOSTRA. Some oil companies have elected to conduct research on their own, to retain the competitive advantages of owning their technological discoveries. There's nothing wrong with that. The technological breakthroughs funded by AOSTRA are 100 per cent owned by AOSTRA and the provincial government, and are made available to all potential users on equitable business terms in order to better develop the oil sands and heavy oil resources.

Ignoring for a moment the future potential of increased oil production, there is considerable benefit to the man on the street from the spinoff effects of multimillion dollar projects in research and development. There is a substantial spinoff effect to all R and D expenditures; that in the oil sands is no exception. As I mentioned, most of those expenditures are in Alberta. Whether it's a trucking business, a welding shop, a machine shop, or a catering firm, there is a potential for business through those expenditures. And, of course, the trucking business and the machine shop hire people as well.

Mr. Chairman, a more exciting present spinoff or benefit of oil sands research, in my view, has been the opportunity for technically skilled Albertans to work on challenging, first-class research here in Alberta, on natural resources of critical importance to our country. The universities, not only in Alberta but across Canada, are involved in a comprehensive and ongoing oil sands research program initiated by AOSTRA. In addition to funding specific research projects, AOSTRA has established professorships at Alberta universities for the purposes of encouraging advanced fundamental research on

oil sands problems. The Alberta Oil Sands Technology and Research Authority is also providing, with the allocation that I trust will be provided by passage of Bill 69, a number of fellowships and scholarships to assist in training new scientists.

In building a centre of intellectual excellence in oil sands research, the here-and-now benefits of the Heritage Savings Trust Fund capital projects division investment have not only stopped the problem of shipping jobs down the pipeline; they have also developed a valuable export commodity for the international market place. Oil sands deposits are found throughout the world. The world-class expertise being developed in Alberta under the leadership of AOSTRA is being sought by other nations. Thus the complexity of oil sands research and the potential for sharing and applying our expertise throughout the world will provide literally generations of challenging research opportunities for Albertans who are not yet out of grade school. Mr. Chairman, that is a legacy provided by the Alberta Heritage Savings Trust Fund that should be a source of pride for all Albertans.

In conclusion, Mr. Chairman, I hope the example of the Alberta Oil Sands Technology and Research Authority has shown that by investing for tomorrow, you can have benefits both today and in the future.

MR. FJORDBOTTEN: Mr. Chairman, it's a privilege to enter the debate today. I'd just like to say about the opposition: if you're strong on facts and weak on logic, talk facts; if you're strong on logic and weak on facts, talk logic; if you're weak on both, pound the table. I think we've seen a lot of table-pounding. I think about remarks made over the last number of weeks that we've been discussing the capital projects division of the Alberta Heritage Savings Trust Fund; the comment was made that a lot of hon. members on the government side of the House didn't speak. But if the opposition had to eat their words over the last number of weeks, some of them would have gained about 100 pounds. When I sat back and listened, I thought that if they kept on talking, they'd think of something to say. It's an old saying: you can lead a horse to water, but you can't make him drink. With the opposition, I suppose you can lead them to the fountain of knowledge, but all they really want to do is gargle.

When we talk about the projects to be funded now, I'd like to concentrate more on the Alberta investment division and some of the others, rather than the capital projects division. When we talk about the bonds, the hon. Member for Bow Valley, who I think understands the stock market as well or better than most, says that you want to be in the chips and stay out of the slivers. But everybody gets into the slivers periodically. Not much has been said that the heritage fund made a \$1.6 billion profit and a \$60 million loss. I'd say that's a pretty insignificant sliver.

When we talk about the Alberta investment division and the money going into different projects there, I'd like to talk a little bit about the Ag. Development Corporation. With the beginning farmer program, we can say that one of the finest and brightest futures we have is with our young farmers. The Ag. Development Corporation has assisted more than 1,000 beginning farmers. That accounts for more than 80 per cent of all direct farm lending during the year. Providing financial assistance to more than 20 per cent of Alberta's farmers is a pretty significant approach. The report also indicates that direct and guaranteed loans to Alberta farmers saved about \$16 million in interest during 1980-81, when ADC's rates are

compared with interest rates from conventional lenders. In addition to all of that, over \$2 million was paid out in loan incentives to beginning and developing farmers. I know the number of beginning farmers in my constituency, and what it's done for agriculture in that area is a real benefit.

Last week I circulated to all members of the House, on both sides, what Farming for the Future was doing. That's just another approach funded by the heritage fund to try to increase the net incomes of Alberta producers. If hon. members haven't read that, I would certainly suggest they do. Farming for the Future has a great future in a number of things it is looking at and can do. I think we've barely begun to scratch the surface of what we're really trying to do. If you have an itch for something, you have to be prepared to scratch it. I hear a little bit of scratching from over there. I don't know if they're quite sure where the itch is.

I'd like to make a couple of remarks about the food processing centre funded from the heritage fund. The centre, near Leduc, will provide the food industry with an Alberta facility which can be used in the creation and testing of new products and processes, and in the preparation of small lots for market testing. I think we have a long way to go, in the beef industry in particular, to try to come up with new ways and processes of packaging different products for the world market. The processing centre won't be done and in operation until 1984. But back in May 1981, the Minister of Agriculture said that, once constructed, it would be of sufficient size to accommodate the broad needs of meat, dairy, oil seed, vegetable, and cereal-based food items. There are a lot of innovations in products in the world today. I think the approaches we can make in those areas are certainly important.

I'd just like to mention a little bit about irrigation, because it relates to my constituency. The irrigation potential there is very significant. We're assisting our 13 irrigation districts in rehabilitating irrigation systems to provide water for Alberta's farmers. We know we can put a lot of that land under irrigation. I think the heritage fund should be moving more into the drainage potential in the northern part of our province in particular.

I could say the number of things the heritage fund has provided for agriculture — it isn't out there now, with some of the remarks the opposition has made in the last few weeks. They think — I don't think the people in Alberta do — that everything is tied up in bonds and that we have a loss. But the heritage fund is working for today and tomorrow. Some remarks have been made about the sky-blue color of the hopper cars. I'm glad we had the color chosen before last week. With what we have seen on the opposition side, I think the color might have been plaid. I appreciate the advances that have been made in all the agriculture programs funded by the heritage fund.

I look for the passing of this particular Bill and the money going in, so that we can make the approaches in the future that are really necessary. I'm reminded that Churchill once said that the inherent vice of capitalism is the unequal sharing of blessings; the inherent vice of socialism is the unequal sharing of miseries. We in this province certainly want to share blessings. We have the blessing of the heritage fund, so that we can make some of the moves we have to in the future.

I encourage all hon. members to support the Bill.

MRS. FYFE: Mr. Chairman, last year the Alberta Heritage Savings Trust Fund committee commissioned a re-

search project to identify and quantify the extent to which the funds of that trust fund are recycled and circulated directly and indirectly. The report, done by Western Management Consultants, was tabled in this Assembly. On November 5 last year, the Leader of the Opposition tabled a document entitled, *Thinking About the Alberta Heritage Savings Trust Fund*. This document discusses many issues concerning the interrelationship among current consumption, investment, and savings of the trust fund. Many suggestions in this report were designed to assist members of this Assembly to review the policy options of the fund; policies that will continue to meet the objectives set out for that fund five years ago.

This is the fifth anniversary of the establishment of the Heritage Savings Trust Fund. I believe it is a most appropriate time to review the basic objectives and policies established at that point in time. Both of these reports refer to the high calibre of management related to the trust fund. The handling of financial institutions, whether they be public or private funds, is left to skilled people. We don't expect to go to a physician who is not trained, and we don't expect to have funds in a portfolio such as this left to persons who are not highly skilled and trained.

For weeks, the members of the opposition have been shouting humbug, humbug. Yet even in their hearts, they know there was no real loss in the fund, but in fact a deemed loss, a result of the bond market deterioration. I would be happy if my own very small portfolio, an RRSP, were at the same level it was a few years ago. But unfortunately, there are deemed losses in funds across our entire country, and our trust fund has also felt the effects of this loss. What happened when the market went down? Sales were made to ensure that we maximized the profits and minimized the losses when the market deteriorated. As John Crosbie said, if I can quote: a short-term pain for a long-term gain.

I would just like to make a couple of very short quotes, if I may, Mr. Chairman, from the transcripts of the Heritage Savings Trust Fund committee hearings this summer. Under questioning, the Auditor General for the province of Alberta, Mr. Rogers, said to the committee:

... our recommendation was that with the growth of the fund, some thought should be given to a formal plan.

He went on to say:

... I'd like to stress that the transactions were documented to the extent necessary as accounting transactions. But ... 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.

He further says:

... 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.

I think that says in very [certain] terms that we are talking about an accounting loss, a paper loss, and not a real loss.

We're fortunate in Alberta to have funds to invest. There are many other provinces, many other countries across this world, that would like to have the problems Alberta faces — and where to best invest our money. But one of the greatest problems in having a source of funds

is where to invest it wisely. What happened in the Arab countries when they suddenly were faced with massive new revenues and no expertise to invest these funds? Billions of dollars have been wasted on frivolous things. As a result, there has been disarray and war. A lot of poor people in those countries were left impoverished. In most Arab countries, only a few have fallen heir to the wealth of their oil revenue.

Everyone in Alberta has personal priorities for government spending. I'm sure the trust fund is a catchword in many homes. If a shopping list were set out, most people would have priorities for how they would like to spend X dollars. In the report set forward by the official opposition, Dr. Daniels, a co-author, said to the Heritage Savings Trust Fund review committee that non-recurring revenue should finance non-recurring social and economic impact investment in economic development. He felt we should increase the percentage we set aside, not leave it at 30 per cent.

Bill 69 continues the policy of 30 per cent of our non-renewable resource revenue. This is a basic policy decision: not how much of the fund will be frittered away on continuing programs, but how much will be set aside for the next or subsequent generations. As has been said many times in this Assembly, we're now spending 70 per cent of our resource revenue on current expenditures. If, at 70 per cent, we don't have enough to satisfy the needs, aspirations, and desires of the people living in this province, what will happen 20 to 30 years from now when that revenue is seriously eroded? If we don't fiercely defend the principle of conservation of our non-renewable resource revenue, we will go down as an irresponsible and frivolous Legislature that was incapable of explaining the purpose of the fund and unwilling to show restraint in the demands for new programs requiring recurring expenditures. The issue today is the percentage of the resource revenue that should be conserved for the future.

Mr. Chairman, there is much food for thought in the reports tabled last year. I'm extremely surprised that the Leader of the Opposition has not brought forward considerations from the research commissioned from his office. For example, the report, *Thinking About the Alberta Heritage Savings Trust Fund*, recommends that consideration be given to a development division within the trust fund, to offer equity capital and perhaps to co-venture with a private venture capital firm or firms. Co-venture has been extremely successful in tar sands development, and perhaps it deserves serious consideration here.

The Leader of the Opposition talks about accountability. Well, the same research commissioned from his office, from his own party, recommends on page 97 that:

In establishing a provincial investment board, the legislative assembly must realize that the independence from the government of such an agency is of great importance.

Further on in the report, and underlined for emphasis:

It is absolutely essential that an investment board, if it is to be efficient in carrying out its public purposes, be free to hire the highest caliber professional staff at competitive world-wide market rates — free of the constraints of Civil Service and of either political or bureaucratic manipulation.

The report goes on to say:

In short, we suggest that investors for the province should be free to make whatever investments they deem prudent. The legislature should, in effect, build a high fence around an investment board but allow

the investors to "roam free" within that fence.

In my opinion, Mr. Chairman, members of the opposition have lost sight of their basic role to provide alternatives. And there are considerable alternatives that are basic policy decisions that we should be examining and debating in this House. But in fact, we haven't been examining basic policy decisions. We've spent days talking about a small percentage of the fund.

MR. R. SPEAKER: Read the rest, and you'll see what's [inaudible] . . . reporting to the Legislature. Read it all.

MR. DEPUTY CHAIRMAN: Can we have some order, please?

MRS. FYFE: Members of the opposition are not elected to administer the Heritage Savings Trust Fund portfolio. We hire experts to do that. The Leader of the Opposition does no favor to Albertans in his lack of understanding of basic investment principles. Even *Edmonton Journal* writers understand basic investment principles far better than anything I've heard over the last seven weeks. I can hardly believe it. In this article, it says that the opposition has been spending time debating the crumbs of the trust fund instead of debating the basic issues of the fund. After five years, I think it's essential that we review the basic principles of the fund. Any fund, any concept, is worth the challenge. I think we would be worth while spending the rest of the day looking at the basic policies of the Heritage Savings Trust Fund.

Thank you.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: Are you ready for the question?

MR. R. SPEAKER: Mr. Chairman, certainly we're ready for a number of questions that should be asked of the Provincial Treasurer. I think the number one question, the place we start in our discussion here today, is with regard to the \$60 million loss. I think it's incumbent upon the Provincial Treasurer to take us through that loss, as to what happened behind the scenes. The Provincial Treasurer has said a number of times that the documents will not be provided. Our preference is to have the documents in this Legislature. To this point in time, we have had speeches that have distracted us and have made attempts to distract us from the issue. The issue here is a realized loss of \$60 million, which is an example of the method that the government manages the fund. If it is managed well, we have accountability. That's the focus and the issue of discussion.

We have had other members of this Legislature rise in their places and talk about the great things the fund is doing, the great programs. The Member for Macleod talked about the great things it was doing for the Agricultural Development Corporation. Nobody's arguing that. We've had talk about AOSTRA, about housing, and various other programs. All that does is distract us from the real issue, and that's the attempt that's going on by this Conservative government to cloud the real issue of accountability in the fund.

This is a real trust account we're talking about. We've entrusted it to the provincial government and the Provincial Treasurer. We know, and we've seen in practice in Alberta, that when anybody violates a trust account, there are certain ramifications and implications. We've

had two very good examples in 1981, in which action was taken by the Law Society of Alberta. Well, here we have a trust account of \$8.5 billion, and I think it's our responsibility in this House to assure accountability, that all documents are on the table. We have no time in this Legislature to stand here while the province burns, or Rome burns, and the Member for Edmonton Kingsway fiddles away to try to distract us from the real purpose we have at hand.

Members have talked about the fact that we put an emphasis on the loss that is before us — maybe we have put an emphasis on the loss — and why shouldn't we put more emphasis on the profit? Maybe that's an area of accountability we want to explore too, Mr. Chairman, and we are. When you explore the system through which the bonds have travelled to realize a loss, you also explore the same system through which the bonds travel to realize a profit. That means accountability. So that's what we have to do in the Legislature at this point in time. If the Provincial Treasurer can stand up at this point and say, here is what happened to the bonds on Monday, Tuesday, Wednesday, each day during that period of time, or during the overall number of days the bonds were on the market, and say that on a certain day we sold them for certain reasons, and give those reasons, then we've got the information. If we can't get that, we'll keep probing at the question. That's what's going to happen between now and 10 o'clock. So if the Provincial Treasurer would like to answer at this point in time, maybe we can get the argument over in a hurry.

MR. HYNDMAN: Mr. Chairman, I have provided information on this topic on, I think, at least a dozen occasions over the past six weeks. It has been done on two occasions before the Heritage Savings Trust Fund select committee. It has been done in the question period, I think, on at least a dozen or more occasions. There has been debate on a private member's public Bill. There has been debate on various Bills in the Assembly as well. I think there have been one or two motions for returns. There have been questions. And on at least a dozen occasions, there has been an indication of what the situation is.

As I've pointed out on many previous occasions, every intelligently and thoughtfully managed bond portfolio in Canada over the years we've been discussing has deliberately incurred losses. That is intelligent management of a bond portfolio, especially with the volatile interest rates we've seen. I trust, understand, and hope the hon. member understands, that that is a basic, understood, and accepted rule of investment practice when it comes to dealing with bonds.

With respect to suggestions he has made with regard to losses, as I've indicated in the past, I can only quote the independent Auditor General of the province, who has found — and given testimony which can be found in *Hansard* in the record of the select standing committee — that not \$1 has been unaccounted for, that there is no money mislaid, that there is no mismanagement of the fund, and that there is no evidence of collusion leading to fraud. However, it does appear that even though that information has been provided and, in addition, very significant information was provided when we opened debate in this committee on this Bill on November 19, I think it was — at that time, I outlined again the present situation with respect to the plan for investment of Section 9 funds and how that had derived and how it had been developed. I outlined the situation with respect to

the organization structure of the investment group that invested those moneys. I indicated the information flow for the senior management and how that occurred. I talked about the scope for collusion and the accountability for all the various tasks done by staff members.

I think it's very clear, though, that the hon. member has a difference of opinion with me. That is why, on December 3, the government requested someone independent of either the hon. member or myself to give an opinion. He may have his opinion; we have our opinion. Therefore, if there is any doubt, any concern whatever that the government has anything to hide, we've asked an independent officer of the Assembly, on wide terms of reference, to look into the whole issue raised in the investment of moneys for bonds. I'm confident the Auditor General will do a thorough report. So when he reports, gives his conclusions, his judgment and perhaps his suggestions for further improvement — there's always room for further improvement — that is the time we can debate the matter further.

The proper way, the appropriate way to have an assessment of the management of the fund is through an objective third party. I'm confident that the department and the government have carried forward the management of the fund over the past years in a proper, responsible, conscientious way and that they will continue to do so.

MR. R. SPEAKER: Mr. Chairman, I'd like to refer to a document from the Provincial Treasurer to the select standing committee, September 11, 1981. On page 3 of that document, two statements indicate to me that there is good, concrete evidence about what happened during that time with regard to this realized loss of \$60 million. It seems to be there, if this statement is correct. The statement is that:

Detailed records of all investment transactions undertaken by Alberta Treasury are maintained. To the Provincial Treasurer, in light of that statement: are all documents, all records in place with regard to the period of time during which the \$60 million became a realized loss? If the records are there, why can't they be tabled in this Legislature? That's the question.

The second is that the vast majority — I emphasize that: the vast majority — of losses realized during 1980-81 for the purpose of purchasing securities with a higher yield ... The vast majority — that doesn't mean all of them, Mr. Chairman. What is the majority of them, what is the whole? What is this: 10 per cent, 51 per cent, 49 per cent, 40 per cent, 60 per cent? Nice general statement. If you read it quickly, it sounds okay. They were used for the purpose of purchasing securities with a higher yield. But we have no evidence of what really did happen. So it leaves open the question: what kinds of manipulations could have gone on behind the scenes? That's the second question related to that. That's the kind of evidence that isn't before us in this Legislature.

On a previous occasion, the minister said we can't have that documentation, because it would reveal the investment strategy of this government. Well, when you have a loss, who cares about the strategy? It was a bad one. That's the first point.

The second point is that each time you invest your money, conditions of the market change, and factors are different. They changed from 1979 to 1980 to 1981. They'll be different in 1982. You do different things at different times in buying and selling bonds in the market place. One action does not set a precedent for the next.

So, Mr. Chairman, there is no argument that the details of one transaction are a precedent or reveal a strategy for the next. That's the detail we want, Mr. Chairman. The minister is answering the question up at the front end and saying, accept the fact that everything is okay; the Auditor said it, the Provincial Treasurer says it, other ministers, people in this House say it; it's fine. But behind the door, where the evidence is, not one person in this Legislature, except the Provincial Treasurer — and I don't know of any other minister — gets to peek into that desk drawer where all these change orders were hidden that change the bond on the traders' market.

You know, we used the example of what happened over at the Walter C. MacKenzie health centre. All of a sudden we opened a drawer and there were a bunch of change orders. One of these days we're going to open the door of the Treasury and find a bunch of change orders that may reveal a lot of things to us. Mr. Chairman, one of the things I suspect, with the way the government is handling it, is that there are no detailed records in that drawer. It's an empty drawer in the Treasury: '79, '80, 1981. Open the drawer, and nothing's in there: no traders' notes, no documentation. This government is afraid to present that in this Legislature. I can't come to any other conclusion. If I'm wrong, the Provincial Treasurer puts the notes on the table, puts them here on the table.

But that's where the argument is, Mr. Chairman. It's the backup, the evidence that shows there was accountability and that the government was on top of its job when those bonds took that drastic loss. Nobody is arguing about the loss or the gains. Those are arguments all in themselves. But it's accountability of the loss or the gain. Either way, I'd like to see the documents, because then I know I've done my job in this Legislature. As long as it's kept hidden in the drawer where I can't get at it ... I just can't get at that Treasury drawer to pull it open. If I could, we could go home. The government is going to send me home tonight at 10 o'clock anyway, but I'll try my best between now and 10 o'clock. Open the drawer. Mr. Provincial Treasurer. Let me look in there. If nothing is in there, say there's nothing there. Then you'll have to account to the people. But if there's lots in there, good evidence, close the drawer, and we can all go home.

MR. HYNDMAN: Mr. Chairman, as it has been for about seven or eight weeks, the debate's all about the adequacy of the way the management situation has been set up. Obviously, the hon. gentleman opposite has made up his mind that there's not an adequate situation with regard to management. He has purported to file a letter which is now the subject of a special report of the Auditor General. I have indicated, as have others on many occasions, that there ...

MR. SINDLINGER: Mr. Chairman, on a point of order. The letter was not purportedly filed; it was, in fact, tabled in the Legislative Assembly.

MR. HYNDMAN: Well, we can argue about it, Mr. Chairman. I gather a tabling relates to a document which is either required by statute or is before the Assembly and the property of the Assembly by reason of a resolution which makes it so. Whether it's filed or tabled, I say it's allegedly filed; therefore, that will at least leave it open to all sorts of interpretations for the purpose of the debate.

But the issue is the adequacy of the management of the heritage fund with respect to these matters. Although I have indicated — and I feel strongly — that with respect

to any identified problems that there may have been, changes have been made. Of course, the evidence of that is in the Auditor General's annual report. The Auditor General reports annually on matters which are material, matters which are significant, matters which have not been corrected. And there is nothing in the Auditor General's report up to the year ended March 31, 1980, with respect to the matters raised.

However, because there still seem to be some remaining doubts, the government has asked for a special report from the Auditor General, whereby he is to go into as great detail as he would wish. In addition to the specifics, he is able to report on any matter pertinent or relevant, and he will come up with a report as to whether steps have been taken to correct those matters that may have been problems and as to whether other steps should be taken. Therefore, I suggest that the opinions of the independent Auditor General will be very pertinent to the exercise. I'm quite sure I could go on filing documents or making statements for years, and the hon. Leader of the Opposition would still say he's not satisfied. Let's accept and see what the independent, objective opinion of a man of some considerable stature in the auditing community is, about the Heritage Savings Trust Fund. If he makes useful and different recommendations for procedures, we'll certainly look at them. Because in his evidence, of course, he indicated very clearly that the suggestions he made for change were acted upon and viewed with very great conscientiousness by the department and the government.

MR. R. SPEAKER: Mr. Chairman, to the Provincial Treasurer. We must realize that by 10 o'clock tonight, we're finished.

MR. NOTLEY: We're out. Bye bye.

MR. R. SPEAKER: The accountability of the Heritage Savings Trust Fund is left at the whim of the Provincial Treasurer and whoever assists him. That's number one. Number two, the Provincial Treasurer can table or bring any documents he wishes into this Legislature. As the Heritage Savings Trust Fund Act indicates, through Section 9, the Provincial Treasurer is fully responsible for the investment of the money; does it through the investment committee, on which I believe there are three personnel. I could be corrected on that; I'll just check my notes with regard to that matter. The Provincial Treasurer puts in place management procedures; also puts in place the request for any type of documentation, forms, or whatever is handled by the trader; and also makes the decision as to which traders and investment houses are used. I don't recall that kind of evidence, even that minimal evidence — which investment houses are being used, how we divide the fund from one to the other. That's very minimal information, but not even that is presented to us in this Legislature.

We can only say that it is a behind-the-doors kind of operation. With all good intent made by the Provincial Treasurer to run a good operation, it may be off track. Even the Auditor General realized that, after a three-year period. It was allowed to go and not get into one of our reports. It wouldn't have been in our present report, or maybe the next report, and we wouldn't even have had it in this Legislature if some responsible citizen hadn't given us a document. We wouldn't even have known about it. We saw the loss, but that was all. We didn't know there was poor management in the background. Let's really

make a judgment on that. That's all the responsibility of the Provincial Treasurer.

I think it's incumbent on the Provincial Treasurer to document, give everything he can, to open up his heart and pour it out on the floor of this Legislature so we know there is accountability.

MR. NOTLEY: Open up his mind.

MR. R. SPEAKER: That kind of action isn't being taken. It's a government that thinks it has been in power for 35 years, and it becomes callous and immune to the general public and really doesn't have to listen. I remember a government like that: backbenchers got up and gave great speeches on how fine the government was, but missed the focus of the point of discussion with the general public; they didn't listen; the minister stood up and said, we've been doing a great job. In this case: we lost money three years ago, and we're going to lose it again today; we're doing a good job.

Those kinds of things have been said in this Legislature. Do you know what it leads to? All of a sudden, the public are saying they have doubt. I try to transmit that message into this Legislature, that they have doubt and that I have doubt. We're here today to try to clear that whole accountability matter. But the Provincial Treasurer is not doing it. I think he should redefine his terms of reference about documents in this Legislature before it's too late, before the people see what is really happening, even more than they do today. After a 35-year period of time, which is compressed into 10, the action occurs very quickly.

Mr. Chairman, again to the Provincial Treasurer: give us something in this House and show us that you're accountable. It isn't going to hurt a bit. It isn't going to hurt any future investments of the Heritage Savings Trust Fund either.

MR. HYNDMAN: Mr. Chairman, I don't know how long we can keep going on this. I'm quite happy to do it for hours. Surely what it boils down to is that the question of accountability has to be measured by somebody. Obviously, the hon. gentleman has a different opinion than the government and I have. Therefore, the independent Auditor General of the province of Alberta is going to make a judgment about accountability. If, in his report, he finds that some moneys are unaccounted for, then I quite concede I am responsible. If he finds that some moneys have been mislaid, that moneys have actually been lost from the Heritage Savings Trust Fund, that will be a matter of very great seriousness. If he finds there is some serious mismanagement, then let us await his report. In effect, that is what the accountability is going to disclose. If he finds some evidence of collusion or fraud — he has indicated that is not there today. These are the items upon which the government would act if there were recommendations by the Auditor General. That's where the independent accountability is measured. We're quite prepared to and, as I indicated, have asked the Auditor General of this province to make that study. That will be the accountability report on that aspect of the heritage fund.

MR. ZAOZIRNY: Mr. Chairman . . .

MR. DEPUTY CHAIRMAN: The hon. Member for Calgary Buffalo.

MR. SINDLINGER: Go ahead. Mr. Chairman, I always enjoy listening to the Member for Calgary Forest Lawn, and I'm looking forward to hearing what he has to say.

I have only a very short question to ask at this time, and that's in regard to the basic questions we've been asking throughout the debate on the estimates. The first question has always been in regard to what has been done with the money. We delved into that quite thoroughly over the last eight weeks, and certainly we've been discussing it this afternoon.

The other question we've always asked is in regard to what is going to be done with the money. Today, we have before us Bill 69, which will see the transfer of 30 per cent of natural resource revenue to the heritage fund. The obvious question has to be, what will be done with it? Could the minister perhaps address that question, and indicate what the allocations of that transfer will be to the various sections of the heritage fund, and perhaps relate that to the long-term plan in terms of economic development for the province?

MR. HYNDMAN: I wouldn't be able to give any specifics, Mr. Chairman, because under review at this moment are a number of aspects of the heritage fund as to where the revenues might go. I might indicate, though, what the approximate value of that 30 per cent transfer is expected to be. Hon. members will recall that the actual amount transferred for the fiscal year ended March 31, 1981, was \$1,445 billion. The estimate in the budget of this spring for March 31, 1982, was \$1,395 billion. A very general estimate, by way of a range, of what that 30 per cent will involve for the fiscal year ending March 31, 1983, is somewhere between \$1.8 billion and \$1.9 billion. It's not possible to predict with any exactitude what that would be. For example, we don't know what the activities of OPEC will be, what the world oil price will turn out to be, the various volumes of production, the impact of energy conservation in the country, how cold the winter will be, and the impact of the federal budget on the economy of Canada. But that is the range.

With respect to the activities, members will recall that this year the Canada investment division was reduced from \$600 million to \$400 million. I think the principle of having a division of that kind, which lends to other provinces, is sound. But at this stage, we're not able to indicate how many dollars will be involved next year with respect to that aspect of the fund. This year, of course, the capital projects division saw no new capital projects, rather a continuation of existing ones. Again, it depends on what the trade-offs will be. Next year, as this year, I expect there is every likelihood that the number of customers or clients interested in securing moneys from the heritage fund will far exceed the actual dollars available.

That's particularly pertinent when we look at the Alberta investment division. Members know the rocketing increase in demands for housing and the moneys which have flowed from the heritage fund to the Home Mortgage Corporation. We know that doubled, from some \$250 million to \$500 million, in '79 from '77, that it has doubled again, and that we're now in a range of about \$3 billion worth of moneys invested in housing. I don't see any downturn in the demand by the housing corporation for further dollars. So that is another goal of the heritage fund: to invest in the Housing Corporation.

As well, as members know, the Alberta Municipal Financing Corporation is being called on by the growing municipalities of the province to provide more and more

moneys for roads, bridges, and other municipal projects. I hope that will level off, but a decision has to be made as to how much money will be made available.

The Alberta Opportunity Company is a regular customer and is provided moneys from the fund — the Agricultural Development Corporation and Alberta Government Telephones. So there again, very significant opportunities for investment and calls upon the fund will be present next year, as they were last year.

As well, on the horizon are other possible investments for the heritage fund but which at the moment are not definitive. For example, one could be the Alsands project. But at the moment, we don't know what that situation will be. I think what it boils down to, and the question is pertinent, is that we will continue with those divisions and, in addition, with the commercial investment division, where the first investments will be made during this fiscal year. Those will be made in Canadian equities for the sole purpose, as the Legislature has directed, of earning the best possible return under the guidelines, which have been tabled.

Those are the various activities which will be carried on next year. Obviously there will have to be trade-offs and choices; moneys are not available to do everything. Some activities may have to be cut back to allow others to proceed. But essentially, that is the outline for next year.

MR. SINDLINGER: A supplementary please, Mr. Chairman. I take it from the response, then, that a definitive allocation hasn't been set out for each section of the heritage trust fund as yet.

[Mr. Appleby in the Chair]

But in his reply, the minister made another comment that dealt with investment in equities. It seemed to me the minister placed special emphasis on the Canadian aspect of equity investments. My initial supplementary question is whether any specific investment areas have been identified. I'm not asking for a specific equity that has been identified for investment, because that would certainly enhance my personal opportunities for profit-taking. I wouldn't want to do that.

On the other hand, in the '80-81 annual report, there is a footnote on page 34, dealing with the notes to the financial statements. Footnote (d) reads:

Marketable securities and payables in respect of forward exchange contracts, denominated in foreign currency, are translated at the current rate of exchange at the balance sheet date.

I found that footnote rather puzzling. In the spring, in response to a question from me regarding investments in foreign equities, or foreign investments at all, the minister responded, if I recall correctly, that there had been none. Yet this footnote indicates that something is denominated in foreign currency. I wonder if the minister might elaborate on that a little, please. It may simply be that some issues originate in Canada but are denominated in a foreign currency, probably American. But it's hard to tell from this. Perhaps that could be expanded upon.

MR. HYNDMAN: I'm sure that subsection relates to fixed-income securities, a very small percentage of which relates to occasional purchases; for example, U.S. Treasury bills in the United States. Those would have to be purchased in American dollars, so there would have to be a transfer with respect to that foreign currency. Those that do not relate: there's been no transaction under the

commercial investment division with respect to any purchase of foreign stock.

The objective in the first question was: what would be the areas of investment? Again, the criteria there are to ensure the highest possible return for the heritage fund. So the range of Canadian stocks which have a good earning record and which would provide that would be looked at. I don't think that would exclude any particular stock, although any company not following the laws of a particular country would not be up for consideration. Therefore, that would range in all the various aspects of Canadian stocks on the stock market — say, in Toronto, we know a very large aspect of that is resources — then others would be looked at. The objective is a balanced portfolio that, because it is passive, will over time yield the largest possible return to the fund without other considerations.

MR. SINDLINGER: Just a final supplementary please, Mr. Chairman, again in regard to the same question. I would consider a purchase of American Treasury bills to be an investment in a foreign country or a foreign investment. I thought the response last spring was that there had not yet been any investments in another country. So am I to presume that this acquisition of an American Treasury bill occurred after this spring when the minister reported in the Legislative Assembly?

Following that, the subsequent question simply is: would the minister give us an undertaking to determine just how much investment has been made outside the country to date in all forms, including acquisitions of foreign governments' treasury bills?

MR. HYNDMAN: I can certainly give that undertaking on the latter point, with respect to fixed-income securities purchased outside the country. I think the misunderstanding probably occurred when I mentioned that no investments were purchased outside the country. I meant to say that no equities pursuant to the commercial investment division were purchased outside Canada. In other words, members will recall that the statute doesn't restrict the government with respect to purchases of, say, stocks either inside or outside Canada. But we indicated as a matter of policy that we would initially be purchasing within Canada stocks of Canadian corporations. That's our initial attempt.

However, in the past there have been purchases of fixed-income securities outside Canada. That has gone on since 1975, since the early days of the Act, because it's permitted under the statute. However, it's certainly a minimal amount, and I will provide the information on the topic.

MR. SINDLINGER: A final supplementary please, Mr. Chairman. If the minister has undertaken to do that, I ask him if he would do it for all the years of the heritage fund and for all sections of the Heritage Savings Trust Fund Act as well, so we'll have an indication of the total volume that has gone outside the country.

MR. HYNDMAN: I'll do that.

MR. R. SPEAKER: Mr. Chairman, to the minister on the same point. The minister covered the Canada, capital, commercial, and Alberta divisions with regard to potential distribution of the funds. The other is the energy investment division. Maybe I missed it, but I don't think the minister referred to it. The only investment we have

there now is Luscar, at \$25 million. In the coming year, is there potential allocation of some of the funds to that area as well, or an additional amount to Luscar?

MR. HYNDMAN: As I indicated, the one possibility there which could be significant, depending on circumstances, is an investment through the energy division with respect to one or more oil sands plants.

MR. NOTLEY: Mr. Chairman, I want to deal with several items. Getting back to this business of the special report of the Auditor General, I simply say to the minister that the arguments presented here this afternoon would have been a great deal more plausible had you and your colleagues decided to simply recess the House so that discussion of Bill 69 could take place sometime in February or perhaps March, after the report of the Auditor General. I understand that report is going to be available in February. I see no real reason that we could not follow the very procedure we used last year. Last year, the House did not prorogue; it adjourned, recessed until the end of March. That would have allowed the Assembly as a group, particularly the Committee of Supply, to deal with Bill 69 in the context of the report of the Auditor General.

It seems to me that we could argue the matter over and over, and will no doubt as the evening proceeds. But that would have been the fairest way of dealing with it. Then we could have satisfied ourselves that the 30 per cent allocation was undertaken in light of as much information as possible from the independent Auditor General being tabled in the Assembly and available to all members of the committee before we proceeded with the allocation.

Mr. Chairman, no doubt we'll get into this business about the transactions later on with the minister, and when the Premier is present. I think it's worth noting that the Auditor General made the observation:

... 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.

Getting back to peeking into the drawer, which the Leader of the Opposition observed, it strikes me that right there the Auditor General has told us that there really isn't adequate information in the drawer for '78 and '79. Whether or not the adequacy has been improved, the minister tells us that the system has been corrected. Beyond just asking the committee to trust him, he really hasn't told us anything more. We do know that between 1971 and 1981 there was not an adequate system in place. The Auditor General couldn't make it any clearer.

I suspect that when the Auditor General begins undertaking this special inquiry, in terms of getting information, he will find, as I suspect we will all find, that the drawer will perhaps be empty. That doesn't prove there was any collusion or fraud. Quite frankly, Mr. Chairman, I suspect there wasn't. We only know 70 per cent, not 100 per cent of the information, but the fact of the matter is that the possibility existed because the control system wasn't in place. Who's responsibility is that? Clearly that has to be the responsibility of the government, and to the extent that the present Treasurer has been in office since 1979, the responsibility of the Treasurer along with his

colleague the chairman of the investment committee.

Mr. Chairman, I'd like to deal with two issues looking into the future. The minister indicated one area of potential investment might be the oil sands plants. At this stage, are we in fact likely to see a draw on the fund during the current year that we have under study? I understand there have been initial negotiations. Have they reached the point where there could be a significant draw of hundreds of millions of dollars on the fund during the year in which this 30 per cent will be allocated to the fund?

It's one thing to talk about Luscar, a \$25 million project, but we're looking at what may be an investment of several billion dollars. That could, perhaps, be the largest investment in a private consortium in the history of the province. Is there a real possibility of that occurring during this year, or are the negotiations such that we would be more likely looking at it in the year we will be studying in the fall of 1982?

The minister also made reference to the adequacy of figures and the best available information. He also noted the OPEC situation. With the uncertainty now in the international oil markets, are the figures that were supplied in this House as a result of the energy agreement, 30 per cent of which would work out to approximately \$19 billion, still accurate and reasonable, in the government's mind? Is there any reason to doubt that there will be \$64 billion coming to the province of Alberta over the next five years, 30 per cent of which will work out to about \$19 billion?

MR. HYNDMAN: On the last point first, Mr. Chairman. Yes, we think that they're still valid and accurate to the extent, of course, that one can predict what will happen in one, three, or five years, as I indicated. The one reality of energy in this world is uncertainty with respect to what might happen in price. That is, of course, also with regard to the various elements of petroleum: natural gas, oil, and synthetic crude oil. The other uncertainties with regard to markets, production, and conservation mean that, certainly to the extent we're able, we still feel that's a valid price. No one will know until that period of time has passed.

On the second question, with regard to Alsands, I regret that it's not possible to provide the committee with the precision of information it would like. Because negotiations are in a preliminary stage, it's simply not possible to say whether, or if so to what extent, there might be a draw on the heritage fund in the next year.

MR. ZAOZIRNY: I'd like to address a couple of comments to the committee with respect to Bill 69, and a question to the hon. Provincial Treasurer. At the outset, having listened to the earlier remarks of the hon. Member for Spirit River-Fairview and the hon. Leader of the Opposition admonishing the government members of the Assembly for participating in this particular debate and taking issue with the amount of participation in the earlier debate with respect to the capital projects division, I feel I must briefly respond.

Mr. Chairman, you really can't win with the members of the opposition. There's a great deal of distress expressed by them about their number. In recognition of that complaint, when the government tries to give them every opportunity to participate in the deliberations of this House, they're upset with us. They feel we should be on our feet more and, supposedly, they less. I find that somewhat incongruous. To the extent that they feel

there's some obligation on government members to sustain their filibuster, I must simply say, too bad, to borrow the oft-used words of the hon. Member for Spirit River-Fairview.

I would also like to comment briefly on the statements made by some members of the opposition, with respect to the views of the people of Alberta on the Heritage Savings Trust Fund. With respect, Mr. Chairman, I think that some of those hon. members have been reading their press clippings just a little too much and, as a result of that, coming to the conclusion that the people of Alberta are somehow troubled with the Alberta Heritage Savings Trust Fund and its administration. I've had some opportunity, limited admittedly as a result of the duration of the sitting, to speak with constituents of mine in Calgary Forest Lawn. I must say that the question most often asked of me is: what's the matter with those guys? I suppose as much as anything, I get an occasional friendly jibe about the late nights I've been putting in. I respond by simply saying, that's politics. The opposition members obviously feel that if a statement is made often enough, someone's going to start believing it. I guess that's some sort of belief of some public relations agents. To the extent that the opposition parties want to determine their policy and direction on the basis of that kind of advice, that's certainly their prerogative.

Mr. Chairman, I'm perfectly prepared to do as the hon. member suggested: listen and go to the voters of this province with respect to the Alberta Heritage Savings Trust Fund. I would welcome that opportunity, because I'm convinced the people of this province believe very fervently in the concept of that fund and its handling by this government. It is that point, Mr. Chairman, that brings me to my question.

I've taken the opportunity to look again at the preamble to The Alberta Heritage Savings Trust Fund Act, Bill 35 of the 1976 Legislature, assented to on May 19 that year. Perhaps it behooves members of the committee to refresh our collective memories about that preamble. It's very brief, and if you'll permit me, Mr. Chairman, I'd like to review it for the benefit of members:

WHEREAS substantial revenue is being received by the [province] from the sale of non-renewable resources owned by the people of Alberta; and

WHEREAS there is a limited supply of non-renewable resources and therefore revenue from the sale of those resources will ultimately be reduced; and

WHEREAS it would be improvident to spend all that revenue as it is received; and

WHEREAS the Legislature of Alberta considers it appropriate that a substantial portion of that revenue be set aside and invested for the benefit of the people of Alberta in future years . . .

Mr. Chairman, my concern, as a member of this committee and as a Member of this Legislative Assembly, is that the real issue of the Heritage Savings Trust Fund is frankly being overshot by members from the opposition who have spoken earlier in this debate. They would have us believe that the issue of the Heritage Savings Trust Fund is some realized loss on the sale of securities. I'm not going to dwell on that matter. I think the people of this province recognize that there has in fact been a net gain, and they are not going to be — to use the word of another member earlier — duped by any references to the contrary, however often repeated.

The real issue of Bill 69 is the degree of commitment of this government to the principle of the Alberta Heritage

Savings Trust Fund: a savings fund. Last time I checked, they had not renamed it the Alberta heritage spending Act, but frankly I'm becoming increasingly concerned as a member that that is the intention of some members of this hon. Assembly.

I happened to run across an article written back in 1978 by a journalist with the *Edmonton Journal*, about the Alberta Heritage Savings Trust Fund, entitled "Everyone wants a piece of the Heritage pie". The opening sentence in that article reads as follows:

The main trouble with Alberta's creation of the Heritage Savings Trust Fund is that its very existence generates the temptation to spend it.

I think that's a very astute observation by that journalist, Mr. Chairman.

I would like to ask the Provincial Treasurer if he can affirm to this Assembly that the government remains committed to preserving the integrity of the Alberta Heritage Savings Trust Fund, that despite the great temptation to spend it — and I know opposition members claim they believe in the savings aspect, but frankly, if you add up the total of their suggestions for utilization of the fund, there's nothing left. Some of them camouflaged that intention by talking about charging a percentage of interest on loans to Albertans. But if we're candid, there has to be an admission that the intention is to spend it.

I'm very concerned about that, Mr. Chairman. I think it would be a very sad day if we fell into that trap, that very temptation not to save the depleting natural resources of this province, as they're realized, for the benefit of future generations. I would ask the Provincial Treasurer if he is prepared to stand and assure the Assembly in the committee we are in, that the government has not weakened its commitment to the concept of saving in the Alberta Heritage Savings Trust Fund, and that this government intends to proceed on that course in the future.

MR. LOUGHEED: Mr. Chairman, the Provincial Treasurer has asked me to respond to the question raised by the hon. Member for Calgary Forest Lawn. I would respond to it this way. The nature of the preamble in the Act, which was read into the record by the hon. Member for Calgary Forest Lawn, is, in my judgment, the mandate that we have with regard to the Alberta Heritage Savings Trust Fund. Our position as a government is therefore — and I believe, because of the nature of the Act, the commitment of the Legislature — to a savings trust fund. That will continue, subject to the proviso and the qualification that we have to recognize that this year we do have a deficit of a sizable nature with regard to the budgetary position of the government of Alberta. We will be bringing forth another budget in the next Legislature in the spring. If we run into a string of budgetary deficits, there will come a time when there would have to be a reassessment as to the options or alternatives facing the Legislature and the government of Alberta.

Those options would seem to me to be these: to reduce our government expenditure by cutting back on programs; or to increase taxes to increase revenues from the non-resource area of the province, keeping in mind that 55 per cent of our total revenues of this province in the current fiscal year come from resource revenues; or, looking at the Heritage Savings Trust Fund, at whatever point in time we reach the position where the General Revenue Fund surplus has dissipated to a fairly significant degree, to reach the conclusion that either we reduce the percentage we would transfer from the resource revenues to the

Alberta Heritage Savings Trust Fund or, alternatively, that we assign the income from the Heritage Savings Trust Fund to the general revenue account. Those options would have to be assessed very, very carefully by the government of the day.

I believe it's important as a savings trust fund to recognize that situation and therefore to respond very definitely in the affirmative to the request of the hon. Member for Calgary Forest Lawn for a reaffirmation of the preamble of the Act, subject to the qualifications made.

MR. R. SPEAKER: Mr. Chairman, now that the Premier has introduced that subject, possibly we could pursue that for a few minutes and then pursue others at 8 o'clock. But the comment was made by the Premier here today and on a television program a few days ago that the Heritage Savings Trust Fund could be the vehicle by which a transition could be made when royalty resource revenue goes down and we are still faced with a very large budget in this province, in terms of the general revenue.

I look at our commitments in the Heritage Savings Trust Fund, some \$8.5 billion, in terms of liquidating those assets — the definition of "assets" can be taken in different ways with regard to that. In the Canada investment division, for example, it's very difficult to do very quickly. In the Alberta investment division, we're faced with the very same kind of problem. In the capital investment area, the funds are being spent in terms of investments that will produce returns other than direct interest, and I certainly support that. The energy investment division, as well as the commercial investment division don't allow for quick liquidation or a return of capital to the province.

What that really says to me, Mr. Chairman, is — let's say we face some type of economic crisis in the province of Alberta in 1982 or '83, or even now till 1985. Because of our longer term commitments that have been made, the funds from the existing fund possibly can't be liquidated to meet the demand. At the same time, royalty resources will decrease. And once they reach the level where there is not enough room to allow for this 30 per cent to be diverted to the Heritage Savings Trust Fund, we will have to stop having further additions to the Heritage Savings Trust Fund. That's the critical point, I'm sure. Following that then means we continue to stabilize or support the General Revenue Fund of the province to maintain the kind of services we've been accustomed to in Alberta. I wonder if the Premier could comment on that and what type of planning is in place at the present time to meet that kind of responsibility.

As I review the report, particularly the '80-81 report and others, we haven't really addressed that issue and said that at a point in time when we must call on the capital, it will be available to us. We have made some long-term commitments up to the year 2001, and other commitments. We can't go to the other provinces of Canada all of a sudden when we're in a crisis and say, give us our money back. They are going to be in a much more difficult position than we are in Alberta. They are facing deficits at the present time which we are not.

I see the objective of the Premier as certainly being one that gives confidence, that gives some contentment to the people of Alberta and to us in the Legislature. But if we don't plan and do some deliberate things, it isn't going to happen. I'd certainly appreciate the Premier indicating, as specifically as possible, what kinds of safeguards are

being put into the planning of the Heritage Savings Trust Fund to meet that objective of the Premier.

MR. LOUGHEED: Mr. Chairman, I'm happy to respond to that question. It has really nothing to do with either liquidity or crisis. First of all, I find it a little difficult, in the financial sense, to refer to the position of Alberta in the sense of the word "crisis". I believe that would have some difficulty being accepted in other parts of North America, from a public-sector point of view. Nor, I believe, is liquidity a matter of major concern. As I mentioned in my response to the question of the Member for Calgary Forest Lawn, the position of the government is that it is a process of transition over a number of years. The time when that will start and the length of that transition obviously cannot be forecast, because it relates to a number of events: the degree of resource revenue, the depletion rate of our conventional oil and gas industry, the rate of our expenditures, the government and legislative decisions with regard to taxation and other revenues, and of course the questions the Provincial Treasurer answered earlier having to do with forecast revenues and the numerous variables involved.

The position the government takes with regard to the Heritage Savings Trust Fund is that, as the situation requires an assessment of the savings commitment we have to the Alberta Heritage Trust Fund, the first two options open to the government are to reduce the percentage of resource revenues transferred to the Alberta Heritage Savings Trust Fund — that is obviously the first one — and secondly, to transfer the investment income from the Heritage Savings Trust Fund to the general revenue account. Both those factors could occur over quite a number of years.

In due course, when the situation arises where it will be required to transfer the capital of the Alberta Heritage Savings Trust Fund, either in portions or in total, to the general revenue fund — and I would think that would be some considerable years ahead — it will not be a matter of liquidity but of asset balancing. Obviously, what would be done would not involve any question of liquidating investments that are involved. Clearly, by the adjustment of those assets into the General Revenue Fund, either in total or in part at that time, which would be some years from now, the situation would find this government, with its outstanding credit rating, involved in financing for its current needs in the normal way that all other governments are involved in financing, but backed by the asset strength that then exists in the General Revenue Fund by way of the transfer of the assets that are in the Heritage Savings Trust Fund. That would be the general position.

I think it would be unwise from an investment policy point of view to consider that it is important from a liquidity aspect to have that weigh heavily on the investment decisions of the Heritage Savings Trust Fund. There is some need for liquidity in the investment management decisions. But that liquidity relates to the need to have the liquid funds to make an investment, say, in an oil sands project. That's the need for liquidity. I do not think it would be wise for us to be involved in investment decisions where we weighed the capital liquidity aspect too heavily for an event which in that case, as I have described in this rather extensive answer, would be some years away.

MR. R. SPEAKER: Mr. Chairman, to the Premier. The 10-year period of time is the Premier's words, not my words. The Premier made this to the people of Alberta on

a television program, and said that money would be used — if I recall the remarks. I should have had my tape recorder out, but I didn't. I thought I'd get a leaked document from someone who recorded it. The impression I gained from observing the television program was that the Heritage Savings Trust Fund could be used as a 10-year transitional type of vehicle when we may be short of funds in this province. That was the impression that was left with the public, plus if we needed the funds we could call on them.

Now the Premier has described here ... I can understand that, and what is being said in terms of the fact that some of it can't be liquidated, that some of those funds are put in place. But the impression was there to the people of Alberta that if we have a crisis, we have this savings trust fund, and on a 10-year basis it can make a transition to something else or carry us through a difficult economic period. I just say to the Premier that that was the impression. I think it would be incumbent upon the Premier to explain to a greater degree what he meant by this 10-year period of time.

MR. LOUGHEED: I'd be happy to do that. I think I was saying that the transition of the need perhaps to dramatically increase taxes so they're more in line with taxes in other provinces — if we did not have a Heritage Savings Trust Fund, we might be obliged to do that rather dramatically over a compressed period of just a few short years. By having the Heritage Savings Trust Fund, the government and the Legislature would be in the very fortunate position that when the time comes that our budgetary requirements exceed our revenues with regard to the 70 per cent revenue flow from resources, we would not have to dramatically alter the tax position of the government of Alberta. We could have it over a transition period, and I think I used "say, 10 years" for illustrative purposes. That 10-year period could be seven or 12 years, but it's a period of years in which we would go through a process. As I described just a few minutes ago, that process first of all would reduce the portion that would flow into the Heritage Savings Trust Fund and then, moving into the second phase, transfer either portions of the investment income into the General Revenue Fund. I think the average person watching that program would understand that's precisely what I meant; that by having the Heritage Savings Trust Fund, we were very fortunate in this province that those people who come after us and the next generation won't suffer the difficulty of being forced to face dramatic taxation increases, and we can have a transition period of say, 10 years, in which the citizen can be spared a dramatic increase in taxes, with all the attendant negative effects that might have upon the economy of the province and investor confidence within the province at that time.

MR. R. SPEAKER: Mr. Chairman, to the Premier. I feel the triple A rating of the province of Alberta may not be used as adequately as it could be used in the province. At the present time, through the trust fund we guarantee moneys for the Agricultural Development Corporation and the Alberta Opportunity Company. We also put money into housing. As well, we lend money to other provinces at market rates. Doing some calculations with regard to that, I would say, inadequate use of the triple-A rating, we as a province use our money for these purposes, whereas we could have gone out on the market and used the triple-A rating to secure that money and give it to the two agencies I've mentioned, use the same loans to

other provinces of Canada, and take Albertans' money that is in the Heritage Savings Trust Fund and invest it at higher rates of interest. We would then gain by that investment and, at the same time, we would be using our triple-A rating to the greatest amount of benefit. From observation to this point in time, I don't see the province taking advantage of that.

I'm sure the Premier has looked at this study we had completed November 5, 1980, under the supervision of Mr. Clark, the former leader of this party. One point made in the study is that we in Alberta do not use our triple-A rating to the greatest degree possible, and that if we did we could increase the rate of return to the Heritage Savings Trust Fund and, at the same time, take advantage of that rating. I wonder if the Premier would comment and indicate the government's position with regard to that matter, in terms of investing and using our credit the best way we can or investing our Heritage Savings Trust Fund in the best possible way.

MR. LOUGHEED: Yes, Mr. Chairman, I'd be happy to do that. I dealt with that question in part when I met with the standing committee on the Alberta Heritage Savings Trust Fund on August 26 this year.

There's no question that as the demands, particularly for housing, have increased to the degree they have upon the government, we're now at the stage that we have to look at the alternative. With regard to the unused credit position of the government of Alberta, I would not concur in the view of the Leader of the Opposition, referring to the Canada investment division. It seems to me rather incongruous to borrow money in New York, accept whatever exchange risk is involved, and lend it to other provinces. I think that is a separate issue. Also, I would not agree that this should be an aspect that relates to something like the Alberta Opportunity Company.

But I believe we will soon reach a decision-making point with regard to, say, an entity such as Alberta Government Telephones or the Alberta Municipal Financing Corporation. If our choice with the fund is to have a minimal investment in equities and continue with full financing of all the Crown corporations, including Alberta Government Telephones and the Alberta Municipal Financing Corporation, with the alternative of increasing the investment in equities and hence the yield to the fund, then using our credit rating — which is unsurpassed really of any government in North America — to borrow in the traditional way for either Alberta Government Telephones or the Alberta Municipal Financing Corporation, I think we are getting close to the decision-making point with regard to that issue. Sometime during 1982, we'll have to come to a conclusion one way or another, and in part what entity would be involved if we decided to use that unused credit capacity.

MR. NOTLEY: Mr. Chairman, I wonder if we could move from the general to the specific and ask when the Premier, as chairman of the investment committee, or the investment committee as a whole, received the report dated February 20, 1981, from the Auditor General to the Deputy Provincial Treasurer. Was this brought to the attention of the chairman of the investment committee? If so, when?

MR. LOUGHEED: Mr. Chairman, that would be within the day to day management of the fund and a matter of financial controls, and would be responded to by the Provincial Treasurer.

MR. NOTLEY: Mr. Chairman, a supplementary question to the Premier. At any time, did the investment committee consider the report? I realize that the responsibility for it would rest with the Provincial Treasurer, but it is also a matter of some considerable import in terms of the overall management of the fund. At any time, was there a discussion of this matter by the investment committee?

MR. LOUGHEED: Mr. Chairman, only in a very cursory way. We were satisfied with the explanations given to us by the Provincial Treasurer, that whatever concerns the Auditor had with regard to the matter had been resolved.

MR. NOTLEY: Mr. Chairman, a supplementary question to the chairman of the investment committee. The Chairman has indicated "in a . . . cursory way". Could he advise the Assembly when that discussion took place?

MR. LOUGHEED: Mr. Chairman, I can't do that. It would just be the normal course of the process of the business of discussion we'd have.

MR. NOTLEY: Mr. Chairman, a further supplementary question to the Premier. Would that be during the course of a general cabinet meeting, or would it be during the course of an investment committee meeting?

MR. LOUGHEED: Mr. Chairman, I don't recall. It was a matter that came up in a cursory way. We were advised by the Provincial Treasurer that the Auditor had been satisfied with the matter, and I believe his evidence has been clear that he has been.

MR. NOTLEY: Mr. Chairman, a further supplementary question. Is the chairman able to identify a little more clearly to members of the committee when this discussion took place? The document is dated February 20, 1981. It wasn't made public until the fall. Would it have occurred before the Premier met with the special select committee on the Heritage Savings Trust Fund?

MR. LOUGHEED: I have no recollection or information on that point.

MR. SINDLINGER: Mr. Chairman, I'd like to make a few brief remarks, please, in regard to some of the comments that have been made, and offer some of my own observations. First of all, in regard to the Member for Calgary Forest Lawn, along with him I was one of the members on the select standing committee on the Heritage Savings Trust Fund, which gave a great deal of consideration to many of the recommendations provided to the committee by all members of the committee. I must say that I don't know if the question of whether or not the fund was a savings Act or a spending Act was discussed in detail at that time, although we did come to it from time to time.

MR. R. SPEAKER: Mr. Chairman, on a point of order. Before the Premier leaves the Assembly, would the chairman indicate whether the Premier will be back at 8 o'clock? We'd like to start our questioning there at 8 o'clock.

MR. HYNDMAN: Mr. Chairman, my understanding is that he'll be back at 8 o'clock.

MR. SINDLINGER: Mr. Chairman, a great deal of recommendations were made at that particular time. It was mentioned by me and a few other members of the committee that it might be appropriate for the members to estimate what the cost of all those recommendations might be, and prioritize them in that sense. As the member has pointed out, it could have been that the total of the recommendations would involve more than the Heritage Savings Trust Fund could encompass. That's true. Also, I think the Member for Edmonton Mill Woods agreed that it might be worth while prioritizing some of the recommendations. However, we never did quite get around to that. I think it would have been worth while to do that.

It reminded me of an incident a couple of years earlier. The government indicated that it would be willing to commit \$7 billion to tar sands development. What interested me at that particular time was that there wasn't \$7 billion in the Heritage Savings Trust Fund. So in fact a commitment was being made to absorb not only all there was in the fund but that which could be expected to accrue to the fund in latter years. Obviously, the recommendations that came forth from the committee this year could have done the same sort of thing, and it would have been worth while trying to put some sort of parameters on those particular recommendations and prioritize them accordingly.

During any of the debate by that committee or the debate on the estimates over the last eight weeks, I don't think there was much question in regard to two things. One was whether or not the Heritage Savings Trust Fund was a good idea; that is, the savings account. I think most members agreed with that. They thought it was a sound idea and it ought to be continued. More particularly, in regard to the spending from the fund — now over \$1 billion in capital projects — I don't think any member said the projects in themselves weren't good either. They said that they had merit and value as they stood by themselves. They did have a little difficulty in trying to draw the line or the distinction between those programs which should be funded by general revenue as opposed to those which should be funded by the Heritage Savings Trust Fund.

MR. CHAIRMAN: I hesitate to interrupt the hon. member, but he could continue his remarks if the Deputy Government House Leader wishes to make the appropriate motion at this time.

MR. SINDLINGER: I thought I had two more minutes.

MR. CHAIRMAN: We have to report by 5:30.

MR. SINDLINGER: If that's the case, Mr. Chairman, could I move to adjourn till 8?

MR. CHAIRMAN: That's automatic.

MR. HORSMAN: Mr. Chairman, this evening it is proposed that the House continue with committee study of this Bill. I move that the committee rise, report progress, and beg leave to sit again.

[Mr. Speaker in the Chair]

MR. APPLEBY: Mr. Speaker, the Committee of the Whole has had under consideration and reports Bills 83 and 84, and reports progress on Bill 69.

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

HON. MEMBERS: Agreed.

MR. HORSMAN: Mr. Speaker, it is proposed that the House reassemble in committee at 8 o'clock this evening. I move that when the House reassembles, it do so in Committee of the Whole for the purpose of continuing study of Bill 69.

MR. SPEAKER: Is it agreed?

HON. MEMBERS: Agreed.

[The House recessed at 5:31 p.m.]

[The Committee of the Whole met at 8 p.m.]

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
(continued)

MR. CHAIRMAN: We are continuing our discussion and study of Bill No. 69. The hon. Member for Calgary Buffalo has the floor.

MR. SINDLINGER: Thank you very much, Mr. Chairman. I'd like to make some comments which I hope will summarize those things which have been said over the last eight weeks in regard to the Heritage Savings Trust Fund. The reason I would like to summarize them at this point is that I believe Bill 69 is the central issue for the Heritage Savings Trust Fund. It's true that the capital estimates are important, but we have to bear in mind that if we didn't have Bill 69 we would not have had the money for the capital estimates in the first place.

It seems to me that this is probably the last point where the government can be held accountable for its actions with the Heritage Savings Trust Fund, if indeed it has to be held accountable. I don't believe the whole situation is black and white, because I'm certain that notwithstanding one's place in the Legislative Assembly, things can be found in the heritage fund that have been both beneficial and desirable in the long term as well as the short run. Nevertheless, I think this is a point where we have to stop and say who shall be accountable for what and who shall receive the credit for what. When the provincial Premier introduced the legislation for the heritage fund, he noted that in the end this would be the last place where the government could be held accountable. He said that because he felt there was concern on the part of some MLAs about the lack of opportunity to comment on expenditures and actions of the government until after they had occurred. It has been noted that fully 88 per cent

of the Heritage Savings Trust Fund transactions never come before the Legislative Assembly until after the fact.

In regard to the final accountability, several questions were brought up in the Heritage Savings Trust Fund legislative committee. One which I posed was to the Provincial Treasurer. The question was in regard to other matters, but I would like to place it and the Provincial Treasurer's response before the members tonight. I asked the Provincial Treasurer:

Would you consider it to be desirable to have some sort of system where the rationale could be identified and the appropriate individual held accountable for his actions?

This was in regard to the \$60 million loss. The Provincial Treasurer's response was:

I think the way the democratic system works there is one appropriate individual held accountable for the entire heritage fund and all its decisions, and that's the Provincial Treasurer.

Mr. Chairman, rather than delve into the heritage fund in general tonight, I'd like to be very specific in my comments. I'm going to make them appropriate to the \$60 million loss on the sale of marketable transactions. Throughout this debate, there has been a great deal of opinion expressed by members of the government and the opposition. As the Provincial Treasurer has pointed out, matters of opinion can be debated almost indefinitely. This evening, I would like to try to take the subject out of the realm of opinion and debate and focus on what I would consider to be matters of fact. In my experience, there has been nothing more appropriate to represent factual circumstances than numbers. I'd like to do that, and I will start with a report I had commissioned in regard to the \$60 million loss. This report is entitled Analysis of Bond Transaction Data Supplied by the Auditor General. It was completed by Dr. Robert A. Schulz, who is an Associate Professor, Faculty of Management, University of Calgary.

The reason I'm referring to this is that, first, some questions were raised in regard to the management control procedures and accounting systems in regard to the Heritage Savings Trust Fund. They were raised in the Legislative Assembly in regard to the W.C. MacKenzie Health Sciences Centre. We had the occasion when the Minister of Hospitals and Medical Care stood before us and said a horrible thing had happened. Indeed, it was a horrible thing when you look at accounting and management control systems. The change in cost of that hospital was very large, and it wasn't due in total just to inflation or changes in scope. For the most part, it was due to inadequate management systems. We found the same thing in other cases. I consider the budgeting procedure of the Environment Department to be inadequate as well. I was concerned about the capital cost estimates for various projects, where the government initiated projects on the understanding that this would be the total cost. However, as the years went by we found that the total cost had changed. Projects had changed without getting approval from the Legislative Assembly.

Mr. Chairman, a great deal of concern was raised when this confidential audit report from the Auditor General to the Deputy Provincial Treasurer was revealed to members of the opposition. In general, the audit report said there were deficiencies in accounting and management control systems. In his letter to the Deputy Provincial Treasurer, the Auditor General concluded his nine-page memorandum by stating that. What concerned me even more than his statement of that was what he said after-

wards. He said that these

comments relating to deficiencies in accounting and management control systems may be included in the Auditor General's Report to the Legislative Assembly.

Right away, that raised in my mind the question, why weren't they in the first instance? Secondly, why did the Auditor General feel he had to say that to the Deputy Provincial Treasurer? What kind of warning was he giving the Deputy Provincial Treasurer when he said that these things may be reported to the Legislative Assembly? What was he getting at?

There are a lot of general things in here in regard to those deficiencies in accounting and management control systems. More specifically, the one that has been focused on the most deals with realized losses on investment disposals. Over the last eight weeks, these words have been repeated time and time again. The first words were that it was not possible to obtain from the investment manager the precise reason for these sales that resulted in an investment loss of \$43 million in one year, \$3 million in another, and \$13 million in another.

The Auditor General went on to say that there is considerable scope for collusion which could result in fraud. He didn't just say there is scope for collusion and fraud. Undoubtedly, in almost any enterprise one can find there is scope for collusion and fraud. In this case, the Auditor General says there is "considerable" scope for collusion and fraud. Why did he say those things? That question has been posed many times. In my estimation, the response we got from the government was inadequate and unsatisfactory. It has been said that there wasn't a trust fund in North America that didn't experience losses over these last years because of the swing in interest rates. It's also been said that perhaps in the overall scheme of things, it might have been desirable to lose a little money here in order to make a lot of money over there. Mr. Chairman, the information we have been provided does not support either one of those two contentions.

When the Auditor General appeared before the Legislative committee, he attempted to demonstrate that there was a rationale behind the sale of those bonds that ultimately resulted in the loss of \$60 million. Mr. Chairman, I don't think he succeeded in doing that, for four reasons. First of all, this report undertaken by the professor from the Faculty of Management at the University of Calgary, analyzed one of the illustrations the Auditor General provided for the Legislative committee. That first example dealt with a Bank of Canada bond that had an 8.75 per cent coupon rate that matured in the year 2002. He used that to attempt to demonstrate that it would be desirable to sell that bond at a loss and make a gain somewhere else. I had the professor at the University of Calgary run that information given by the Auditor General through their computer system, comparing the Bank of Canada interest rates on that particular day. That's not a difficult thing to do. It is easy to take those bonds and identify them by just going to the newspapers, which list bonds sold and their bid and ask coupon rates on a daily basis. That was run through the computer. Mr. Chairman, that demonstrated that not only was there a realized loss on the sale, but for that example given by the Auditor General, there was another loss of 10 per cent. In fact, on that particular day the bond had been sold for another 10 per cent less than it was selling for in other investment houses. I'd like to pass a copy of this study over to the Provincial Treasurer so, on those cool winter evenings coming up, he may peruse it for his own

edification.

In addition to a realized loss, there was another loss. The bond was sold for 10 per cent less than its marketable value on that particular day. These bonds were often sold in large lots — \$10 million blocks. If you look at a \$10 million block with a 10 per cent loss, that's a loss of \$1 million. Mr. Chairman, do you know how many \$10 million blocks there are in \$1.5 billion? It doesn't take very many \$10 million blocks in \$1.5 billion to turn a 10 per cent loss on \$10 million from \$1 million up to the double-digit numbers of the millions. We're dealing with two losses here, Mr. Chairman, not only that which was actually realized — the difference between the purchase price and the selling price — but the loss on the sale of the investment once it's taken place.

The annual report of the Heritage Savings Trust Fund raises another question about the sale of these investments. We're told that these things were sold — take a loss here; make a gain over there. I have here, Mr. Chairman, the statement of income, retained earnings, transfers, and fund equity in the annual report for 1980-81. There are two items in that statement. One deals with the net loss on the sale of marketable securities, which over the last three years has accumulated to over \$60 million. Just above that item is another item that allows for a decrease or increase in the provision to adjust marketable securities to the lower of aggregate cost or market value.

In the annual report for 1979, both of those items, the bookkeeping or accounting adjustment — the provision for loss — and the actual realized loss on the sale of marketable securities, move in the same direction. Losses occurred in both places. Mr. Chairman, in 1980 the same thing occurs. Where there is a net loss in the sale of marketable securities of \$44 million, there is also provision for a bookkeeping loss of \$89 million. In 1981 there was an additional net loss on the sale of marketable securities of \$14 million. But now something strange happens. Whereas in 1979 and 1980 there were losses in both cases, in 1981 we have a loss on marketable securities but an increase in the aggregate value of other securities. One's gone up and the other's gone down. In the two previous years, both went down together. Suddenly we have one going down and one going up: the one going down is the net loss on sale of marketable securities.

There is something wrong or inconsistent in the decision-making process to sell or not to sell those bonds, as exemplified by the difference in direction of these two numbers. It may be that the timing of the transactions gives us that anomaly. But the problem, Mr. Chairman, is that we do not have adequate information to determine that. When we have just one snapshot picture of the heritage fund at the end of the accounting year, we don't know that. The indication we have here is that there is something incompatible in the decision-making process in regard to the sale of marketable securities.

Mr. Chairman, there's a third item here. This is evidence presented to the standing committee by the Auditor General when he appeared this fall, entitled Explanation of Losses Incurred or Provided For in the Financial Statements. I'm referring to the second page, which gives a simple example of realized losses. The question of the \$60 million had been posed. The Auditor General was attempting to explain the rationale for that decision. To explain that he used what he called a simple example. He said you can do one of two things: you can hold the bond to maturity or you can sell and replace that bond for

another instrument that has a higher interest rate, the idea being that there would be the expectation of earning a greater income.

This is a very interesting simple example. It's even more interesting because the interest spread on the two examples is exaggerated. On the one hand, there's the option to hold an 8 per cent bond; on the other hand, there's the option of acquiring a 20 per cent bond. It seems very attractive to get rid of the 8 per cent bond and buy the 20 per cent bond. The Auditor General, however, has gone through the annual cash flow analysis. He says that if the 8 per cent bond is held to maturity, this is the income that will accrue to the government in terms of interest and repayment at the bond maturity date.

Mr. Chairman, what is interesting about this is that if that 8 per cent bond is held to maturity, the total cash flow, the interest income and total income in this hypothetical example, is given as \$16,000. On the other hand, however, if that 8 per cent bond were sold and a loss of \$10,000 incurred to get a 20 per cent bond, the cash flow at the end of the same accounting period and from the maturity of the two bonds would be \$16,000. The Auditor General is saying that there is no financial rationale for taking a \$60 million loss on the sale of the bonds, because interest rates have swung. The reason for that is very simple: the bond market automatically, naturally, adjusts the value of the instruments to take account of interest swings. That's common knowledge. For people to stand up and say that interest rates changed and we had to take a loss to gain more over there, is completely, absolutely, and factually unfounded.

AN HON. MEMBER: Why does everybody do it?

MR. SINDLINGER: The point is that that's not my opinion; those aren't my words. Right here are the numbers given by the Auditor General, saying there's no rationale for taking a \$60 million loss.

Mr. Chairman, the next thing is that the Auditor General says, what are the reasons for selling the bonds? One of the reasons he gives is that the funds may be required for Section 6 investments. Let me come back to that in a second.

There is another reason this \$60 million loss should not have been taken. From the material I have and the analysis I have been able to do, it appears that the loss was taken mostly on short-term investments, short-term securities. Page 25 of this annual report says that the average term to maturity of these deposits in money market securities was 144 days. The year before, it was 124 days. So if these things turn over in only three months, why would anyone be in any haste? Why would anyone be so impetuous as to sell those and take a loss when, if they hung on to them for a few more days, they would mature and the total amount would be realized. There would be no need for a loss.

Mr. Chairman, for four reasons I've just gone over, there was no need to take that \$60 million loss in the sale of those instruments: one, the independent analysis I had done and passed to the Provincial Treasurer for consideration; two, the inconsistency or anomaly in terms of direction on the net sale of marketable securities and the decrease in provision to allow for lower market values on bonds; three, the Auditor General himself, demonstrating that there was no need to sell them; and four, the fact that, as far as I can gather, they were short-term instruments maturing in three months' time.

Then why were they sold? Why did the government

incur a \$60 million loss? Mr. Chairman, I suspect that those funds were required elsewhere, as the Auditor General indicated they may have been, for Section 6 investments. I say "suspect" because it's hard to determine that by looking at the numbers in the annual report. So I've looked at the quarterly reports and developed a cash flow analysis. The interesting thing that comes from that cash flow analysis is the balance in it on a quarterly basis. When the accounting period is up, you'll find there are very few funds in the consolidated cash investment trust fund, for example. It looks good on the balance sheet. But in between those annual statements are huge peaks and valleys, which indicates to me manipulation of the cash flow for reporting purposes only.

Mr. Chairman, I wonder what the long-term planning for the Heritage Savings Trust Fund is. That question was asked this afternoon. I think the minister touched on the subject but did not really indicate the long-term planning for the fund. I'm not too sure we even got an indication of the short-term plan. We know that maybe \$1.8 billion, \$1.9 billion, or \$1.5 billion will come into the fund this year, but we don't know where it will go. It might go into Section 6; it might go into Section 9; it won't go into the commercial divisions. But for long-term planning purposes, I would think there ought to be some planning before the fact, some indication or idea where that money should be going, as it comes in, not after the fact and let it all bunch up.

Mr. Chairman, I wonder how much independence the managers of the trust fund have when it comes to cash flows. I wonder if they're in a position to map out a cash flow for the entire fiscal year. I wonder if they're in a position to map out a cash flow for five years. This isn't just an academic exercise. The purpose is to ensure that those decisions made in the short term are compatible with the long-term objectives. When we have a sale of marketable securities that results in a net loss of \$60 million, what is demonstrated is that the \$60 million decisions are incompatible with the long-term planning.

Mr. Chairman, I wonder if those managers of the trust fund, being responsible administrators and experts in those areas, have mapped out long-term cash flow plans in developing their cash flow. I wonder if they have been subject to what I would categorize quite bluntly as undue political interference. I wonder if they've had their cash flow mapped out and have been ready to do this or that, consistent with their long-range plan, and had somebody come in and say to them, do this or do that, based solely on political criteria. Mr. Chairman, that's what one has to suspect when the Auditor General says that the reason for selling these instruments may be that they're required for Section 6 investments: the Alberta investment decision, the capital projects division, the Canada investment decision.

Mr. Chairman, those questions have not been answered yet. I must admit that I don't think they have been adequately addressed either. Perhaps all we can do right now is bring them up and hope we can come back to them in the spring, and again in the fall, when we try to measure the efficiency and effectiveness of the government in handling the Heritage Savings Trust Fund.

The next thing I'd like to talk about is the Auditor General's special report that was requested by the president of the Executive Council. The Auditor General has been asked to review some of these things. The Auditor General has been asked to give an independent appraisal of what has happened to the heritage fund. But when you look at that letter from the Premier to the Auditor

General, there is no independence or objectivity in that special request. The letter starts out by talking about a memorandum that was "purportedly tabled" in the Legislature by the opposition. Everybody knows — it's a matter of record and can be seen in the Votes and Proceedings — that that letter was in fact tabled in the Legislative Assembly. It was not purportedly tabled. What does the Auditor General do when he picks that letter up and it says, "purportedly tabled"? Right away, there's a tone and indication in that letter of what direction that Auditor General is expected to take. Where is the independence of the Auditor General in a case like that? I submit, Mr. Chairman, that there's undue influence, that he's already given biased and prejudiced terms of reference. How can we clear this up with something like that?

Mr. Chairman, I have more things to say. On a point of order, I would just like to ask: given that it's Committee of the Whole, I thought I had more than 30 minutes to speak.

MR. CHAIRMAN: Any member in the committee may speak as many times as they wish, but 30 minutes at one time.

MR. SINDLINGER: Mr. Chairman, is my time complete now?

MR. CHAIRMAN: Yes, the first 30 minutes are up now. We have to have some intervening business, and then if you wish to speak again, you may.

MR. SINDLINGER: I would like to speak again. Thank you, Mr. Chairman.

MR. CHAMBERS: Mr. Chairman, I'd also like to say a few words in support of Bill 69, recommending that 30 per cent of resource revenue go into the Alberta Heritage Savings Trust Fund.

I think it's important to get to the basis of the Bill, rather than the opposition red herring. The people of Alberta understand business. They know that a bond sale at the appropriate time is simply good business, resulting in a significant net gain and not a loss. So what we're hearing through all these many hours here is a red herring, pure and simple. The opposition aren't fooling the people of Alberta one little bit, and they know it.

I'd like to take this opportunity, Mr. Chairman, to underline the fund's contribution toward the provision of housing for Albertans. There is no area of this province, no sector of our society, which has not felt this benefit.

The capital financial assistance for housing programs, borrowed from the Alberta investment division since 1976, totals \$3,853,000,000 — approaching \$4 billion. I thought it might be of interest to members if I give a little more detail on that. If you look at the fiscal period from April 1, 1976, to March 31, 1977, there were 6,721 housing units — including both home ownership and rental programs — for \$211,327,000. Interestingly, that represented some 19.6 per cent of all the housing starts in Alberta. Now this is close. The figures on the pro rata between the government of Alberta, CMHC, and the private sector are on a calendar basis, whereas the numbers I have are on a fiscal year basis. But they're relatively close.

If you look at the fiscal period from April 1, 1977, to March 31, 1978, there were 5,601 units, for \$174,381,000. The province's share through the two Crown corpora-

tions was 20 per cent. At that time, the NHA — or CMHC, if you like — was 35.9 per cent, as compared to 25.8 the previous year. The private sector had dropped to 44.1 from 54.6 per cent. Then, if you look at the period from the fiscal year '78-'79, we had 4,964 units for \$170,872,000, which was only 12.4 per cent. The significance there is that the NHA portion was 23.9 per cent, whereas the private sector had risen to 63.7 per cent. Then in the fiscal period '79-'80, we had 6,576 units for \$319,902,000, which represented 25 per cent. Again, we're looking at 14.5 per cent from NHA and 60.5 per cent from the private sector.

In 1980, we had a significant change: in that fiscal year, 14,656 units between the two Crown corporations for \$752,469, representing 42 per cent. But significantly, the CMHC portion had dropped to 11 per cent, and the private sector had dropped from 60.5 to 47 per cent. In 1981 — and now we're estimating of course, because we haven't got the full year yet — we're looking at something like two-thirds of the financing, the construction, through the two Crown corporations versus only 10 per cent from CMHC and something less than 40 per cent, and perhaps significantly less now, from the private sector.

All these add up, Mr. Chairman, since the Crown corporations have been borrowing from the heritage fund: in terms of home ownership programs, 30,939 units for \$1,608,000,000; for rental units, 23,937 for \$1,000,022,638; or a grand total of 60,343 housing units, both rental and ownership, for \$2,814,451,000. To that you add the direct housing constructed by the housing corporation for our senior citizens, community housing, and so forth, and also the land development associated with producing that housing. That comes to another \$1,038,600,000, giving the grand total I mentioned previously of \$3,853,000,000.

I think that you, Mr. Chairman, and members would agree that that's a most impressive contribution. Also, the quality of life in Alberta is not measured strictly in dollars. To fully appreciate the impact of this government's innovative housing programs, it's necessary to talk to the people, as I do quite often at openings of our various structures across this province. Many people I talk to are senior citizens. We are now housing our seniors in nearly 14,000 units: 6,869 in lodges, 7,129 in self-contained apartments. That's what's completed, not counting this year's budget additions. Of course, we also have many senior citizens living in core housing incentive program units. When I visit these projects, the pioneers there often share with me the stories of their lives. Many of these people lived in Alberta at a time when life was difficult, luxuries were few. Through their experience, they've given us a heritage based on a strong work ethic and a habit of saving for the future. I think we have a responsibility to follow their example in order that our children and grandchildren will not have to face the same struggle which confronted our parents and grandparents.

In visiting all these units, I've yet to hear one senior citizen complain about 30 per cent of the non-renewable revenue going into a working savings account for the future, the Alberta Heritage Savings Trust Fund. If anyone might wish to make a case for spending more now, one would think it might come from the older people. But that's not the case. Our senior citizens realize the value of savings; that the Heritage Savings Trust Fund will enable us not to raise taxes in the future, as our Premier indicated earlier, and to provide a meaningful legacy for our children and grandchildren. Indeed, the senior citizens I talked to realize that very well and are

fully supportive of the Heritage Savings Trust Fund.

As my friends in the media have observed, I've indicated a number of times this year that we're spending nearly \$1.7 billion on housing — 3,425 units for our senior citizens, 10,850 rental units, 10,380 for home ownership — for a total of 24,655 housing units. Housing is really just one example of the Alberta Heritage Savings Trust Fund working for Albertans. I thought it was important to get those numbers in the record, Mr. Chairman.

Before concluding, I would like to comment on a remark this afternoon by the Member for Spirit River—Fairview. When he was talking about cost overruns, he referred to the Calgary Coliseum. I have to correct that statement; it's nonsense. I think it represents a slight to the hard-working citizens in the Calgary Coliseum Society who, in my view, are doing a really good job. That project has always been within the original budget. Over 70 per cent of the tenders are now in, so we can have reasonable confidence in that budget forecast. I don't think it's fair to the society to insinuate things that simply aren't true. I want to have that corrected for the record, Mr. Chairman.

Thank you.

MR. BRADLEY: Mr. Chairman, I appreciate the opportunity to participate in this debate today on Bill 69, where we're appropriating 30 per cent of the non-renewable resource revenues into the Alberta Heritage Savings Trust Fund. I'd like to comment first with regard to the Heritage Savings Trust Fund and investment and expenditure. To date, it seems to me that the members of the opposition confuse the principles behind investment and expenditure. They seem to want to apply the rules of expenditure of public funds to the rules which should apply to the investment of public funds. I think they've lost sight of that very important principle.

In remarking on some comments by the hon. Member for Calgary Buffalo, talking about taking into account assets of the fund at lower of either market value or cost, I think about the investment of the Alberta Energy Company and the fact that it's taken into account in the trust fund at its cost value of \$75 million. If it were sold or realized on the market today, that investment would bring in some \$337 million.

He also went on to talk about his report with regard to the decision to sell bonds at a loss and the fact that whether the bonds had been kept or sold and re-invested, in the long run we would have ended up with the same number of dollars. I'm not really into the bond market with regard to investment. I do know one thing about the bond market. If the interest rate in bonds is rising and you decide to sell them because you have bonds at a lower rate, and you re-invest those bonds later at a higher interest rate, if the interest rates on those bonds in fact fall 1, 2, 3, or 4 per cent later on, you can sell those bonds and realize a capital gain. Perhaps the hon. Member for Calgary Buffalo didn't take that into consideration, but that's another factor with regard to that equation.

Mr. Chairman, I want to discuss one aspect of investments we have in the Alberta investment division; that is, the Syncrude project, which I believe is a good long-term investment for Alberta, particularly for the Alberta Heritage Savings Trust Fund. I'd like to go over what in fact the Syncrude project means to Alberta. First of all, I'd like to look at what it means in terms of the financial return to Alberta and look at some details of the original Syncrude decision in Winnipeg in February 1975. We have to look at that, Mr. Chairman, in looking at that

investment and what it means to the people of Alberta. Part of the Syncrude deal was that in terms of royalty returned to the province of Alberta, over the term of the project, the people of Alberta would receive 50 per cent of the deemed net profit of the project. I think that's going to be very significant to Alberta when we look down the road and our conventional oil starts to decline. That's one aspect of the fiscal arrangements. The other is that today we have an 8 per cent equity investment in the project and, on that 8 per cent investment, will be earning a return directly to the heritage fund.

Another aspect of the financing of that project was convertible debentures. The hon. Member for Spirit River-Fairview has waxed eloquent at times with regard to the whole Syncrude project. If I remember correctly, that was one of his issues in the 1975 campaign. Well, we have the convertible debentures, and that has proven to be a very significant thing to Alberta, to Albertans, and to the Heritage Savings Trust Fund. In fact the decision has now been made to convert those debentures because that is the prudent thing to do at this time.

We've also heard the hon. Member for Spirit River-Fairview wax eloquent about the timing of that decision. I think the hon. Provincial Treasurer has dealt adequately with that with regard to his presentations in the select committee of the Heritage Savings Trust Fund. I don't intend to deal any further with those convertible debentures, except to say that their conversion to equity is going to add greatly to the Heritage Savings Trust Fund and to Albertans.

There's also the option that was worked out with regard to further investments by Albertans, which was given to the Alberta Energy Company. When you look at what the Alberta Energy Company did with that option and the dollars they were able to realize with regard to spinning off the 10 per cent, that indicates to me the value of that option and what it is really worth. It also indicates to us what the 16.7 per cent equity investment we're going to have in the heritage fund as of January 1 is really worth. But again, it's only reflected in the Heritage Savings Trust Fund at its cost. It's not reflected in its real market value today. If it were to be sold and realized, it would be significantly higher than the figures shown in the trust fund.

All the features I have gone over indicate to me the wisdom of the provisions made by our Premier in the Winnipeg agreement. I think these provisions will prove to be very wise down the road.

To go back over the fiscal end of it, there will be a continued return on our equity investment to the Heritage Savings Trust Fund, plus a 50 per cent deemed net profit which will flow to the general revenues of the province. But again, because it's a royalty, 30 per cent of that will flow back into the Heritage Savings Trust Fund. So there's an added benefit there. Ultimately, all this will benefit Albertans in the form of the Heritage Savings Trust Fund.

Other benefits occurred from the Syncrude project: the activity we saw in the province during the construction phase; the employment aspect of that project during its development years — 52 per cent of the people employed on that project were residents of Alberta. There was also the expertise gained by small Alberta companies with regard to the manufacture of components which went into that project. That expertise is still in the province and will be used.

With regard to the geographical distribution of expenditures, 62 per cent of the funds expended on that project

were expended in the province of Alberta. Ongoing benefits of that project are felt by Albertans today. The lessons learned by the Syncrude project will be invaluable to future projects, whether it be Alsands, CanStar, or whomever. The fact that this large-scale project has come on stream and that we've learned over the course of the development of this project will benefit others.

The second aspect of ongoing benefits is the technology developed as a result of the Syncrude project. Likewise, it will be invaluable to future projects. There is the ongoing research done by the Syncrude research department, about 175 employees, which is a very significant research component in the province of Alberta. Another aspect is that the personnel we have in Syncrude are of inestimable value to the province. Syncrude has brought together a group of high-calibre people, second to none in the world with regard to production of oil from oil sands. We have these highly skilled individuals in Alberta.

Another aspect is that the investment in the oil sands plant is a diversification of our economy away from conventional petroleum production. Oil sands processing is a diversification of our economic base and will be for the future. Another aspect we have to look at is the contribution the production of that plant makes to oil self-sufficiency in Canada today and in the future. So there have been significant benefits to Albertans from the Syncrude project, not only during its construction phase but right now, and they will continue into the future as I have described.

What do I see as the future of this project? I see 1982 as a year of consolidation, the project looking at ways of increasing the effectiveness of the program and the efficiency of the base-plant operation. I dare say that down the road the participants see a very good future for the existing Syncrude project and for the long-term future beyond that, with regard to leases 17 and 21.

Having reviewed what the Syncrude project means to Alberta, I want to examine how we go about making equity investments with regard to the province of Alberta and relate back to the principles I alluded to at the start, investment versus expenditure. I particularly want to look at equity investment and ask the question: where are these decisions to be made in the best interests of Alberta?

To be effective, I believe the responsibility must continue to lie with the investment committee. To do otherwise would be irresponsible. Would it have been possible to negotiate the Winnipeg agreement, which led to Alberta's participation in the Syncrude project, if the Premier of the province had been put in the position of saying that he could not commit the government of Alberta on that day in February, that he would have to go back and have the terms and details debated by the Legislative Assembly? If that had been the case, Mr. Chairman, I dare say that an agreement could not have been concluded in Winnipeg and the Syncrude project would not have proceeded. It is impossible to negotiate unless there is a mandate to conclude the negotiations. The private sector would not enter into such negotiations knowing that the agreement may evaporate because one of the participants could not sign conclusively at the conclusion of such negotiations.

The government must have the ability to conclude negotiations with regard to equity participation and to set the terms and conditions. The public will judge the effectiveness of such investments on the basis of their performance. The final accountability lies with the electorate and their perception of the performance of those invest-

merits. The responsibility for investment decision lies with the investment committee. The ability to effectively make equity investments must not be hampered. Further, the Heritage Savings Trust Fund is considering equity investments in stocks of Canadian companies. The same arguments apply. There is no way these decisions could be made on the floor of the Legislature. Can you imagine the effect debating potential stock investments would have on the market place, the effect such a debate would have on the value of the particular stock under discussion? It would just distort the market and would not result in the most effective investment decision being made.

What does the opposition want, Mr. Chairman? We've heard them over the last while. They say all investment decisions should be made on the floor of the Assembly. This sounds good if you look at it with regard to public expenditure of funds. But with regard to public investment of funds, I don't believe that's the appropriate mechanism. I've just gone over the benefits of a project like Syncrude to the people of Alberta, and my conclusion is that that project would not have gone ahead if those decisions had to be debated in detail on the floor of this Legislature. There is just no way that that project could have proceeded at the point in time it did. Similarly with regard to stock market investments: there is no way that we can debate here on the floor of this Legislature whether we should invest in X, Y, Z stock. It would distort the market place, as I alluded to earlier. Just the effect of that stock on the market would be incredible. Although it sounds good, Mr. Chairman, in my mind there is just no way we could proceed in that manner. We have to leave it to the investment committee to make those kinds of decisions.

The second thing we get into is that they say we should have a copy of all the marketable securities, all the investments on a day to day basis. They should be made available to us because we need this information. Again, that sounds very good, but in effect it jeopardizes the investment strategy of the Heritage Savings Trust Fund. If we were to reveal the day to day transactions of the marketable securities and other investments we have in the trust fund, other people in the investment business, by analyzing in depth the decisions we make on a day to day basis, will in fact uncover our investment strategy. By doing so, they will be able to counteract some of our investment decisions, look at where they can more effectively place their investments, perhaps ahead of us or after us, to reap some benefits. In fact, the result could be that the net return to the fund is reduced by a number of percentages. That, Mr. Chairman, makes a lot of sense to me. If we are to reveal the investment strategy, I think we jeopardize the rate of return in the longer term. That's my response to their continued request for this type of information: it jeopardizes where we're going with regard to the investment strategy and the rate of return in the longer term.

Then we get to the third issue that is raised here: all the internal control mechanisms which are in place, the management letters which the Provincial Treasurer receives, should be made public. Again, that sounds good. It sells well, et cetera. But in practice, by revealing what these internal control mechanisms are — to use the analogy which has been used before — we will be revealing the combination to the safe; we'll be telling people what the alarm system is, where the wiring is. We will in fact be making it possible for those people who want to get around those internal control mechanisms, which are

there to protect public investment, to have the opportunity to do so. By revealing the internal control mechanisms we will reduce the effectiveness of those control measures which are put in place to protect public investment. That's some way to protect public investment. Is giving them the keys to the front door, the combination to the safe, and the alarm systems how you go about protecting public investment? Is that really the way to do it? I say no.

The fourth issue is this question of a \$60 million loss. I think that's been adequately explained by a number of members, but really decisions were made to sell bonds at a loss. It was known that those bonds were going to be sold at a loss, which comes down to the crux of what we're talking about in the Heritage Savings Trust Fund and allocating 30 per cent of non-renewable resource revenue to the fund.

I recollect that when I was a member of the select standing committee of the Heritage Savings Trust Fund the big question was rate of return. Are we getting the best rate of return for the fund; you should be diversifying the portfolio; you should be looking at equities. That's what we were looking at. I think maybe we should be looking at that, the performance of the fund. But if we're going to look at increasing the rate of return, at diversifying our portfolio, at equities, we're really looking at maximizing our rate of return. In order to do that, Mr. Chairman, there has to be and there will be risk. As such, there will be losses. If you take risks, you're going to have some losses.

I can remember the hon. members of the opposition waxing eloquent that we should increase the rate of return. If we're going to get into equities, we're going to have some losses. Because we're looking at maximizing the rate of return, are we going to hear the opposition continually bringing across this red herring of decisions to sell at a loss? That's what they are: conscious decisions to sell at a loss. Are they going to continue to harp at losses in the future? I suppose this is the start of a long-term thing, because I believe the rate of return for the fund is going to increase over time and we are going to have losses.

We have had some losses, and there seems to be some concern about the circumstances of those losses. Was there fraud, collusion, et cetera? The Auditor General says there wasn't any fraud. He said before the Heritage Savings Trust Fund [committee] that there was no collusion, no mismanagement, no money missing. Some hon. members feel that they would like to know more details about those circumstances. To clear the air we asked the Auditor General to do a special report on those losses.

As any investor in bond or stock portfolios, you have to balance your losses against the gains. We know there was a \$1.6 billion gain over the term when these same losses were made. You look at your overall gain as a portfolio holder. That's the bottom line. At the end of the year, you balance your gains against your losses, gains 15 times greater than these losses, and these losses were made because of decisions to sell at a loss.

Mr. Chairman, future generations will judge us by the management of the fund. What are the questions they'll ask us? They'll ask us: were we bold; did we make innovative investment decisions? I think they will say we have, and I think we will.

We get to a fifth point with regard to this whole debate on the trust fund. We have our friends the spenders and nationalizers, the New Democratic Party, and we have our friends the giveawayers and dividenders, the Socreds.

Future generations will be asking us those questions, too, if we follow those rules as legislators. Future generations of Albertans will be telling us, were you there when the decisions were made to spend the fund or give away the fund, our heritage; you sold off the resources of the province and spent the income without considering the future. They also say to us, and it has been said before: some party you had, and some hangover.

Mr. Speaker, if there is to be accountability and responsibility, let us look at the performance of the fund over the longer term. Let us not be deterred by some losses, for there will be losses. Let us let Albertans judge us on the overall performance of the fund over the longer term. Above all, we should make sure that the integrity of the fund is not jeopardized by either the spenders, the NDP, or the dividenders, the Social Credit. Let us be vigilant that the fund will be intact for future generations of Albertans for whom it is intended.

MR. SINDLINGER: Mr. Chairman, I'd like to elaborate on some points I made earlier this evening, and then conclude the comments I have with regard to this particular Bill.

Mr. Chairman, earlier I referred to a handout given by the Auditor General to the Select Standing Committee on The Alberta Heritage Savings Trust Fund Act. It had the date on it, Tuesday, October 27, 1981, and it had "Alberta Heritage Savings Trust Fund periods to March 31, 1981". The title on this is specifically "Explanation of Losses Incurred or Provided For in the Financial Statements". There are six pages, several tables, and one graph here. The first page identifies the realized and unrealized losses as reported in the annual report of the Heritage Savings Trust Fund. The second page deals with a simple example of realized losses, and it is hypothetical. The hypothetical example decisively and conclusively says that from a financial point of view there was no reason whatsoever to sell bonds which resulted in a net loss of \$60,282,000. That is quite clear from this document.

Mr. Chairman, as well as that simple example for the realized losses, the last two pages deal with an actual example that's not hypothetical. It deals with an 8.75 per cent Canada bond issued on February 1, 1977, and maturing on February 1, 2002. This bond chosen as an example was acquired on the issue date for 99.25 and sold October 17, 1980, for 71.60. The market value of this bond on September 30 was 50.25. It was a specific example excerpted from all those transactions by the government that the Auditor General addressed. It was that specific example, an actual transaction, not a hypothetical transaction, that was analyzed in the report by the professor at the University of Calgary that I passed over to the Provincial Treasurer. So we're not dealing with hypothetical things here, Mr. Chairman.

[Mr. Purdy in the Chair]

Coming back to this simple example which, in my judgment, quite clearly demonstrates that there was no need to take a \$60 million loss . . . And I urge members in their spare time just to take a look at this. It's not my words. It's not my opinion. It's written in black and white. It's written by the Auditor General, whom these individuals hold up to be a reputable, independent, credible source. The Auditor General does say, however, there are other reasons for selling these things. One is because it might be used for other Section 6 investments; for example, the Walter C. MacKenzie Health Sciences Centre

and Kananaskis Country, where the provincial government has fallen short on its cash flow analysis. There has been a higher cash call for those two projects, which far exceeded their original estimated costs. To me that demonstrates plain downright mismanagement and incompetence. There's no excuse for something like that. That's the issue here today. It's not whether the Heritage Savings Trust Fund is a good idea, because it is a good idea. It's not whether a hospital is a good idea, because hospitals are good ideas. It's not whether investments should be made in irrigation or rehabilitation, because they should be. The question is the management of those funds and the systems and controls this government has in place. It has been adequately demonstrated by the Auditor General in his confidential audit report that there are not satisfactory management control procedures in place today. It's the responsibility of this government and the obligation of the opposition to ensure that those things are put in place for the future, to ensure that there are adequate controls before another nickel is transferred from general revenue to the Heritage Savings Trust Fund.

Mr. Chairman, I have some concern about the sequence of events in regard to this \$60 million loss over the last three years. The first event occurred on March 31, 1980. That was the end of the accounting period, when it was shown that there was about \$43 million in losses. It was the second year those losses had occurred from the sale of bonds or from marketable transactions. That was March 31, 1980. A few months later, there were three significant resignations within the Treasury Department. The first one was the investment manager for bonds. The second was the investment manager for short-term instruments. The third was a supervisor of those two, the investment director; three months after that \$43 million loss had been identified for the second time in two years. Time went by. Eleven months from that accounting period, suddenly the Auditor General felt it might be a good idea to write a confidential audit report to the Deputy Provincial Treasurer. Eleven months later, the Auditor General wrote to the Deputy Provincial Treasurer and said, hold it fellows, there's something we ought to think about here with regard to these investment losses; we don't have adequate documentation for them; we don't know why they've occurred; for all we know, there's been manipulation of the bond market for the government. It's very easy for that to happen. I've heard rumors about that on the streets as well, about heritage fund traders and the ability they have to manipulate the market. What's to say that a trader from the heritage fund did not go out during the lunch hour and sell several times in different places till he depressed the price of a bond, and then after that lunch hour came back and bought a large block, a block larger than that which he'd sold. There's no question about that; that's straight manipulation of the market. But the thing is, nobody can say that did happen any more than any one can say it didn't happen. [interjections]

The reason for that, if I may point it out to you, sir, is that the Auditor General has amply demonstrated that records were not kept. I'll put it to you and every other member in this Legislative Assembly. I will stand corrected the moment the government comes forth with evidence to demonstrate otherwise. They have not done that over the eight months we've been perusing the estimates and they give us no indication now that they ever will. It's their responsibility to do that, Mr. Chairman. This fund does not belong to the Progressive Conservative Party. It belongs to the people of Alberta, and they have a right to

know what's happening to their money. As it stands now, they don't know.

MR. KNAACK: They know, Tom.

MR. SINDLINGER: Mr. Chairman, it's about time the heritage fund was made more public. If anything comes of all this, I hope that's one of those things.

Mr. Chairman, another point comes up here as well, in regard to the sequence of events. First of all, the identification of the losses; following on the heels of those losses, the resignation of three of the key players; subsequent to that, the Auditor General's confident letter saying, here's the problem fellas, stop, we'd better see what's going on here. It raises two questions about the Auditor General. The first is this: if those losses went on for three years, if they occurred the first year, if they occurred the second year, and if they occurred the third year, why weren't they reported to the Legislative Assembly?

Mr. Chairman, it could be seen that they weren't reported the first year because the Auditor General had sought and was given reasonable assurance that the problems associated with those losses would be rectified before the next year. Perhaps that might have been the case. But it occurred a second year, and if it occurred a second year, why wasn't it reported to the Legislative Assembly? I'd hate to say that it's because the Auditor General and his staff were not able to identify the problem the first year. I'd hate to say that it was because the Auditor General and his staff weren't able to identify it in the second year. I'd hate to say that applied to the third year. Why then wasn't it reported to the Legislative Assembly? Mr. Chairman, that's a question everybody ought to think about. It's a question that should be addressed by all members of this Legislative Assembly.

Mr. Chairman, it's fine to stand and espouse an opinion, and quite naturally, people with different philosophical bents will have different opinions. People with different backgrounds will have different opinions. I find myself in a unique position, because having sat on the government side and shared their point of view, I'm aware of what their opinion is. Now, having sat on this side for a year, I have another opinion as well. The only beneficial thing that's come out of that is that I have a consolidation of the two opinions, and now I have a third.

Mr. Chairman, I can't say that I'm absolutely right or wrong in what I'm saying, but neither can the government say that it is absolutely right or wrong in what it's saying or doing. Neither will I be put in a position where I can say they're more right or wrong than I am. Not only until they come forth with more evidence about the \$60 million loss, but until there is a complete change and reversal in their attitude towards full disclosure on the heritage fund ... Having 88 per cent of the heritage fund handled in secret is not conducive to co-operation and understanding, and as long as that's the case, it won't be coming from me.

MR. NOTLEY: Mr. Chairman, I'd like to deal with several issues during the course of committee study. First of all, I'd have to say that I found the comments by the Premier just before the 5:30 adjournment somewhat astonishing. Questions had been asked with respect to this memo of February 20, 1981, which indicates a very serious deficiency in the method by which the funds were invested, both in long-term and short-term securities. Without repeating the observations by the Auditor Gen-

eral, nobody can read this memorandum and be anything but concerned.

But, Mr. Chairman, what did we find? We found that the Premier indicated that the investment committee had examined this in a cursory way. What does one mean by "a cursory way"? He wasn't able to remember the time or the place in which the investment committee had examined it. You have a memo from the Auditor General that suggests there is a complete breakdown in the system, that managers are not able to offer a precise reason for the sales because of the time lapse, that 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. You have the Auditor General pointing out that there is considerable scope for collusion which could result in fraud, and the Premier says to the members of the committee that this was discussed only in a cursory way and he's not able to remember when it was discussed.

Mr. Chairman, the only time we had an example similar to that was when Dave Barrett was premier of British Columbia and there was a \$100 million overrun in social services. Somebody asked him about that, and he said it was a clerical [error]. It was an absolutely ridiculous answer he gave as premier of B.C. at that time. He was panned, and properly so, in every newspaper in the country. But today we have the premier of the province telling us that a document from the Auditor General, which surely must be taken seriously, was examined only in a cursory way and he can't remember when it was examined. Mr. Chairman, that isn't good enough. That really isn't good enough. It isn't good enough for anyone in this Assembly to make that observation, but most especially, it isn't good enough for the chairman of the investment committee.

I won't go over some of the overruns I identified before: the \$86 million announcement of the Walter C. MacKenzie centre, which is now over half a billion by the time it's completed; the massive overrun on the Kananaskis. I want to deal with some of the comments made by the Member for Pincher Creek-Crowsnest, because I think it is well worth taking a moment or two in examining this whole business of where we're at in Syncrude. Our investment in Syncrude is enormous. The 8 per cent equity is \$300 million, 50 per cent of AEC is another \$180 million, the 50 per cent of AEC held in the power plant is \$176 million, the convertible debentures which the Provincial Treasurer has finally converted into equity are approximately \$350 million, for a total investment of about \$1 billion.

Mr. Chairman, we as shareholders simply do not have accurate information. On the basis of the public investment we've made, we do not have the kind of information in the Assembly that any shareholder should have. I'm sorry the Member for Pincher Creek-Crowsnest is not in his place at the moment — oh, he's over there, waving his hand. He was telling us that Schedule A is the accounting manual. It was tabled in the House in 1976, said the member in a very firm way. Well, Mr. Chairman, I'd just like to quote from *Hansard*. This is the Minister of Energy and Natural Resources, Mr. Leitch, but at the time he was the Provincial Treasurer:

Mr. Speaker, on April 10 the Member for Spirit River-Fairview asked me some questions concerning the accounting manual relating to the Syncrude project, and in particular whether its terms had been finalized.

Members will recall that the accounting manual

formed part of the Alberta Crown Agreement and was tabled in the Assembly shortly after that agreement was signed ... But the manual was not finalized, in that there was provision in it for continuing discussions regarding items of expenditure that had been incurred between February 22, 1972, and the signing of the agreement. The Provincial Auditor, now the Acting Auditor General, has done a review of those items, and I would expect to get that review in the immediate future.

Well, Mr. Chairman, was it 1976 when the Provincial Treasurer said that? No, it wasn't. It was April 24, 1978. Now we're told by the member sitting on the Syncrude board that the accounting manual is in fact this Schedule A, when we have the Provincial Treasurer at the time, almost two years later, telling us that they were still finalizing it.

With great respect, Mr. Chairman, I have to ask the members of the committee: what kind of accounting is that? What kind of accountability is that? We're talking about over \$1 billion worth of investment and we still haven't got the accounting manual. According to Mr. Leitch on April 24, the review of the additional items by the Acting Auditor General was taking place; he would expect to get that review in the immediate future.

So, Mr. Chairman, where is the information we need to make a judgment whether the investment we placed in Syncrude is being handled properly? I well remember the discussion in this House in 1973 about the whole issue of taking the profit-sharing approach as opposed to a Crown royalty. Originally, the people of Alberta were to receive a much high percentage of the profit. Throughout the province people were saying that the percentage of the profit could be a very doubtful advantage if somebody else is keeping the books. One after another the government members said, oh no, don't worry about that; there's going to be an accounting manual. We're going to dot every "i" and cross every "t". We're going to make sure all this information is made public. Here it is, 1981, eight years after this flashy discussion by government members in the Legislature with all the assurances of the accounting manual.

In 1978 we have the Provincial Treasurer telling us they're still working on completing it. Today, in 1981, the member on the Syncrude board tells us — although he wasn't able to tell us that on Friday — that Schedule A, which is only the beginning, constitutes the accounting manual. Mr. Chairman, that simply isn't good enough. It isn't good enough for a billion dollar investment, especially from a government that is asking for 30 per cent, when the Provincial Treasurer suggests one of the options, perhaps in the next period of time, may be an additional investment in the Alsands. Who knows whether it's a billion dollars or more? Unless we get a proper accounting of the Syncrude investment, I for one have to ask what kind of situation we are getting into.

The Member for Pincher Creek-Crowsnest brought back the old argument that if we have the kind of information the opposition has been requesting — simple, straightforward information with respect to the handling of this fund — somehow we're going to be handing the keys to the safe over to the shrewd people in the investment business. What the Auditor General's letter of February 20 shows is that there is no safe. We don't need to worry about keys to it, because we've stuck the money in a shoe box; there's no safe. The idea that we have this sophisticated system is ripped apart by the Auditor General's observation. The Auditor General's comments

on page 2 of this report should satisfy any member beyond a reasonable doubt that we don't have a sophisticated management strategy in place.

The Member for Calgary Buffalo has raised some questions that in my view have to be answered by the Provincial Treasurer and the Premier before this motion is passed. First of all, we have the reporting period, the \$43 million. Then we have the resignation of key people who work in the Treasury Department dealing with these securities. Then, 11 months later, we have the document we've alluded to from the Auditor General. This afternoon we have the admission by the Premier that this was discussed only in a cursory way and he couldn't remember when it was discussed.

Mr. Chairman, is this the government that wants to tell Albertans it is businesslike? Is this the government that wants to demonstrate to the people of this province that it is the only group of people who can supply brisk, efficient, and businesslike management? Is this the government that has a Minister of Hospitals and Medical Care who has to tell the committee, 10 days ago on Friday of the week before last, that we had a whole drawer full of change orders on the Walter C. MacKenzie hospital and that a project that started out at \$86 million has mushroomed to \$500 million. The question raised by the Member for Calgary Buffalo must be answered. To what extent has the call on these liquid reserves been made necessary by some of these overruns in the other areas that have been brought out during our discussion on the estimates this fall?

It seems to me that this government has a real responsibility not just to the members of the Assembly and the members of the Committee of the Whole this afternoon, but far beyond that to the people of Alberta. I know government members realize this. We hear plaintive little comments about what a great job they're doing, but those plaintive comments are coming from members who know perfectly well that throughout the province of Alberta literally hundreds of thousands of people are questioning the way this government is managing the Heritage Savings Trust Fund. They're not questioning the fund. They're not challenging many of the good things being financed by the fund. What they are questioning is the management and the secretive, behind-closed-doors approach which has characterized this government's total effort with respect to the Heritage Savings Trust Fund.

I say to the members of the government that now is the time to change course, to recognize that this trust fund belongs to all Albertans. As a consequence, there has to be some accountability. I would think those specific questions raised during the course of this debate should, in the remaining time before closure is invoked and discussion is curtailed, be answered in considerable detail by both the chairman of the investment committee and the Provincial Treasurer.

MR. ADAIR: Mr. Chairman, I'd like to make a few comments on Bill 69, the Alberta Heritage Savings Trust Fund Special Appropriation Act, 1982-83, and the fact that it's to authorize 30 per cent of the non-renewable resource revenues to the Heritage Savings Trust Fund from the General Revenue Fund. I'll maybe spend just a moment talking about the Alberta Opportunity Company, an organization funded through the Heritage Savings Trust Fund and of benefit to the small business community of this province. I've heard comments over the last number of days, weeks, and months about what is not being done for the small business man. It might be

important to put a number of statistics on the record that will show that in fact the fund is working. As the minister responsible for the fund, I would like to take a moment to talk about AOC, a lender of last resort. If you have been turned down by the conventional lending institutions and thus considered a higher risk, you have the opportunity to apply to the Alberta Opportunity Company.

Since its inception and to March 31, 1980, a total of 2,389 loans valued at \$237,118,248 have been provided to the small business community at rates less than the conventional lending rates. In addition to that, in the first six months of 1981, from April 1 to September 1981, an additional 207 loans for an additional sum of \$27,751,925 have been made to the small business community in this province. If you want to break that down and look at it from the standpoint of regions, you can look at what has happened in northern Alberta, central Alberta, southern Alberta, and the two metropolitan centres of Edmonton and Calgary. In the northern part of the province, 685 loans have been made. That's 29 per cent of the loan total to date; \$71,311,549, or 30 per cent of the dollars allocated by way of approval of funds. In central Alberta, 582 loans have been made for a total of \$53,123,397. That's a total of roughly 24 per cent of all the loans approved to date and 22 per cent of the funds appropriated. In southern Alberta, a total of 550 loans, for \$59,659,870; again, 23 per cent of the loans and 25 per cent of the dollars allocated. In the two metropolitan centres, basically 12 per cent of the loans in each of the centres: in Edmonton, 277 loans to date for \$25 million plus; in Calgary, 295 for \$28 million plus.

What kinds of businesses in the province have the AOC loans been made to? In the manufacturing area, they have been food and beverage loans, agricultural products and machinery, furniture and wood products, metal fabrication and machinery, structures and vehicle manufacture, textiles and clothing, petrochemical and plastic products, and other manufacturing products. A total of 28 per cent of all loans have in fact been in the area of manufacturing. We would certainly like to see that a little higher. In the area of service: tourist and entertainment, 17 per cent of the loans; construction, 2 per cent; business services, 12 per cent; personal services, 22 per cent; other services, 19 per cent. A total of 72 per cent of all the loans were to the service industry.

We can even go a little further and look at the total number of loans that were to establish a new business since its inception nine years ago. From funds provided through the Heritage Savings Trust Fund to the Alberta Opportunity Company 29 per cent of all the loans were to start a new business, 60 per cent of the funds were allocated to people who applied for funds to expand an existing business, and 13 per cent were used to purchase an existing business.

We've heard some make the case that we may in fact be loaning money to other areas at sums less than what we are lending to Albertans. I'm going to provide some figures dating back to the inception of the Alberta Opportunity Company in 1973, when it operated for only nine months of that one-year period. For the first nine months there was a total of 36 loans, and the average weighted interest rate at that time was 8 per cent. In 1974, the average weighted interest rate was 8.56 per cent. There were 107 loans, for an average loan value of \$80,946. They gradually moved up. In 1975, the rate increased to 9.98; in '76, 10.44; and in '77, 10.06. In 1978, it was 9.32 per cent — the first year a loan was made to a

province other than Alberta through the Heritage Savings Trust Fund, at basically that same rate of interest, or very close to it. In 1981, the average weighted interest rate of the loans rose to 13.18 per cent. Since the inception of the Alberta Opportunity Company, the average loan value was \$97,455. The average interest rate over the entire period was weighted at 10.71 per cent. That's very interesting, when you're now thinking of loans that were made to the small business community at a high risk value and as a lender of last resort.

The Alberta Opportunity Company has a reasonably high loss ratio. I say "reasonably high" in the sense that it's higher than in the conventional lending institutions. It runs somewhere in the 8 to 10 per cent area, where the conventional lending institutions run at 2 to 3 per cent. Another interesting statistic is that last year, for example, the number of loans in arrears was down from the year before. In 1980, loans in arrears was as high as 17.1 per cent. Last year, that dropped to 15.63 per cent.

When you're looking at high-risk loans and the fact that the board of the Alberta Opportunity Company is made up of people from across the province of Alberta ... I'll go into who makes up that board. We have a retired automobile dealer from Medicine Hat, a lumber operator from High Prairie, an accountant from Grande Prairie, a newspaper owner from Camrose, a farm implement dealer from Vermilion, a clothing store owner from Edson, a lawyer from Calgary, a man involved in the oil patch from Edmonton, an accountant from Lethbridge, and a motel operator from Ponoka. They are the private-sector board members who operate as the board of the Alberta Opportunity Company. It is chaired by Mr. Bob Chapman, a private-sector person from the city of Edmonton.

These fellows and Mrs. Fowler, the lady member of that committee, will handle any loans applied for over the \$250,000 mark; in other words, the company itself and the professional staff of the company can handle and approve or disapprove loans to the level of \$250,000. Once they're over \$250,000 and up to \$750,000, they are recommended to the board of directors. Anything over \$750,000 must be approved by the board of directors and recommended to the cabinet for approval. So the process works through the branch offices of the Alberta Opportunity Company in Edmonton, Calgary, Grande Prairie, Peace River, St. Paul, Vermilion, Edson, Lethbridge, Medicine Hat, Brooks, and Red Deer.

So with the expanded services of the Alberta Opportunity Company in place, and with funds provided to the Alberta Opportunity Company by the Heritage Savings Trust Fund, the company in fact provides assistance of benefit to the small business community in this province. I think that should be noted not just once or twice but many, many times. We have before us the fact that the number of loans I talked about are in place. And the average loan, under roughly \$100,000, shows that it is working for the small business man in the province of Alberta.

MR. BRADLEY: Mr. Chairman, I want an opportunity to respond to some of the statements just made in the Legislature by the Member for Spirit River-Fairview, with regard to the Syncrude project and responses made by me in the House earlier this afternoon.

First, though, I'd like to explain that the province of Alberta has a threefold relationship with regard to the Syncrude project. First, in a lease sense: as the owner of the lease, the owner of the resource, there is a lessee/

lessor relationship on the project with regard to the terms of the lease. Secondly, there is a relationship with regard to a joint venture, which is actually the royalty arrangements under which Schedule A of the Crown agreement apply — joint venture, royalty participants, et cetera. The third way in which we are involved is in an equity sense, as an equity participant, which is managed by Alberta Oil Sands Equity and is the position in which I represent the interests of Alberta on the board. Those are the three types of arrangements.

With regard to the question I responded to, on Friday the hon. Member for Spirit River-Fairview specifically asked for the accounting manual which was promised in 1973. That manual was tabled in this Legislature in 1976.

MR. KNAAK: Mr. Chairman, I want to make a few brief comments, some of my own and some on the comments made before me. I find the direction the debate has taken a little interesting. We've had the Member for Calgary Buffalo going on at length, judging ex post facto the performance of professionals in the bond market; we've had the Member for Spirit River-Fairview repeating the comments of the Member for Calgary Buffalo; and since I've arrived, the Leader of the Opposition has said nothing.

MR. R. SPEAKER: I want to hear wisdom first.

MR. KNAAK: That's appropriate. [interjections] I notice they're all piping up now. That's fine.

As a government member and as a member of the select committee of the Heritage Savings Trust Fund, I guess the thing that really surprises me is that the issue on Bill 69 is basically this: should 30 per cent, 40 per cent, 20 per cent, 15 per cent, or some other amount be transferred to the Heritage Savings Trust Fund? None of the opposition members seem to have addressed that particular point. That is the issue of Bill 69. How much of the non-renewable resource revenue should be transferred to the Heritage Savings Trust Fund? I want to talk about it just briefly.

It took approximately 100 million years to put in place the revenue we now enjoy from oil and gas. This generation — that is, my generation, the generation of the Leader of the Opposition, the leader of the New Democratic Party, and the Member for Calgary Buffalo and his family — is enjoying the benefits of our pumping out of the ground at the maximum rates at this time the oil and gas it took 100 million years to put in place. In all likelihood we have the highest standard of living in the world — certainly in the industrialized world.

The issue is: should we take 70 per cent of the non-renewable resource revenue, which will disappear in about 15 to 20 years, and spend it? Or should we let our children spend a portion of it? That's the issue. No one's talking about it. So what are we talking about? We're talking about whether the experts employed by the government have invested the moneys wisely. There's a simple test, and who has asked the test? The Leader of the Opposition is laughing right now. What's the test? The test is surely this: is there any fund in North America or the world that has done better than the investments of the Heritage Savings Trust Fund? You ask, has there been fraud? Where has the \$60 million gone? What a silly question. There was \$1.7 billion in profits. Where has the \$60 million gone? We all lose money in transactions. Ask the question: is there any fund in North America or the world that has done better than the investments of the

Heritage Savings Trust Fund? Is there proof? Has the question been asked? I haven't heard it. Surely that's the issue.

The second issue is: should 30 per cent be transferred to the Heritage Savings Trust Fund? I haven't seen any debate on that issue. We all agree that this generation, my generation, your generation, the generation of the people in the press, should not spend all the revenue generated from a capital asset in our lifetime. Our children should be able to benefit from that. Why should they have to pay double the tax because they were born 25 years later? Surely they shouldn't, and no one's debating that.

So we have the opposition debating the question of whether the Heritage Savings Trust Fund is earning 12.6 per cent or 12.5 per cent. The whole month of questions deals with that point. Is it earning 11.6 per cent, 11.5 per cent, or 11.9 per cent? Well, as long as we're human beings, we're going to make mistakes. We could go to university for 20 years and we wouldn't get all the right answers. I know the Member for Calgary Buffalo went to school for a long time, and I suppose if he weren't an MLA he'd be a portfolio manager. He might even make more right guesses than the members we have working on the management of the trust fund, but he's not going to get all the answers right. Anyone who can predict the future 52 per cent of the time will be a billionaire in his lifetime. That's a fact. No one can predict the future 52 per cent of the time. So anyone we hire to manage the trust fund is going to make mistakes. The mistakes are known only after the future has unravelled. Sure, we can second-guess, and all the members of the opposition can second-guess. I ask them: how much of your own funds have been invested in a profitable way? Sure, you don't have \$1.7 billion — I understand that. Assume you invest \$1,700. How much have you made on that? No one, or hardly anyone, who invested in the last two years has made money on the bond market or the stock market, simply because the economic future during that period was unpredictable. The real issue before this Assembly is whether we should be transferring 30 per cent, 20 per cent, or 40 per cent to the Heritage Savings Trust Fund. There is a question of whether the investments could have been done slightly better or slightly worse. No one in North America would have an average better than 52 per cent. It just doesn't exist.

The second point I want to make — and I notice the Premier is back in the House — is the question of when the trust fund should be used to fund current government expenditure. I want to say that there is a lot of pressure on the government to spend funds. I for one have a resistance to the expenditure of funds, because I know that at some point — and I said before, Mr. Premier, before you came into the House, that the residents of Alberta are probably the wealthiest, highest income, least taxed residents in the world. We have a certain pressure on us to increase expenditure with respect to public services, health, and so on. The budget last year increased in the neighborhood of 20 per cent, and if this kind of increase continues, the purpose of the Heritage Savings Trust Fund will be jeopardized in the sense that the amount of funds available for our children will be smaller than it otherwise would be.

I would ask for this Assembly's support and the opposition's support to restrain the demand on government expenditure so that a significant portion of the kind of revenue we have, that generates a trust fund, that took billions of years to generate, would remain for our children so our children have the kind of heritage we enjoy.

[Mr. Appleby in the Chair]

MR. SINDLINGER: Mr. Chairman, I have in my hand several documents which reveal the Section 9 securities which have been held by the Heritage Savings Trust Fund. The first one deals with those held at March 31, 1978, and identifies government of Canada bonds, Alberta Government Telephones commissions, B.C. Hydro, Manitoba, Ontario Hydro, Bank of British Columbia, Bell Canada, Canadian Imperial Bank of Commerce, Canadian Tire, Mercantile Bank, Stelco, Bank of B.C. Realty Investment, BNS Mortgage, Canadian Pacific Securities Limited, Canadian Tire Acceptance, Chase Manhattan, Chrysler Credit Canada, Citicorp, GMAC, Procor, Trader's, TransCanada Pipe, treasury bills.

Mr. Chairman, the interest rate for each of these is shown. For these particular ones, they range from 7 per cent to the highest, 9 per cent. It indicates the maturity date, the par value, and the amortized cost.

This other document I have, Mr. Chairman, does the same thing for securities at March 31, 1979, and gives all the same ones. New Brunswick Electric is a new one. Bell Canada, Banque Canadien Nationale, Bank of Montreal, Northland Bank, Alberta & Southern Gas, Alberta Wheat Pool, Associates, Bank of Nova Scotia, Lloyd's Bank International of Canada, Barclay's, Bell, Chase Manhattan again . . .

Mr. Chairman, I have another document that shows these Section 9 securities, March 31, 1981. It goes through the same kind of detail — the Export Development Corporation, the Federal Business Development Bank, and on and on — for several pages, single spaced, page 4, page 5, and identifies all the securities held by Section 9. The investment strategy of the Heritage Savings Trust Fund has not been revealed by knowing these things, as was once indicated would happen if these sorts of things were told to the Heritage Savings Trust Fund committee.

It has been said that the instruments that resulted in a \$60 million realized loss cannot be identified to the Legislature or the committee because that would reveal the investment strategy of the Heritage Savings Trust Fund and thereby leave it vulnerable to unscrupulous dealers. Mr. Chairman, the question that comes to my mind is: if the identification of those bonds which lost \$60 million would reveal the investment strategy of the heritage fund, why wouldn't it reveal the investment strategy for these other bonds we know the Heritage Savings Trust Fund has had?

The answer is that identifying those bonds in which \$60 million was lost will not reveal the investment strategy of the Heritage Savings Trust Fund. The simple fact of the matter, the problem, is that the government cannot identify all the details associated with those losses. That's the issue. It's made very clear in the Auditor General's confidential report that all the details of those transactions are not known; they weren't properly recorded. Why not? Because there were deficiencies in accounting and management control systems.

All we have to do — all we could have done a long time ago was say to the Legislative Assembly, yes, this mistake was made, the same as when the Minister of Hospitals and Medical Care got up and said, yes, a horrible thing happened with the Walter C. Mackenzie Health Sciences Centre. All along we wanted some sort of reasonable assurance from the Provincial Treasurer that these things would not recur, that changes had taken place that would ensure they would not recur again.

The only question I can leave with the Provincial Treasurer tonight, the last question, is simply with regard to the \$60 million loss: could the Provincial Treasurer consider indicating to the Legislative Assembly why those losses resulted from? Thank you, Mr. Chairman.

MR. D. ANDERSON: Mr. Chairman, I would like to make a few comments with respect to Bill 69. The hon. Member for Edmonton Whitemud identified the correct purpose of this debate, but I think the allegations made by the opposition should be answered in a fairly clear way, I guess beginning with the words of the hon. Leader of the Opposition. To start with, he questioned this realized loss of \$60 million and went on to ask who was safeguarding the public in this matter. I guess I have one answer for that: the Auditor General. I think that answer can be taken through each question and each statement made by opposition members this evening.

Obviously, members of the opposition have opinions different from those of members of the government with respect to what should be presented publicly, what needs to be on the table, where documents are required to assess the effectiveness of the fund. The government has strongly indicated that the release of many documents would jeopardize the running of the fund. The opposition has claimed that in their opinion portions of the strategy could be revealed without too much difficulty. Clearly, the answer to the question has to lie with an independent person appointed to operate apart from the government on behalf of the Assembly as a whole. It has to be the Auditor General.

This evening the Auditor General has been quoted extensively from a leaked document tabled by the hon. Leader of the Opposition. That's a document taken so far out of context and apart from any other operations of the fund, answers or process, that it's something none of us can deal with in a clear, concise way. What we can deal with are the results of that, the fact that the Auditor General in clear testimony before the Heritage Savings Trust Fund committee said to the members of that committee, of which I'm one, that in his opinion there was correct management of the fund, that the scope talked about for fraud and collusion was only when he projected the growth of that fund and indicated there would be a need for some management changes to deal with the growth in income. When questioned in the Heritage Savings Trust Fund committee, he clearly gave the government a clean bill of health in every area.

Mr. Chairman, it's my opinion that as legislators we either have to accept the word of the Auditor General, accept the word he has so emphatically given and which he has been asked to restate or define further in the letter to him from Executive Council, or question the validity of the Auditor General and his performance. Unless the opposition is willing to do that — which indeed would be a serious charge, that an independent individual appointed by this Legislature to operate on our behalf has operated incorrectly, under pressure from government, or is not giving us the full facts — then they should make that charge. However, if they continue to make allegations — and words such as "crime", "fraudulent", "withholding information", "must have something to hide" were used this evening. If those charges are to be made, then the implication must be that the Auditor General has not done his job in safeguarding public good. Unless the opposition is willing to take that stance, in which case the most serious of circumstances must exist, as a member of the Heritage Savings Trust Fund, I can see no

argument or reason why we've been here several weeks, no basis for the discussion that has taken place.

The Heritage Savings Trust Fund will always be a difficult concept to deal with. The philosophy of a democracy is not one that lends itself easily to the Heritage Savings Trust Fund. Generally governments have responded to needs, to people, and to what is taking place and have not had the ability to plan for the future. In what I believe to be one of the boldest and most courageous moves of this century, this government established the Heritage Savings Trust Fund, and did so knowing that throughout its existence it would be pointed to as the solution to all problems that exist. It would be pointed to as the amount of money that could solve all problems. It would be the panacea for all difficulties.

Mr. Chairman, I believe that that fund is under attack, and I think the opposition should take a second look at how they've gone about doing that. Indeed, it's their responsibility, not only their right, to question what happens with the fund: where it's spent, what is done with the money, and what priorities we establish for it. But in my opinion, it is a misinterpretation of that right to question the credibility of that fund without basis. In the testimony before the Heritage Savings Trust Fund, the Auditor General has stated in the firmest way I can find that it is being managed correctly, that indeed the \$60 million was not lost as a result of any wrongdoing but was a natural part of the process of investing, and that indeed the letters of management he's forwarded to the government have been answered, dealt with, and purely and simply have provided him with a criteria on which to say, there is good management of the fund, there is correct management of the fund.

The hon. Member for Spirit River-Fairview indicated that the Premier said the management letter was discussed only in a cursory way in a cabinet or investment committee meeting, and that was unacceptable. Clearly he took the Premier out of context, because the Premier had indicated that that statement was made following a statement by the Provincial Treasurer that the Auditor General was satisfied that the conditions outlined in that management letter had been met by the government and therefore there was not a case to be discussed; there was not a problem to be dealt with. There was only the need on the part of the Premier and the investment committee to ensure that any potential difficulties had been looked at.

Mr. Chairman, in closing, I would like to say that I'm proud to be a member of the government that originally established this fund. I believe it's good for us to question its operation. But we could well have spent these last several weeks in a much more positive way, looking at potential programs, assessing the savings aspect and dimension of the fund, and discussing how best that could be utilized in coming years, rather than dealing with what I see to be a totally dead issue, laid dead by the independent Auditor General of the province of Alberta.

MR. R. SPEAKER: Mr. Chairman, I want to make one statement clear on behalf of the opposition at the tenth hour. In terms of Bill 69 and the allocation of 30 per cent of the revenue, we're not arguing about that. We support that. We're going to support the Bill. That's no problem. We support the programs that have been talked about. We support some of the investments. We haven't talked against equity. We haven't really talked against bonds as investments. But we have focused on something that's equally as important as all of those areas: accountability.

We have spent weeks on end talking about the accountability of this government. We have used one issue to focus the discussion, a \$60 million realized loss in bonds. We have said if the government can say to us that they have been accountable in terms of that \$60 million realized loss, we can support the government; they are doing their job. If they can indicate to us in this Legislature documented information, documented evidence, that shows that all is in place in terms of traders' notes and documentation of what happened during that \$60 million loss, we accept that. When the government can show to us that they have carried out the request of the Auditor General; that is, to put in place a

... formal plan for the investment of such funds to be used as a performance measurement tool and no formal organization structure [is in place] for approval, implementation and reporting.

The Auditor General asks that that kind of plan be put in place.

Accordingly, it is considered advisable that a formal management and reporting structure and documentation procedures be established.

It goes on to point out that there were inadequate traders' notes.

Mr. Chairman, this is the advice of the Auditor General after three years of losses in bonds, an accumulated loss of \$60 million. This advice was given on February 20, 1981. That occurred just prior to the present sitting of the Legislature. Why can't we on this side of the House ask the question: is the government accountable? Has the government put into place these formal management procedures? For the last six, seven, eight weeks, the government has not even been able to answer that one question to the Legislature: what is put in place to assure accountability and good management?

The government stonewalls us on even that simple answer, Mr. Chairman. We have people standing up on the other side of the House talking about the great programs, the great things the government is doing, that the Auditor General has said everything is okay. The Auditor General has not said it's all right. He made a recommendation on February 20, 1981, for the Provincial Treasurer to follow and put in place. The Provincial Treasurer has not been able to say to this Legislature that the formal management procedure is in place and what it is. That is a very simple piece of information that this Legislature should have. It would be an example, a precedent, for other pieces of information to be brought forward. That's the specific example, Mr. Chairman.

There is more, though, that we have been asking this Legislature. I appreciate that the Premier is here, because these remarks must be directed to the Premier. The Premier, members of cabinet, and even this Legislature have asked various members on the front bench to be accountable for various capital projects. As I understand it, directives have gone to the departments: that the Department of Environment carry out various programs as are listed in the annual report of 1980-81, and other ministers down the line — the Minister of Hospitals and Medical Care, the Minister of Housing and Public Works, and the Minister of Agriculture — do the same kind of thing. That's all right. But, Mr. Chairman, to the Premier: this government has not adjusted its management capability to carry out those programs. The programs are being carried on by people in the government who are busy, who have many tasks on their table at the present time, who really have no procedures presented to them or terms of reference for accountability of the

Heritage Savings Trust Fund investments in capital projects. They are to do it with management procedures that were in place for them to look after general revenue expenditures, some \$6 billion. We have added on to their plate another large sum of money and they are to be accountable for it.

We had a very good example of where a lack of accountability, a lack of management procedures in place, could have caused a terrific and horrendous problem, and the minister was concerned about it. The minister, just by accident, caught the problem and found change orders in a drawer of a project director. We lucked out, so we didn't lose any funding or overexpend. Things were brought back into line and are on stream again. But that minister, just by accident, caught a situation where we could have been in difficulty with regard to the investment of the Heritage Savings Trust Fund.

Mr. Premier, as I have questioned the many ministers across the front bench — and we have had a number of weeks to do that. We have spent many more hours on each program than have ever been spent on programs in the history of the Heritage Savings Trust Fund. Programs that in other years may have received five minutes, two minutes, or just approval of the Legislature, received anywhere from two to three to four hours of surveillance and many questions. We didn't leave a rock unturned, Mr. Premier. That was our objective.

One thing I found, Mr. Chairman, was that the departments had not adjusted their management systems to this new responsibility. I think it's incumbent upon the Premier to advise us that some special emphasis, discussion, management consultant, or whatever looked at this responsibility that was handed to cabinet of the government of this province to carry on in an accountable and responsible way. Maybe we're asking the senior civil servants of this province to take on a responsibility that we haven't prepared them for. I feel that management procedures in a formal and deliberate way have not been put in place. That, Mr. Chairman, to the Premier, is a broader concept of accountability that must be put in place by this government so that we know there is no leakage, no loss, no misappropriation of public funds contained in the Heritage Savings Trust Fund. That's most important. That is a broader question, but one equally important to this Legislature and to the people of Alberta.

I want to return to the first one, the loss of the \$60 million. I think it's unfortunate that we were not able to get the information. We've raised the question again this evening with the Provincial Treasurer, hopefully in a responsible way, as emphatic as we could, with as much patience as we could. We have raised the question, but no answers have come forth. Mr. Chairman, to the Premier, as I said earlier this evening, when that information has not come forth to us in this Legislature, the people of Alberta are raising a different question than they did three or four weeks ago. They said, where is the \$60 million; have you found it? At the present time, they're raising another question: is the government hiding something; is something being hidden? That's the question they're raising at this point in time. The only way the people of Alberta will know that nothing is being hidden, that all is well in Alberta and public business is being done in public, is for the information to be presented in this Legislature. There's no reason the Provincial Treasurer cannot do that.

When we get the report next February or so, most likely the Auditor General will give a good accounting for what has gone on. We will have to accept that. But here

we are today in a situation where the government is asking us for 30 per cent of the resource revenue, between \$1.8 billion and \$1.9 billion. That's a lot of money to allocate to the government. We haven't been assured that the broad management procedures are in place, that accountability can be ensured when I leave this Legislature; and secondly, that the government really can account for that realized loss of \$60 million in bonds. We don't know yet whether the traders had any notes, whether something happened, whether there was a possibility of it. We only have words in this Legislature. Mr. Chairman, to the Premier: I've listened to those kinds of words for 10 years. I think it's incumbent upon this small opposition on this side to raise all those questions. I know when the Premier was on this side that was his intention. I used one of his expressions just a few moments ago: looking under every rock. Maybe I won't look under every rock. That's not necessary. But the fact of the matter is that this side of the House is not going to accept just a verbal statement anymore that all is okay. We want documented evidence, because we're giving this Conservative government the privilege to manage \$14 billion and more in the next few years. We have to press as hard as we can to assure ourselves that accountability is there. If it isn't and we don't find it, the public will find it somewhere along the line.

The stronger the opposition, the stronger the government. I believe in that concept. The only way the opposition can be stronger and carry on an effective role is to have adequate information, to have a government that is open for their ideas to be questioned and open to submit whatever information is necessary to have deliberate and intelligent discussion in this House. A government can do that. But if a government has been given 10 years to do everything on their own and not to be open, it's difficult for us to do our job.

Mr. Chairman, I can only plead at this point in time, as the hour moves toward 10:30, that the Premier takes on the responsibility for better accountability. We believe in Alberta. We believe it has a great future. But if the government isn't open to the people and has the trust of the people, it takes a little longer to have the progress that is necessary.

[Title and preamble agreed to]

MR. HYNDMAN: Mr. Chairman, I move that the Bill be reported.

[Motion carried]

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 Assembly has had under consideration the following Bill and reports as follows: Bill 69.

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

HON. MEMBERS: Agreed.

MR. CRAWFORD: Mr. Speaker, the business tomorrow will be third readings of the three appropriation Bills and, after that, Royal Assent.

[At 10:15 p.m., on motion, the House adjourned to Tuesday at 2:30 p.m.]

