

## LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Thursday, June 11, 1987 8:00 p.m.**

Date: 87/06/11

[The House resumed at 8 p.m.]

[Mr. Speaker in the Chair]

head: **GOVERNMENT MOTIONS**

13. Moved by Mr. Johnston:

Be it resolved that the Legislative Assembly, pursuant to section 6(4.1) of the Alberta Heritage Savings Trust Fund Act, authorizes for the fiscal year ending March 31, 1988, the making of investments under section 6(1)(c) of that Act in:

- (1) the Alberta Agricultural Development Corporation in an amount not to exceed \$75 million in aggregate;
- (2) the Alberta Mortgage and Housing Corporation in an amount not to exceed \$200 million in aggregate;
- (3) the Alberta Opportunity Company in an amount not to exceed \$63 million in aggregate.

MR. JOHNSTON: Mr. Speaker, I wish to move Resolution 13, a resolution pursuant to the Alberta Heritage Savings Trust Fund Act, which authorizes the spending until March 31, 1988, and the making of investments of three agencies of the province: the Alberta Agricultural Development Corporation, Alberta Mortgage and Housing Corporation, and the Alberta Opportunity Company.

Mr. Speaker, this resolution calls for the advancing to the various corporations from the heritage fund: for Ag Development Corporation, \$75 million; for Alberta Mortgage and Housing Corporation, \$200 million; and for AOC, \$63 million.

These dollars, Mr. Speaker, will be used to advance the causes of these three Crown agencies. We all know the objectives that these provincial Crown corporations serve. If we wish, we could refer to Appendix D, the Provincial Crown Corporation Capital Budgets, which provide additional information as to the operation of those Crown corporations. Suffice it to say, I think we should spend just a few minutes running through the importance of these corporations.

Let me just begin briefly by talking about the Agricultural Development Corporation. I'm sure that as we go through the debate on this resolution, we will have an opportunity for those particular ministers who are responsible to bring to the Assembly their views and explanations as to the objectives and some statement about how they expect to operate through the next fiscal year. At the same time, Mr. Speaker, we have already had, I think, 10 days' debate on the heritage fund itself, wherein we debated the very broad objectives of the heritage fund, dealt with the forecast for '88, and had an opportunity on a policy basis to pursue, check, understand, and debate the heritage fund itself. There again each minister had an opportunity to explain and to receive questions from all Members of the Legislative Assembly.

With respect to the Agricultural Development Corporation, all members know that my colleague the Associate Minister of Agriculture has now had a year to review the operations of the Agricultural Development Corporation and, at the same time, has also had a year to do some review of the policy questions. I'm sure that at some point in the near term she'll be providing

some information or some summary of the public group that was reviewing the corporation and making recommendations. Yet from a financial and fiscal management point of view, we had the responsibility this year of ensuring that the agricultural corporation has enough funds to operate.

It goes without saying that the fund, the Agricultural Development Corporation, had a difficult period. We all saw the depressed values of land, the difficulties of the farming sector because of low income, and therefore, Mr. Speaker, we also concurrently had a lot of failures with respect to the loans outstanding in the Ag Development Corporation.

Nonetheless, the total requirements this year for the Ag Development Corporation are \$75 million. We expect the total financing requirements of the corporation to be \$114 million, of which \$86 million will be for new direct lending in this year and \$28 million for debenture repayments to the heritage fund. To fund these requirements, Ag Development Corporation expects to receive \$36 million from customers on loan repayments, \$3 million from operations itself, and as I said, \$75 million from the heritage fund advances.

Mr. Speaker, we know that farming is a very important part of the sectoral strength of this province. Yes, it's gone through the softness that agricultural sectors worldwide have experienced. I think we were all pleased with the position taken by our Prime Minister in accord with the other six world leaders when a resolution from the recent world summit conference in Venice suggested that in fact a determination should be directed by those governments to reduce the subsidies worldwide. I think it's only after that is behind us that in fact we will see a strong revival in the agricultural sector, particularly the traditional farming sector, grain, and excluding perhaps the livestock sector.

In the meantime, Mr. Speaker, we're very fortunate in Alberta that we do have the resources in the Heritage Savings Trust Fund -- some \$15 billion in assets and \$13 billion or so in financial assets -- that we do have that kind of resource to ensure that we do have an opportunity to sustain agriculture, at least in terms of the farm borrowing program, through Ag Development Corporation over the next year.

I know that all members realize that over the past year as well the very successful and significant farm credit stability program has been put in place, and therefore, to some extent, Mr. Speaker, that has dealt with the larger funding question facing the farming sector. But again an important component of the Heritage Savings Trust Fund is the opportunity to provide assistance to the Ag Development Corporation in this next year to allow it to continue its operation. Yes, it is subject to an overall policy review by my colleague and by my colleagues in caucus, the agricultural caucus in particular, but in the meantime it's important for us to provide this \$75 million net amount of requirements to allow the agricultural corporation to operate over the year.

We believe in this government that the priority in agriculture must be maintained. We are doing it in a variety of general programs with respect to the General Revenue Fund, and here is another opportunity for us as legislators to show our determination to the farm sector, to show that it is in fact a priority in Alberta, and to give our commitment to its revival over the near term. That essentially is what happens with this \$75 million investment, and that's why I know all hon. members will support this resolution, which in fact provides that wherewithal for the Ag Development Corporation for the next year.

Now turning to the Alberta Mortgage and Housing Corpora-

tion. Mr. Speaker, the Alberta Mortgage and Housing Corporation requires net financing this year of \$200 million. For the record, the total financing requirement of the corporation is \$293 million. We will be using \$92 million for the traditional programs, \$201 million for debenture repayments, and \$75 million from customer or mortgage repayments will be involved in the cash flow, \$8 million from land sales, and \$9 million will come from the General Revenue Fund for retirement of debt. Therefore, the net requirement for the corporation this year is, as I've indicated, \$200 million, and that will be advanced by way of guaranteed notes from the fund to the corporation.

Again with respect to Alberta Mortgage and Housing Corporation, there is both an economic reason for the housing corporation and, I must say, a social reason for the housing corporation. However, we are attempting, wherever possible, to use the housing corporation as an economic investment arm, one which pursues opportunities for mortgages, provides infrastructure investment in certain cases, and in fact is a landholding pool for much of the possible developable land around the province.

There's no doubt that over the past three to four years, similar to all financial institutions, the value of real estate in particular has caused some softness in the asset portfolio of the housing corporation. And losses obviously have taken place both in the operation and in the valuation of those assets, losses which I think need to be recognized and losses which I think, as a government, we are now directing our attention to in order to find a reasonable adjustment to show that in fact those losses are there.

Nonetheless, Mr. Speaker, again we were fortunate during the period of, say, 1975 until 1982 to have an opportunity to pursue the goal of housing. A goal of providing adequate housing to all Albertans surely must be a goal shared by all legislators and certainly all members of this Assembly. During the period when our economy was characterized by very rapid economic growth, very high inflation rates, and of course very high interest rates, we were able to move into that housing sector in an unmatched way, providing special loans to housing, a variety of incentive programs through the Mortgage and Housing Corporation, and in fact provided one of the most comprehensive housing programs of any government I've ever seen, perhaps matching even more than those programs offered by the federal government.

In 1977 I recall looking at the housing starts and seeing quite clearly that there were infinitely more housing starts in Alberta than there were anywhere else in Canada. In fact, I think it was something like 60 percent of the housing starts were taking place in Alberta, and of those 60 percent of Canadian housing starts, approximately 55 percent to 60 percent were being funded by the Alberta Mortgage and Housing Corporation.

What is the point of all this, Mr. Speaker? Well, clearly at a time when there was a tremendous demand for housing in this province, at a time when interest rates were significantly high and making affordable housing difficult for Albertans, and at a time when the demand for housing itself was extreme, we were able again, both in terms of providing the needs to Albertans and in the diversification of our economy, to move these dollars into place: dollars from the heritage fund, dollars for housing, dollars for Albertans. Who is it that can deny the importance of housing? Who is it that can speak against housing for our Albertans? Mr. Speaker, that's a clear commitment of this government, and anyone who challenges the importance of housing must clearly have to assess himself what it is they think is im-

portant and what is the role of the government.

Now, Mr. Speaker, I can bet you a nickel that some of our colleagues across the way here -- I use the term loosely today -- will probably be up on their feet yelling and shouting very soon, suggesting this is the wrong way to manage the heritage fund, suggesting that in fact housing is no longer a priority, that agriculture is no longer a priority, and in fact that small business development is no longer a priority. Now, I don't want to put words in their mouths, and I don't want to say that I've heard those speeches before, but I just want to bet you that before the half hour passes here, Hansard is going to be simply taking out last year's speech, putting it into the machine, and saying, "Well, here it goes again." In fact, they can all be dismissed, because that's essentially what's going to happen all the rest of the evening; no doubt about it.

No question, Mr. Speaker, we find the priorities of the heritage fund, as reflected in this spending priority of the heritage trust fund, to still be significant objectives of this government, objectives we want to pursue, objectives we're determined to put resources behind, and objectives we think are necessary for all Albertans.

MR. MARTIN: What a guy.

MR. JOHNSTON: Thank you, Mr. Norwood, thank you.

Let me turn now, Mr. Speaker, to the Alberta Opportunity Company. Here again we know that the strength of Alberta is the small businessman. We even pointed in our Budget Address to those tax initiatives which save that small businessman from additional income taxes. The corporate tax rate for small businesses stayed essentially the same as it was last year. Now, I know that some of the fees were passed on to them; I know there were additional costs as well. But to ensure that the working capital of the small business corporations across this province was protected and, in doing that, reinvested in jobs in Alberta, we maintained the priority of low income taxes for corporations. In fact, if you are a small manufacturing corporation in this province, it has been argued that you pay zero income tax.

Mr. Speaker, what does the Alberta Opportunity Company do? Well, parallel to the objective of ensuring and maintaining the investment in this province by the private sector, by small businessmen, knowing that in fact that's where the job generation in this province is coming from, the Alberta Opportunity Company has matched that objective. Here's an opportunity for the small businessman to turn to special kinds of funds. We would use that money for new capital formation, for the risk-takers, the entrepreneurs, and to generate jobs. And we know by looking at the record that in fact that's happening. That's happening.

My colleague the minister of economic development has suggested that the Alberta Opportunity Company needs to have a review as well. Our government believes in a dynamic sense, always changing policy to meet the situation and to have a forward-looking policy, Mr. Speaker, recognizes that as well. It's for that reason that in a dynamic way, in a forward-looking way, we are now examining the future of the Alberta Opportunity Company, trying to make it more dynamic and more responsive to the needs of Albertans with respect to the private sector. Already it was known over the past decade as a lender of last resort, wherein when a small businessman from the private sector could not find borrowing in traditional sources, he was able to turn to the Alberta Opportunity Company. He was

able to find additional opportunity for high-risk money and low interest rates as well, Mr. Speaker, and that's gone right across this province.

Looking at the statistics, as a matter of fact, the annual report shows that a large percentage -- if my statistics are right, a very large percentage, probably more than 50 percent -- of the investments actually take place outside of the two urban centres in the province. A significant diversification, a significant opportunity for the private sector right across this province to benefit, both directly and indirectly, from the Heritage Savings Trust Fund.

So again, Mr. Speaker, in terms of this review I think it's adequate for us to say that it's under review, that we will look at new ways in which the Alberta Opportunity Company can respond to the needs of the private sector, small businessmen, job creators, risk-takers, and maybe we can do such things as invest in patient capital, new kinds of convertible preference shares, new kinds of debentures. That's the kind of dynamic change we think is suitable for the company in the future.

That's why, Mr. Speaker, in line with the objectives that I've already laid out in the area of agriculture, in the area of housing, we are now finally laying out a third objective, which is small business, job creation, capital formation, risk-takers, entrepreneurs, reward. Now, that's the kind of thing my socialist friends know very little about. The greatest risk they take is running for office, and they're not always sure where their financing is coming from for that, I can assure you of that.

Now, Mr. Speaker, that's what these dollars are for here today. That is our objective: using this heritage fund, this special donation which is given to the people of Alberta -- yes, by a geological fluke to some extent. But by good, sound policies it has been managed, well developed, and used and exploited to the advantage of all Albertans. As a result of that surplus money which has come to the people, which belongs to the people of Alberta, and through good management, sound fiscal policy, we now have the resources in the heritage fund to invest in these programs.

If you were to suggest to other provinces that they had to invest over \$300 million in this kind of agency funding, they simply wouldn't have the way to do it. They simply would not be able to do it, Mr. Speaker. Therefore, the priority that I've just described, priorities which all governments want to pursue, would in fact be lost. But not here in Alberta, Mr. Speaker, even during these difficult times, when in fact from the General Revenue Fund we are running an ongoing deficit. We still can turn to the Heritage Savings Trust Fund to use its resources, to invest them wisely, and to pursue these goals that I talked about.

In conclusion, Mr. Speaker, we should summarize and think clearly and check off the advantages we have in this province, advantages of using that heritage fund wisely, the advantage of having well-operated Crown corporations, advantages of having an opportunity to pursue clear sectoral priorities: agriculture, housing, and small business. That really is what this resolution is all about: a commitment by the government to provide that funding, an objective shared by this government to pursue those objectives, and a determination by this government to see that it works.

So, Mr. Speaker, in my view those are clear objectives, those are clear priorities, and they're shared by all Albertans. Who is it that would take housing away from an Albertan? Who is it that will speak against agriculture? And who is it that believes the small sector isn't the vibrant heart of this economy? I don't want to make any suggestions . . .

MR. DINNING: Those socialists.

MR. JOHNSTON: It could be the socialists, Mr. Speaker. You're right. You're right. But we'll wait and see. It may be that I'm wrong in this case. It could well be I'm wrong. Could be, could be.

[The Premier clinked his glass with his pen]

MR. JOHNSTON: [interjections] Mr. Speaker, I never am one not to take direction.

MR. SPEAKER: Order, Provincial Treasurer. The Chair is a bit curious as to whether the ringing of the glass is the end of round one or just the ringing of the glass. Provincial Treasurer.

MR. JOHNSTON: Well, Mr. Speaker, I wouldn't want to raise the emotional level. But I do want to encourage all members of the Assembly to join with the government to make this a unanimous commitment to these objectives and to give clear determination that these objectives will be found by providing the money from the Heritage Savings Trust Fund to these three corporations.

Mr. Speaker, I encourage all members to support this resolution.

MR. SPEAKER: Order please. Might we have unanimous consent to revert to the Introduction of Special Guests?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed?

Member for Edmonton Centre.

head: **INTRODUCTION OF SPECIAL GUESTS**

REV. ROBERTS: Thank you, Mr. Speaker. I'd like to welcome to this evening's session on government motions and Bilk, and of course a very erudite use of the Queen's English by the Treasurer there across the way, 11 students who are studying English as a second language at the Alberta Vocational Centre, downtown here in Edmonton Centre. They're accompanied by their teacher, Mr. Francis Aleba. I'd ask that they please rise and receive the warm welcome of the evening members.

MR. SIGURDSON: I wonder, Mr. Speaker, if I might ride along on the coattails of my colleague from Edmonton Centre and take the opportunity to introduce two people who are in visiting me. They're primarily responsible for my being here because . . .

ANHON. MEMBER: Your being, period.

SOME HON. MEMBERS: Aah.

MR. SIGURDSON: Now, now, be nice, because they are after all my parents from Parksville, British Columbia. Mr. Speaker, George and Eveline Sigurdson are in the gallery, and I'd ask if they'd rise and receive the traditional welcome of the Assembly.

MR. SPEAKER: Edmonton Kingsway. Same introduction or a different one?

MR. McEACHERN: I've got a couple of comments for the Treasurer and the members of the Assembly.

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(continued)

MR. McEACHERN: Mr. Speaker, this is of course a serious matter, although it's okay to have a joke or two. The Treasurer is asking this House to approve the expenditure of some \$338 million -- or the investment he calls it -- from the heritage trust fund into three Crown corporations. No one denies that to some extent those three Crown corporations are programs that are socially useful. We know the importance of housing, we know the importance of agriculture, and we know the importance of small businesses. That doesn't mean that the government has done things in the way that they should be done or in the best possible manner or that the accounting procedures have been adequate and a number of other very serious concerns that we have.

Last year the Treasurer brought forward Motion 12 asking for some \$370 million for those same three Crown corporations; \$149.5 million of that was to go to the Agricultural Development Corporation. I see from the Budget Address this year that although they put that in the estimate, in fact they included nothing in the forecast. They put a blank there, as if saying that somehow none of that money was transferred from the heritage trust fund or none of those debentures written to the Agricultural Development Corporation. I'd be interested if the Treasurer could give us an answer as to why that is the case. It may have had something to do with the Associate Minister of Agriculture's task force on the Agricultural Development Corporation, but I don't know.

In any case, this year they are back again predicting \$75 million. We don't know the status of the report or what direction they're going to take with ADC, so I'm wondering why they're asking for \$75 million again, not having used -- or if they did use it, why isn't it accounted for? -- the \$149.5 million. If you look on page 42 of your Budget Address, you'll see why I raise that question.

MR. JOHNSTON: There's no money advanced.

MR. McEACHERN: Okay. If not, why not, when it was asked for? Perhaps the Associate Minister of Agriculture could give us some explanations or answers about what is going on with that corporation.

There are some aspects of this whole business that are a little bit strange, and I guess really some of the arguments I raised in talking about the capital projects division to some extent apply here. The Treasurer brags that we were lucky to be able to set money aside into the heritage trust fund, and I guess I agree with that. You know, OPEC raised the price of oil, and we had more money than we needed for a few years in the '70s and early '80s, so we set some aside and used it later. But when you decide to use money for things like Crown corporations, it really doesn't seem to me to make very much sense to set up the kind of system we did, the triangle we have between the general revenue account, the heritage trust fund, and the Crown corporations. I'll get back to that triangle a little later and talk about it in some detail.

It seems to me that if a government is going to set up a Crown corporation to do something within the province of Alberta, that's a very straightforward thing that provinces all across this country do, and it's a fairly direct one-on-one rela-

tionship between the general revenue budget and those Crown corporations. Or at least it should be if it isn't, and there needs to be no third party. Now, we had to take the money out of a savings account -- the heritage trust fund -- so why didn't we admit that we had set more money aside in the heritage trust fund than we wanted to leave there, bring a motion forward, take that money back into the general revenue account, and then set up the Crown corporations, instead of creating the triangle which I referred to a minute ago and which I will describe in some detail? It causes us a number of problems, which I've tried to explain to this House before and asked questions in the heritage trust fund hearings last fall. It doesn't seem like Conservatives can listen, or at least if they do, they don't seem to be able to take it in and understand, so I will try to explain one more time.

We now have a triangle between these three -- the Crown corporations, the heritage trust fund, and the general revenue account -- that goes something like this. The Crown corporations borrow money from the heritage trust fund in debentures, and that's how they got their start. In fact, two of those Crown corporations that we're referring to here, the Alberta Opportunity Company and the Agricultural Development Corporation, do not have capital assets equal to their debenture obligation. The Alberta Mortgage and Housing Corporation claims to have, but I think it's because they have not written down their portfolio as much as they should have. And so looked at from the point of view of the heritage trust fund as an investment, it's not been a very sound investment. It shouldn't really have been considered an investment. It should have been considered a social program set up by the government out of the general revenue account, and the money should not have come from the heritage trust fund.

The problem is this, Mr. Speaker: we claim that those debentures are worth 14 or 15 percent so that we keep having the Crown corporations pay the heritage trust fund 14 or 15 percent on those debentures. The heritage trust fund supposedly pays the general revenue account that money. We take all of the revenues of the heritage trust fund out into the general revenue account for the last four or five years, and then we brag to all Albertans of how much money we're making out of the heritage trust fund.

Now, in the 1985-86 year we took \$1.67 billion in income out of the heritage trust fund, and said, "My, what a wonderful thing the heritage trust fund is doing for the people of Alberta"; \$1.2 billion of that \$1.67 billion came from the five Crown corporations, three of whom were losing money. You might ask: how can you get money out of Crown corporations that are losing money? Well, we do a nice little trick. We take money out of the general revenue account and shore up the Crown corporations for operating expenses and for helping to cover some of their losses and their write-offs, which the Treasurer admitted is going on. We also keep writing new debentures all the time; that's what this Motion 13 is all about. It's new debentures from the heritage trust fund to help keep up the cash flow and to keep up the myth that they can actually afford to pay 14 or 15 percent.

So we have this rather silly triangle and claim that we're making all this money out of what are Crown corporations which are actually losing money. Mr. Speaker, that really doesn't make any sense. Fundamentally it doesn't make any sense to fund Crown corporations out of the heritage trust fund and set up such a silly triangle that gives a false impression as to how much they're worth. Because if I for a moment can represent

the general revenue account, all I'm doing is taking money from my left pocket, putting it into the Crown corporations, Crown corporations are paying the heritage trust fund, which is then paying money back into my right pocket, and I'm counting the amount that comes into my right pocket as if somehow that was free money, as if somehow that was new money, and that we were actually making that much, when in fact what I've lost out of my left pocket -- and of course, just to make it harder to keep track of, you keep writing the new debentures as well, which puts more obligation on the future into those Crown corporations and keeps, in a sense, mortgaging the future of the heritage trust fund and those Crown corporations.

So Mr. Speaker, the whole triangle does not make any sense. In view of that, I and my colleagues with me on the heritage trust fund committee recommended that we just cancel the obligation of the Crown corporations to the heritage trust fund and change it to being from the Crown corporations directly to the general revenue account. Now, what that would achieve, Mr. Speaker is this: it would mean that there isn't an accountant in the world that wouldn't see to it that those Crown corporations eventually wrote down their portfolios as to what they're actually worth. The way it is now, we have to kind of maintain this fiction that somehow they are worth the amount of debentures that they've had from the heritage trust fund over the years, and we all know that they're not. There isn't a businessman in Alberta who would tell you they're worth that much.

So if we just forgot about the triangle and just had a one-on-one relationship between the Crown corporations and the general revenue account, we would get a writing down of the portfolios to what they're actually worth, and we would know where we stand. We would know how much we have, and we would quit kidding ourselves that we're getting some vast sums of money out of the heritage trust fund into the general revenue account to help us pay for all these wonderful services that we have in this province. It's time that the Treasurer recognized that and did something about it.

I know they've created a situation in the heritage trust fund Act that says that all investments have to be kept at book value, and hiding behind that excuse, the Treasurer perpetuates an accounting kind of procedure that nobody else in the private sector would be allowed to get away with. It's worse than the kind of things that the CCB was doing when they went under and when they were caught up to by the regulatory authorities of this country. They only get away with it because it's government doing it and because it's a manipulation and it's our own money. It's just a confusion of what those Crown corporations are worth to the people of this province.

In the 1986-87 year the heritage trust fund is supposedly -- when the numbers are all in and added up, the projection or forecast is that we'll get \$1.45 billion in income from the heritage trust fund. It would be interesting if the Treasurer could tell us how much of that is going to come from these three Crown corporations that are losing money. How is that balanced against the \$338 million that we're going to put into them with this motion today?

Mr. Speaker, one could spend a little time on each of the Crown corporations and perhaps a comment or two would be in order, I'll leave the Agricultural Development Corporation with the remarks I made, and I would hope that my colleague from Vegreville and the Associate Minister of Agriculture will perhaps exchange some information on that particular Crown corporation.

But the Alberta Mortgage and Housing Corporation has over

\$3 billion worth of debentures from the heritage trust fund. Now, even if you take the Treasurer's claim that there's \$15 billion in the heritage trust fund, that's over 20 percent of the fund, an inordinate amount of money to invest in one particular project. I'm not saying that housing isn't worth that much money, but that Crown corporation is in a lot of trouble. Its books are in a great deal of trouble. The minister of housing, in the heritage trust fund hearings last fall, did not even have the annual statement ready for us in middle or late November when we called him before the committee. We did not see the annual statement for that Crown corporation until some time in February of this year I believe it was.

The Crown corporation has not been able to rationalize its problem of renting out some of the houses. I heard a story again just the other day of the Alberta Mortgage and Housing Corporation foreclosing on the property of a person who had taken out a mortgage that was costing him \$500 a month. He got into economic difficulty because he lost his job. He found that he was only allowed \$450 a month in terms of rent, I believe, by social assistance after his UIC ran out. He was actually foreclosed on for the sake of \$50 a month.

Yet at the same time, the Alberta Mortgage and Housing Corporation has some very large accounts and large mortgage holders who have not been making their payments. They have not been able in a rational way to put some of their housing on the market, as they should do in a gradual way in certain places at certain times. They have not been able to come up with a program to gradually dispose of some of their excess housing. They have houses that they foreclosed on like this where they could have had \$450 a month, and because they couldn't get \$500, they foreclosed and the house 18 months later is still sitting empty. Alberta Mortgage and Housing is in such bad shape, Mr. Speaker, that there should be some kind of an inquiry into what is going on with that corporation and try to get the mess sorted out.

As to the Alberta Opportunity Company, it was a lender of last resort. As we've said all along, probably it and the AADC, in keeping with the kind of resolution I made about cutting out the heritage trust fund part of the triangle and just having a one-on-one relationship between the general revenue account and the Crown corporations, should have just been administered by the Treasury Branches as Crown corporations or just as part of their general procedures with the program laid out and then they could have administered it. It would have saved setting up a separate administration. The Alberta Opportunity Company, because of a great deal of criticism and because it's had a great deal of difficulty in the last few years -- the government has finally come around to the view that maybe they should be a little more creative in some of their investments, and it will be interesting to see. And some of that, I gather, has been going on. They've been more willing to loan money, maybe even willing to make equity investments in some small businesses, that sort of thing. It will be interesting to see how that works out and whether or not they really are being a little more imaginative in the kind of portfolios they've been allowing, compared to what they were in the past.

Certainly the AOC did not get very high marks from a lot of people that I've talked to in the past. I hope it's a little better now. The government pays a lot of good lip service to small businesses, Mr. Speaker, but they have very few really good programs that make a lot of sense. Most of their programs end up helping larger corporations much more than they help small corporations.

Mr. Speaker, I don't see how, on the strength of a simple motion like this, considering that we do not get a chance to review the Crown corporations' performance in this Legislature the same way as some Assemblies do across this country at the provincial level -- I think of Saskatchewan, and that was inaugurated, I believe, by the New Democratic Party government there years ago. We do not get the kind of scrutiny and analysis of the Crown corporations that we should get. So the minister comes to us with one little statement that just asks for the dollars, with very little explanation. He gets up and makes a tongue-in-cheek, amusing kind of statement and sort of brags a bit about the heritage trust fund in a general sort of way but does not really get down to the nitty-gritty. We do not have a time to debate the details of these three Crown corporations as to what their operations are, why they need the money, how much their losses have been, how much has been subsidy.

Oh, I know it's scattered around some different annual statements if we look back and do enough digging and enough research. The Treasurer is always telling us we need to do more research. Yes, we need to do a lot of research. But why should we in this Assembly just agree to a simple resolution asking for \$338 million in what is a rather weird boondoggle that this government has built up over the years, with very little explanation and very little rhyme or reason, other than to say: "Oh well, the markets for real estate and agriculture have been in trouble, and small businessmen have been in trouble. This is just our way of helping them. Please give us \$338 million and don't ask any questions."

Mr. Speaker, I for one am not willing to do that, and I intend to vote against this resolution, not so much because these Crown corporations don't need the money -- and I know that the programs basically are a reasonable idea -- but I don't think that the government has accounted for them properly. It has not looked after them properly. It has not set this up in a way that it's easy and clear to see why they need the money. And I don't think that the Treasurer deserves it in presenting it in such an offhand manner and with such little detail. There should be a proper Bill; there should be some details. There should be some rhyme or reason as to why this money is needed specifically at this time, how much is needed, and what it will accomplish. We should have a chance to review the Crown corporations in much, much more detail than we ever get a chance to. So for that reason, Mr. Speaker, I intend to vote against this motion.

MR. SPEAKER: Member for Vegreville.

MR. FOX: Thank you, Mr. Speaker. I, too, would like to speak briefly on Government Motion 13. After having listened to the hon. Provincial Treasurer, I'm not sure what's left to be said. He did such an admirable job of debating both sides of the issue, telling everybody that if anyone was to question even for a moment the some \$338 million proposed under this motion, we would therefore be against such motherhood issues as farming and housing and small business. He implied that if we in the opposition were to stand up and question some of his plans in this regard -- the government's priority is farming, the government's priority is housing, and the government's priority is small business -- we would therefore be speaking against all of those things. And I'd like to get it straight right at the outset that we're in favour of all of those things too, but we're not in favour of this government and we're not in favour of that Treasurer who advances all of these plans. That's what our concerns are.

If the hon. Treasurer would apply the same charm and wit and intellect and energy to try and work out some really useful things to help build the economy in this province and get the province back on its feet, I think we'd all be immeasurably better off. Instead, we see this incredible political song and dance, which is indeed impressive; I enjoyed it very much. For the Treasurer to sit here and talk about this government's priority on small business, farming, and housing, and how we in the opposition, because we don't enthusiastically support everything the government does, because we're not a bunch of cheerleaders, therefore those aren't our priorities -- well, they're my priorities certainly. I'd like to find a small business to build me a house on my farm. I mean, these are all my priorities too.

For the Provincial Treasurer to come out and brag about the activities of the Agricultural Development Corporation -- he might get away with that in this Assembly, where there are 60 of his adoring colleagues who *act* like the proverbial knothole gang down at Clarke Stadium watching the Eskimos play. He might get away with that here, Mr. Speaker, but if he was to go out into any of the rural communities in Alberta and try and brag about the ADC, he would witness a very unique coming together of Alberta's two major industries -- the oil industry and agriculture -- because he'd be tarred and feathered and run out of town.

In terms of recycling old speeches, you know, I've heard the Provincial Treasurer's speech. Whether he's answering questions on pension fund liability, on tax increases, on government motions, or whatever, it's always the same speech. I must admit that I enjoy it more and more every time I hear it. But I feel the need to recycle a few comments that I've made. The Agricultural Development Corporation has in the past helped a number of farmers get started in this province. Indeed, the member now speaking, Mr. Speaker, is one young farmer who was helped out by the ADC in its inception, was given a start. I've never forgotten that, and I appreciate that.

It was a corporation that was set up to take advantage of some surplus government revenues, to try and be a lender that's available to people in the farming community when no one else would back them, and I think that was very useful. But over the years, the lending policies and the activities of the ADC have fallen into considerable disrepute within the industry. There are a number of reasons for that, some of which the Treasurer outlined: the difficulty of rapidly declining land values, the various difficulties in the agricultural industry -- dropping prices and disappearing markets and stuff -- all of those things.

The other main reason is the corporation's inability to respond quickly enough to the changing circumstances. It took them years to realize that more and more of Alberta's farmers were having to work off the farm in order to supplement their farm income. But if they had a beginning farmers loan under the ADC, they weren't allowed to supplement their income. That would disqualify them from the lending benefits of the ADC beginning farmer program. Admittedly that's been changed, Mr. Speaker, but it was changed too late. I could parade several young farmers whose futures were dashed on the rocks by that inability of this government to respond soon enough.

What do we have now? Last year in the throne speech, Mr. Speaker, the government's great promise to the farmers of Alberta was that we were going to have a review. The hon. Leader of the Opposition made mention of that during the campaign last year. "When I go out in the country," he said, "do I hear farmers coming to the meetings and saying: we want a review; we

want a review"? No, they didn't. They wanted some concrete actions. The suggestions as to what needed to be done with the ADC have been there for years and years, and the government wasn't prepared to act on them. They had to commission a review made up largely of their own backbenchers. But to give credit where credit is . . .

AN HON. MEMBER: That's not the truth, and you know it.

MR. FOX: I saw you there, hon. Member for Stony Plain.

MR. MARTIN: Making a hundred dollars a day.

MR. FOX: Yeah, making extra money.

To give credit where credit is due, though, the hearings did take place. They took place right around the province and were well attended by a number of people who sought to have input, who tried to influence the government in the kinds of things they were doing. I suspect that the review committee heard a lot of interesting and inspiring suggestions. They probably heard a lot of tragic stories as well, from people who have been falling by the wayside in this difficult time, but they heard a lot of good suggestions.

I might say that I've raised in this Assembly a number of times the concern about the delays in releasing the results of this review. Many of the people who attended those hearings told me that they believed the change would be coming, and coming soon. And they were kind of encouraged to hang in there, to maybe apply to the Farm Debt Review Board for a 30-day stay of proceedings, an additional 30 days -- they can do that up to four times and buy themselves 120 days of time -- in the hopes that there would be some meaningful and significant changes coming in the lending policies of the Agricultural Development Corporation before they had to make the decision of what to do this year.

Well, Mr. Speaker, that time has come and gone, and what do we have in this year's throne speech, a whole year later -- not quite a year but almost a year later? Another promise about all the things this government is doing for agriculture, including a review of the role and mandate of the ADC. I wonder, Mr. Speaker, if the Associate Minister of Agriculture is going to get up and tell us that that will be one of the things we will read in next year's throne speech. Perhaps she will set me straight when she gets up. I'm sure that she will want to go on the record telling us all when it's really going to happen. I don't mean to make light of that, though, because I think it is very important that farmers out there in Alberta, who are in more desperate circumstances than they've been for the last 50 years, have a very clear idea about this government's intentions for their major lending agency; that is, the ADC.

What is going to be included in this review report? Are they going to change the way in which money is lent? Are they going to come up with some innovative financing ideas that would try and spread a person's debt obligations over longer periods of time? Or get away from the top-loading and enable people to pay relatively less of their debt -- is that going to happen? -- in the beginning and more later on as they get more established? Are they going to come up with new and innovative ways of disposing of land that sometimes quite by normal circumstances comes into the hands of lending agencies? You know, these are questions that need to be answered.

I hope that the corporation will come up with innovative ways of keeping people on their farms so that we don't end up

in a situation where the lending corporation of the government ends up losing. I think in the past year, an average of \$110,000 per foreclosure action. We've got to find ways of perhaps absorbing some of that loss in a time when land values are declining and getting back to a more reasonable level, the productive level of land, but perhaps passing that benefit on to the young farmers, the young families that are struggling out there to make a go of it.

I, too, don't think we've had enough of an indication from this motion, I could count the words in this motion, but there probably aren't more than 10 or 12 in the one that advocates that we give another \$75 million to the ADC. We don't know enough about what's happening with that money. Is this to cover losses? Is this money intended for new lending programs? What sort of lending programs? You know, what are the intended activities of the corporation over the next 12 months? We should have a much more accountable process here, Mr. Speaker, so that we can effectively scrutinize that. I don't think that by my asking those questions that means I'm against farming. I don't think the Provincial Treasurer's contentions wash. I think what we're doing is demonstrating our concern for what's going on out there and our desire to find out on behalf of Alberta's farmers exactly what this government's intentions are. We want to open the curtains so people can look in and see what's been going on in the darkrooms of secrecy of this Conservative government of the last 16 years.

I look forward to the hon. Associate Minister of Agriculture enlightening us with some comments about the ADC review report. When is it going to be tabled? When are farmers going to have a chance to see what's in that report and know whether or not they should try and stay with their farming operations over the next few months or whether it would be better for them to try and find alternative sources of hope? With those questions asked, I anxiously await the associate minister's comments.

MR. SPEAKER: Edmonton Highlands.

MS BARRETT: Thank you, Mr. Speaker. In speaking to the motion sponsored by the Provincial Treasurer, which embraces a recommendation for spending under the provisions of the Alberta Mortgage and Housing Corporation, I note with some sadness that there is almost no new effort whatsoever to address the serious problem of homelessness in Alberta, particularly in the larger urban centres. It's estimated that several thousand people are truly homeless, and the interagency committee on homelessness provided the members of the Assembly, and particularly cabinet ministers, with their findings a few weeks ago. They've had the matter under study for several months. Obviously, one of the things they found that was very important was the level of support going to social allowance recipients, especially given the cut to the shelter allowance down to \$180 a month.

But, Mr. Speaker, they also identified a number of other factors and reasons for homelessness, aside from just that, and they called upon the government to take a very serious attitude and put some money *where* their mouths are basically on the issue of the International Year of Shelter for the Homeless. Now, I recall in the Speech from the Throne that it was said that some 156 new units would be constructed under this commitment, and then I heard that it was down to 125. Now I understand that in fact that 125 might be split between two years, wouldn't occur within one year. That is not going to solve problems for the several thousand Albertans who need a place to live.

It seems to me that if this government was so anxious to do what they euphemistically call deinstitutionalize people, particularly from mental health institutions, it would have been a good idea to have the foresight to figure out that a lot of those people were going to go into the very poorest areas of town without the support they need basically to either integrate them into society or at least to keep them alive under the circumstances. Those people, I don't think, could ever have anticipated that they would be one of the largest groups of people facing homelessness. Those are the very people who need our help the most.

Now, the committee and people from all quarters in our society have called upon this government to address this very serious issue. I think that the money that is spent by AMHC is ordinarily well spent. Some of it has certainly gone astray, and I won't pick on old sins. I mentioned them last year, and they were mentioned in previous years by the late Grant Notley and by the Leader of the Opposition. Those sins are gone. I think that for the most part repair has been undertaken; I'm not sure sufficient repair. But when we are spending this sort of money, surely we ought to have a sense of priority. AMHC, carelessly I believe, has foreclosed on a number of properties such that they've got a literal land bank of urban housing that has really, I think, helped flood the market over the past few years when the market was already flooded.

We're no longer in that terribly desperate situation of excess housing, but in the meantime a number of people who could, if Alberta Mortgage and Housing Corporation had had either the political direction or the sensitivity from the minister to arrange to at least suspend the mortgages for those people who couldn't afford the mortgage payments and rent to them on the basis of nonprofit housing ratios, which is 25 percent of monthly income, until their income was sufficiently buoyed once again so that they could resume their mortgage payments . . . Now, I think this government made serious political errors in not doing that sort of thing. They dumped a lot of people into a lot of bad circumstances, really disrupted lives, caused immense amounts of grief and poverty while they collected houses that would then sit empty. I think serious mistakes have been made.

Now is the time to correct those mistakes, Mr. Speaker, and I'm sorry to say that I haven't heard the minister responsible for housing or the Provincial Treasurer talk about how those errors are going to be corrected, particularly with respect to the number of homeless Albertans who I believe are being ignored altogether. It's time this government cleaned up its act and looked after the people who most need looking after.

MR. SPEAKER: Calgary Buffalo.

MR. CHUMIR: Thank you, Mr. Speaker. I have a few comments to make in response to those of the minister in charge of humility. I would generally like to express support for the overall goals of the corporations whose funding is an issue here. I would like to note, for the edification of the members of the government and of the minister, that the very existence of this particular motion today points out the myth of free enterprise which they brag about, unless of course one has a very flexible definition of free enterprise, when the government is involved in each and every corner of our economy. It's particularly through providing economic assistance to business enterprise throughout this province. It's clear that a case can be made for this form of assistance in many instances. I'm very supportive of many forms of such assistance, but let's not live by slogans and propaganda. We need truth and not obscurity.

I'm also particularly supportive of a thorough review of the role of these corporations and the way in which they are being used to accomplish the very worthy goals. Almost every agency in operation in this government has grown up during an era of endless pots of money, and it's inevitable, it's axiomatic that inefficiencies and waste and policy errors have set in. It's difficult to change, particularly for those whose basic philosophy is to attempt to uphold the status quo, but it's necessary.

A primary concern I have with this particular motion is that funding through the heritage trust fund of these corporations has resulted in a loss of the ability to keep track of economic reality. I have spoken many times in this House of the financial acrobatics of the government in maintaining what is nothing more than sheer pretense and puffery about the earnings of the heritage fund. I need not repeat the facts here. They are set out in *Hansard* in many of my comments and comments made as a member of the standing committee on the heritage fund. Suffice it in this instance to note that according to the Provincial Treasurer, the Alberta Housing and Mortgage Corporation will be receiving, pursuant to this motion, \$200 million from the heritage trust fund at the same time that it has budgeted \$201 million for debenture repayment. Debenture repayment to what entity? To the heritage trust fund, of course. What's going on here? What's going on is a classic shell game.

MR. STRONG: It's a magic show.

MR. CHUMIR: Legerdemain.

I think we would be well served by considering, as part of our overall review of these corporations, the merit of going to the open market for these funds. This would restore a sense of market discipline to the corporations, and it would certainly protect the capital of the heritage fund more effectively. We shouldn't forget that this fund was established and one of its primary purposes is to provide for future generations. By putting heritage funds into high-risk loans with corporations that have a social purpose and not simply a business purpose, we are acting contrary to the philosophy of prudence and trusteeship that should characterize the savings function of the heritage trust fund. We've seen that anywhere from \$1.5 billion to \$2.5 billion have been lost in loans to these corporations. This loss has been a loss to future generations. It may be that we in fact want to rethink that savings function of the heritage savings fund. Certainly, if economic difficulties continue, we may be absolutely pressed into such a reconsideration.

In that regard, I commend to this House a suggestion of the Liberal caucus to the standing committee and a recommendation made in this House a number of times that we have a major public review of the purpose of the fund and the operations of the fund and that such review include public hearings. I know. There we go again with that silly idea of public hearings that we've been pushing for with respect to the constitutional proposals.

Finally, the minister spoke, obviously jokingly, of the good management of our resources by this government. It's such good management, of course, that we have just witnessed the largest per capita debt of any government in the history of North America. And why? Because the government had the good business management sense of entering into the Western Accord at the very worst possible time, at a time when it was foreseeable that world oil prices were about to collapse, and it entered into that agreement without protecting Albertans against such price collapses. The result was that we lived through an era



with this government when high prices were a national problem to be shared by the whole country, and the government proceeded at the very worst moment to negotiate us into a situation of low prices, being a problem of Alberta alone. This was because of the negligence and incompetence of this government. It was something that need not have happened. It should not have happened, and we're all paying for it.

Now we face the natural consequences of this foolish belief in free market deregulation that the government members keep magpieing. I'm shocked. The government is shocked that other provinces want to get the best price deal possible. Well, that's free enterprise, that's deregulation, but the government doesn't like it. I don't like what's happening either, but the government has bumbled us into a mess that would be rejected by the Augean stable. And even former Premier Lougheed has notably expressed problems with the government's handling of the situation. So saying everything is all right, Mr. Speaker, doesn't make it so.

SOME HON. MEMBERS: Question.

MR. SPEAKER: There's a call for the question. Athabasca-Lac LaBiche.

MR. PIQUETTE: Yes, Mr. Speaker. The comments I'd like to make are related to the Crown corporation. Some of the recommendations on the Alberta heritage trust fund were given by the Official Opposition. Some of these suggestions, we feel, would make the Crown corporation and their whole operation more responsible to the provincial Legislature and more accountable and would go a long way in terms of making sure that Canadians understand the true value of the Alberta heritage trust fund.

Being a new member on the Alberta heritage trust fund, I think all of us were kind of amazed to see what kind of shell game we have played and perpetuated on the Alberta public over the years that we claimed we had that kind of an asset. We lumped everything together and then ... Three or four of the politicians I met down in Montreal a couple of weeks ago indicated to me, why the heck is Alberta complaining? There's all this money in the Alberta heritage trust fund. Why are they acting like they're crybabies now? I mean, they had a great time during the boom time. Why can't they use their piggy bank now and quit saying they have a high provincial deficit? As I indicated to them on that weekend, unfortunately that money has been spent and has been invested, very often in Crown corporations, and many of them have not been written down to their true value.

Together the Alberta housing corporation, AADC, and AOC have issued \$4.6 billion in debentures to the trust fund. All three have high deficits and carry a high inventory of foreclosed properties, particularly the Alberta housing corporation and AADC. Since they have not written down their property portfolios sufficiently to reflect current property values, they are probably worth less than reported. Even the Provincial Treasurer admitted to the committee that the corporations' collective worth is probably less than their debenture obligation.

The corporations have high allowances for losses and doubtful accounts. They're able to maintain interest and principal payments to the trust fund and continue operation only because they receive grants from the province and issue large debentures to the trust fund. Clearly, moneys taken from the left pocket of the general revenue account flow back into its right pocket via

the Crown corporation and the trust fund. Thus, much of the 14 or 15 percent return brought to the trust fund by the Alberta investment division, which accounts for the largest portion of the trust fund revenues transferred back to general revenues, comes from the general revenues account originally. When we hear the Provincial Treasurer indicating how much all portions of the Alberta heritage trust fund are helping to reduce the deficit, he doesn't talk about the subsidy we provide back to the Crown corporations so they can give the money back to the general revenues.

To alleviate the accounting anomaly, we proposed the following recommendation in the Alberta heritage trust fund hearings, and for the life of me I don't understand why it wasn't accepted: that the debenture obligation of the five Crown corporations be transferred from the Alberta Heritage Savings Trust Fund to the General Revenue Fund of the province of Alberta. This recommendation would create a direct relationship between the general revenues account and the Crown corporations. The move would have several benefits, and I'll list them. The province will be obliged to write down the Crown corporations' assets so that a more accurate accounting of their value is made. Cabinet decisions as to the cash flow between the general revenue account and the Crown corporations will be more fully debated in the Legislature under the appropriate departmental budget, which I think for all MLAs would be very educational, as opposed to a small group of people right now that are meeting out of session reviewing these Crown corporations. Very often we don't even receive annual reports when we sit down to study their year's operation. The province will have more flexibility in coping with its deficit since some debentures could be cashed in and certain corporations could replace those funds by borrowing elsewhere. And number four, removal of the Crown corporations will clear some misconceptions as to the value of the trust fund.

Other provinces do not claim their Crown corporations are part of a heritage trust fund, so why do we here in Alberta try to claim that our Crown corporations are part of the heritage trust fund? If you go down to Quebec or any other provinces that have Crown corporations, none of them are claiming them as part of a trust fund. So why in Alberta here are we trying to hoodwink ourselves in believing that in accounting procedures we can be different in the way we report back to the public and to the Legislature? By doing so and by claiming we have \$15.3 billion in the fund, we make it difficult for the federal government and Canadians generally to take our present economic problems seriously. This recommendation was rejected by the Tory-dominated, lapdog committee.

So, again, I think later on during the year the government will have a chance to relook at and rethink its Crown corporations and finally bring them back in tune with other provinces in the way they report to the public, and make sure we don't have a false generation of revenues back into our Treasury when in fact we're subsidizing the operations of some of these Crown corporations.

MR. SPEAKER: Associate Minister of Agriculture.

MRS. CRIPPS: Thank you, Mr. Speaker. I just want to make a few points in response to the members' questions. The Provincial Treasurer certainly outlined the importance of ADC and the role it plays in agriculture. All members will know that during the past few years the farm debt has grown significantly and now stands at \$5.3 billion, and of this ADC has a direct and

guaranteed loan portfolio of about 1.2, with 26,000 loans. It's also interesting to know that agriculture accounts for one in three jobs in Alberta and we have 50 percent of the farmland in western Canada in Alberta. So agriculture is very, very important to us.

In response to the Member for Edmonton Kingsway -- and I want to answer the questions directly -- he wanted to know why all of the money that had been requested in 1986-87 had not been advanced or drawn on. That's because the marketplace determines the needs of any lending agency. The borrowing in ADC for that period was down as opposed to the year before, and in fact it's down again. [interjection] Pardon?

AN HON. MEMBER: Because of the farm credit stability program?

MR. SPEAKER: This is not a dialogue.

MRS. CRIPPS: Not necessarily. I can just give you the figures. From April 1, '86, to February 28, '87, there were 614 direct farm loans and guarantees, for a total of \$63 million. For the same period last year there were 884 direct farm loans and guarantees, for \$90 million. So the farm borrowing was down last year, and it was down again from the year before. It would be irresponsible for any corporation to draw down funds before they're needed, particularly when they're paying interest on them. So that's the response to that question.

The Member for Vegreville raised the inability to respond to off-farm work and other changing conditions. It's true. There were changing conditions out there, and ADC did respond to those changing conditions by introducing new programs and by allowing more flexibility in the programs they already had. I think one of the most beneficial probably was allowing the loans to be drawn down at different stages so that a farmer didn't jump into debt over his head at the very beginning of a loan. The member raised a number of problems which are in agriculture, and they're real concerns that I'm aware of, as are the members of our caucus and every member of the government.

He then asked questions about the loan losses and if they're reflected in Motion 13. They're not. Loan losses become due in the year in which payment is due, and the fact is that those loan losses would accumulate. The member would remember that in the budget in March there was a reduction of 51.1 percent in vote 6 under the Department of Agriculture. Vote 6 covers the loan losses which would come due in the current year. If I remember, there was some discussion on the reduction of 51 percent, and that, of course, was because the method of funding the losses had been made on a cash basis. As of this year, it's going to be made on an accrual basis.

I believe that answers the questions the members asked, and I also look forward to the report and to better times in agriculture.

SOME HON. MEMBERS: Question.

MR. SPEAKER: Those in favour of Motion 13, please say aye.

SOME HON. MEMBERS: Aye.

MR. SPEAKER: Opposed, please say no.

SOME HON. MEMBERS: No.

MR. SPEAKER: The motion carries.

[Several members rose calling for a division. The division bell was rung]

[Eight minutes having elapsed, the House divided]

For the motion:

Ady	Getty	Oldring
Alger	Heron	Payne
Betkowski	Hyland	Pengelly
Bradley	Johnston	Rostad
Cassin	Jonson	Schumacher
Cherry	Koper	Sparrow
Clegg	Kowalski	Stevens
Cripps	Mirosh	Stewart
Day	Moore, M.	Weiss
Dinning	Moore, R.	West
Downey	Musgreave	Young
Elliott	Musgrove	Zarusky
Fischer	Nelson	

Against the motion:

Barrett	Martin	Roberts
Chumir	McEachern	Sigurdson
Fox	Mjolsness	Strong
Gibeault	Pashak	Wright
Hewes	Piquette;	Younie
Laing		

Totals:	Ayes - 38	Noes - 16
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[Motion carried]

[On motion, the Assembly resolved itself into Committee of the Whole]

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

[Mr. Musgreave in the Chair]

MR. DEPUTY CHAIRMAN: Will the Committee of the Whole please come to order.

#### Bill 39 Appropriation (Alberta Capital Fund) Act, 1987

MR. DEPUTY CHAIRMAN: There are no amendments to this bill. Mr. Minister.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: Hon. Member for Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. We raised a number of questions on the details of the Capital Fund estimates earlier, over a couple of days, so we don't have a lot of questions. I did raise a couple more at second reading of Bill 39, so I just have a couple of things I want to ask about or point out.

On second reading of the Bill the Treasurer said that some of the Alberta capital bond issue of just over \$900 million would

be used to cover the \$317.4 million needed for these Capital Fund estimates, and I think that's very good. That was a nice way to finance that expenditure. To borrow the money from Albertans and keep the interest at home: that's a good idea.

But I would just like to elaborate slightly on a sort of downside of that same thing, which I sort of raised in question period the other day, but one didn't get a chance to maybe talk about it to quite the same degree one can now, when we have a few minutes to explain. The tremendous success of that bond issue is probably based mainly on the fact that there was an extra percentage point of interest paid to what really needed to be. Although the bonds are three-year bonds, nonetheless it's not really three-year term interest rates you need for them, because they can be cashed in every six months. So really you should be looking at the six-month rate, not even at a year and a half or a two-year rate. You probably could have got that money a little bit cheaper, so probably you've cost the taxpayers a little bit of extra money. That's one aspect of it.

The other aspect of it that bothers me a little bit is that the ease with which the money was raised, which the Treasurer was bragging about, tells me there are a lot of people in Alberta that have a tremendous amount of money. You know, I don't object to some people having a fair amount of money and living reasonably well. But in a province that's had the kind of money we've had where we've set aside, according to the Treasurer, \$15 billion -- of course, that's not really true; if we owned up and confessed about the deemed assets and the losing Crown corporations, it would be a lot less than that. And against whatever we have in the trust fund, which is probably some \$11 billion, we've got to count the fact that we've now got around a \$5.5 billion deficit. Nonetheless, there are some people in this province with a lot of money and other people in this province that are very, very poor. Edmonton was one of the first cities in the country to have food banks. So we have not shared the wealth, and that wealth was generated by the fact that we had oil in the ground. This government did not put the oil in ground, and we did not raise the price. It was OPEC that raised the price, so . . .

AN HON. MEMBER: Private enterprise sold out.

MR. McEACHERN: That could be. Nonetheless we have not shared the wealth that we got out of the ground fairly in this province or we would not have some people that could, at the drop of a hat, come up with \$900 million as quickly as was done for this bond issue. We would not have people earning over \$50,000 a year that do not pay any taxes. We would not have people earning over \$50,000 a year that have the taxpayers pay their medical premiums while other people line up at food banks.

So I say to the Treasurer and to this government that we'd better take a very good look at tax reform in this country, and we'd better take a good look at what Michael Wilson is thinking of doing with tax reform at the federal level. That Conservative government's idea of tax reform in the last two years has cost taxpayers a heck of a lot more money than before they came in. Over the last two years they've raised the taxes of ordinary Albertans, of the ordinary Alberta family, some \$1,350. So we need to look very carefully at how we distribute income in this country, and I think that bond issue points that out very clearly.

One other aspect of this Bill -- and some of the discussion that took place on second reading still interests me. The Treasurer blandly came back and said he can explain the \$2.4 billion

of capital expenditures that we talked about in this year's overall economic package, let's say, because it isn't all in the budget. Some of it's in the capital projects division of the heritage trust fund, some is in these Crown corporations out of the heritage trust fund, and so on. So let's just say that in the overall global picture of handling our economy, the government is bragging that there's \$2.4 billion in total. In order to get to that total, the Treasurer counts in \$750 million for the Crown corporations, and I want to break that down and ask him a couple more questions, if I may.

The three Crown corporations that were losing money, that we were just talking about and that we just passed Motion 13 for -- \$338 million -- that's fine. Okay. Although you might not use the ADC money like you didn't last year, that's fine. Let's accept the fact that this year you'll use it and that you will actually spend \$338 million through those Crown corporations not just paying off past debts, not just covering some of the interest and expenditures and writing off debts but actually doing new things. Okay? Capital expenditures -- remember what you said? Capital projects. Suppose you do take all \$338 million and count that in as new capital expenditures to generate jobs. All right? Fine. Where do you get the rest of the money that makes up the \$750 million?

Now, probably you take a look at the Alberta Municipal Financing Corporation and say there's \$340 million there, as I see in the Budget Address. But I say to the Treasurer that the Alberta Municipal Financing Corporation is getting most of its money from the Canada Pension Plan and has very little to do with this government. And the projects that local governments put on -- and since they're getting the money from other than the general revenues of the province, this government does not have the right to credit and claim that their Crown corporations are generating those capital expenditures, because the Alberta Municipal Financing Corporation is not really a child of the province. It's a creation of the municipalities of this province, organized and co-ordinated and helped by the provincial government. As long as they took money from the heritage trust fund, I think the government could claim that those capital projects were part of government generated capital projects. But since they're getting their money elsewhere and since the ideas for the projects come from the municipalities, where does this government get off claiming \$340 million in projects there?

Even that does not add up to \$750 million. So you have to talk about AGT, I guess, as being the other Crown corporation that might be generating these expenditures, and I don't see where we have any claim on what AGT does. If they're not getting more money from the heritage trust fund, as they're not this year, then why should we be claiming what they're doing, if anything? I would say that the Budget Address is silent on the issue. It doesn't say that ACT is doing any capital expenditures this year.

So, Mr. Treasurer, again with respect, I don't see the \$2.4 billion, and it's the \$750 million global capital projects that you're claiming for the Crown corporations that I don't think adds up. Perhaps you could enlighten me if I'm mistaken in the details of that, but it seems to me that what I've said makes a certain amount of sense.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question on the Bill?

[The sections of Bill 39 agreed to]

[Title and preamble agreed to]

MR. JOHNSTON: Mr. Chairman. I move the Bill be reported.

[Motion carried]

#### Bill 40

#### Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1987-88

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question is being . . .

MR. McEACHERN: Pardon me? I didn't hear what you called.

MR. DEPUTY CHAIRMAN: Bill 40.

MR. McEACHERN: Thank you. Yes. I do have a couple of questions and comments.

Now, again the details of Bill 40, the various parts, have had a fair amount of discussion. In fact, we had something like 10 days going through each of the individual parts, so a lot of questions have been asked. But now that you bring them back as a Bill, there are still some summary kinds of comments and questions one might ask, and perhaps the Treasurer would be kind enough to answer this time. I don't know. I guess I can ask anyway.

One of the questions I guess I have is this \$140 million for the capital projects division of the heritage trust fund. It seems to me to be pushing a bit on the 20 percent provision of the Act about the portion of the fund that's allowed to be in the capital projects division, and that's because that portion is an expenditure rather than some of the assets, in spite of the fact that the Treasurer doesn't know the difference between an asset and an expenditure yet. But the thing that also makes me wonder: not only are we pushing on the 20 percent -- and I would like some comment on that -- I'm a little perplexed about just where and how you're going to get the money for this.

The Treasurer said some time ago that there was some \$2 billion that was fairly liquid in the heritage trust fund, and I guess I could assume that most of that's in the cash and marketable securities division. That's the money that would be most easily available to the government to do new things. Since we're capping the fund and not putting any more in, and since we're taking all the revenue out as of last fall, then it would seem to me that the Treasurer has some problems in terms of turning up money for new things like the debentures to the Crown corporations that we just talked about, in terms of the capital projects, the \$140 million that this Bill is about. Considering that some of the money has been used for the farm credit stability program, some has been used for the Small Business Term Assistance Fund Act and according to the press release of a short time ago in which the Treasurer said that by order in council the government took the right to take some . . .

Mr. Chairman, could we have some order in this Assembly? I don't see how anybody is supposed to hear anything I'm saying. [some laughter]

MR. DEPUTY CHAIRMAN: Members of the committee, let's come to order. The Member for Edmonton Kingsway.

MR. McEACHERN: Well, you may not care what goes on in

this Assembly, but I do, if you don't mind. At least I'd like to be able to have it on the *Hansard* record. [interjections]

MR. STEVENS: A point of order, Mr. Chairman. I wouldn't have raised myself except *Beauchesne* 299(2). We've heard these same comments from the Member for Edmonton Kingsway on May 14, pages 1223 and 1224, and May 19, pages 1288 and 1289.

MR. McEACHERN: When I get a decent answer to the question, maybe I'll quit asking it.

MR. DEPUTY CHAIRMAN: The Member for Edmonton Kingsway.

MR. McEACHERN: The point I'm trying to get to here, Mr. Chairman, is that if the government, through this order in council -- which was a chicken way of handling it; there was no reason why when this Assembly is sitting the Treasurer should put out an order in council dealing with \$2.3 billion of heritage trust fund money, but he did. He should have brought the motion before this Assembly and asked for it to be debated here, before he went ahead and did this. But he put out an order in council saying that for general revenue purposes he could borrow \$2.3 billion from the heritage trust fund. The figures of borrowing as of December 31 were something like \$1.4 billion. So one can assume that since that time he is somewhere up in the neighbourhood of \$2 billion, if he needs the okay to go to the level of \$2.3 billion borrowing from that fund.

What I'm saying is: since the only liquid part of the fund was the cash and marketable securities section, I would like to know where the Treasurer is going to get . . . If he's used \$2.3 billion -- let's say \$2 billion; let's say that he hasn't used the .3 part yet of trust fund money for general revenue expenditures -- some of the \$5.5 billion to \$6 billion deficit that this province has in the last two years, plus \$338 million for the Crown corporations, plus \$140 million for capital projects, plus some money -- and it's not clear how much -- to frontend the farm credit stability program and the Small Business Term Assistance Fund Act, where is the \$140 million coming from, given that we've capped the fund and given that we take out all the revenues earned by the fund?

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: Mr. Minister.

MR. JOHNSTON: Mr. Chairman, first let me indicate that in segmenting the Heritage Savings Trust Fund within the various components of the fund, we must remember that in terms of measurement, we are only measuring or accumulating the expenditures in every one of these sections. That's common throughout the entire fund, and the expenditures are only equal to the resources which are available. Now, if you look at the heritage fund, there's a pool of dollars that floats in there. Those dollars are cash, marketable securities, rollovers of Canada investment bonds, other kinds of collection that take place, and these dollars are all there. Now, Mr. Chairman . . . [interjections]

MR. DEPUTY CHAIRMAN: Member for Edmonton Kingsway, would you please let the minister continue.

MR. JOHNSTON: Otherwise, how will I hear myself in *Hansard*?

These dollars, Mr. Chairman, are neutral dollars, and they're not allocated at all, but we do keep track of, in a very simple accounting process, the income stream -- and that's the income that's generated internally -- the current assets which accumulate internally from redemptions of Alberta investments. Dividends of course go into the income stream, interest goes into the income stream, retirement of debt, collection of capital items; it stays as dollars. So obviously, Mr. Chairman, you're going to have more money raised than you have income raised, and over the period of time assets are converted from one form into another form. It has been our intention for the past few years to continue to move from less liquid assets into more liquidity for the fund, because of course we were anticipating over the past year the internal need within government to use the liquidity of that fund to solve some of our short-term financing problems.

So what do you have, Mr. Chairman? Well, through 1987, for example, some of the investments which have been given to other provinces will mature, and we'll collect \$100 million in bonds. So instead of reinvesting those bonds into other kinds of illiquid form, we've put them back into short-term paper, Mr. Chairman, and therefore we continue to increase and accumulate cash. Therefore if there is in fact the demand on the fund for a variety of purposes -- some of it enumerated by the Member for Edmonton Meadowlark or others -- including the capital investment part of the fund, the \$140 million, obviously we have cash to do that, because there's more cash that has been generated internally by conversion of less liquid assets into more liquid assets, even though we're transferring to the General Revenue Fund something like \$1.3 billion a year. So we do have liquidity internally.

Now, the member raises the question about the order in council. Frankly, I would have thought he would have been more insulted if we had made that technical correction when the House was not sitting, and that's why we made it during this period, because of course you can raise the question and talk about it, as in fact they have done. And what I tried to explain, Mr. Chairman, was because the market has been fairly skittery, to say the least, over the past little while -- and I would, speaking now, in fact deal with one of the questions raised a few minutes ago and advise that the short-term money market we're now in, the 91-day treasury bill option, yesterday went for 8.33 percent, Mr. Chairman; 8.33 as compared to the 8.5 that we're getting on our three-year money. And even if you argue that it's six-month money, it's still not a bad deal. It's still better than the market is doing. So you see, the rate with respect to the capital bonds was, in fine, a very good rate: good for the government and good for the investor. And that, I think, is a good deal.

So, Mr. Chairman, we use the money internally. We are now trying to match our portfolio. And you see, what has been missed through all this debate -- and I'll now give away the secret, where the policy question should come -- is how do you balance the assets side of the heritage fund with the debt side? And none of the financial wizards across the way have even talked about that, as a matter of fact. None of them picked it up. They talk about: well, this over here and that over here, but they haven't seen the comprehensive picture yet. I'm not going to explain it right now, but in fact I have a comprehensive view. I've given some indications of how we're going to do it, but that is a real policy question. If you're going to argue and if I'm go-

ing to argue that in fact we can use the internal rate of return of the heritage fund, and it's better than in fact we can borrow over here, then we have to show how that has in fact been developed.

So I would expect that over the next year, when we come back to the Assembly either in the fall or next spring, then you'll be providing me some alternatives to deal with that question. However, because I have given it to you in terms of the idea, you can be assured that I will have the solution as well. But that's where the real policy question is, and I think that's legitimate debate as to how it should emerge.

But internally, Mr. Chairman, what we're doing is this: taking the liquidity of the fund, moving it into various kinds of funds that we need on the short-term basis, and as I've said before, using it as a pressure equalizer. As interest rates go up, and we can't enter the market effectively, then we do draw down upon the heritage fund. We pay interest on that. Now, you may argue that it's like the Mortgage and Housing Corporation transfer, but nonetheless I'd rather pay interest to the heritage fund than to somebody in New York or Saudi Arabia, and in fact that's essentially what we're doing with respect to that balance side of it.

At the same time, Mr. Chairman, with respect to the repayment of the Capital Fund -- that is to say, the Farm Credit Stability Fund; there are so many funds around I have troubles with them myself -- and the small business fund, obviously those dollars are going to be returned to us over a different period of time. Some will be returned in three years, some in seven years, and some perhaps even in 20 years. So in trying to match a demand for funds within those capital funds, that farm fund and the small business fund, we're also matching the use of the heritage fund. We want to get the heritage fund on a more liquid basis, and therefore the heritage fund is being used in the short term to fund our expectations of short-term retirements in the farm and the small business fund. And that's why we had to increase by OC the limits on the borrowings from the heritage fund, because we wanted to take more money on a near-term basis and put it into those two funds and still have the flexibility internally to use the heritage fund for the short-term requirements in the General Revenue Fund.

Now, Mr. Chairman, this past week we attempted to enter the market for Alberta Government Telephone bonds. Again that's part of the capital projects that we're talking about here. Some \$350 million in AGT, for example, will be part of our capital investment portfolio. But because we couldn't enter the market because of the skittish nature, the uncertainty, and the so-called J-curve, we had to stay out of the market and drop down and use the heritage fund again. And you will notice that today an order in council went through, I think, allowing us to increase the borrowing of AGT on a short-term basis. The reason we did it is because we had the liquidity in the heritage fund and an opportunity to use that money to replace any long-term borrowings we may have, at least on a short-term basis, until we can enter the market and attain the good rates. And I will note here for the record that the rates on three-year money that the Alberta government can achieve are approximately 9.4 to 9.5, and obviously three-year money that we're borrowing from the people of Alberta, 8.5 on that side, is still a very good deal. So that is what in fact is happening.

Let me also talk about the liquidity of the fund. In my mind as well, Mr. Chairman, there's some question about valuations and the heritage fund, and I've always talked about that concern. I would not for one moment suggest that simple accounting reporting is in fact the best way to report it. I don't have to be

admitting any great profound understanding or any great secret to suggest, too, that those kinds of valuations are probably at best an inventory of what in fact is in the fund. Nonetheless, the fund can be made very liquid. We can convert that fund into a very liquid form if we wished to do that, and one of the more popular vehicles right now to 'securitize' mortgages or 'securitize' debt is to package these items up, take them into the market, and they can be sold very readily. In fact, they're one of the hottest selling products right now that investment bankers are moving to -- much better than exempt bonds, for example, Mr. Chairman.

So what I'm saying is that the portfolio management of the heritage fund now is driven by more liquid nature than less liquid nature. We're trying wherever possible to move it into a more liquid fashion so we have more adaptability and flexibility in the future. And we have done that on the cash side as well.

But if we wished to, Mr. Chairman, we could take most of the bonds or investments that are in the heritage fund and make them very liquid. We could convert them to cash very quickly, and moreover, if we wanted to privatize AGT, which my colleague down the way is talking about, we could quickly convert our bonds or advances to AGT into shares and put them on the market very quickly as well. So we have ample opportunity here, if we wish to, to take the heritage fund and make it more liquid, and we could do a variety of things which would do just that. Our view is, however, that many of those investments now on average are returning a greater rate of return, providing a greater income stream, and can be used to support the General Revenue Fund.

Now, let's remember that yes, there were a lot of transfers of money back and forth. My colleague talks about the so-called golden triangle or whatever the triangle was -- the Mesopotamia of funding in Alberta -- but in any event there is this shift in the dollars. There's no question about it. But remember there's an awful lot of shifting from the heritage fund into the General Revenue Fund. As I reported before, \$8.5 billion of hard cash has been converted from the heritage fund into the General Revenue Fund. So if there's some slippage back and forth here from whether it's Alberta Mortgage and Housing Corporation or others, really the net effect is so significant in favour of the General Revenue Fund that in fact any other adjustment is essentially by the by.

So this argument about the leakage or the slippage or the back-and-forth transfers is really done only to confuse the real process, because there's a massive transfer -- a massive transfer -- from the heritage fund into the General Revenue Fund, and it is a significant aggregate investment, should not be denied, and will continue as long as we have those assets' income earning profile. And we intend to do just that.

Well, Mr. Chairman, it's been a long debate on the heritage fund. I have now experienced the heritage fund for some, I guess, 11 years. I have been involved in at least two if not two and half or three elections where the heritage fund debate was one of the four principles of this government. I believe that on balance -- I know it's got some warts and some problems -- it was probably one of the best things that could have happened as a government, to have taken that decision, to have made that investment, and to now be able to reap the benefits from those assets. Significant, Mr. Chairman, significant. And the continuing use of those resource dollars -- let's just think about it for a moment. That oil and gas that was in the ground is now in the heritage fund and now instead of being nonrenewable is essentially a renewable resource. Why is that? We converted it to

investment dollars, the investment dollars are earning revenue, and the revenue is being used every year to fund the General Revenue Fund.

That's how you should manage your resources, particularly if they're a nonrenewable, capital resource: make them liquid, make them perform, and make them have long-lasting benefits for Albertans. That is the simple formula that in fact has worked in this case, Mr. Chairman, and that's why many other provinces are copying it and many other provinces wish they had it when they had the chance to do it.

Mr. Chairman, in conclusion, let me ask for support for this appropriation Bill.

MR. DEPUTY CHAIRMAN: The Member for Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. I would like to say to the Treasurer thank you for a lot of the comments you made. They were helpful and to a certain extent an answer to some of my questions. However, there were a couple of problems and anomalies that I can't resist pointing out. You mentioned the Canada division of the heritage trust fund as being more liquid. Unless you have put some of those bonds literally up for sale, none of them comes due until September of this year -- first one, I believe, and the rest are scattered over a long period of time. Nor would you really want to, because they're good investments at a high price and so probably the best part of the fund. So don't talk about the Canada division as being part of your liquid money in the heritage trust fund.

The amount of liquid money in there has got to be being stretched a little bit, given the number of things I just indicated. You might find the Crown corporations fund them in a more liquid manner by cashing in some of the bonds and having them raise their money elsewhere, but that's along exactly the line of the thing that I was proposing when we were talking about Motion 13.

So it's interesting to see that just five or six months ago the minister was bragging that the heritage trust fund was bringing in 14 or 15 percent on all its investments -- all of them; even the deemed assets, I guess. Anyway, it was a heck of a pile of money, when you bragged about \$1.67 billion in the '85-'86 year or even the \$1.45 billion last year that they like to brag about. He was also bragging just as recently as March, when we first began to sit in this Assembly, that he could borrow money on the money markets at something like less than 6 percent. Now, given those kinds of differences, you would never cash in any of the fund and you would borrow all your money. Obviously, things have changed very, very quickly.

We tried to tell you last fall in the heritage trust fund hearings that you should really very seriously consider the kind of things that you were just talking about right now, about how you balance the income and the flow of the heritage trust fund. What do you think my questions have been aimed at and what do think the points I've been making have been aimed at if not exactly that? So it's interesting to see the Treasurer moving in the direction and doing things that we suggested he was going to have to consider doing as much as six or eight months ago, and now he's starting to do them and yet still arguing that somehow he's not doing it and that we've in fact missed the boat. But that's interesting.

SOME HON. MEMBERS: Question.

MR. CHUMIR: I have just a couple of questions I would like to ask of the Provincial Treasurer while he's in a waxing professorial mood. Professor? Might we get the professor's attention?

Professor, I have a couple of questions to ask you while you're in a professorial mood. One, I'm not sure I understood one aspect of your comments that I would like to inquire about. In fact I'm not sure I understood any of it. I'm not sure the minister understood any of it.

When the minister was talking about obtaining three-year money at 9.4 percent, he then referred to obtaining money through, I believe, the issue of the Alberta savings bonds at 8.5 percent, that being a good rate. And he was comparing the three-year money at 9.4 percent to the 8.5 on those Alberta savings bonds which have been just so successfully issued, implying that they were comparable. Is that accurate, Mr. Minister? Am I on track? I'm not sure whether he's not answering me. Maybe I am on track. I suspect I am. I'm wondering whether I understood your comparable correctly. You were comparing the 9.4 percent on three-year money to the 8.5 on the Alberta savings bonds, and I think the analogy, or the point that you perhaps were making, is that the Alberta savings bonds are three-year money. Now, if I'm not mistaken, those are redeemable by the holder of the bonds from the provincial government at a six-month period. And accordingly what we're dealing with is six-month money under any standard of judgment that I've ever seen in terms of investment, and I've seen quite a bit of it over the years. So I would be appreciative of the minister's advising how he manages to conjure a six-month redeemable savings bond into a three-year instrument with which he wants to compare three-year money.

The second question that I have is a more global one. It relates to policies, cash flow of the heritage savings fund. It's a matter that I raised in comments on Motion 13 that we were discussing just a while ago, and it relates to the government's policy of investing in the Alberta Mortgage and Housing Corporation, Agricultural Development Corporation, and the Alberta Opportunity Company. And the question is this. The purpose of the heritage savings fund is to provide a savings nest egg for future generations. It is a fund of trusteeship and conservatism and its investments should be of the very most conservative and safe nature. How is it then that it is such a fundamental policy of the government to be investing billions and billions of this money that is there to provide for future generations in the Alberta Mortgage and Housing Corporation, the Agricultural Development Corporation, and the Alberta Opportunity Company, all of which have social goals and are investing in the most risky form of investment? It seems to me that their fundamental policy is at odds with the savings nature of the heritage trust fund, and I would be very interested in hearing the minister explain that policy of the government.

Thank you, Mr. Chairman.

SOME HON. MEMBERS: Question.

MR. JOHNSTON: Mr. Chairman, I suppose we could spend some time on the financing of exempt bonds and world markets. We could talk about the so-called J-curve and its impact and where it's now sitting, but the point I was trying to make in talking about the very successful Alberta capital bonds in comparison to contemporary rates in the market was to simply counter the statement made by the Member for Edmonton Meadowlark that in fact the government had given away more than a percentage point, or a hundred basis points, on these bonds, because in

fact that's just not the case -- just not the case.

What I was attempting to show, first of all -- and let me be clear. I know that there are a number of rates in the marketplace, and there are a number of rates whether you're borrowing money in Zurich or in Frankfurt or in London or New York, Toronto, or Paris; the rates vary considerably. And the 6 percent -- at the time, I did talk about 6 percent -- was the short-term floating-rate note based on the London Interbank offering rate, or LIBOR, which is the fundamental rate in London, which at the time the 6 percent was thrown about was in fact the LIBOR rate. That is what Alberta was borrowing on a short-term basis, an FRN basis, in London. And if you borrow on an FRN basis, of course the rate is adjusted over the year and in fact floats with the marketplace.

Other ways to get a float on your money -- and the floating money was the best approach to financing because the float was down so significantly worldwide that it was always better to take the short-term position, wait until you saw the market starting to respond to where you thought you could afford, and then lock, lock for whatever term you wanted. And you can lock for whatever currency you want, because the mechanisms, as we've pointed out in the Financial Administration Act, for protecting investments over the past two years have been extremely sophisticated. You can do anything you want to do now with money. You can do anything you want to do with any currency you have, and you can do anything you want to do with respect to principal or interest. That is to say, I can fix, lock, and provide certainty on any one of those variables because of the very fast and comprehensive hedging and swapping arrangements which are now in place. Those cost money, mind you, but they do allow you to have the total flexibility as to managing your portfolio. And that is essentially what we're doing now.

So when the member mentions a rate, he must talk about a rate at a time and a currency, long-term or short-term, and whether or not it's off a floating rate market, commercial paper market, or a T-bill market. We're using all of those, so it's difficult at one point to pick out of the air a particular rate. But the 6 percent rate was the LIBOR rate in London, and it was one of the cheapest rates we had because the market was in our favour on short-term money.

I was trying to show recently that on June 9 Alberta treasury bills, because Alberta does run \$50 million a week in T-bill auctions -- the current T-bill rate for 91-day bills varies from 8.3 for Canada. We are paying 8.32 for ours; Quebec was paying 8.35 for theirs at the last market. The market is now up. Last week's tender on average paid 8.2, 8.25, and since April 4, when the market was at its low, the T-bills were at that point below 7 percent. So the T-bill money market is now strengthening. The trend is up in terms of rates, and therefore, Mr. Chairman, if the T-bills which we're auctioning on a short term basis, a 90-day basis, are going for 8.33 percent, it would seem to me that 8.5 for six-months must be some place on target.

Even though you want to argue, as the member from across the way does, that in fact it's six-month stuff -- well, presumably if this is 8.3 for three months, for six months the rate would even have to be higher. So it's got to be in the play somewhere, but in any event, it's three-year money. If we look at the three-year money, Mr. Chairman, the three-year money when we priced this issue on May 14 at 3 p.m. was at that point trading 9.5, 9.25 for three-year GICs, moving as high as 9.5 for some GICs, and Canada bonds were moving about 20 basis points above that on the day. So in fact on three-year money in the commercial paper market, the rate is probably about 9.5, and

Alberta would pay perhaps another 20 to 30 basis points above that because of our position.

The only thing I'm trying to show, Mr. Chairman, is that we have all the flexibility in the world at the end of this year. If interest rates trend down, then of course the money will stay in place. If interest rates trend up, we have the option of doing two things: allow the liquidation to take place of the \$900 million; reduce it to some reasonable level that we need, say \$400 million; or we can tick up the interest rate and preserve the \$900 million. We have all the flexibility in the world. The bond is priced very, very well. It's priced just above the three-month T-bill money and far below the three-year money. So there is no debate at all in my mind that in fact the Alberta capital bonds are essentially well priced.

Now, Mr. Chairman, let's remember that any advance to bonds to the various agencies are guaranteed by the province. So what does that mean? Well, it means that we can take these bonds of any one of the organizations. Let's take Alberta Government Telephones, for example. We can go to the market with Alberta Government Telephones. As I say, we can go to the market, and we can pay 9.7, 9.8 for that money right now, or we have been as low as 9.25 over the last year. We can go to the market with that, but we could also take the bonds that we now have ourselves in the heritage fund and put them in the market, because they're guaranteed by the government. They could be marketed just as quickly as anything. In fact, they would bring a very high premium because of the government guarantee.

Now, in terms of the question from the Member for Edmonton Meadowlark . . .

MR. McEACHERN: Kingsway.

MR. JOHNSTON: . . . he indicated that the bonds to other provinces are not very liquid. Well, I have to disagree with him. I could liquidate \$1.8 billion in about two and a half, three days perhaps, at best. So they're extremely liquid, Mr. Chairman, extremely liquid. He is right in one point, however, and that is that we should keep them because the interest rate is best. But remember also, if you have a high interest rate -- and some of those are trading at 13 percent when the market today is about, as we're saying, 9 percent -- what have you done? Well, obviously the value of the bond has gone up; it's gone up about 35 percent. So instead of a value of \$1.8 billion, I would suggest that the value of that bond portfolio may well be -- what, Mr. Heron? -- \$2.5 billion, someplace in there. The value has gone up; the value has gone up, Mr. Chairman.

When the interest rates were trading -- when prime rates were around 7 percent on April 4, the value of the portfolio was probably even more: \$2.7 billion, Mr. Heron suggests to me. So you see, the value of these things moves around all the time. In fact, the value of that bond portfolio is one of the more dynamic investments the government has made, provides the income stream to the General Revenue Fund. And I'm not bragging about it; I'm simply reporting what has happened. I mean, this is the decision the government has made. We're simply reporting it as fast as we can, and it is a significant contribution to the General Revenue Fund. Well, that's where it is.

The market is so full of new products, as the people in investment banking say, that we could take almost all of the heritage fund, put it into the market, and convert it to cash. We would then lose, obviously, the 13 percent we mentioned down

to some T-bill rate on the short-term money market of 8.3. We would probably lose a premium of about 4 or 5 percent on that basis.

So, Mr. Chairman. I would only conclude by saying that yes, if we had taken a different strategy in 1977-78 with respect to how to handle the fund, if we had put it all into the stock market, for example, in August of 1982, as opposed to doing the kinds of things that the opposition disagrees with -- agriculture, housing, small business -- we of course could have ridden the market as well and made it worth a dramatic amount more. But we think it has to be a balanced portfolio, balanced in the sense to provide some of the needs we talk about and also balanced in the sense that it gives us income flow at the same time.

Mr. Chairman, I don't know if there are other questions. As I say, this must be probably the 300th hour now that the heritage fund has been debated. I'd simply be glad to answer further questions, provide whatever illustrations are necessary or any explanations which may be required. But I look forward, Mr. Chairman, to moving this resolution out of Committee of the Whole.

MR. McEACHERN: To be very brief, I wanted to correct the Treasurer, since he said it three times. I am not the Member for Edmonton Meadowlark. I happen to be the Member for Edmonton Kingsway.

MR. JOHNSTON: Well, you're both at the back there.

MR. McEACHERN: Yeah, it's okay.

I would just add another point that occurs to me after a long and very good discussion. The government did say last fall, through the Treasurer and the Premier in the heritage trust fund hearings, that it had no intentions of touching the fund. In fact, the expression that came into vogue was that we must not touch the integrity of the fund somehow. I was suggesting that in fact they should remain flexible. As I said, it's interesting to see him doing some of the very kinds of things, of which is the best way to handle it between the fund money and the general revenue money. So it's very good.

MR. JOHNSTON: You didn't understand it at all.

MR. McEACHERN: Oh, yes I do.

MR. CHUMIR: I just might note that I don't recall hearing the minister answer my second question.

MR. JOHNSTON: I answered. You weren't listening, Sheldon.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question has been called on Bill 40.

[The sections of Bill 40 agreed to]

[Title and preamble agreed to]

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

[Motion carried]



**Bill 48**  
**Tobacco Tax Amendment Act, 1987**

MR. GIBEAULT: Mr. Chairman, on this particular Bill, I want the Treasurer to know that he has my full support. I'm going to vote for this Bill, Mr. Treasurer. The only thing I'd criticize you on: you didn't go far enough. You know, we like to talk about our province being number one, but Newfoundland has beat us. They charge \$1.58 on every package of 25 cigarettes. Manitoba is \$1.15. We go to Quebec, \$1.13; Nova Scotia, \$1.12; Saskatchewan, \$1.02; and Alberta -- we're in sixth spot in Canada, Mr. Treasurer. Who knows where that puts us in the universe. We're only a dollar, and obviously it's not enough to deter people, because none of the members -- the Member for Stettler and the members for many constituencies, many members of the Assembly. I don't know of any of them that have quit that despicable habit, but I am glad to see that they are still doing it because I'd rather they pay the tax than me, Mr. Treasurer. I support you on this one.

MR. FOX: Mr. Chairman, I, too would like to speak in support of this Bill. I would, however, like to encourage the hon. Treasurer to consider some amendments. I think we have to differentiate between the domestic industry and the foreign industry, and there's a particular brand of cigarettes I'd like to bring to the minister's attention.

MS BARRETT: Made in Canada; they're made in Canada.

MR. FOX: They're made from some particular type of agricultural by-product, and it's certainly not tobacco. If you could double the tax on them, I'd appreciate it.

MS BARRETT: Mr. Chairman, I too, believe it or not, would like to speak in favour of this Bill, because I'm one of the rare smokers that actually believes that we should have a whole new generation of nonsmokers from coast to coast. However, I'd like to correct the false and misleading allegations of my colleague to the left, the Member for Vegreville, who has implied that the cigarettes that I smoke, known as Gitanes, are imported. Surely the member knows they're made in Quebec.

MR. STRONG: Mr. Chairman, I thought I'd stand up on behalf of smoking Albertans just to show that there is true democracy in the New Democratic caucus. Now, a few short days ago, Mr. Chairman, the Treasurer accused me of making \$100,000 a year. Does he know what he's done to me? I've been forced, in my attempts to quit, to go and bum cigarettes from Progressive Conservative members. What an embarrassment. I will never live it down, but I thought I would stand up for smoking Albertans, one of the few pleasures they get out of life, but certainly life is shortened somewhat. But there are lots of them, Mr. Treasurer, that are not happy, and certainly some of them in your riding probably, and you will live to regret it. There's a movement going on out there; you're history.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question on Bill 48 has been called.

[The sections of Bill 48 agreed to]

[Title and preamble agreed to]

MR. JOHNSTON: I move that Bill 48, Tobacco Tax Amendment Act, 1987, be reported.

[Motion carried]

**Bill 46**  
**Hotel Room Tax Act**

MR. DEPUTY CHAIRMAN: The Member for Edmonton Belmont.

MR. SIGURDSON: Thank you, Mr. Chairman. Just a few brief comments about the hotel tax. I don't think it would be right for it to pass without a couple of comments.

May I first start by noting that a number of people that are in the hotel industry are quite concerned about the 5 percent tax that has been added to the room rate. Now, while the minister did add an amendment to the end of the Bill that allowed for those people who had booked a room prior to March 21 and the room would be occupied by November 1, there are a number of people who had indeed booked rooms prior to March 21 who are not going to occupy that room before November 1 of this year. In fact, if you look in Calgary at the moment, in the city of Calgary and the surrounding area the hotels are fully booked right through the Winter Olympics, Mr. Chairman. Many people in the hotel industry are somewhat concerned that they're going to have to absorb that 5 percent tax because their clientele will not fall into that amendment that the Treasurer added to the Bill.

One might ask, and I would direct the question to the Treasurer: who is going to be forced to cover that tax? Is it going to be the consumer? Is it going to be the hotelier? Obviously, that choice is going to have to be made: whether we're going to have goodwill in the tourism industry and the hotelier is going to cover the cost of the bill, or whether we're going to have tourists that are a little bit miffed when they find that their booking package has indeed increased by an additional 5 percent because of a hotel tax.

Mr. Chairman, there were a couple of other items that I wanted to address on this matter. One is in the area of entertainers who happen to travel around our province, entertainers who are in a band and offer some form of entertainment to the clientele in a lounge or in a pub.

MR. R. MOORE: I thought you were referring to MLAs.

MR. SIGURDSON: Well, you know, hon. Member for Lacombe, sometimes I'm sure that when you travel around, some people would feel that they're being duly entertained. I know that at times when you're in this Assembly, I certainly feel entertained when you get up and speak. However, there are those that would term their profession as an entertainer as opposed to being a politician, and the two aren't quite synonymous.

MR. DEPUTY CHAIRMAN: Would the hon. member please address the Chair.

MR. SIGURDSON: Yes. Sorry, Mr. Chairman. I will come back to you and back to the Treasurer.

There are those who do travel around our province playing in bands and offering various forms of entertainment, and they find that their income has been reduced somewhat because of this tax. [interjection] Their expenses have indeed increased, hon. member, but when their expenses increase, their income happens to go down a proportionate amount, because they can't pass it on. You see, bands that travel around have written into their contracts that they'll be provided with a room. Bands that travel around often need anywhere from two to four rooms, and the room rates vary, I'm told, anywhere from \$60 to \$150 for band accommodation per night. Now the tax on that . . .

MR. WEISS: They don't pay. It's usually part of their contract.

MR. SIGURDSON: Oh, absolutely; it is part of the contract. The Minister of Recreation and Parks is quite correct; the room is included as part of the contract. However, they have to pay tax on the room because the room has a certain value. So over the course of a week, out of their pocket, out of the contract that was signed, they pay an additional anywhere from \$30 dollars to \$47 dollars; \$47 was the amount that a band member told me he was paying for all of his band to stay in a hotel. Now, \$47 dollars a week may not sound like an awful lot of money, but when you're a struggling person in a band, \$47 dollars can amount to guitar strings, drumsticks, lights . . .

ANHON. MEMBER: Beer.

MR. SIGURDSON: . . . and perhaps cigarettes -- all of which, I would suggest, a band cannot afford to do without. Otherwise, they're going to be out of business.

MR. STEVENS: Nine hundred dollars a week? That's what they pay for accommodation, \$900?

MR. SIGURDSON: Nine hundred dollars a week. Yes, that's right. Just to make a point of clarification for your benefit, hon. member, if you look at a band that has five or six members plus a light man plus a sound man, they require three rooms. In some hotels rooms run at \$50 a night. Now, you multiply that by three, that's \$150 a night. Multiply that by six; you get \$900 a week. I don't think that's uncommon. I hope that clarifies it for you.

I've been contacted also by a hotel in my constituency. They happen to give away promotional rooms, and the promotional rooms that they give away happen to amount to \$100 a night. They're at the moment absorbing the cost of the room, and they feel that that's somewhat unfair, in that they have no form of recovery.

So perhaps the Treasurer would just like to, if he can, address those three concerns. One is the cost of taxes on promotional rooms. Secondly is the cost of taxes to people that probably stay in a hotel, band members, entertainers that may stay in a hotel for the 28 days per month which would be exempt under section 1(a)(i), but because they're staying in different hotels for 28 days a month, they're not covered. Finally are those folk that have booked their rooms prior to March 21 but, unfortunately, won't be occupying those rooms prior to November 1, 1987.

MR. DEPUTY CHAIRMAN: The Member for Edmonton Highlands.

MS BARRETT: Thank you, Mr. Chairman. I guess I'd like to

add my voice of concern over the arrangements that were finally made on the prebookings with respect to not being subjected to the new hotel tax. In my riding of Edmonton Highlands there are several large hotels, including the Chateau Lacombe, the Westin, and the Four Seasons Hotel, all of whom expect to be affected by the date, the November cutoff for the exemption of this new tax.

It occurs to me that we might wonder if there are other provisions by which -- if they could demonstrate that they themselves, as a hotel, would have to absorb the tax; in other words, not be able to charge that extra tax to the clients who had prebooked prior to the announcement of the budget -- they could be exempt on another basis. I'm not sure I'm going to hold my breath and hope that I win, but I do think that in the depressed economy, which really has affected the hotel business, fair is fair. I know the Treasurer went out of his way to make sure that fair was fair when it came to taking stock of existing stocks of cigarettes and tobacco products within the wholesalers throughout Alberta, and for that I recognize that his department did a good job. It looked like there was a glitch at one point, but sure enough, the job was done, and nobody got away with anything.

I'd hoped that by some means or another we could find a way to make sure that we don't do the opposite in this instance, and that is, unfairly charge hotel operators, most of whom are not doing a great, booming business at this point in the recession, when we could otherwise avoid it.

MR. DEPUTY CHAIRMAN: Member for Edmonton Centre.

REV. ROBERTS: Thank you, Mr. Chairman. As the Member for Edmonton Centre, of course there are a number of hotels that are in my riding as well, and having been in discussion with a number of the managers of the hotels, they were firstly, as the minister well knows, quite taken aback by the way in which this tax was imposed, without any consultation and so immediately. The amendments to it in terms of the timing have given them some pause and some small victory. But as two of the managers have mentioned to me, they would just wonder -- and I would pass on the question to the minister -- how much of the new tax, when the dollars start rolling in, is going to then be earmarked to go back into the tourism industry in the province then anyway.

They feel they don't mind supporting the fiscal regime of the Treasurer, but they like to do so with some assurance that in fact some of the revenue that would accrue would be earmarked then and funneled back into the third largest industry, I think, in the province, as the rhetoric is touted, and the whole expansion of the tourism industry, when in fact, Mr. Chairman, if you remember, the budget estimates for the Department of Tourism went down 10.5 percent. So in fact it's a bit of a double whammy when they're getting a 10.5 percent decrease overall in Tourism and Travel Alberta in the number of maps and so on that they're able to provide for visitors to the province. Now the visitors are being assessed this extra room tax, so the managers are feeling that they're getting hit from both sides, when in fact some more responsible way of governing and some way that would be more supportive of the hotel industry and the tourism industry generally would be to perhaps raise the tax in this way but then ensure that the budget for the overall tourism department, the hotels generally, receive some of the benefit from that in the future spending by the department.

MR. DEPUTY CHAIRMAN: Member for Calgary Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Just to add a few brief comments to those of my colleagues, first of all, I think what surprised us, as well as many people in the industry, as has already been mentioned, was the lack of consultation leading up to the imposition and the announcement of this tax. It couldn't have come at a worse possible time in the yearly business cycle of the hotel industry, after all the brochures and so on had been published and rates had been set and tours and rooms booked for the height of the summer tourism season. None of these quotes ever incorporated the hotel tax, so people were put in a position of having to absorb that tax because they couldn't really, in all fairness, after contracts had been signed or deals been made, turn around and add this rate increase to the prices quoted.

So it was rather surprising, first of all, that it would have been imposed the way it was, and I think that was acknowledged eventually by the minister by changing the rules prior to the introduction of this legislation. But rather than responding quickly when it became obvious what an impact it was having, the delay carried on for many weeks. And I'm still not sure to what extent that may be impacting tourism in our province this coming summer, when you know, really, we're looking to tourism as another means of strengthening and diversifying the economic activity in our province. So I guess all the way around, not very high marks for the way that this whole process was pursued; in fact, very poor marks in terms of the lack of sensitivity to the industry.

I guess outside of the Calgary-Edmonton corridor in particular, this tax has been particularly hard felt. These are not the areas that have high occupancy rates. In hotels at the present time, whether you want to go wherever in eastern and central Alberta, the hotel industry is not in great shape, because so many of them were depending on their income not from tourism but from other rentals, people who on business required hotels and booked rooms for crews and that kind of time. That is down, so they have high vacancy rates. They're seeing this tax as simply a money grab. Also, in view of the increases in some alcohol prices and so on in recent weeks and months, they're really seeing it as a major impact on their businesses. They're hurting, and they don't like it. I really think those concerns have to be placed on the public record.

Thank you, Mr. Chairman.

MR. CHUMIR: I, too, have some brief comments that I would like to express by way of concern about the legislation. We've heard the government speaking about tourism as one of the great pillars that it relies upon for diversification. I in fact share that sentiment. I think there is a great future in this province for the tourist industry and for the hotel industry. Unfortunately, we have in this legislation a very counterproductive initiative insofar as encouraging tourism is concerned. In particular, what we see is the removal of a natural advantage that the tourist and the accommodation industry in this area has in relation to other provinces. On top of that, we're all aware of the difficulties the hotel industry is having during these difficult economic times in this province. Business travel is down very significantly from the halcyon days, and it's a very tough time to absorb a further hit.

The government deserves some belated marks for backing off their ill-advised tax on rooms which had already been booked. However, on an overall basis the tax initiatives reflect a lack of incisive assessment of the impact on the hotel industry.

Thank you, Mr. Chairman.

MR. STEVENS: Mr. Chairman, I wish to be brief, but I do want to mention a few things, perhaps, as the member who has the privilege of likely having the most hotel rooms and motel rooms in any one constituency and the privilege of representing those hoteliers and motel operators.

The Member for Edmonton Centre discussed the reduction in the tourism budget this year but neatly avoided mentioning the fact that the government of Alberta increased the tourism budget substantially the year before. Not only that, at a time when the economy and our government revenues were under some stress, not as significantly in that year as they are now but still having about a 30 percent increase in that department's budget and now a 10 percent reduction from that large increase, Alberta's commitment to tourism is very high.

Secondly, I mentioned the Canada/Alberta tourism agreement, the expenditures of dollars both by the federal government and by the Alberta government directed to the industry of tourism, including the rehabilitation and expansion of hotels and motels. There hasn't been a shortage at all of any applications. In fact, the department is experiencing some 90-day turnover in handling the applications that are coming in from this industry that members in the New Democratic Party and the Liberal Party, with their usual doom and gloom, say are in trouble.

Secondly, the government of Alberta has increased its promotional efforts -- I won't go through all of those; we're not debating those -- but its promotional efforts for tourism, including the Banff Television Festival and all of the tourism council efforts.

MR. SIGURDSON: Point of order. With all due respect to the Member for Banff-Cochrane, I rise under section 299 of *Beauchesne*, which talks about relevancies. So far he has talked about three different items, the Canadian tourism agreement, the budget of the Department of Tourism, and yet nothing about the hotel tax. I hope at some point he can get close, or at least 5 percent closer, to the hotel tax.

MR. STEVENS: Mr. Chairman, the member needs just a little bit more patience. It is his party's representatives tonight who criticized in this debate the tourism support of this government, and I'm mentioning the TIAALTA relations and all of the efforts of this government.

Now, other comments were made by the Member for Calgary Mountain View that there is a great and terrible impact on this industry. Well, Mr. Chairman, I'm pleased to report on behalf of the people that I represent that there is not only no impact at all as a result of this announcement, with the exception of the prebooking arrangements -- and we've already discussed that -- there is in fact a shortage of rooms, not only at this current time but all through until the summer of 1988. There is a shortage of rooms. And for the Olympics OCO is now on a very desperate search to find additional accommodation in the private sector. Inquiries are up across this province for accommodation to the summer of 1988. The hotel room tax announcement was made on March 20, when the budget was tabled. There has been no slackening off; in fact, there has been an increase in demand.

Mr. Chairman, my constituents were stunned, and I made those comments in the Assembly when the Treasurer's estimates were under debate. But I compliment him and his officials for responding. Now, the response wasn't as I would have preferred it; I would like to have seen the tax totally gone. But it's \$9 million this year in a partial year, and a larger sum in the fol-

lowing year. Amendments have been developed to provide for those prebooking arrangements. Anyone booking now or before and staying after November 1 will have no trouble finding the 5 percent.

There are now nine provinces in Canada that have a hotel room tax. Quebec does not, but it has a 9 -- or is it 10 percent? -- sales tax. Most United States have a hotel room tax. Most countries in the free world have a hotel room tax. There will be no diminishing of our tourism industry as a result of this tax. The system that the Treasurer has established is a very simple system, it is not a bureaucratic system, and it is there to provide the revenue to assist us through this time. I know the exemptions are very few; that is, for hotels with four or less rooms and for persons staying 30 days or longer. There are probably some other exceptions the Treasurer mentioned in the earlier reading of the Bill, but certainly from a tourism point of view, this tax is not going to diminish the value of our industry one iota.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question has been called.

[The sections of Bill 46 agreed to]

[Tide and preamble agreed to]

MR. JOHNSTON: Mr. Chairman, I move that Bill 46, Hotel Room Tax Act, be reported.

[Motion carried]

#### **Bill 47 Fuel Tax Act**

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question has been called on Bill 47, the Fuel Tax Act. All those in favour, please say aye.

SOME HON. MEMBERS: Aye.

MR. DEPUTY CHAIRMAN: Opposed? Hon. Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yes. I'd like to voice my concern relating to the Fuel Tax Act, Bill 47, especially the fact that even though it indicates that we're not upping the tax on the farm fuel, really in effect, by less sheltering of the farm fuel distribution allowance, there is in fact a 5 cents a litre increase in what farmers are paying for their product as of June 1.

I think the government should be condemned for allowing this increase to be taking place at a time when the grain prices are predicted to be falling in the 1987 crop year by 18 to 25 percent, some estimate as high as 30 percent this year. Farmers are in no position to be paying for this dramatic increase in farm fuel prices, mainly because the revenues that farmers are going to be receiving, especially for the late fall harvest, when they really have to buy again, refuel and refill their tanks -- they are going to be in tremendous difficulty here in terms of being able to try and subsidize the government when they are having to go out and borrow the money from banks or lending institutions in order to even be able to keep their farms in operation.

The government in fact should even be actually removing

any type of farm fuel taxes that are left at the present time and working very hard with the refineries to make sure that savings that should be going out to the farm communities go there. When we start looking at that, even Ontario right now, at least in the retail sector or retail market, is paying less for fuel than Alberta consumers. There's really something wrong in the way that the refineries are being allowed to dictate to the consumers in Alberta, both farmers and rural, in terms of how that tax is passed on. Even the Ontario fuel tax is higher than the Alberta one, and including the higher transportation costs of bringing that fuel from Alberta to Ontario, they're still paying less for that fuel than Albertans are. So there's a real distortion in the marketplace that I think the minister should be addressing. To be lowering the farm fuel distribution allowance by an equivalent amount -- they're really increasing the farm fuel tax by 5 cents a litre -- is very, very unfair.

The farming community is very upset that this is being allowed to happen by this government, especially when they have been talking about that really the only significant factor this government had been doing in the last few years is to try and reduce the input costs. Well, here, after making that promise to the farmers to reduce their input costs, we have their input costs going up by over 25 percent.

MR. HERON: Point of order. Mr. Chairman, making reference to Standing Order 62(2). I'd like the hon. Member for Athabasca-Lac La Biche to come back to the Bill. Clearly, the Bill does not deal with a farm fuel tax for farmers; farmers are exempt. I wish he would come back and not build the record with inappropriate and misleading comments.

MR. PIQUETTE: That's not correct. The farm fuel distribution allowance is in this Bill 47, on page 9, so just take a look at your Bill. That has been reduced, so it's entirely appropriate for us to be addressing that issue this evening.

Another thing we have to also understand with the farming economy: it's not just simply the cost of actually putting in the crop and harvesting it, it is also the very high costs that farmers incur in transporting that grain to market. With tomorrow the rationalization of elevators and the increased distances that farmers have to bring their crops in to market, any increase in the farm fuel price is really tagging on a lot of extra costs for the farmer. For example, listening to a local district agriculturalist a few weeks ago indicates that in order to even break even on his barley, a farmer in Alberta this year will have to average approximately 110 bushels per acre before he even starts looking at making a profit in his operation. That's including the increase in terms of our fuel tax that has occurred -- or at least, again, the dropping of the farm fuel allowance.

So, on behalf of the Official Opposition, I call upon the minister to shelter the farmer; to the same level that they were enjoying prior to this budget, so that at least the farmers have an idea that this government is actually putting some priority in terms of agriculture in Alberta. Because it's all very fine to be addressing the international issues that farmers are facing, but we have to address the issues here in this province. And what we've all just heard from this government in the last few months is, "Well, we can't do anything about the international price for farm products."

DR. WEST: Point of order.

MR. PIQUETTE: So again I call . . .

MR. DEPUTY CHAIRMAN: A point of order has been called by the Member for Vermilion-Viking.

DR. WEST: Yes, on a clarification. If the hon. Member for Athabasca-Lac La Biche could verify the facts and figures behind the 110 bushel break-even point, I would like to see them, because the variables all . . . [interjections]

MR. DEPUTY CHAIRMAN: Order please. Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Yeah, I just want to inform the Member for Vermilion-Viking that I'll give him the telephone number of the DA in Westlock and he can verify himself.

Going back to the whole aspect of the farmer's input cost, what the government has to be addressing here is looking at the farm fuel distribution allowance and putting back into justice, making sure that the farmers are not facing any increase whatsoever in input cost this year, and implementing some type of program. If they're going to be increasing their farm fuel price, they should be looking at ensuring that the prices that farmers get when they deliver the grain to the elevators reflect what the government has indicated is an increased input cost that they're putting on. If we had the same system, for example, as British Columbia, where some of their products are adjusted according to the total cost of producing that product, then I would say: fine, we're going to be making sure that farmers, in terms of their prices for grain this year, don't suffer a net loss of 18 to 25 percent but in fact will be receiving an additional 25 percent more in terms of return for their product than the previous year, if that's how we're going to make our agricultural policies meaningful here in Alberta.

In conclusion, I call on the minister to review that. I know the farming community is looking for his leadership. It's been a very inappropriate action by this government. They even attempted to hide this in their budget, and it was only found by research after looking at the budget, because we were promised by the Minister of Agriculture there would be no increase in fuel tax, but in effect there was because of the fact that the farm fuel distribution allowance was reduced.

MR. DEPUTY CHAIRMAN: Member for Edmonton Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. Just a couple of points. The basic idea of a 5-cent tax is one that our party had accepted some time ago, and so in that sense we can support this Bill. However, my colleague from Athabasca-Lac La Biche raises a very good point, and I want to add a few comments along that line and ask a question or two.

I wonder why on page 9, where the Treasurer deals with this problem of the farm fuel rebate, he does not specify the size of the rebate. For instance, if you look at part 2, section 8(3), it says, "The allowances under subsections (1) and (2) shall be in the amount per litre prescribed in the regulations." Now, we don't see any sign of any regulations along with this Bill to tell us what they will be, and in order to figure it out -- and again my colleague from Athabasca-Lac La Biche was right; you had to go through this document. They mentioned the tax in a number of places. They mentioned the farm fuel rebate system in a number of places without explaining it. And finally when you get to page 85, almost the last page of the booklet, they come clean and say what's really happening.

I guess my question in a way is: is what you state on page 85 of the budget speech the definitive word on what the regulations will be? I mean, I think that this Bill would be greatly improved if the Treasurer would tell us that in fact the rebate for farmers is going to continue to be 14 cents, and not after the new price but after being exempted from the tax increase. This program would not cost any more money for the coming year than it did for the previous year. I know the government needs more money, and we accept the 5-cent increase on gasoline for general gasoline use. But for farmers who are going to see their rebate cut to 9 cents from 14 cents, it will in fact cost them 5 cents more. Now, since this Bill does just say it will come up in regulations, the minister can go ahead and pass this Bill as it is and change those regulations to being a 14-cent rebate, because there is nothing in here that specifies the amount.

Now, really I should expect that the Treasurer would put in the Bill the specific amount. I find that it's totally unnecessary not to. If the 5-cent fuel tax is put into the other section, why shouldn't the rebate be specified in this section? It does seem to me a little odd that it isn't. If you look at section 8(6), just the latter part of it, it says:

... provide to the consumer a grant in the amount per litre prescribed in the regulations as the farm fuel distribution allowance or the domestic heating oil allowance, as the case may be.

In looking through the fuel tax description of what I assume will be the basis for the regulations on page 85 of your budget speech, I didn't find that domestic heating oil was mentioned there. Is that rebate also going to be 9 cents? Was it 14 cents before? This area is not particularly one that I'd looked into before, so I would appreciate an answer on that from the Treasurer, and I guess ask him to seriously consider, in view of some of the comments of our two agricultural critics in this caucus, leaving the farm fuel rebate at least at the 14 cents instead of the 9 cents, as it's obvious from the power this Bill gives him that he could do that by regulation.

MR. DEPUTY CHAIRMAN: Mr. Minister, would you like to respond? The Member for Calgary Buffalo.

MR. CHUMIR: Yes, I have a few comments to make with respect to this legislation. My primary concern is the fact that the fuel tax is levied on municipalities and school boards, the net effect of which has been to pass on a very heavy burden to these institutions which are suffering from cuts in grants and other programs. For example, the impact on the city of Calgary transportation system is, I understand, approximately \$800,000 per year. This, of course, has an impact on low-income earners who are forced to bear the burden of increased fees for using the transit system. The Calgary school board is going to be incurring higher expenses for running its school bus system, in the amount of \$400,000 at a time of great difficulty and cuts in programs in the system. I find it very difficult to understand why such institutions should not be exempt from the tax. I further understand that at one point of time this province previously levied a fuel tax and did exempt municipalities and other institutions. I would be appreciative of hearing from the Provincial Treasurer why it is that that previous exemption, which seems to be such a sensible one as a matter of principle, should not be emulated and why we should be passing on the burden from one level of government to another.

I, too, share the concerns expressed by the previous speakers with respect to the impact of this legislation on farmers. Call it

whatever you will, there's a lot of stickhandling going on in terms of the differing pieces of legislation and the programs, but the bottom line is that farmers are going to be paying five cents a litre, over 20 cents a gallon, more for tax after this legislation comes into effect than they did before. What I see this government doing is giving with one hand and taking with another. They tell us that they're working to reduce input costs on farms, and they proceed immediately to place a very, very heavy burden on the cost of operating farm equipment through this fuel tax. It just makes no sense, Mr. Chairman, whatsoever.

Thank you.

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question has been called on Bill 47, Fuel Tax Act.

[The sections of Bill 47 agreed to]

[Title and preamble agreed to]

MR. DEPUTY CHAIRMAN: Mr. Minister, do you want to move the Bill?

MR. JOHNSTON: Mr. Chairman, I move that Bill 47, Fuel Tax Act, be reported.

[Motion carried]

**Bill 49**  
**Tax Statutes Amendment Act, 1987**

[Two members rose]

MR. DEPUTY CHAIRMAN: We'll flip a coin. Member for Edmonton Highlands.

MS BARRETT: All I'd like to do. Mr. Chairman, is say "I've got the things here."

AN HON. MEMBER: He didn't know you were standing, Pam.

MS BARRETT: No, I think the Chair knew this time. If you think you're going to make a Mutt and Jeff joke, forget it.

Mr. Chairman, I regret I didn't know if this Bill was going to come up tonight, so I didn't circulate in advance copies of an amendment that I would like to make. Oh, my colleagues are here to help me. It's been pre-initialed by the Parliamentary Counsel. In any event, I'll just talk about the Bill for a moment. [interjection] No. Can I just talk to the Bill itself for a moment while the amendment is being distributed, Mr. Chairman?

It's true that I made most of the comments that I wanted to make on this Bill in second reading. But it occurred to me that I would do a little comparison of what this Bill is going to mean in terms of effective tax rates.

MR. DEPUTY CHAIRMAN: Can we have order in the committee. Hon. member.

MS BARRETT: Thank you, Mr. Chairman. A little comparison on what's going to happen with the taxation in this province under the provisions of Bill 49. Now, what will happen is, for example, with this 1 percent flat tax on income tax payable is

that you'll find that after the selective reduction tax, which comes into effect for the really severely low-income people, is that it's going to start to have its effect in the income category of taxable income ranging from \$5,280 upwards. The overall effect of the tax increases, even at this very low level of income where the 8 percent so-called rich person's surtax wouldn't apply but where the new flat tax does apply, and where we add the new tax rate -- that is, the portion of provincial tax on the federal tax scale -- is that we find that a person whose taxable income is between \$5,280 a year and \$7,918 a year will incur an increase of about 11.1 percent. The provincial tax will be, on average, \$330.17 more than it was last year.

If your taxable income is, let's say, between \$5,500 and \$7,500 a year -- let's say you're a single person -- you're really earning very little money; you're earning perhaps between \$9,000 and \$11,000 a year. You can take off all deductions, and this is what you're coming up with. That's not a whole heck of a lot of money, Mr. Chairman.

What happens is that this tax, the flat tax in particular, I think, hits unfairly the middle-income earners and the low-income earners; not the desperately low, not the so severely impoverished that they needn't bother filling out a tax return, but those people in the income categories of taxable income between \$5,000 a year and \$23,000 a year.

I note that the second greatest tax bite occurs on those incomes which are between \$13,198 and \$18,476 at a rate of 20.2 percent. Now, you go to the really high income scale of \$75,000 a year and over in taxable income and the effect of these tax increases is a 20.9 percent increase. So you see, Mr. Chairman, what's going on is that the very wealthy people really aren't going to be paying a much higher percentage in income tax. In fact it comes to .7 points higher for those very wealthy people compared to people who are really in a very modest income -- and I do mean modest income -- category. Because even if you were a single person whose taxable income was \$13,197, you're not very well off, I can guarantee you. My taxable income rate is in the category of \$18,477 to \$23,755 per annum, and the rate of increase that I will experience -- and I'm not exactly rich -- is 19.4 percent. I wonder about the merits of a program like this when someone in this tax category is going to be paying almost as much in income tax increase as the person earning \$75,000 or more.

The other thing I'd like to point out is this. If you're earning \$75,000 taxable income, the effect of the 1 percent flat tax increase will cost you \$750 more, and the so-called rich person tax -- that is, that 8 percent surtax -- will cost you \$451 more. Now, that's out of a total tax bite of some \$10,346. I don't think that is really in balance when you consider, for example, that in the income category to which I referred earlier -- that is, \$13,000 to \$18,500 a year. There they have no selective tax reduction. Their 1 percent flat tax comes to \$158, which is a much larger portion of their total tax bill, which will now be \$1,434. It's a very complicated notion that I'm trying to convey here. Let me try to simplify it by saying that if you're a modest-income earner, the increase on your tax bite is relatively larger compared to if you're a very high income earner, Mr. Chairman. I think it's that to which I most profoundly object.

Now, I looked at information that I got from Manitoba and did a little comparison on how they're handling their tax changes. I note, first of all, that they also have introduced what's called the Manitoba tax reduction program, and they estimate that a fresh 100,000 lower income Manitobans will have their income taxes reduced as a result of just this program, in-

cluding some 15,000 more who will be entirely removed from the tax rolls. Now, I know the Treasurer gets up and talks about how many more people are going to be exempted from taxes here. He forgets we've got a much higher rate of unemployment, many more people, bodies, living souls unemployed here, and obviously they're not going to have to pay tax; they don't have two nickels to rub together most of the time.

Then I had a look at the effect of this on certain income categories. Now, for single people on incomes up to \$11,480, they're going to benefit. Their taxable income would be in the range of \$7,500. A similar taxable income in Alberta is going to see a tax increase of 11.1 percent, while the same income earner in Manitoba is actually going to have a tax decrease this year. You see, the reason I'm going into this, Mr. Chairman, is because what they decided to do in Manitoba was introduce a program that they call net income tax surtax. It's based on the ability to pay, but it is not calculated on the basis of your tax payable because doing that means you will have already enjoyed certain tax loopholes if you're at the higher income end and can afford to exercise those loopholes. So what they did ... [interjection] I do know what I'm talking about, Dick. You know, I've studied taxation; I know this issue. What they're going to do is decrease the taxes in the same range of income where we're actually increasing taxes. Senior citizens, single parents, one-earner married couples with children are all going to benefit from these tax breaks, provided that their incomes are less than \$23,270 a year.

Now, what's interesting is the way that they've decided to go on the net income tax. What will happen is a range of a flat tax will occur, such that as incomes increase above the following levels, taxpayers will pay a net income tax at less than the 1 percent rate in 1987 on incomes between \$11,480 and \$22,460 for single people; \$17,140 to \$34,250 for senior citizens; \$23,270 to \$46,000 for a single parent with three children; and \$23,270 to \$46,000 for a one-earner couple with two children. Now, I think that that's a much fairer way; if you're going to approach a flat tax system at all, that this is the why you do it.

I don't like flat taxes because I think that they tax people unfairly, unless they are done in such a way that they apply to actual income accrued, but we know that we have a federal government in Ottawa that doesn't believe in doing that. They simply refuse. They talk a big line, but they simply refuse to change the tax structure to allow the provinces to adjust the progressive scale upon which they tax or even to tax the actual income itself prior to the loopholes having been exercised.

On top of this, Manitoba has a cost-of-living tax credit that is now 4 percent of personal tax exemptions for all of 1987. Now, I think that's a very important concept to embrace, and it's a pity that it's not embraced by Bill 49, because the fact of the matter is, if you are living with inflation, your wages, your income is effectively eroded in terms of purchasing power. If that's the case, then why should you continue to pay on the assumption that you have not had an erosion of purchasing power or living standard?

Mr. Chairman, I think that the comparisons I've made here are germane to the arguments that I made about the concept of the flat tax, and for that reason I wish to sponsor the amendment that has been now distributed to all members. The amendment would, in section 31(1), propose new section 3.04 be struck out. That would strike out, Mr. Chairman, the introduction of the flat tax. I am principally opposed to this tax. I think it's unfair, and I think that I have proved and can continue to prove under anybody's questioning that this is going to hurt the low- and

modest-income earners and barely affect the high-income earners because of the nature of the tax. It is a new tax, a flat tax, applied to everybody paying tax on the basis of their taxable income. If your taxable income and tax payable is almost negligible, if you are next to living in dire poverty but you're still going to pay a nickel in tax, you know what? You still have to pay this additional 1 percent, and I say that is fundamentally wrong.

No care was given to make sure that the low- and modest-income earners would not be unfairly segregated for what I consider to be undue tax punishment. You want to change taxes. You want to make them more progressive and more fair; you want to get the corporate sector to do its part. That's fine with me. But when you tell me that 93 percent of all the taxation in Alberta is now going to come from individuals and then on top of that you're going to introduce this flat tax, which will hurt, as I said, the modest-income earners, I say put the boots to the Bill. Let's make a stand on this issue. Let's support this amendment.

MR. DEPUTY CHAIRMAN: The Member for Edmonton Belmont.

MR. SIGURDSON: Thank you, Mr. Chairman. I just want to briefly speak to this amendment. I support the amendment. I think the section that the amendment would delete is a very dangerous precedent that is being set. So what we're looking at for the first time is a flat tax that applies to every person in Alberta that has earned income in our province and is resident in our province at the end of this year.

Now, Mr. Chairman, some would argue that a flat tax is a fair tax, it affects each and every individual equally, one percent right across the board. But the problem is that it's not fair, it's not equal, and it certainly doesn't affect everybody in the same way. My colleague from Edmonton Highlands pointed out that if you're at the low end of the income scale, 1 percent means a whole lot more than if you're at the upper end of the income scale and your taxable income has probably been greatly reduced anyway because of all of the loopholes that one might find.

Mr. Chairman, when I spoke at the second stage, I made a number of comments about constituents of mine who are just ordinary folk, average Albertans, trying to make a living, raise their family, put a roof over their head, a floor under their feet, just trying to be positive. They're finding it somewhat difficult, and this is another step in the wrong direction. Just as we thought they would have an opportunity to maybe get back into the swing of things, to maybe get back into becoming productive members again, they're finding that now, once more, this government has decided to raise the taxes.

Many of my constituents, Mr. Chairman, have been unemployed for an extended period of time. They happen to be involved in that construction industry, and the construction industry has just been devastated in the last three years, again I would suggest -- although we're not on Bill 53 -- due to government inaction. We've had 25-hour lockouts, we've had spin-off companies, and we've seen the reduction in wages. Now, with the introduction of Bill 53 perhaps we're seeing a level playing field. I doubt it very much, but perhaps we are.

So the industry may turn around. We may find people going back to work, earning income at a rate that they haven't seen in a number of years. They're probably not going to see their rate of income as high as it was four years ago, but in fact they will at least, perhaps some of them, be back at their trade earning an

income that they've not seen for quite some time. Industry is picking up. Finally, people are back at work -- some of them. They're going to be back in the stores purchasing some of the consumer goods that they've not purchased for an extended period of time, Mr. Chairman. They're going to be buying the refrigerator, the stove, and the microwave. Maybe. They're going to be buying work clothes and work tools. They're going to be buying consumer items that have been left on the shelves collecting dust over the last number of years. Maybe.

I keep on saying "maybe" only because I think that when they realize that they're going to pay an additional 1 percent, maybe they'll have a second thought about buying that item that costs \$200 or \$300. Maybe they won't buy the microwave or the VCR. Maybe they won't buy the new washer or the new dryer that's been needed, because when they realize that an additional 1 percent is going to come out of their pockets, they're not going to be able to afford the two- or three-month payments that the taxes have cruelly taken.

Mr. Chairman, this particular section of the Bill -- the Bill in fact is bad, but this particular section of the Bill is going to take money away from people not on an equitable basis. One percent of \$100 is but \$1. We don't even refund that amount and the government doesn't even cause that amount to be paid. Clearly, our income tax forms say that an amount that is either owed or paid in the amount of a dollar or less is ignored. Yet here, if you have a taxable income of \$100, then you're going to be taxed at a surtax rate of an additional dollar. At the lower end that may be very well a painful amount. At the other end, if your taxable income happens to be \$100,000, a \$1,000 penalty or surtax is a thousand times more, but the pain probably isn't a thousand times greater.

And that's the problem. If your taxable income is at \$100,000 and you have a surtax of \$1,000, you can probably well afford to pay that grand. You can probably well afford to do that. But at the lower end, when every dollar counts, a simple dollar happens to be a half pound of burger, and maybe that half pound of burger is going to put food in the belly.

Mr. Chairman, this amendment would end that. I think that if we want to look at taxation, as my colleague from Edmonton Highlands said, the time has come to look at getting back some of the taxes that have been deferred for an extended period of time. It's about time that we started looking at corporations who have deferred taxes for a number of years. Instead of putting a flat tax onto every Albertan, whether or not they can afford it, perhaps what we ought to be looking at is just charging a simple interest rate on deferred taxation. Let's not force those corporations that the Conservatives like to say are providing so much for all of us . . . Perhaps we shouldn't call in all of their taxes all at once, all of that deferred taxation that has gone on over so many years, but I would suggest that if all we did was put down a very minimal interest rate on the taxes that were owed, we would find the corporate executives lined up at the doors of Treasury saying, "Here's a cheque for what we owe."

But that's not what we're doing. We're not at all looking at progressive measures. We're not at all looking at that which is already owed to us and trying to bring some of that into our Treasury. What we're doing is looking at a regressive way, at a regressive measure, at an unfair tax. That's what we hope to implement, because perhaps we feel that the unorganized poor, the unorganized worker, those who are struggling to get back onto their feet now that they have an opportunity to get back to work perhaps are going to be too busy worrying about paying off some of their debt instead of being opposed to this particular

section.

So, Mr. Chairman, that is why I stand to speak in favour of the amendment. This is not at all a fair tax. It's regressive, and it really ought to be struck out of this Act.

Thank you.

MR. DEPUTY CHAIRMAN: Member for Calgary Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. You can see that we're all anxious to add our voices of support to the amendment here, vying with each other to see who'll be the first to leap to our feet.

Mr. Chairman, I thought I would refresh myself as to what was the reason given for this particular tax when the Provincial Treasurer introduced his budget earlier in this session. So I went back to the budget speech which he gave in this Legislature not too long ago. And he referred to . . . Oh, let me see, page 21. He talked about:

introducing a temporary high income surtax of 8% to ensure that Albertans with the ability to pay will make a relatively greater contribution.

Then it goes on to state:

A temporary flat rate tax of one percent of taxable income will also be introduced.

So I looked at that and I thought: Oh, I see; the Provincial Treasurer is going to bring in some short-term measure to raise revenue in this particular fiscal year. So I looked at the Bill when it arrived, and I've been studying it and trying to find out, where is this temporary business? Where could I find that this section has a sunset clause, some reference in it that at some future time in the near future it's going to be stricken from the books simply because it's temporary and its time would have elapsed? Because, Mr. Chairman, you remember -- not that you would remember. But income tax was originally introduced as a temporary measure back in the early years of this century, and now it's become a basic component of our taxation system. Once upon a time it was temporary, and no sooner was it implemented than it became permanent.

So when I look in the budget speech and it refers to these taxes as being temporary, I just look and try and find it somewhere in this section and realize, at least as far as I'm concerned -- I'm not a lawyer, as I've often stated in this Legislature, to determine where all the various clauses can be found relating to each other. But to my way of looking at this Bill, I can't see anything in this Bill that would require this tax to become null and void at some time in the near future. So I really want to know whether we're dealing with something temporary or permanent.

This is one of the main reasons that this particular amendment is being introduced, because one of the hallmarks, obviously, of our taxation system is at least some inclination or wish to make it fair. Indeed, this Provincial Treasurer in sending out these taxation changes has also indicated that one of the three principles that he wants to follow in terms of the taxation increases is that low-income groups will be protected. Well, you look at the taxation system and you presume by that that he means that it should be progressive; that is, that those who have a low income and therefore have to commit all of their resources to meeting the basic necessities of life should not be asked to carry the same tax burden as somebody who has a very high income and can provide for their basic needs many times over and much in addition to that as well. They are in a position to



pay more tax, and so the burden of supporting various programs and services of government is shared, at least on some basis of ability to pay.

But when you introduce something called a flat tax, it means that everybody pays at the same rate. So some principle is now being introduced into our taxation system with this section that is not related to progressivity within the tax system. It sets some flat rate so no matter what income you have, if you're receiving an income at the basic level of necessity or a very wealthy form of income, it's at all the same rate.

Now that, Mr. Chairman, is a cause for concern -- not the percentage, but the principle behind the flat tax. Because this year it might be 1 percent; next year it might be 5 percent. It might be 10 percent by the time we get three or four years down the road, because a basic principle is being introduced. And the question then arises: was the use of the term "temporary" in the budget speech simply referring to the 1 percent or was it referring to the total tax? Was it going to be temporarily at a 1 percent rate, increasing sometime in the future, or is the tax itself to be temporary? Again, that's obviously not clear.

Well, Mr. Chairman, fairness has to be, in the final analysis, based on an ability to pay. And I see that the Provincial Treasurer has introduced or enhanced the selective reduction, I believe he called it. Selective tax reduction will be enriched. But as a result of this 1 percent flat tax -- it's being introduced for anybody who pays any level of taxation. We see, for example, that those who are in a taxable income of somewhere . . .

MR. DEPUTY CHAIRMAN: Order in the committee, please. Hon. Member for Calgary Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman.

Those who are earning a taxable income of around \$100 a week now fall into a category where their taxes are being increased as a result of this 1 percent -- well, a culmination of things, but it's being impacted by the introduction of this 1 percent flat tax. Well, once you get into that range of taxable income, that's not a very high level of income. Mr. Chairman, to introduce such a concept of basic flat rate tax for people for low income means that this element of regressivity has been introduced in our taxation system. Given that there is no indication that it will be temporary, despite the previous indications in the Budget Address, I believe this simply has to be removed from the taxation system by the removal of this particular clause proposed to be amended by the Member for Edmonton Highlands.

Thank you.

MR. WRIGHT: Mr. Chairman, since it's late and we are thinking clearly, perhaps we can put this section of the Bill into focus. It is a flat income tax. Now, a flat income tax in the 20th century is an anomaly, to say the least. It stands to ordinary 20th century ideas of income tax as the theory of creationism stands to the theory of evolution. I suspect tomorrow we will have a Scopes trial in Alberta if we're getting a flat income tax in Alberta.

Indeed, Mr. Chairman, the sense of a flat tax is about as great as the sense of a flat earth as a theory of scientific fact in the 20th century. It is shameful that the Treasurer is introducing it, and everyone of good sense is bound to have to vote for this amendment.

MR. DEPUTY CHAIRMAN: The question is being called on the amendment. All those in favour of the amendment, please

say aye.

SOME HON. MEMBERS: Aye.

MR. DEPUTY CHAIRMAN: Those opposed, please say no.

SOME HON. MEMBERS: No.

[Several members rose calling for a division. The division bell was rung]

[Eight minutes having elapsed, the House divided]

For the motion:

Barrett	Laing	Roberts
Chumir	McEachern	Sigurdson
Fox	Mjolsness	Wright
Gibeault	Piquette	Younie
Hawkesworth		

Against the motion:

Ady	Getty	Payne
Bradley	Heron	Pengelly
Cassin	Hyland	Rostad
Cherry	Johnston	Sparrow
Clegg	Jonson	Stevens
Cripps	Koper	Stewart
Day	Mirosh	Weiss
Dinning	Moore, M.	West
Downey	Moore, R.	Young
Elliott	Musgrove	Zarusky
Fischer	Oldring	

Totals	Ayes - 13	Noes - 32
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[Motion on amendment lost]

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The question has been called. Member for Calgary Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Well, I'm very interested at the arguments that the Provincial Treasurer has put forward in support of these particular tax measures, increasing taxes, particularly for individuals within the province. You know, he said in the budget speech that Alberta's tax load should remain the lowest in Canada, although he seemed to be moving off of that statement a bit when he introduced Bill 49 a few days earlier.

He also said in his Budget Address that tax increases should be shared between businesses and individuals. Well, that's a very interesting statement, given that this particular amendment has a number of parts, part of it for the Corporate Income Tax Act; some of those parts refer to some changes required due to Bill 41, I believe. Then there's a section we've just been debating on personal income taxes.

Now, when you look at the Bill, of course taxes are shared between businesses and individuals. The question is: what is the proportion of that share between individuals and corporations? The minister seemed to be indicating in his speech that out of the close to a billion dollars that's required by his Budget Address, the vast majority of that increase is going to be in the

form of a tax in one way or another on individual Albertans. So while it's fine to say that the principle should be to share taxes, it doesn't make reference to the question of fairness between businesses and individuals, which seems to me to be the fundamental consideration of any tax system.

As has already been mentioned, the flat tax itself is not progressive. In fact, it's quite regressive, hitting as it does any person, regardless of which income they fall under. This in spite of the third principle which the Provincial Treasurer outlined in his Budget Address, that low income groups ought to be protected. We've already looked at how that's not the case once you start introducing flat rate taxes which are initially supposed to be . . .

MR. DEPUTY CHAIRMAN: Order please. Under Standing Order 61(4), as two appropriation Bills have been considered, the Chairman is required to interrupt the proceedings at this

time. Both appropriation Bills have been passed for report, and the committee will therefore now rise and report without further questions being put.

[Mr. Speaker in the Chair]

MR. MUSGREAVE: Mr. Speaker, the Committee of the Whole has had under consideration and reports Bills 39, 40, 46, 47, and 48, and reports progress on Bill 49.

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

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed?

[At 11:46 p.m. the House adjourned to Friday at 10 a.m.]