

Legislative Assembly of Alberta

Title: **Wednesday, May 9, 1990 2:30 p.m.**

Date: 90/05/09

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

[Mr. Speaker in the Chair]

Prayers

MR. SPEAKER: Let us pray.

O Lord, grant us a daily awareness of the precious gift of life which You have given us.

As Members of this Legislative Assembly we dedicate our lives anew to the service of our province and our country.

Amen.

head: Introduction of Bills

MR. SPEAKER: The Member for Edmonton-Calder.

Bill 227

Quality Child Day Care Training and Standards Act

MS MJOLNESS: Thank you, Mr. Speaker. I request leave to introduce Bill 227, the Quality Child Day Care Training and Standards Act.

This Bill requires training of day care workers and standards for day care that go beyond what this government's white paper on day care recommends. This Bill also requires the establishment of a provincial directory to provide information on licensed child care centres to parents.

Thank you.

[Leave granted; Bill 227 read a first time]

MR. SPEAKER: Edmonton-Highlands.

Bill 234

Arts Board and Arts Council Act

MS BARRETT: Thank you, Mr. Speaker. I beg leave to introduce Bill 234, the Arts Board and Arts Council Act.

Mr. Speaker, the purpose of this Bill is to democratize and take the politics out of the granting system – that is, what remains of it – to the arts in Alberta, which is a vital and growing industry.

[Leave granted; Bill 234 read a first time]

head: Tabling Returns and Reports

MR. GETTY: Mr. Speaker, I'd like to file four copies of the communiqués which were issued by the western Premiers at the Western Premiers' Conference in Portage la Prairie over the last three days. All members will be receiving copies. I thought they could be helpful to them in assessing the work of the Premiers and looking ahead to the future.

MR. MAIN: Mr. Speaker, I'd like to table four copies of the annual report of the Department of Culture and Multiculturalism for the year '88-89.

head: Introduction of Special Guests

MR. SCHUMACHER: Mr. Speaker, it is indeed my pleasure today to introduce to you and through you to all members of the Assembly an old and dear friend of many members of our Assembly, the former Member for Olds-Didsbury, Mr. Robert Curtis Clark, who is also a former Leader of the Official Opposition. I'd ask him to rise and receive the traditional warm welcome of our Assembly.

MR. BOGLE: Mr. Speaker, it's my pleasure to introduce to you and to members of the Assembly 37 students from St. Joseph's school in Coaldale. These students have visited the sciences centre and are currently here in our Assembly. Later today they'll be visiting the Provincial Museum and then finishing off their trip to Edmonton with a visit to the Mill Woods wave pool. They are accompanied by some courageous volunteer parents and by a couple of dedicated teachers, Mrs. Judy Meckelborg and Mrs. Angie Lawlor. I'd ask the students, teachers, and parents to rise and receive the warm welcome of the Assembly.

MR. JONSON: Mr. Speaker, I wish to introduce to you and through you to Members of the Legislative Assembly 68 students attending Riverside elementary and Ponoka Central elementary schools. They are accompanied by their teachers Mr. Jim Rawji from Riverside elementary and Mr. Jim Erickson and Mrs. Colleen Schayes from Central elementary. This morning they visited the art gallery, and on their way home they'll have the traditional visit to McDonald's. They are seated in the members' and public galleries, and I would now ask them to stand and receive the warm welcome of the Assembly.

MR. SPEAKER: Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Speaker. It's my pleasure today to introduce 23 students from St. Pius X school in the constituency of Edmonton-Kingsway. They're accompanied by their teacher Ron Huber. I would ask that they rise and receive the warm welcome of the Assembly.

MR. SPEAKER: Hon. members, seated in the Speaker's gallery is a dear friend of mine of long standing, the Anglican bishop of Edmonton, the Right Reverend Ken Genge. I'd like him to stand and receive the applause of the House.

head: Oral Question Period

Social Workers' Strike

MS BARRETT: Mr. Speaker, here's the way Alberta's famous labour laws really work for public employees: if the government won't bargain at the bargaining table for organization of work, assignment of duties, and the number of employees, the government-appointed arbitration board can't deal with those matters. Now, the Minister of Labour knows this. After all, it was this government that deliberately wrote the laws this way. So to avoid reducing social workers' caseloads, this government has refused to make a meaningful offer at the table, knowing full well that forced arbitration can't touch the subject. It's a winning deal for the lousy labour laws of this province, a winning deal for the Conservative government, and nothing but a losing deal for the front-line workers. My question to the Labour minister is this: now that the social workers have even brought

a negotiating table right to the doors of the Legislative Assembly to get the issue of caseloads right on the bargaining table, will the minister prove that the government is not acting in bad faith and make a meaningful proposal regarding social workers' caseloads?

MS McCOY: Mr. Speaker, I find it distressing that the member opposite is in fact construing the events that have occurred so far in the manner she has. It seems to me that when we have said day after day after day after day that we are at the table waiting for the social workers to come back and discuss the details of the proposals, that is a very clear message. It seems to me that when the social workers walk away from the talks, that is also a clear message of their intent. It seems to me that when we offer mediation and they refuse, there is only one place to point when you're talking about not having meaningful discussions, and that is because they have refused to come to the table. It is clear to us today that the social workers do not want to negotiate; they want to fight. Although some members have returned to their jobs, about 750 social workers remain on the streets in defiance of the law. Mr. Speaker, that to me indicates the commitment to bringing this dispute to a solution. That is the indication of who's prepared to talk and who's not prepared to talk.

MS BARRETT: Well, on the subject of commitment, Mr. Speaker, if this Labour minister and this social services minister were serious about their so-called offer, they would have made a commitment, not something vague that says without prejudice, meaning the government says one thing but might do another.

I ask the minister this: why not show a modicum of good faith now while the social workers are outside with their bargaining table? Go outside, sit down with them, and say: "We will commit to reducing your caseloads. Here's how we're going to do it, and here's by how much." Or is pride getting in the way now, Mr. Speaker?

MS McCOY: Mr. Speaker, as I said, there are approximately 750 social workers who are still on the streets in defiance of the law. Now, to me that indicates one thing and one thing only: they do not want to negotiate; they want to fight. They have no intention of trying to break this impasse. We know from comments made months ago by the social workers that this is all part of a strategy. They did not want to come to a conclusion. They did not want to sit there at that table going over the details. [interjections]

MR. SPEAKER: Order. [interjections] Order.

MS McCOY: Unfortunately, Mr. Speaker, I feel that social workers are the pawns in this critical game, and the losers in it are those helpless Albertans who rely on the government and on those social workers for their services.

MS BARRETT: Well, Mr. Speaker, unless I misheard, what the minister is really saying is that the social workers are to blame for the Conservative's lousy labour laws. That's outrageous.

Maybe the minister will answer this, although given the track record, I wouldn't be surprised if she doesn't. Isn't the real reason the government won't bargain fairly on this critical matter because you know that your laws are going to mean that they go to arbitration and you don't have to deal with this issue? Isn't that what this is really about?

MS McCOY: How can you bargain when somebody has walked away? It takes two to tango. We have gone so far as to continue to reassure and to assure the social workers that we want to continue talking about the details of solutions here. They have simply said, "No, we don't want to be at the table, we don't want mediation, and we do want to be on the streets," even in defiance of a court order where the judge very clearly said that with an interruption of services of this nature there will be catastrophic consequences. Now, I ask you, Mr. Speaker: does that show a commitment on the side of the social workers to work within a collective bargaining process? I have faith in a collective bargaining process. It would seem to me that they prefer to defy the law and, in fact, break the law even in the face of a Queen's Bench order to go back to work and to continue delivering essential services to people who have nowhere else to go.

MS BARRETT: Mr. Speaker, they're waiting outside for you.

MR. SPEAKER: Edmonton-Highlands.

MS BARRETT: Yes, Mr. Speaker. I would like to designate the second question to the Member for Edmonton-Jasper Place.

Environmental Impact Assessments

MR. McINNIS: Mr. Speaker, twice in the past year Albertans have been forced into the courts to try to combat this government's failure to allow proper environmental impact assessments. In fact, the courts have ruled that Alberta's process is deficient in two respects: no independent review of scientific information, no guarantee of public hearings. So far the government's failed to bring forward any new proposals for environmental impact assessments, so citizens are forced to use the federal legislation. I wonder if the Premier can confirm the real reason the government has not come forward with any new proposals to date is that they want to ram the new AI-Pac proposal through without a new set of hearings and a new review.

MR. GETTY: No, Mr. Speaker. The hon. member is again totally incorrect.

MR. McINNIS: Well, it's an interesting reply, Mr. Speaker.

A concerned citizen has leaked a copy of an action plan prepared by some top civil servants in the Department of Federal and Intergovernmental Affairs and in the Environment department. The action plan suggests that the province wants the new federal environmental assessment Act to block citizens' access to the courts. Rather than solve the problem, they try to take away the one remedy that citizens already have. I would like the Premier to tell the House why he doesn't get busy plugging the loopholes in Alberta's legislation rather than trying to take away remedies under federal legislation.

MR. GETTY: Mr. Speaker, I should draw to the attention of the hon. member that the government of Alberta broke new ground in environmental impact assessments this year. The government of Alberta: the only government that has put in place a panel to conduct the hearings that were held, the first in history. It was one in which we learned a great deal, got some good advice, and are going to try and improve it even more. That's what the government's doing. We have also announced in our throne speech that there'll be a natural resources

conservation board, which will also deal with the matter. I think, Mr. Speaker, the hon. member seems to have his facts totally wrong.

MR. McINNIS: Mr. Speaker, unlike the Minister of Labour I offer proof for my allegations. I'd like to table four copies of the memo.

The government pays lip service to the environment. I wonder if the Premier would explain to Albertans this communiqué that was issued by the western Premiers that talks about environment-sustainable development. Will he explain to them that it really means that you want to take away citizens' access to the courts to secure their right to a healthy future? Will you explain that to Albertans?

MR. GETTY: Mr. Speaker, the hon. member again starts off with a bunch of incorrect information and then tries to draw a negative question out of it.

MR. McEACHERN: Give one instance.

MR. SPEAKER: Order, Edmonton-Kingsway. You'll get a chance.

MR. GETTY: Frankly, Mr. Speaker, the government has been pursuing a measured and . . . [interjection]

MR. SPEAKER: Excuse me, hon. Premier.

Could we wait for a little bit later in question period to hear from you, please?

Mr. Premier.

MR. GETTY: Mr. Speaker, the government has been pursuing a measured, balanced assessment of projects in this province. We are dealing with them in a fair, straightforward way, and we're going to make sure we continue to do it that way. That's the way we have told the people of Alberta it will be done; that's the way they support.

MR. SPEAKER: Thank you.

The Member for Edmonton-Glengarry, leader of the Liberal Party, followed by Cypress-Redcliff.

Social Workers' Strike

(continued)

MR. DECORE: Thank you, Mr. Speaker. My questions are to the Premier. Over the last few days we've had some mixed signals with respect to this strike. We've had the Minister of Labour saying that all issues are open for discussion. We've had the minister responsible for social services saying, "Well, we're handling the standards, the standards are within tolerances of other jurisdictions or other leagues, and we're doing everything that needs to be done." The fact is that social workers don't believe this. They've studied with the government this issue of casework overload to death. It's been going on for at least a decade and maybe longer. They want some signal, and I think the signal has to come from the Premier, as to how this issue of the casework overload can be resolved. My first question, then, is this. It's my understanding that the Premier has looked in on the negotiations. It's my understanding that the Premier accepts as the number one issue overwork and cases. What is the Premier prepared to do to bring these inconsistencies together,

to get this strike resolved, apart from saying, "Well, you have to come back to the bargaining table"? What can the Premier do to . . .

MR. SPEAKER: Thank you, hon. member. We've had the question.

MR. GETTY: Mr. Speaker, I have to draw to the hon. member's attention that the government was moving in the area of negotiation long before the strike. The government had on the table a series of initiatives to deal with the very concerns that the social workers have raised and which the government cares about as well. We care about the caseloads, we care about the working conditions for our valued employees, and we care about the people in need that they are hired to help.

But we also care about the laws of our province, and we ask the social workers to consider these matters as well, to come back to work, obey a Court of Queen's Bench judge's finding and order. I've told them and I tell them again that they will immediately be engaged in intensive, meaningful negotiations in the area of caseloads, in the areas of salaries and working conditions. What was on the table will continue to be there, but they have to come back to the table. I don't know why the hon. leader of the Liberal Party wouldn't be urging them to from his own professional background. First, surely he would be urging them to obey the law. Surely he would be urging that. Secondly, as a member of this Assembly, where laws are made and upheld, surely he would be urging them to obey the law.

For our part, we are there waiting. I have given the order to our negotiators that they must deal with these matters and deal with them in a meaningful, significant way. So while there's been an order on the part of the court, there's also been an order within our government on behalf of the Premier.

MR. DECORE: For the record, Mr. Speaker, this member, representing Edmonton-Glengarry, has indicated that the strikers should go back to work, but that still doesn't overcome the problem, Mr. Premier, that these social workers do not believe the government. A social worker told me today that if some signal from the Premier was given as to how this matter could be resolved, she'd go back to work. I consider her to be one of the leaders of this group of strikers. What signal can be given, with some details, as to how to get this matter resolved?

MR. GETTY: First of all, Mr. Speaker, I congratulate the hon. member for reversing his position from condoning breaking the law to now asking that they observe the law. I congratulate him for that reversal of his position.

But I also want to point out to him the way to deal with this issue. As I've just explained, I have ordered the government's negotiators to be ready to partake instantly in meaningful negotiations on the matter of the social workers' working conditions, caseloads, and salaries. They are there waiting. The lady that the hon. member was talking to can assess that as a government willing to sit down and solve the problems with her or her representatives.

MR. DECORE: Mr. Speaker, yesterday the minister of social services . . .

MR. SPEAKER: Family and Social Services.

MR. DECORE: I'm sorry, Mr. Speaker. The Minister of Family and Social Services left the impression that everything is fine, that the tolerances are okay; we're working to implement capping, and everything's going to be all right. It isn't all right. It hasn't been all right for more than a decade or maybe two decades. I'd like to ask this: has the Premier looked in on the proposal, a new proposal to deal with this issue of casework overload so that we can solve the problem? Just signal that and this strike is over.

MR. GETTY: I guess, Mr. Speaker, the hon. Member for Edmonton-Glengarry isn't listening to my answers. I want to say that on the table was a way of dealing with the caseload: two representatives from the social workers, two representatives from the government, and a fifth person they both would pick so that it would be balanced and not tilted to either side. They would then work on the matter of caseloads. Now, surely the hon. Minister of Family and Social Services has the right to also put the facts on the table when people are making outrageous statements about the level of social workers' caseloads. He was pointing out that it's not out of whack with other provinces in Canada, adjoining provinces. So while we recognize that there are more and better things to do, and we want to do it, there's only one way to deal with it, and it's not out on the streets. Surely it's here over the bargaining table. These are valued workers. We believe they're getting bad advice. But I say to them: obey the law, come back to work, and you will have meaningful, intensive negotiations which I believe will lead to a satisfactory settlement.

MR. SPEAKER: Cypress-Redcliff, followed by Vegreville.

Agricultural Assistance

MR. HYLAND: Thank you, Mr. Speaker. My question is to the Premier. It stems from the Western Premiers' Conference that was just held. In view of the comments made by the federal Minister of Agriculture and Deputy Prime Minister of Canada in Parliament the other day that there is a program out there and there is X number of dollars and the Premiers are playing political games in not taking part of that money, is the Premier at a stage to inform the House that he and the other Premiers will participate in such a program?

MR. GETTY: Mr. Speaker, today I tabled the 14 communiqués that came from the two and a half days of western Premiers' meetings, and I hope the hon. members will assess them and find them helpful.

One of them was in this area of farm finance and the health of agriculture. One of the most distressing things that we have now facing us is that Alberta's farmers are facing a drop in net farm income. The reason they're facing that drop is the fight between the European Economic Community and the United States that is depressing the values at which we can sell our products. Now, the United States farmers sell into that same market, but they're facing an increase in net farm income. Why is that? They're doing it because their federal government is helping them. That's why they are facing an increase.

Now, our federal government says: "We've got the money. We've identified the money. We can pay it, but we're not going to." Well, how can they do that in face of the hurt? How can they do that? I say stop with this strange dealing with people's futures and family farms and an agriculture industry and move

in and take on these other nations who are causing the trouble. Don't ask provinces. States in the United States are not helping. It's not a province's battle to take on other countries; it's our federal government's battle and responsibility. So we say, "Pay the money and help when it's needed now, and stop playing games with it and remove the strings."

MR. HYLAND: Mr. Speaker, my supplementary question is also to the Premier. I wonder if the discussion of interest rates and finance came forward, because the numbers the federal government talks about, \$300 million or \$400 million, wouldn't even pay the difference in their stupid interest rate policies that they've decided to carry forth. I wonder if the Premier is in a position to inform the Assembly of any actions that the Premiers will be taking as a unit towards the federal finance policies.

MR. GETTY: Well, Mr. Speaker, as I've said before in the House, the government of Canada and the Bank of Canada are pursuing a high interest rate policy that is wrong for our country. It is directed at a few hot spots of economic activity in Canada: southern Ontario and, perhaps, the lower mainland of British Columbia. But just as the rest of the country is starting to participate in economic growth and expansion, we are being hit with this high interest rate policy that has the potential for a made-in-Canada recession. We have the case – and I'm sure members would recognize this – where we now have almost 600 basis points higher interest rates in Canada than in the United States. Now, over the years of that comparison the average has been something under 2 percent, 200 basis points. So we now have a bad interest rate policy hurting our farmers and ranchers and homeowners. We are doing what we can. We are helping with 9 percent money on a long-term basis. We're helping on homes. But you can't pit a provincial treasury against a bad national policy, so we've called on the federal government to stop this high interest policy. Let the dollar go down – let it go down – lower interest rates, and let Alberta and other parts of Canada, rather than southern Ontario, participate in the kind of growth that this nation is capable of having.

Red Meat Industry

MR. FOX: Mr. Speaker, if we were to try and enunciate all of the programs that Conservative governments in Alberta and Ottawa have that are hurting rural Albertans, we'd be here all day.

It's well known the damage that's been done to the pork industry in the province of Alberta by this government's bungling. I suggest as well, however, that their incompetence, secrecy, and favouritism has done substantial damage to the beef industry as well. It's well known by now that Gainers is planning to phase out their Mill Woods beef facility and eventually will close the beef slaughter capacity at their main plant on 66th Street. It's bad news for the workers at Gainers, Mr. Speaker, and it's bad news for the cattle producers of northern Alberta. I'd like to ask: why is this minister content to stand by and do nothing while workers in Edmonton lose jobs and while cattle producers in northern Alberta lose the only beef slaughter facility north of Red Deer?

MR. ISLEY: Mr. Speaker, I think that if anyone went over and checked the plant this morning, there was still beef going through it. The hon. member should realize that the beef packing industry in this province has a significant overcapacity.

There's the capacity to slaughter about 34,000 head of cattle per week, which is chasing numbers of about 24,000. It may at some point in time be a business decision that Gainers management has to take, to move out of the beef operation to make a more viable project over there. The beef operation over there, compared to some of the others that have recently come on stream, is pretty old and outdated, but at this point in time Gainers is still buying beef.

MR. FOX: Mr. Speaker, if Peter Pocklington had used some of the taxpayers' money that these guys gave him to fix up the plant in Edmonton like he was supposed to, we wouldn't be in this mess today.

Speaking of overcapacity and friends of the Conservative government, I want to remind Albertans that this government gave \$4 million of taxpayers' hard-earned money to Cargill, the largest private corporation in North America, to build a beef slaughter plant in High River. Now, given that the people working in beef slaughter plants in Edmonton, Red Deer, Calgary, and Lethbridge are concerned about their futures, worried that their jobs are in jeopardy because of this Cargill plant, I'm wondering when the government will agree to establish an independent task force, as per my motion on the Order Paper, "consisting of Albertans representing business, farmers, workers, and consumers, to investigate, hold public hearings . . ."

MR. SPEAKER: Hon. member, they can read the Order Paper.

MR. FOX: . . . the red meat industry in the province of Alberta.

MR. ISLEY: Mr. Speaker, the member has made reference to the Cargill plant south of Calgary, which is without doubt the most modern, efficient plant in Canada, if not in North America. I believe the hon. member must realize and so must other members of the House that that industry is going to have to go through a rationalization. If we're going to be in the forefront on behalf of our producers to get the full benefits out of the free trade agreement, then we need modern, world-class, efficient plants. We're seeing some rationalization occur in the industry. We've seen the merger of Lakeside Centennial; we've seen some significant improvements at the Brooks location. Unfortunately you're going to see some other rationalization in that industry. It's a matter of time and it has to occur.

MR. SPEAKER: Calgary-Buffalo, followed by Bow Valley.

Meech Lake Accord

MR. CHUMIR: Thank you, Mr. Speaker. In the past four days the four western Premiers have held further secret constitutional talks behind closed doors. The Canada West Foundation echoed the concerns of most Albertans in a recent report in which it stated that meaningful Senate reform will be all but impossible to achieve given the all-province veto contained in the Meech Lake accord. Now, this level of concern was increased last week when Premier Ghiz of Prince Edward Island revealed that it was Premier Getty himself who proposed the unanimity requirement. Since the Premier won't accede to the clear wish of Albertans and withdraw his support for the unanimity requirement, I'm wondering: will he at least agree to a sunset clause in which the unanimity requirement will

disappear after two years if there's no agreement, which will be the case, as has been suggested from the Portage la Prairie meetings?

MR. GETTY: Mr. Speaker, there's no question that there's a lot of discussion going on in our nation right now to see if we can pull together the problems that face us in constitutional reform. It was very clear to us in Manitoba, where you have a premier, Premier Filmon, who is head of a minority government and has a task force report which restricts him to certain areas of negotiation. I must say that, nevertheless, he is working hard in discussions like we had in Manitoba with the other three Premiers who support the Meech Lake accord to find out if there isn't some way of closing the gap.

I caution the hon. member that any work that can be done to reach a consensus must be a consensus across the whole country. There is no benefit to pulling together a part of the nation going one way and not being able to have it endorsed and supported by other parts of Canada, and that is what has to be done. It's not a time for us to be trying to score political points here. It's a time for us to be trying to care about our country.

Now, my position and our government's position is that we want a united Canada. We will not have a strong nation unless it's united. We want strong provinces, equal provinces. The hon. member forgets to consider that if you're an equal province, that means Alberta is just like Quebec or Ontario. You want to have equal provinces, and you want to have them not able to be dominated from the centre, as they were during the early '80s. Then we want to have meaningful Senate reform. I think the discussions that we're having are trying to work in that direction, but I caution him that it's difficult, extremely difficult, because of hardening attitudes across this country.

MR. SPEAKER: Supplementary.

MR. CHUMIR: Well, thank you, Mr. Speaker. We care about our country, but our concern is that very poor judgment has been exercised by the Premier in the past, and we want it to improve in the future.

Now, I'm wondering whether in the interest of at least a tiny bit of candour and openness perhaps the Premier might part the curtain a little bit and admit to Albertans whether it was he who proposed the unanimity requirement for Senate reform, which is now in the Meech Lake accord. Was it the Premier himself?

MR. GETTY: Mr. Speaker, the hon. member surely realizes that he would have to deal with the Meech Lake discussions. It took some two and a half years and many first ministers' conferences and officials' and ministers' conferences. He'd have to deal with it in much more than the shallow way he just posed that question. He has to know that Quebec came with five requests, one of which was that they have a veto. Now, Alberta came with the request, and this is just a small part of these negotiations that went on for years, that the provinces be equal. Now, it wouldn't take long for him, applying his sharp mental abilities, to know that you can't give one a veto and then be equal with them and not have one yourself. The member must know that.

Nevertheless, Mr. Speaker, we are trying to work in a positive way to see if we can pull together the differences that have now surfaced in our country. I'm prepared and our government is, in caring about Canada, to show all the tolerance and generosity 'within those three principles that I mentioned today, to try and

pull together this constitutional reform, which I say is so important to the future of our country.

Highway 56

MR. MUSGROVE: Mr. Speaker, my question is to the hon. Minister of Transportation and Utilities, and it has to do with Highway 56 south of Highway 1. They have been discussing Highway 56 south for years, and of course the proposed route goes across the Blackfoot Reserve south of the Bow River. It's my understanding that negotiations at the present time with the Blackfoot for a right-of-way are at an impasse. I was wondering if the minister now has an alternate route to have Highway 56 aligned on.

MR. ADAIR: Well, Mr. Speaker, some time this past winter there was a meeting of all the members of chambers of commerce and tourist associations to discuss what would happen to Highway 56 if it were to be extended from its present southern end, at the Trans-Canada, down toward Lethbridge by way of secondary road 845. To do that, it has to cross the Blackfoot Indian Reserve. We have had some discussions, not very successful to this point in time, but I anticipate having some discussions with the chief and council this summer. We were asked to look at whether there was an alternative, and I might say that these were the discussions that took place at that meeting. That is 160 kilometres, or 100 miles, whichever you're clicking in, south of the Premier's constituency, across the Trans-Canada to the south. The alternate route we were asked to look at would be probably between 20 and 25 kilometres. We haven't gone any further than that at this present time.

MR. MUSGROVE: Well, Mr. Speaker, I've been asked to attend a meeting that involves the Blackfoot and some other people on Friday evening. Now, I was wondering if there's any discussion about the extra costs for the 25 extra kilometres of the route to go around the reserve as compared to the cost of crossing the reserve.

MR. ADAIR: I can't really respond to that right at the moment, Mr. Speaker, because I don't know the price of the land if we are able to obtain the surface rights through the reserve to extend the road south. But taking that into consideration at whatever price it may be and then measuring against the alternative and what those costs might be – we'll have them probably sometime later this summer; I would say by the end of July, the first part of August.

MR. SPEAKER: Thank you.
Edmonton-Belmont.

Corrections Employees Contract Negotiations

MR. SIGURDSON: Thank you, Mr. Speaker. The Minister of Labour has the last few days danced the two-step Tory shuffle around the issue of negotiations with provincial employees. With respect to social workers, we've had the minister stand up and say: if the workers will go back to work, then we'll go to the table and we'll negotiate. With respect to local 3, the prison guards in our province, they want to negotiate and they want to negotiate the matter of pensions. But what's happened, Mr. Speaker, is that the government has put down a final offer which proposes nothing more than to have yet another study on the

matter of pensions. It's very clear that the government can't be trusted to negotiate in good faith. Workers know it; we know it, and that's why we've got the problems right now.

MR. SPEAKER: Question.

MR. SIGURDSON: I would ask the minister: given that negotiations mean negotiating something tangible, why is it that the government is only prepared to offer the prison guards just a study on the very important matter of pensions?

MS McCOY: Mr. Speaker, once again we have the wrong information being brought to this House. Perhaps that's why I keep saying that we should not be negotiating these contracts here. The proper forum is at the bargaining table with the representatives of the very people it affects most directly. To start trying to negotiate across the floor is totally ludicrous, particularly when you get totally garbled facts coming in.

Let me try and correct the facts initially. First of all, we did not walk away from the table. It was the negotiators for the prison guards, correctional officers, who walked away at 5 minutes past 3 yesterday afternoon. We were still there, prepared to continue discussions. On salary we're some distance apart. They want 20 percent, Mr. Speaker, over two years, something that the market doesn't come close to justifying.

Secondly, on the pensions issue, they've demanded that their pension plan be changed within two months. Pensions, Mr. Speaker, are not an easy, simple issue. We've said, "Now, let's try and sit down and talk this one through; let's talk it over in particular with the administrators of the plan, who happen to be experts, in the department of Treasury": a reasonable offer, Mr. Speaker, to discuss the details further and again to encourage our employees, or at least their representatives, to be part of a solution that is fair for everybody. But our employees, it looks to me more and more, are being very badly served by their representatives.

MR. SIGURDSON: Mr. Speaker, if you want to talk about garbled facts, it wasn't 20 percent that they were after over two years; it was 8 and 8. Unless your addition is different than mine, that doesn't add up to 20 percent.

However, if we're going to have decent negotiations at the table, then why doesn't the minister bring back an amendment to the Public Service Employee Relations Act and delete that offensive section, 48(2)(d), which restricts the matter of arbitration on the matter of pensions? Amend that. Let's get some decent negotiations going.

MS McCOY: Mr. Speaker, the opposition continues to delight in saying that it's the legislation that is at fault. There is nothing in the legislation that is at fault. It is in fact these people who are playing games, and the pawns in these games are in fact our very valuable workers, our employees. What their leaders are up to is another question.

Let's look at the process across Canada. Whether the civil servants have a right to strike or don't have a right to strike, in every piece of legislation save and except Newfoundland's there is a section similar to the one that the hon. member has just mentioned. Let's look at a neighbouring province, British Columbia. They have the right to strike there, but do they have the right to negotiate pensions? They don't even have the right to negotiate them let alone arbitrate them, which are two quite distinct, different processes in collective bargaining.

So it seems to me, Mr. Speaker, that when we sit down at a table with representatives of our employees and we say to them, "We want to work through and negotiate with you on these matters" and we offer sensible and meaningful mechanisms for doing so and they walk away, then again I have to question the leadership that they are finding on their side.

MR. SPEAKER: The Member for Calgary-McKnight, followed by Wainwright.

Advanced Education Funding

MRS. GAGNON: Thank you, Mr. Speaker. The Minister of Advanced Education has successfully memorized two figures: 29 institutions and \$1 billion. Not one answer goes by without this recording. Universities, including the University of Alberta, are extremely concerned that they will no longer be able to compete for topflight academics due to lack of funding and subsequent budget cuts. My first question is this: how does the minister intend to ensure that Alberta universities do not become minor league in the academic world?

MR. GOGO: Mr. Speaker, there are 29 . . . [laughter]

Mr. Speaker, let us remember that the role of the universities in this province are, first and foremost, education; secondly, research; and thirdly, community service. Their primary role is to educate Albertans who wish to attend. If the University of Alberta, which quite frankly with its quarter billion dollar budget is really second to none in the country when one considers the modest student tuition fee, wishes to get into a bidding war to attract higher PhDs, then I'm afraid they're going to have to resolve that with their own type of revenue.

MRS. GAGNON: Mr. Speaker, it isn't only that it's difficult for all the universities in the province to compete; it's also that we are losing a number of very good professors. We are experiencing a brain drain. At the University of Lethbridge a number of professors are leaving because of insufficient funding, including one professor simply because the University of Lethbridge could not cut his teaching load by one class. He has decided to accept a job in the U.S. Mr. Speaker, to the minister. The gutting of our postsecondary system is not isolated to the University of Alberta; as I said, it's hitting all 29 institutions. Will the minister commit himself to consulting with each president of each of the 29 institutions to determine what the effect of budget cuts has been in each institution's ability to recruit and retain staff?

MR. GOGO: It's interesting, Mr. Speaker, that the Member for Calgary-McKnight's original question was with regard to research staff, academic staff, at the institutions. The U of A, I might point out, attracted over \$68 million last year in terms of research grants. The University of Lethbridge, the hon. member has mentioned, attracted the highest funds of any institution in Canada for its size in terms of research funds. Surely that would testify to the fact that academic staff and research there obviously are quite content.

As to the future, with a commitment by this government, which is simply a trustee for the taxpayers of this province, of contributing over \$1 billion to our postsecondary system – if the hon. member has suggestions, bearing in mind her own leader's comments about financing, as to where that money is to come from to put us in a higher standard other than per capita

funding, then I wish the hon. member would suggest it to the government or certainly to me as minister.

MR. SPEAKER: Wainwright.

Capital Bonds

MR. FISCHER: Thank you, Mr. Speaker. My question is to the Provincial Treasurer. Last week there was an announcement regarding the issue of new Alberta capital bonds, and in the past these bonds have . . .

MR. SPEAKER: I'm sorry, hon. member. The rule of anticipation applies this afternoon because of . . . [interjections]

REV. ROBERTS: Who does your research over there?

MR. SPEAKER: Order please. [interjections] Order in the whole House. Thank you very much.

MR. WICKMAN: You fellows need new researchers.

MR. DECORE: Sloppy.

MR. SPEAKER: Hon. members crying out about researchers should deal with it in their own caucus from time to time.

MS BARRETT: Well, that's pretty partisan.

MR. SPEAKER: It's hardly partisan when the Chair is dealing with researchers from all parties.

The rule of anticipation unfortunately does apply this afternoon, hon. member, with regard to Treasury.

Calgary-Forest Lawn.

Oilfield Training in Southeast Asia

MR. PASHAK: Thank you, Mr. Speaker. Last week when I tried to get information from the Minister of Advanced Education about the financial relationship between SAIT and Alert Disaster Services, the minister replied that SAIT was using reserve funds only to maintain any ongoing operation of that project. Yet a document called A Report to the Board of Governors: an Update of the BITC Project, dated February 20, prepared by a vice-president of the international division of SAIT, says that SAIT is paying Alert for loan interest and operating costs. There is a line, Mr. Speaker, which reads, and I quote, "Payments to Alert for Loan Interest and Operating Costs, \$1,430,299." Further, the author says:

The immediate plan of action is:

- (1) meet with Alert Disaster Services in Calgary on 5 March 1990 to renegotiate the loan payment.

My question, Mr. Speaker, is to the Minister of Advanced Education. Is this report inaccurate, or is SAIT paying the interest on the loan which Alert Disaster Services received for building this . . .

MR. SPEAKER: Thank you, hon. member. We're into overtime here.

MR. GOGO: Mr. Speaker, I don't believe I've read the document the hon. Member for Calgary-Forest Lawn is referring

to. I stated in the House a week ago that to my knowledge as minister, SAIT, the Southern Alberta Institute of Technology, was supporting a project with regard to oilfield training and fire safety work, known as the Batam project, from its reserves. I learned yesterday that indeed SAIT has been providing some operating funds to that very project.

MR. PASHAK: Supplementary. I'm prepared to table for the House four copies of that document.

To the Minister of Advanced Education then: does this minister really think that SAIT's spending its funds on a barge in the middle of an ocean halfway around the world is the most appropriate way to use Alberta's educational dollars?

MR. GOGO: Mr. Speaker, there are many expectations of our postsecondary system. One of those is to share with indeed the world its educational capability, and it's doing such a thing with regard to the Batam project. I would point out, Mr. Speaker, that SAIT has been earning revenue of about \$10 million a year through its international activities, and they have some 31 or 32 under way. So I don't think we should condemn on the basis of one project that has not been successful.

However, inasmuch as the hon. member raised this matter yesterday, I'm now in the process of making some inquiries with the board of governors as to the future of the Batam project in relation to SAIT.

MR. SPEAKER: Thank you.

Might we have unanimous consent to revert to Introduction of Special Guests?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Carried. Thank you.

Lesser Slave Lake, followed by Westlock-Sturgeon.

head: **Introduction of Special Guests** (reversion)

MS CALAHASEN: Thank you, Mr. Speaker. It is a great pleasure for me today, particularly since this is the first time in the Legislature this sitting, to introduce to you and to the members of the Assembly 41 students from St. Andrews school. They are accompanied by teachers Carol Lowery and Robert Pardell, and by parents Dawn Rohloff, Linda Gordon, Dawn Sladder, Lynne Wilson, Patsy Gladue, and their bus driver Frank Kachuk. They are seated in the members' gallery, Mr. Speaker, and I'd like to ask them to please rise and receive the warm welcome of this Assembly.

MR. SPEAKER: Westlock-Sturgeon, followed by Edmonton-Centre.

MR. TAYLOR: Thank you, Mr. Speaker. It's my pleasure to introduce to you and through you to the members of this Legislature 14 pioneers and seniors, the backbone of the community, from Westlock, sitting in the public gallery, accompanied by Adrienne French and Jo-Lynn Melin. I'd ask them to stand and be recognized with the customary greeting of the members.

REV. ROBERTS: Mr. Speaker, I'm pleased to introduce 32 students from the Alberta Vocational Centre who are visiting

with us today. Recently the Alberta Vocational Centre had an open house which the ministers of Advanced Education and Career Development and Employment and myself were at. We saw the excellent work that goes on in the programs there. I'd ask the 32 students with their teachers Carol Fay and Ann Nikolai to please stand and receive the welcome of the members of the Assembly.

MR. SPEAKER: Yesterday after question period there was a matter of a point of order. Yesterday the Member for Edmonton-Mill Woods addressed some questions to the Member for Redwater-Andrew at the end of Oral Question Period related to the latter's responsibilities as chairman of the Alberta Multicultural Commission. The Chair was concerned that certain comments in the member's question were not in order. A point of order was subsequently raised.

It appears upon examination of *Hansard* that the Chair's concerns were justified. The Member for Edmonton-Mill Woods made several statements in his preamble which either implicitly or directly charged the hon. Member for Redwater-Andrew with damaging a government commission through allegedly improper conduct concerning the member. More specifically the Member for Edmonton-Mill Woods used the expressions "compromised his ability to lead that agency," "no longer tarnish," and "stop doing further damage." It appears to the Chair that these comments were highly inflammatory.

Reference was given to *Beauchesne* citation 491, which reads:

The Speaker has consistently ruled that language used in the House should be temperate and worthy of the place in which it is spoken. No language is, by virtue of any list, acceptable or unacceptable. A word which is parliamentary in one context may cause disorder in another context, and therefore be unparliamentary.

Furthermore, *Beauchesne* citation 486(1) reads in part, and I quote;

It is impossible to lay down any specific rules in regard to injurious reflections uttered in debate against particular Members, or to declare beforehand what expressions are or are not contrary to order; much depends upon the tone and manner, and intention, of the person speaking.

In this context I refer all hon. members to our own Standing Orders 23(h) and (j), which refer to making "allegations against another member" and the use of "abusive or insulting language of a nature likely to create disorder." *Erskine May*, on page 394, third paragraph, repeats these same general principles.

It is clear to the Chair that the hon. Member for Edmonton-Mill Woods did not use any words which if taken individually would have been unparliamentary. The Chair is concerned, however, that the member's preamble and the context of those comments were designed to imply or directly charge the Member for Redwater-Andrew with inflammatory accusations which are far from being established as fact and were designed to victimize on the basis of innuendo.

It is the Chair's responsibility to use its judgment and to call to order any member framing his or her question in such a way as to use "abusive or insulting language of a nature likely to create disorder." The Chair therefore finds the Member for Edmonton-Mill Woods addressed his question to the Member for Redwater-Andrew in such a way.

Speaking to the point of order, the Deputy Government House Leader cited Standing Order 23(i) and *Beauchesne* 409(7) and 411(5) in bringing a complaint to the attention of the Chair.

The Chair agrees with these references insofar as they deal with casting aspersions on other members. In response, the Member for Edmonton-Mill Woods cited *Beauchesne* citation 69. The Chair would point out that this is a reference dealing with matters of privilege and the Chair is dealing here with a point of order. Citation 69 is not applicable in the case at hand.

While the Chair will not insist on any retraction in this case, unless it is offered, it would advise all members that language is to be temperate and worthy of this institution. The Chair is prepared to intervene and deal with any member who attempts to create disorder in the House by using inflammatory or abusive language.

SOME HON. MEMBERS: Apologize.

MR. SPEAKER: Hon. members, order. The Chair notes that the member did not rise.

Orders of the Day

head: **Committee of Supply**

[Mr. Schumacher in the Chair]

MR. CHAIRMAN: Would members of the committee please come to order. Order please.

head: **Main Estimates 1990-91**

Treasury

MR. CHAIRMAN: We are privileged this afternoon to hear the dulcet tones of the Provincial Treasurer in presenting the estimates of his department, which are to be found on page 351 of the main estimates book, with the elements commencing at page 155 of the supplemental book.

The hon. the Provincial Treasurer.

MR. JOHNSTON: Mr. Chairman, it's a pleasure to present again a request from my colleagues in the Legislature Assembly to fund the department of Treasury. This department, as I have said on many occasions, is a fine department made up of very effective people, and certainly at the outset I want to extend to them my thanks and appreciation for the work they have done. While many of us as politicians may come to these very good and quick and generally balanced and brilliant decisions, it does take the administration to put them into place, and that's where the people who are in part sitting in the gallery and certainly in the offices right now deserve a lot of credit. There has been a lot of talk about the Triple E Senate here today, and I think we could say with respect to the people in Treasury that they have a triple E background as well: energetic, efficient, and enthusiastic.

So I want to express my appreciation to all those people as well, and of course to my own staff. I guess we have a bit of a record in that the two people who've worked with me the longest are now running somewhere close to 15 and a half years and 14 and a half years, so I owe to them, Sharon and Arlene in particular, a great deal of appreciation. They keep me on an even keel, keep me prepared, and certainly keep me on schedule wherever possible: a very difficult job for them, I have to agree. Nevertheless, I want to at least extend my appreciation to them

for their endurance, and to the other people in my office, of course, as well.

Mr. Chairman, we're coming to the period where the Legislative Assembly allows us to finish the debates and consideration of the estimates. We'll deal with Treasury today, and Thursday evening, as I understand it, we'll deal with the final day of consideration of the estimates; my colleague Mrs. Betkowski will deal with the Department of Health. Then the people of Alberta will have had a full opportunity . . . Over 25 days – I'm sure more than 75 hours – of consideration of these estimates will have allowed an ample opportunity for evaluation, for questions, and for information to flow with respect to how this budget was put together.

The intention here today, on my behalf at least, is to talk about the Treasury Department. Of course, I always look forward to the exchange with my colleagues here in the Assembly in terms of providing clarification, which of course is our objective; providing information wherever possible; seeking advice, certainly from everyone; and attempting to provide an explanation as to how our policies are put together insofar as the department of Treasury is concerned.

Now, all members know that the department is quite wide in its application, and because many of the issues which face government are in fact financial issues, there are a lot of interesting programs which show up as part of our estimates themselves.

The total amount that's being asked for this year, in terms of the reference the Chairman gave you on page 351, is \$157,183,080, and that is down this year, down because the Alberta Farm Fuel Distribution Allowance is down by roughly the same amount, and therefore our estimates in Treasury are down more, certainly.

While I mention the kinds of diversity which exist in our department – I already referred to one of them; that is, the Alberta farm fuel distribution allowance, which is essentially an agricultural program but for purposes of co-ordination and administration is administered through the department of Treasury, and is an agricultural assistance program with respect to the fuel and diesel that is consumed by farmers – at the same time, as at March 1986, as all members know, financial institutions were also transferred to the department of Treasury. I don't have to remind members of the difficult situation we were facing in the period 1983-84 through to the present. All the members remember the difficulties with the chartered banks – certainly we'll speak specifically of the problem with the Principal Group – and moreover know the financial stress and uncertainty which was commonly found in the Treasury Branches and the credit union system.

I think it's safe to report on the financial institutions, Mr. Chairman, that in fact they are stabilized; that as of today, given a fair break for the next year or so ahead, those financial institutions will continue to be of service to Albertans, to the small depositor, to the small businessman, to the mid-size and large corporations where necessary, providing needed access to financial services. This sector is very dynamic and changing rapidly. We intend to keep it whole and sound in this province, and I think the efforts of the government and certainly the members of the Treasury Department who have made it just that should be commended. I can say that the credit unions are now profitable. Those reports have now been circulated to their membership, and this budget, as well, contains dollars to stabilize and provide an income flow to the credit union system to ensure that there is an income support and asset support for

them as well. Secondly, I can report that North West Trust, which is in part a responsibility of Treasury, as we have debated here before, is in fact profitable and on the road to sound recovery and strong growth as well.

Finally, Mr. Chairman, it is my hope that the Treasury Branches, which is a responsibility of the department of Treasury, will become profitable. All members know that over the past few years it has suffered losses, and those losses total some considerable amount of money. Nonetheless, I do expect that with, again, a bit of a break, the Treasury Branches this year and in years to come will also be profitable.

While I talk about financial institutions, we did outline for the members of the Assembly and for all Albertans when we moved to deal with the Principal Group that not only would we deal with the Principal Group in a fair and evenhanded manner, providing assistance to those contract holders in FIC/AIC – I think I have recorded previously that as of today the best information I have on the Principal Group shows that about 94 or so percent of the value of contracts outstanding has been refunded by the province. I think that's a very commendable amount, a very large amount of money. Close to \$80 million, I guess, has gone back out to contract holders, indicating at least to me that they have accepted the settlement offer made to the contract holders. While not all of the contract holders themselves have accepted the offer, the large number of dollars outstanding has been accepted. So that's an important sign as well.

The second thing we announced in terms of our broad policy on financial institutions, Mr. Chairman, dealt with a comprehensive review of legislation. In part the first several steps of that comprehensive change have been introduced to the Assembly. Members will recall that we changed the contract Act, repealed it last year. That's now under the Securities Commission. Members will still further remember that in fact my colleague the Minister of Consumer and Corporate Affairs has introduced and talked about his Bill, and I would expect that if this session continues for a while longer, as I expect it will, I will have an opportunity to introduce to this Assembly a new savings and loan corporation Act which will deal with trust company legislation in particular, making it as contemporary as any legislation in this province.

The department also is responsible for tax collection. I can tell the members that I'll be bringing forward some additional tax changes in the legislative process probably next week, tax changes which follow from federal changes and from the budget and fiscal plan outlined which I presented to the Assembly in March. That legislation will, as well, be debated here over the next three to four weeks. In that legislation will be our change in the Alberta royalty tax credit. Again, this is one of the programs I referred to earlier that comes back into Treasury for administrative purposes. We use the corporate tax Act to administer the Alberta royalty tax credit benefits to the oil and gas sector, but it is in fact an energy program delivered through the department of Treasury. Although the administration responsibility rests here, much of the policy considerations come out of the Department of Energy.

Other tax collection initiatives, of course, are here on the revenue side. As members well know, it is important, and I would note that when we're talking about revenue, we have to include in that the revenue which is transferred from the heritage fund. The members in my department, I think, have managed the heritage fund very effectively and efficiently. As the budget documents show, the transfers from the heritage fund

to date run over the \$12 billion level, and this year we expect to transfer something more than \$1.2 billion to the General Revenue Fund from the interest earned from the heritage fund assets.

With respect to borrowings, Mr. Chairman – I always need to talk briefly about the borrowings of the province – let me say that we have been in the capital markets in a very significant way over the past years, starting in 1987, I suppose, and again I think the department has handled itself very effectively. I would offer to say that when Alberta hits the market, it's well received, that the credibility of the government of Alberta in the world markets – London, Zurich, New York, or wherever, including Toronto – would put it in the top category of government credits, and we've been very effective in managing that liability. Now, it's not the kind of business we want to be in, because Albertans expect that the Alberta government should not be borrowing. But as you know, we went through that difficult period, the collapse of oil prices in '86, and the plan of this government to phase its budget deficit down to zero by the next fiscal year has required us to use the capital markets to support the general revenues of the province, and we have done just that. But I can say that we're very effective in the marketplace, that a large percentage of our debt is fixed, fixed in terms of terms and in terms of rate. We do use some short-term instruments, including such things as treasury bills and commercial paper operations. Unlike the federal government, most of our debt is fixed and long term, but again, we do have a short-term market consideration. As the Premier said here this afternoon, if Mr. Wilson wants to adjust his budget deficit, one good way would be to reduce the interest costs of private sectors, individuals, and governments. That would certainly help the federal government. It would also save money for us in some of our programs, and it would reduce the cost of our short-term borrowings as well.

I'm sure that some members may raise the question of borrowings and the Alberta capital bonds, because it's Alberta capital bond time in Alberta again. If members have a question on that issue, I'd be glad to provide further information.

Finally, let me end with the guarantee question. It seems that guarantees are of concern to some members. Yes, of course the government takes action to diversify the economy. Results are shown in the documentation Alberta at a Glance filed by the province with the budget statement showing new investment flowing in a diversified economy before us, and the jobs and other fundamental indicators supporting that. But then you must have some losses, because that's what's happening. Every other institution faces losses, every other government faces losses, and we have had to face some losses here in the province as well. But the net benefits are far greater than any losses which we may have undertaken, and I think the use of guarantees is an appropriate mechanism to ensure that industry is located here or that new businesses are located in this province. Let me be quick to point out, however, that the large number of the guarantees can be focused in probably two or three areas, one major area being agriculture, where close to \$700 million or \$800 million of guarantees are outstanding. Those guarantees have assisted farmers in borrowings and ensure that the agricultural sector is strong in this province. I don't make any apologies at all for assistance to the agricultural sector; the guarantees there have been very generous and very effective, Mr. Chairman. At the same time, guarantees to small business through the program introduced in 1986, also administered through the department of Treasury, have accommodated another con-

siderable amount of money. Still further, Mr. Chairman, the student loan guarantees, which are well over \$100 million, I think are the reasonable kinds of investments that this government can take, the kind of risk that's necessary to ensure that educated youth are well-qualified for available jobs in this province. Again, I don't think anyone has any quarrel with that.

There are some other specific guarantees, but as I've said before, in terms of our policy we're very clear to lay out that we do an evaluation of the cash flow analysis. We take security, and wherever possible, we try to be as effective in terms of ensuring that our credit is as good as the bank's credit we're guaranteeing. In most cases – I say "most" because it's not all-in essentially 90 percent of the cases we also get a fee for providing that guarantee. So it does have an income-sensitive response. Let me say, though, that for the size of our guarantees, the actual losses have been really insignificant. That has allowed diversification to take place, and any of the major calls in our so-called guarantees have been in the area of financial institutions where, Mr. Chairman, it is a legal fact that we do not have a real guarantee. We sort of stepped in and said, "Well, we haven't got an explicit guarantee here, but we'll use the guarantee section to satisfy the financial institution sector." So a lot of the losses there were as a result of, essentially, government goodwill as opposed to government legal commitment.

The very exciting and, I think, effective export guarantee program operated by my colleague the minister of economic development has a very low loss ratio and in fact has allowed small businessmen in this province to access international markets. It has been one of the effective tools for diversification, for expanded manufacturing opportunities, and for expanded real growth for our province.

With respect to the last point, the growth of our province, I have talked many times, I believe, and the Budget Address expressed the same concern, with respect to the high interest rate regime. We've already dealt with that. The Premier has spoken about it, and the communiqués from the Western Premiers' Conference also outline the concerns which are generally felt by governments in western Canada as to the high interest rate regime. I think the real interest rates of the order we're now experiencing – let's assume you're a small businessman. The prime rate is 14.75. You have to borrow at 2 and a quarter above that. You're getting very close to a 17 percent borrowing rate. If the inflation rate in this province is even, say, 5 and a half percent, you can quickly conclude that your borrowing cost, the real cost of borrowing, is around 12 percent. If you have that kind of real borrowing cost, investors make a very simple calculation. They say: "We can't invest here in Canada. In fact, we can't even invest in the United States. We're going to invest money in Japan, EC-12, or elsewhere," and that's where the real problem comes from in terms of a high interest rate regime, when the real interest rate is as high as it is today.

As the Premier points out, the current spread on the short end of the curve between U.S. short-term T-bills, for example, and Canadian T-bills, 90 days for example, is well over the 550 basis point spread. Traditionally, that's been about 130 to 140, and over the 10-year and the 20-year history, it's been about 110 to 120. So you can see this is an amazing problem for us right now. I generally concur with the comments made by the Premier, and specifically say that if you want to generate a recession, you're well on the road to do just that.

Moreover, the GST is a lingering problem, Mr. Chairman. I've said in the House previously that the impact of the GST will

probably be felt sometime through the middle to third quarter of 1991. It will have inflationary problems; it'll compound the current inflationary monetary policy which is now being set by Mr. Wilson and Mr. Crow, and you'll have to see, in my view, a continuation of a high interest rate regime to protect against inflationary pressures as consumption taxes work through the system.

It is a matter of interest that the current inflation in Alberta and in Canada is being driven. Probably 20 percent or so of the inflation rate in Canada right now is driven by consumption taxes imposed by the federal government, more specifically over the past 18 months, including January 1, 1990, and that is working through the system. No doubt it's inflationary: the kinds of increases in taxation we've seen already. If it generates a 1 percent inflationary rate, you don't have to be a financial genius or a rocket scientist to conclude that if the rate is 7 percent, you're going to have the same kind of inflationary impact except compounded by some factor, probably closer to 2 or 3 or 4 times greater. That's the fear. There's been a common expression of concern in this Legislature, and I think that's one of the looming problems that faces us with respect to the long-term economic view of this province.

But we're very fortunate. If you look at the fundamental indicators, the fundamental economic profile of this province is very good. It's the envy of most provinces. We're the only province with more assets than liabilities, and we're the only province that still has the heritage fund, which generates dollars to us. It is true. It's a matter of truth. [interjections] Is somebody in the stands making noises? Who is that? I thought everybody here could read the statements. Now, I know if they didn't have them in the Assembly, there'd be some excuse for it.

Let me make that very clear, Mr. Chairman – I know the opposition doesn't like it – we're the only province in Canada with more assets than liabilities. I know it's a reflection of good management and sound judgment, anticipation of the changes in energy prices. That's why the heritage fund is in place: 13 and a half billion dollars worth of assets at work to diversify this economy, generating dollars to the General Revenue Fund, helping regions of our province to expand and to prosper. To be uniquely identified with the regions of this province is an amazing feat, a major success story of that heritage fund.

AN HON. MEMBER: You can fool some of the people some of the time, but not all of the time.

MR. JOHNSTON: I know the opposition doesn't like it. I know they're opposed to diversification. I know they like the gloom and doom. Great big smiles break over their faces, Mr. Chairman, when the price of oil collapses, when the economy is in tough shape, or where there's some kind of disturbance. These people have to capitalize on this kind of a situation, on despair, and that's why you see from across the way nothing but rhetoric of despair. That's what they thrive on. It's been evident to us, and examples flow time and time again. But that's not our view; that's not our view at all. We're optimistic. We're keyed to the future. We're investing in education. We're diversifying the economy. We're betting on the youth and the people who are now in the educational system of this province, and more specifically we know that it's the private sector, with its investment decisions, with intelligence, with market information, that makes this country grow.

Now, the opposition members, moving from their Marxist, socialist background, Mr. Chairman, always have difficulty with

the market performance; always have difficulty with it. I understand it. Those with the orthodox socialist position know that there's been a major paradigm, a shift in their thinking. Even they have to admit that. One of these days they're going to say, "Well, you know, we really are conservatives." That's what the Liberal Party is trying to do. They just want to put another spin on it. They're really trying to be as conservative as we are, but everybody in Alberta knows it's our policies, it's our notion of the future, and it's our way of dealing with the kinds of concerns and problems that face Albertans that will cause this government to be very successful in the future.

So, Mr. Chairman, I know we'll hear some interesting comments here in a few minutes. I would hope that my colleagues will get in and talk about the ways in which diversification has taken place, talk about the economic profile, talk about the good things that are happening in this province. That's the view this province takes. That's the view we have, and as I end, I think the greatest way to end anything I may have to say is, in fact, a quote from the Budget Address. I think it's one of the best lines there are, Mr. Chairman.

AN HON. MEMBER: Did you write it?

MR. JOHNSTON: Yes, I did, my friend.

Here it is. [interjections] I just want to make sure you're anticipating what it's going to be, you see. Here it is, Mr. Chairman. This says it all: "Alberta is the place to be in the 1990s."

MR. CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I was enjoying the comments, as I usually do, from the hon. Provincial Treasurer. I guess it was near the end of his remarks, as he diverted from sort of telling us about how the department is working and got diverted into these fantasyland notions of where the actual financial condition of the province is at these days, that it became even more interesting for me to take into account what he had to say. So I've just been doing some review here of the public accounts.

The Provincial Treasurer wants us to believe that the assets of the province outweigh the deficits. I'd just like to point him to the public accounts for 1988-89, which are the ones most recently available. He might want to look at the schedule of unmatured debt for the province of Alberta. In that schedule, found on page 1.17 of those public accounts, the net debt for the province was \$11,914,826,000. In the same public accounts, they're referring to the net financial assets, the fund equity for the Alberta Heritage Savings Trust Fund, \$12,398,200,000 approximately. Then if he would also, on top of that, care to review the notes to the financial statements, in which case the pension obligations and the unfunded liability of the province – the net obligation there is another \$5 billion. Mr. Chairman, these figures are over a year out of date. We've yet to get the public accounts for the year ending 1989-1990, which the Provincial Treasurer has assured us is even deeper in the red than these ones are. It's plain to see that whatever net assets the province has, the Provincial Treasurer is living very much in the past and not at all rooted in the reality of the fiscal condition the province is in. I know he's got a better handle on things than that; it's just that his rhetoric, unfortunately, in this place sometimes takes him off into these realms where he

shouldn't be. When he doesn't get off into those realms and he's fairly steady over there, one can take his comments as being credible, but those other gratuitous comments don't serve him well.

Given that he's made some comments about the overall fiscal policy of the government, I'd like to begin by making a few comments in that vein myself. The Provincial Treasurer I know tries hard and works diligently, but when it comes to being able to accurately predict and project budget deficits, the track record for this Provincial Treasurer is woefully inadequate and unfortunately very much out of sync with what ends up being the real deficits in each given year. For example, in three of the last four fiscal years the Treasurer has seriously underestimated the size of the annual budgetary deficit. I'm sorry to say that I don't accept his projections for this year, 1990-91. It's not going to be any exception to the rule.

Let's just take some of the revenue that he's projected, Mr. Chairman. For the first six weeks of this fiscal year oil prices have been – where? – around \$21 per barrel as projected by the Provincial Treasurer? No, Mr. Chairman. They've been around the \$18 a barrel average. That's for contracts that go into the summer. So it's not just for the six weeks of the fiscal year; these figures are for contracts sometime into this fiscal year. And while I accept that six weeks do not a year make, most analysts in the oil patch are projecting prices in the coming year, the fiscal year we're in, somewhere between \$18 to \$20 U.S. a barrel, not the Provincial Treasurer's projected figure of \$21.

MR. JOHNSTON: What's yours?

MR. HAWKESWORTH: Well, I've given you – I'm glad the Provincial Treasurer is very alert to my comments. I know he's dying of curiosity. I don't want him to die prematurely, so I'll assure him that before I'm done, he'll have my estimate of where the Alberta deficit's going to be this year.

I know the Provincial Treasurer has also budgeted a quarter of a billion dollars from the federal Minister of Finance for a stabilization payment, not just for this year, but there's \$75 billion that was projected to be received in the previous fiscal year. Three hundred and twenty-five million dollars, if memory serves me correctly, Mr. Chairman.

Now, we've witnessed a major new program for the province of Newfoundland, as an example, because of the collapse of the fishery quota and the collapse of the fishery industry there. But, Mr. Chairman, despite the rallies, the widespread public anger and widespread opposition in that province to the Conservative government, the most recent announcement of help for that beleaguered province indicates that it's only a couple hundred million dollars. So I ask myself . . . Here we are in Alberta; there's no public anger about the lack of a stabilization payment for the province. There are no rallies. There's no concerted effort that's obvious to any of us in this Assembly as to efforts by this government to get that money. A lot of the public pressure is not here in Alberta as it exists in other provinces in Canada, and yet this Provincial Treasurer is banking on us being able to do at least as well as those provinces in terms of getting money out of the federal government. Quite frankly, it's just not real, Mr. Chairman, and in fact the Provincial Treasurer some weeks ago indicated the hopelessness of the Alberta government's position on this issue. He said they may even have to go to court and sue the federal government to realize this revenue.

Mr. Chairman, interest rates are rising, not falling, as the Provincial Treasurer has pointed out, but I would submit that

the debt servicing costs that he's projected in this budget are a total mirage as well. For example, if we were just to look back in time a couple of years, we note that there's a lag in the effect that debt servicing costs have on the provincial budget. A deficit of perhaps a billion and a half or two billion dollars is incurred in a given fiscal year. Well, the increased servicing costs are reflected in the subsequent year's budget. So in 1988-89 there was a \$2 billion increase in debt, and there was an indication in the following year of a \$300 million increase in debt servicing costs. Now, if we were to take the \$2 billion debt that was also incurred in the fiscal year of 1989-90 as projected by the Provincial Treasurer on budget night, how is it, then, that he's only budgeted a \$90 million increase in debt servicing in this year's budget? If it were to be consistent from the previous year, he should be budgeting at least \$300 million, Mr. Chairman, because now, with interest rates at an historic all-time high, that \$2 billion deficit from last year is going to be reflected in much higher debt servicing costs than this Provincial Treasurer has estimated.

Now, on the expenditure side let's just take the recent settlement of the nurses' contract as an example. That hadn't been signed when the Provincial Treasurer tabled his budget. This government will either have to put more dollars into the health system or cut services and close hospital beds. So increased costs, Mr. Chairman, or else major political turmoil if the government at this point is not prepared to finance an increase in funds to the hospitals to pay for that nurses' settlement.

Last year the Principal bailout drove up expenditures of this government. This year bailouts for Peter Pocklington resulting from the Gainers takeover may well do the same thing.

So having made those comments, Mr. Chairman, here it is, if he wants the Official Opposition Treasury critic's predictions. And I'll put money on this one, just a friendly side bet with the Provincial Treasurer. He's budgeted in 1990-91, on page 36 of his Budget Address, \$12.2 billion in expenditures. I say, Mr. Chairman, that he's underestimated the debt servicing costs by \$200 million. As well, I believe if we look at the supplementary requisitions for the last fiscal year – and they appear for legislative approval in this year's estimates – the figure is somewhere in the order of \$350 million. I don't see that this current fiscal year we're in is going to be much different. So I'm going to add another \$350 million to his expenditures. That would include nurses' settlements and Gainers costs and so on. So he can write this figure down: \$12.75 billion. That's 12 and three-quarter billion dollars in expenditures.

Now, the Provincial Treasurer estimated, on page 34 of his Budget Address, revenue of \$11.42 billion. Now, he also in his speech this afternoon talked about the impact of the interest rates on the provincial economy, the impact of the federal goods and services tax on the provincial economy. I'm going to say to the Provincial Treasurer that he's overestimated his tax revenue for this year also by a quarter billion dollars; he can subtract a quarter billion dollars from that. I say he's overestimated oil and gas revenue for this year by a quarter billion dollars, and I say he's overestimated a stabilization claim from Ottawa by a quarter of a billion dollars. So here's the revenue income picture for the Alberta government for the current fiscal year: \$10.67 billion.

[Mr. Jonson in the Chair]

Now, just to be on the conservative side, Mr. Chairman, I'm going to say that the provincial deficit will be slightly under \$2 billion this year, as opposed to the \$700 million and some projected deficit that the Provincial Treasurer has given us in his address. Now, as I said, I'm quite happy to put a few dollars on the side here if the Provincial Treasurer wishes to appoint a third party to hold it. I'd be quite happy with, say, a friendly bet of \$10 that come budget night next year when he's fessing up to his projections for the current fiscal year, my prediction is much closer to reality than his.

MR. JOHNSTON: Give me your oil price.

MR. HAWKESWORTH: Well, he can work it back from my budget estimate that he's a quarter of a billion dollars short on that figure. He can figure it out himself.

Why does the Treasurer treat his current year's budgetary revenues and expenditure forecast as a state secret from the tabling of one budget to the next? Last fiscal year is a case in point. The Treasurer kept insisting right until the tabling of the budget that his projections were on track, and then on budget night we found he had underestimated the size of the deficit by \$330 million. Why doesn't the Provincial Treasurer do himself and all Albertans a favour by preparing quarterly financial updates which in a summary fashion outline the government's revenues and expenditures? Such financial updates, I'm sure, are prepared internally. Why doesn't he release them publicly to save himself all that embarrassment come budget night? I think that is a positive suggestion for the Provincial Treasurer to consider.

Now, on a couple of notes more specifically, not so much the general fiscal policies of the government. He made reference to the operations of Alberta Treasury Branches. In specific, Mr. Chairman, he made reference to guarantees, and I'm not necessarily lumping these together. He touched on a number of topics in his comments this afternoon; I was making notes as he was speaking. I'd like to ask the Provincial Treasurer: why should there be any losses at all on guarantees? If guarantees are properly secured, there shouldn't be any losses to the Alberta Treasury if those guarantees have to be implemented. I'm told, for example, that in the United States when the federal government was bailing out Chrysler, they actually ended up making money on that deal. Because they had so firmly and securely locked in their interest in the form of that guarantee, when Chrysler Corporation succeeded instead of failing, it ended up with the government making money, and had they failed, the government would not have lost money. He referred to the fact that when the Alberta government loses money, it was goodwill. I don't know who's writing his speeches. It might be government goodwill, or it might be government recklessness. I'd like to know what procedures are in place to ensure that when guarantees are drawn up and entered into by the Alberta government, they're properly secured so that the Alberta taxpayer and Alberta Treasury Branches or the General Revenue Fund are not left holding the bag.

Just in regards to this, you know, the Provincial Auditor General has made a number of comments about the Treasury Branches operation. In fact, and I'm reading recommendation 7, he recommended

that Treasury Branches establish a system for identifying all loans and commitments that share common collateral or earnings. It is also recommended that the Synergy system record information on loan guarantees and letters of credit.

It would seem to me that if Alberta Treasury Branches are going to define extensions of credit or treat extensions of credit alike, there should be some action on this recommendation by the Auditor General.

I'd also like to ask the Provincial Treasurer, just in regards generally to the comments made in the most recent report of the Auditor General in regards to Treasury Branches: what efforts are being made to ensure that, yes, the loan loss provision estimate system is improved, to ensure that Treasury Branches are now establishing and regularly reviewing the maximum amount to be invested by loan categories to assist in the control of credit risk?

As well, Mr. Chairman, I'm not aware that any guidelines presently exist within the Alberta Treasury Branches system regarding the maximum loan that can be made to any one borrower or related group of companies in the control of a single borrower. I noted in the most recent annual report for North West Trust, as an example, that a maximum ceiling of 1 percent of all assets within Alberta North West Trust is the maximum amount that can be loaned to any one borrower or connection. In fact, I think that may be a requirement of the legislation for any trust company, but I don't know that any exact formula or guideline exists when it comes to Alberta Treasury Branches. I'd like it if the Provincial Treasurer could indicate to us whether such a guideline exists or whether such a formula exists. If so, what is that formula?

As well, Mr. Chairman, all financial institutions have boards of directors. It's a system well established in business. In fact, other lending institutions under the control of the Alberta government have boards of directors; Alberta Opportunity Company, the Agricultural Development Corporation, Alberta Mortgage and Housing are examples. I'd like to know why the Treasury Branches don't have such a body. What a board of directors does is place that entity at arm's length from the political body, a political arm at arm's length from government. Why does the Treasury Branch not have such an independent body?

What it means, Mr. Chairman, is that the people who are within that organization have a direct hierarchical reporting relationship to the Provincial Treasurer. There is no independent arm's-length relationship that exists, and so it also, because of that, raises questions about what control or influence government has in requiring, for example, Treasury Branches to provide a loan to a third party. What employee is going to be able to defy his or her boss if a request to make a loan comes through from that boss? It means that those employees may feel that it's imprudent to do such a thing, but I don't know what mechanism is in place, what guidelines are in place to ensure that the employee can say to the political body or the political minister, "We believe such a loan would be imprudent, and we're not going to make it." I'd like to know what is in place to ensure that improper political influence does not have a part to play in the operations of the Treasury Branches, because I know that those people want to do a good job. I'm sure they compare themselves to what goes on in the private sector, and they want to do at least as good a job, if not better, than other institutions. I want to know that they're not being hamstrung in what they do.

The minister indicated the profitability of the Treasury Branches. I'd like to know whether the lending practices that have created the losses at the Treasury Branches stem perhaps from unwarranted influence at the political level. Perhaps part of the reform that I understand was mentioned, if memory

serves me correctly, in the Speech from the Throne – whether those reforms will result or are intended to result in a board of directors and a more independent body being set up.

I also notice that in the industry generally, Mr. Chairman, they're becoming more and more concerned about improper or illegal transfers of funds – otherwise known as laundering money that has been improperly received, perhaps through drug deals or other illicit means – and are putting in place guidelines and operations to review deposits that are put into their financial institutions and then transferred. I wonder whether Alberta Treasury Branches have looked at this as a potential problem that might be existing in Alberta and whether they're considering placing procedures that would prevent Alberta Treasury Branches from being misused as a conduit for illegal activities. I'm sure they don't want to be, but I don't know whether they are looking at what's going on in the industry generally in order to ensure that the same thing doesn't happen here and can be prevented here.

I'd also like to know what's going to happen with Gainers now that it's under the effective control of the Alberta government. Many of us are very concerned about the way this entire operation has been handled from day one and find it very intriguing to pick up the annual public accounts. We thought the exposure in a loan guarantee to Gainers Properties was only \$55 million; then we pick up the annual report, the most recent financial statements for the province of Alberta, and find that it's not \$55 million at all but in fact that figure has grown. If I look in the consolidated financial statements – this is for over a year ago – that figure was almost \$59 million. I'd like to know what's happened to it in the intervening year and what's happening to it as we speak. Is that figure growing? If so, at what point does the growing stop? At what point does this hemorrhaging of money into this organization stop?

I'd just like to know – I'm sure the minister would like to think and does think of himself as a good steward of the taxpayers' money – what steps did the minister take to satisfy himself that Mr. Pocklington was living up to his end of the deal before allowing money to be advanced to Gainers under the loan vehicle? We understand that \$6 million was extended to Mr. Pocklington from the time the first advance was made to the time the final advance was made. What was it that Mr. Pocklington was able to do to convince the Provincial Treasurer that he was living up to his end of the deal?

Under the original terms of the loan we understand . . .

MR. DEPUTY CHAIRMAN: Hon. member, order please. Hon. member, just a caution from the Chair in that these matters you're dealing with are moving into the area of matters that are before the courts. I would advise you to conclude and move on to other relevant matters in the estimates.

MR. HAWKESWORTH: Well, Mr. Chairman, I think the *Beauchesne* citation indicates that if they've gone to trial, which hasn't yet happened, the sub judice rule prevails.

But as I mentioned earlier, the original terms have not been made available to the Legislature. All we have are the public accounts to go on. The initial understanding that was given to us when the initial press release was issued by the Alberta government was that \$55 million of the loan guarantee was outstanding and the loan that was provided as well. The original understanding seems not to be operative, and I think, just looking at how this is going to be disposed of, there's no guarantee that it's going to be disposed of in the courts. I'd like

the minister to comment. If he doesn't wish to, that's fine. That's typical.

I'd also like to speak briefly, Mr. Chairman, to the matter of the unfunded pension liabilities. This is a serious matter; it's affecting the retirement and potential retirement of thousands of our valued public civil servants. Certainly I hear every day this government paying lip service to their feeling that these people are valued public servants. But when we look at how they're being treated, and particularly when we look at what's happening with their pension plans, serious concerns arise that indicate that maybe this government doesn't really value them all that well.

The cumulative unfunded liabilities for all government-administered pension plans is now approximately \$5 billion. What these deficits represent is basically that the cost of funding pensions is effectively being passed on to future generations, and these . . .

[The hon. member's speaking time expired]

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

MR. CHUMIR: Thanks to both of you. I very much appreciated the minister's comments with respect to how much he owes to his staff. I think he used the term "I owe them a great deal," and I'm sure that anybody who knows him and his staff realizes that that is the case. But what was missing was the usual disclaimer that we see in the forewords to books in which they say, "I owe them for all of the good and sensible aspects of what I have been doing, but they aren't responsible for the many errors and failings," because nobody wants to see the staff blamed for the many failings of the Provincial Treasurer.

Now, I have a number of comments and questions, Mr. Chairman, but in the past I've noted that we've had very little in the way of response, and I'm wondering whether we're going to get an undertaking from the minister to provide written responses to the many questions we ask. It seems to be customary from other ministers. I can't recall seeing written responses coming in from the minister's office with respect to the many questions which I asked and which have been asked in previous years. So I'm wondering whether I could ask the minister: will you give us an undertaking, sir, to provide written responses to questions that you're unable to field here today?

MR. JOHNSTON: What you see is what you get.

MR. CHUMIR: I note that his head has never been more stationary.

I'd like to talk a bit about vote 1 and the expenditures for the Provincial Treasurer's Office, which are up 9.5 percent this year. I can't help but noting that in his own little empire, his office expenditures are up 8.4 percent a year since he took office. Now, to the extent that that's spent on some of his most valuable staff, I can express absolutely no complaint, but the concern that I have is the extent to which some of that is made up of the 30 percent pay raise that the minister has accepted and other perks and benefits that he has accruing to them.

I raise this in the context of having received a letter from the minister inquiring whether the miserly increase that I and three other of my colleagues are to realize in respect of pension benefits on the very tiny 5 percent of the increase which we have accepted . . . The minister's inquiry was whether or not we

would like to give that 5 percent back, regardless of the fact that there is no provision for us to receive any credit for payments which we have to make on that count. So the answer is in the mail, but I will tell the minister that we have absolutely no objection to an adjustment in the pension providing our contributions are returned. It's certainly within the minister's and the government's province to make amendments to the appropriate legislation to ensure that that takes place. It's not of our own doing. I'm sure the minister is well aware that our caucus, the Alberta Liberal Party caucus representative, voted against the 30 percent increase.

AN HON. MEMBER: But he voted for his leader's raise.

MR. CHUMIR: Well, it's a matter of record, and we did vote. I hear . . . [interjection] What you get is a reflection of ignorance there, that there are very, very few – there are some members of this caucus who accepted only 5 percent. [interjections]

MR. DEPUTY CHAIRMAN: Order please.

MR. CHUMIR: Now, the minister is supposed to be a leader in this regard. He's the minister who's supposed to be showing some leadership to the social workers and other government employees who are being asked to accept a mere pittance, and I'm wondering whether the minister is prepared to accept a rollback to 5 percent. Let's see some leadership on the part of the minister, and let's see him lead his government into a rollback. We're prepared to accept that rollback. But if we really want to look for justice, we have to look at the man over there who's responsible for giving Peter Pocklington all that money without obtaining an appropriate guarantee from Peter Pocklington, so that we have Mr. Pocklington running off with the Edmonton Oilers and Palm and Canbra and all these other assets while taxpayers pay the debt. I think if there were any justice, we'd be taking a little bit out of the minister's pay packet every month in order to start paying back some of the fleecing the taxpayers are going to be taking in respect of that, Mr. Chairman.

The minister's budget for this year has been cut in total by \$17 million. He has noted that of that, \$19 million relates to the decrease in the farm fuel distribution allowance. I can't help but note that while many other items in his budget are being increased, the only significant decrease arises on the backs of our farmers, who are now in a serious state of distress with cuts in their income. The minister's budget is being made to look good in relation to last year's by cutting back 2 cents on the farm fuel rebate that is given to farmers.

I'd also like to talk about the issue of guarantees, which was raised by the minister. I'm very, very concerned about the absence of appropriate controls within his department to ensure that taxpayers' interests are protected. I've already mentioned the problems which we've seen with respect to allowing Mr. Pocklington to obtain the \$55 million loan guarantee for Gainers without obtaining a personal guarantee with respect to his assets. I'm also concerned with respect to the apparent absence of any form of controls on the part of the government in terms of positions on the board of directors. It's a matter of public record, due to filings in the courthouse, that when Lloyds Bank had loans out to Gainers, as early as 1984 they had a management committee set up and Gainers couldn't move without approval from that management committee. Now why didn't we

have any similar types of control? I guess I'm wondering whether the minister can tell us what measures he has within his department to ensure that these problems don't continue to recur and the interests of the taxpayer are protected.

As I look at the budget and try to divine where this is covered, I find myself puzzled as to whether we should cut the budget to punish those who are responsible or increase it because of inadequacy on the staff side. Probably the real answer is that the buck stops at the top; it's the fault of the Provincial Treasurer. As I noted earlier, we should be taking that little bit out of his pay packet regularly and he'd be more careful in future.

The minister has been extremely economic with the truth when he says that this province has more assets than liabilities. That's clearly not true. It was true before the minister was the Provincial Treasurer and was in charge of our financial affairs, but the fact is that under his regime - I mean, he'll go down in history as the man who was at the wheel at the time we moved from having net assets to becoming a net debtor, even after we take into account the heritage fund.

We look at the unmatured debt for the General Revenue Fund as set out in this latest budget document, and as of March 31, 1989, it was \$8,182,000,000. Then we have the Treasurer estimating another cash requirement of \$979 million based on his budget estimates. That excludes the heritage fund requirement and assumes we're going to be receiving \$250 million from the federal government with respect to the stabilization payment. We're soon up to \$9.5 billion. As I recall, that's the debt limit this House approved as of last year. Now, I'd like to ask the members of this House what the odds are that before we get out of here we're going to see another piece of legislation being presented to this House by the Provincial Treasurer to increase that debt limit. I'm willing to make a wager with the Provincial Treasurer and any member of this House that we are going to see that. Now, there's an idea of how well this province is being managed: that each and every year we're seeing the debt limit increased as a result of the horrendous budget deficits this province is . . .

MR. DEPUTY CHAIRMAN: Hon. member, just a matter of courtesy. Could you uncover your microphone there for the purpose of it not being lost to *Hansard*?

MR. JOHNSTON: Couldn't hear a word you were saying.

MR. CHUMIR: Whoever complained doesn't know how lucky they were.

And of course the key to our net deficit position is the \$8 billion to \$9 billion of pension liabilities which aren't accounted for in the public accounts.

AN HON. MEMBER: They're accounted for.

MR. CHUMIR: They're not accounted for in the public accounts, other than they're noted in a footnote. But if you add them in - I mean, if the Premier waves his hand like it's a wand, the deficit isn't going to retreat. The fact is that we do have an additional \$8 billion to \$9 billion of debt, and when you factor that into the public accounts, we're net debtors, and that shouldn't be in a footnote. The Auditor General, the Canadian Institute of Chartered Accountants, of which the minister alleges he is a member, suggest that these things have to be accounted for. Not only are they not accounted for; these pension

liabilities are a source of tremendous secrecy. I'm sure the minister will be pleased to know what a chord of interest we've struck with all these organizations that have these pension liabilities. They've all been in contact with us expressing distress at the inability to even meet with the Provincial Treasurer. After attempting to do so for three years, they can't even meet with him, and you can't get copies of reports and documents. I mean, they were promised by former Provincial Treasurer Hyndman years ago. He said, "Well, we're going to give you our calculations." But no calculations. We can't get them. So I'd like to know when the Provincial Treasurer intends to address this very important problem.

I commented and questioned the minister last year with respect to the Alberta Treasury Branch. I think all Albertans have a concern with respect to the way in which this institution is being administered. Not the least of the concerns is that there's a lot of public money at stake. It's taxpayers' money, and we've been losing a lot of it over the last four or five years. The real concern is with respect to supervision. The Financial Administration Act vests in the Provincial Treasurer the responsibility for the Treasury Branch. On the other hand, the Treasurer says he isn't responsible. For example, Mr. Chairman, the Provincial Treasury Branch doesn't have a board of directors. The responsibility for operations is vested in the superintendent. Well, who are making these decisions? If the Provincial Treasurer's department isn't doing it and the board of directors isn't doing it, who are making the decisions with respect to the multibillions of dollars for which the people of this province are liable? I think it's time we got some answers and perhaps restructured a little bit to ensure that we get some independent input with respect to this very important institution, and particularly that we get a board of directors with sound financial backgrounds in order to be able to give us some sound assessment with respect to the direction of this institution.

I am concerned, Mr. Chairman, about the absence of any attention by this government to the rental crisis which has arisen in this province. There's no comment on it in the throne speech, and I would urge the Provincial Treasurer to address that issue, particularly in his income tax legislation with respect to reinstating the renters' tax credit which was eliminated effective in 1988.

I've been trying to get information from the minister with respect to the total amount of the legal fees paid under the Code inquiry both with respect to the Cormie family and with respect to other participants. I'd like to repeat that question for the minister. There's some information we've pieced together from the public accounts of 1989 which indicates a payment of over \$1 million to the lawyer for Mr. Cormie. I'm wondering whether any more has been budgeted for this year. Are we through, and what is the total amount? I'd like to make it clear that having once set this matter in motion, I think there was an obligation on the provincial government to pay legal fees or at least part of the legal fees for the participants. The complaint I have is with respect to the provincial government putting us through this exercise to begin with and resulting in this cost to the taxpayers, and I think it's essential that we find out just how much that total cost was. It's in that context that I ask the question and not in the context of whining about the fact of them being paid as such as a policy.

Now, the minister also has said that he anticipates the budget will be balanced next year. I'm wondering what mirrors he's using. It's noteworthy that our debt servicing costs have ballooned up to almost a billion dollars in estimates this year, and with increasing interest costs they're going to be much more

than that. We're going to add well over a billion dollars, even on best estimates, next year. So I'm wondering what the minister is on.

I'm also wondering why it is that the minister is unwilling to disclose the price of natural gas, which he used as a basis for his budget revenue estimates. He's advised with respect to the price of oil. It seems incongruous that the minister would not be equally forthcoming – one of his few areas of being forthcoming, I might note – with respect to natural gas pricing.

I'm wondering also whether the minister is prepared to give us a calculation with respect to the final costs to the taxpayers of this province of the ill-fated Alberta stock savings plan. I've done a calculation myself, which I'm not sure is based on complete information because it's so difficult to get that information from the government. The calculation is that Alberta taxpayers paid out \$84 million in terms of tax rebates over three years for very little tangible economic activity or job creation in this particular province. The classic, of course, is over \$30 million being paid to one company alone, Altafund, which invested in blue chip stocks and bonds, many of them in American companies, very few in Alberta. I'm just wondering what this expenditure, this waste, says about the way in which his plan operates. He's been talked to and questions have been raised in this House indirectly on this issue with respect to the money from this plan going into very poor projects, and it's continued.

As late as the fall of last year, his department approved Alberta stock savings plan issues relating to one venture to purchase producing oil and gas properties and another to purchase existing commercial real estate. Producing oil and gas properties at a time when the government policy has been to withdraw and end all subsidies for actual drilling and exploration where you're going to create jobs? The minister's department is approving an Alberta stock savings plan program to buy existing oil and gas properties to transfer them from one taxpayer to another, and we the taxpayers are going to pay 30 percent of that cost? That is totally, totally unacceptable, as is the proposal for the commercial real estate venture and many other particular investments proposed under that program. It's gone; good riddance, rest in peace in the form in which it was in the past. If it ever revives, I hope a lot of the defects are removed, but you can't remove the defect of poor management. You can't overlook the fact that the problems and the expense and the loss in millions of dollars that took place in respect to this program arose directly out of poor management; it was very costly management.

Now, a final question relates to the flat rate tax, Mr. Chairman. There is a taxation agreement between Alberta and the federal government, and in that agreement it provides that Alberta shall levy taxes as a percentage of the federal tax. The federal Auditor General has noted that the flat tax does not comport with that agreement and that indeed, as we have noted and he notes as well, it's extremely regressive. Now, I'm wondering whether or not there has been any amendment to that agreement that we're unable to determine and on just what basis it is that this flat tax has been levied in the face of an agreement that such kinds of taxes are not permissible under the master agreement.

With that, Mr. Chairman, I will yield the floor, although there are many other issues that can and have been dealt with under the budget debate and I think fit more appropriately under the budget debate. I thought I saw the Chairman kind of wrinkling his brow in terms of one comment that perhaps he thought was

more appropriately raised in that connection. So those are my questions and comments, and I will cede the floor.

MR. DEPUTY CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. I would like to first of all congratulate the minister and his department staff for the difficult task they have and the good job they're doing with that department.

First of all, I want to get back to my question. I was going to ask you about our Alberta capital bond issue, our new issue. What kind of interest rates are we going to be paying on our new issue? In the past these bonds have proven to be a very attractive investment, and I might add that they've been a very secure investment. Our people are very, very interested in what is going to be paid. Also, I'd like to know what is going to happen with the existing issue of the '88-89 bonds. Are we going to give them the same interest rate? It would be nice to know exactly how that worked.

I would like to know how our bond rate issues compare with other issues that are put out across Canada. While we're talking about that, it would be interesting to note some of the uses of the money and how much we are expecting to need.

[Mr. Schumacher in the Chair]

I want to talk for a minute or two about the federal interest rate policy. Before I get into that, I was hoping a member that had just spoken was going to stay for a minute or two, because I thought I would like to talk about the Alberta stock savings plan. I did disagree fairly strongly with his foresight or whatever, his thoughts about the plan, because I thought it was quite a good plan. I was wondering why we let it expire at the end of '89. Did we achieve our goal with that plan? When I think of the dollar investment that went in through that plan – and maybe it wasn't big enough and working properly in the fact that it didn't attract enough – it seems to me it only makes common sense that we would use that money here in Alberta to develop our industry and get investment back here in Alberta instead of sending a large number of those dollars down to Ottawa. I think it would be one way that maybe we could keep some of those dollars here and put them to work.

When I talk about the federal interest rate policy, I would like to know from the minister if we still have our triple A credit rating. If we do, what are the best rates we could go and borrow money at? I guess my thoughts are that our 9 percent money that we borrowed for the farm credit stability program and our small business program was just such an excellent program, and it saved so much money for our industries here. We do need some kind of way to protect ourselves from the high interest rate policy the feds are so determined to give us. What would be wrong with us going back and borrowing some more money – I know you can't get it quite at that interest rate, but it would be interesting to know at what rate we could get it – and trying to inject this into our economy here in Alberta? It seems to me it would be some protection, and I would like to know the negative side of that particular thought.

The other thing, and I guess it was kind of asked before: the Gainers situation and the dollars I hear about in the press and in the paper. I'd like you to give us a rough estimate of whether or not there have been new dollars put into it or how much it is costing the taxpayer now. Give us some kind of idea just exactly what that is doing.

My last remark I'd like to give you is: the federal government, their policies; their big interest, which had to come, in transferring their debt back to the provinces. I see it maybe more so in agriculture right now, but I'm sure it's happening in almost all our industries when we are an exporting country here. By raising the interest rate, thereby raising the dollar, and lowering our prices, that's a direct transfer to western Canada whether it's to the government or to the industry. It is beginning to hurt, as they've had this continual drain on us now for a number of years. I look at that artificial dollar, that if it is 10 percent out or 15 percent out – we just watched our grain prices announced the other day, and they were anywhere from 12, I believe, to 26 percent lower. The federal government is looking at that and trying to protect themselves or protect the Wheat Board if prices should go down, and it does look to me exactly like they are still transferring more of their debt on to us here in western Canada.

I would like us to come up with some kind of proposal, I guess, from our government to theirs. I know they haven't been paying very much attention to it, but in the case of the Wheat Board or the price of our energy or the price of our lumber, which certainly will be a major thing in the future, maybe we should be tying the prices of that to the dollar so that when the dollar shifts, they would then feel the direct effect of that. Because I don't think it's quite fair to shift that direct effect continually onto our industries. Then it would indirectly be a big help to us here in our government, and we would not have to be continually trying to subsidize with our different programs.

Our programs have been extremely helpful, and I can't say enough about that farm credit stability program. I'm sure it's saving us \$150 million a year every year. The higher the interest rate goes, the more it's helping us out. It's something we can really be thankful for in that industry, and I think it was a very wise decision. I don't know whether you could do that again in a different way and maybe put it into other sectors of the industry or not, but I think it would be worth looking at. I'd like to see us kind of look and explore new ideas, how we're going to handle this debt transfer that's coming to us whether we like it or not. I'd be interested in hearing your comments on that.

Thank you.

MR. CHAIRMAN: The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. I always listen to the Treasurer with interest when he introduces his estimates. Just a couple of comments. In the section where he said there were three areas in which the government had a lot of loan guarantees and investments – and he talked about agriculture, the farm credit stability program, and I assume he also meant AADC – he mentioned small businesses and student loan guarantees. I guess I would just say to him: well, what about Alberta Mortgage and Housing? You've got a lot of money in that too. I'm surprised you forgot it, because it probably has more money than any of the others in terms of the amount of money the heritage trust fund has into it compared to those others.

Which reminds me: I would like to ask the Treasurer if this year he's intending to introduce a motion to have new debentures from the heritage trust fund into those three Crown corporations, the Alberta Mortgage and Housing Corporation, the Agricultural Development Corporation, and the Alberta Opportunity Company. If so, we'll look forward to debating those when they come before the Assembly.

He mentioned that of course the government is going to have some losses if it gets involved in investments, and I certainly agree with him on that. It's going to happen a little bit. But the government could be a little more careful in a few spots. I certainly don't think he can claim that what happened with Principal was just a sort of accident. I think it had a lot to do with the way the government failed to regulate those companies. Or, for instance, the Gainers one. Actually, the Gainers loan and loan guarantee were probably a buy-off to Peter Pocklington to get him to settle the Gainers strike. In fact, I can't help wondering if you could go a step further and wonder about the \$100 million loan the Treasury Branches gave Pocklington to buy Palm Dairies. It's not likely that the Treasury Branches would have put that kind of money – unsecured, as far as I know; I assume it is – unless they had some political arm-twisting to tell them to put that much into a person like Peter Pocklington, who has taken the taxpayers of this country for a ride a number of times, starting with Fidelity Trust, then Gainers, and who knows what will happen with Palm.

I'd like to agree with the Treasurer that his federal cousins are really doing a bad job on the interest rates and that the 550 basis point spread between our interest rate and the American rate is devastating to this country. He also made note, and rightly so, that the real interest rates have gotten totally out of line in this country. One of the reasons that our federal debt is more important than it used to be for its size – and if you compare the federal debt now to the gross national product, it's not as big as it was just after the war when you compared the debt then to the gross national product. But the difference is that the interest rates back in those days were around 3 percent or some such figure, and the real interest rate was probably less than 1 percent or around 1 percent. Now the interest rates, as you know, are 13, 14 percent, and the real interest rate is 7 or 8 percent or in some cases as high as 12 percent, like the Treasurer was anticipating in terms of 17 percent loans when there's a 5 percent inflation rate. That's what makes the debt so much more serious today.

Now, the Treasurer did also mention the GST and the impact it will have and the inflation it will cause next time around. I just want to remind the Treasurer that the GST is part of the free trade deal. I don't see where this government gets off saying that they wanted the free trade deal but they didn't want the GST. Mulroney and Wilson both made it very, very clear right from the first that if you're going to have a free trade deal, they would have to change the manufacturers sales tax into some kind of consumer tax, and they had different varieties of ways of doing that and different names to call it, but everybody knew it would be a consumer tax so that our exports would not be taxed when they went across the border into the States, and therefore they would be competitive in the American market. That change was there and indicated all the way along the line. Michael Wilson even talked about it in his last budget and the need for doing that, so how this government can say that they think they can have the first half – it's like wanting your cake and to eat it too. They know they went out and campaigned for the free trade deal, and now they're saying they don't want the GST, which is part of that free trade deal. It doesn't make any sense, Mr. Chairman.

The Treasurer also went on to mention the heritage trust fund and how wonderfully that has sheltered Albertans. It's true that we stacked up a bit of money in the good years, but it's only taken this government four years to blow it. The debt of the provincial Treasury, the general revenue account, is now pretty

well equal to the assets of the heritage trust fund, and the debt servicing costs are fast closing in on balancing each other. So, Mr. Chairman, we had a heritage trust fund; we really don't any more.

Now, the Treasurer also went on to say how wonderful the investments were of the government in their high priority, education, but I would remind him that 3.5 percent to the schools and 3 percent to the universities does not meet the inflation rate. So I don't consider this to be a very good commitment to this high priority.

When the Treasurer introduced his budget early in the session, he waved around a little pamphlet – yes, here it *is* – called *Alberta at a Glance*, and went through all these little graphs in here, which are wonderful, saying how the economy is diversified and how wonderful everything is in Alberta and the economy in Alberta is booming and everything's going to be roses and wonderful for years to come. Now, I indicated to the Economic Development and Trade critic that the economy of Canada – and Alberta is part of Canada, and sometimes we're out of step with them in terms of what's happening here and what's happening in the rest of the country, because we are more dependent on natural resources than the rest of the country is. Nonetheless, some of the basic malaise that is inherent in the foreign-owned Canadian economy is also inherent in the Alberta economy. In fact, we're one of the most foreign-owned of the provinces and cater to foreign companies even more, sort of believing that what's good for Imperial Oil is automatically good for us even though sometimes they have worldwide interests that are quite different than Alberta's interests.

So I just wanted to take a little time to give you some information from some graphs I happen to have, since we suffered through all these graphs that show that Alberta is in such wonderful shape. The Canadian economy and the foreign ownership of our economy pose some really serious problems for this country, which the free trade deal is going to exacerbate, and we need to stop and look at and realize the direction we're going, not the least of which is the GST and the negative effect it's going to have.

But just to look at the effect already of foreign ownership of our economy, I want to read you some statistics from some documents put out by Mel Hurtig, who has researched these things very carefully and has indicated some of the numbers of various aspects of the Canadian economy. For instance, Canada's trade balance with the United States was going up very rapidly and doing very well from '75 to about '84 when their federal cousins came to power. Now the Canadian trade balance with the United States is taking a dive. Yet I thought the free trade deal was going to improve this. The trade balance reached \$20 billion in our favour in about 1984 and since then has been going downward almost steadily and quite rapidly so that in 1989 it's down to \$10 billion, a very serious decline in our trade balance with the United States.

Worse yet is Canada's current account balance with the United States. It was rising back in the early '80s. From 1982 up to 1985 it increased fairly rapidly, from about \$2 billion to about \$8 billion surplus for Canada. It then started on a downward trend, along with the election of the Tory government in Ottawa, and with one little blip here, it's gone pretty well down at a 45 degree angle so that by 1989 Canada's current account balance with the United States is a negative, almost \$4 billion, and getting worse. That is just incredible, Mr. Chairman.

The current account balance in billions of dollars – this is with the whole world, not just the United States – has gone from a

plus \$5 billion in 1982 to a minus \$20 billion in 1989. That's an incredibly bad performance. A lot of the latter part of this seems to be due to the kind of openness of our economy in terms of the takeovers of Canadian companies and the lack of foreign investment in spite of the free trade deal, which was supposed to, of course, bring in foreign investment.

The only thing that's gone up in terms of Canada's investment patterns is the investment income payments to other countries. That has been going up rapidly. It was going up gradually through the '70s into the early '80s, and then it started going up faster. In 1970 it started out at sort of zero payments. In other words, there was no negative effect of Canada's investment income payments to other countries in 1970. But it has now gone so that each year – in 1988 we were paying \$293 billion to other countries: an hourly rate of \$3,558,330. So every hour we lose over 3 and a half million dollars in payments to other countries.

Canada's net indebtedness to nonresidents. How much do we owe to nonresidents? Back in 1964 it was about \$20 billion. It stayed relatively close to that until 1975, and then an upward trend started. Now, as of 1988, it's \$250 billion. So we are incredibly in debt to foreigners.

The next chart I think is one of the most devastating in terms of foreign investment in this economy. In fact, the Alberta government along with some businessmen downtown were just sponsoring a forum in one of the big hotels, asking foreign companies to come in and matching them up with local Canadians and trying to encourage foreign investment in Canada. Well, we've already got too much foreign investment, quite frankly, in this country. It's shown by the figures on this chart. This chart is a summary of the United States' direct investment in Canada since World War II, from 1946 to 1988. The net flow of U.S. direct investment into Canada was \$3.9 billion in that period. However, the dividend payments from Canada to the United States in that period were \$58.8 billion, and the growth in book value of U.S. direct investment in Canada was \$72.7 billion. Now, it just shows that the foreign corporations, based in the United States basically but also in other parts of the world, have been able to take over our economy without even bringing the money in. I mean, \$3.9 billion is not very much, yet it has given them over the years a \$72.7 billion growth in book value. They now own us almost lock, stock, and barrel.

If you guys are getting impatient, there's a lot more to come, and in fact I'm skipping half of the charts. It is really very serious.

Investment Canada in the first four years of its existence, from June 30, 1985, to June 30, 1989, was supposed to screen foreign takeovers of Canada, but of course the Tories in Ottawa don't believe in screening takeovers. So it's not surprising to find out that 96 percent of the so-called foreign investment in this country was in the form of takeovers. Only 4 percent was really new foreign investment in this country in that four-year period. So it isn't that foreign investment has come in and helped build new industries in this country. In almost every case, in 96 percent of the cases, they've just taken over something that already existed, that was already in place, and in fact have often laid off workers and rationalized the industry and straightened it out to fit their agenda and have not been a help to Canada at all. The 96 percent represents \$65.6 billion, and the 4 percent was \$2.9 billion. So it just shows how little actual new money we actually got out of that period, yet we continue to become more foreign-owned on an incredible scale.

Another chart that gives the same idea in a little different way shows the growth of foreign ownership compared to the actual inflow of direct foreign investment. It shows that from 1970 through to 1988 the direct foreign investment into this country stayed at less than about 5 percent. Once or twice it gets up over 5 percent, in 1980 and again just in 1988. However, the book value of foreign direct investment in Canada has grown like crazy, starting at about \$25 billion and rising to over \$100 billion. So while we get very little real money from abroad, nonetheless it gets leveraged into being an incredible degree of foreign ownership of our economy.

If you want to compare some of the leading industrial countries with Canada – if you count the nonfinancial industries, leaving the banks and trust companies and that sort of thing out of it – you will find that Canada has over 30 percent foreign ownership of its industries and businesses. The European Economic Community has about 8 percent foreign ownership of its economy. The United States has about 5 percent, maybe even a little less than 5 percent, and Japan about 2 or 3 percent. So we are by far the most foreign-owned economy of the modern industrial nations, little more than a banana republic in terms of controlling our own destiny.

In fact, you might say that Michael Wilson with his budget – if he'd done things a little differently, and the Treasurer might agree with this – with the kind of brinkmanship the federal government is playing, with the high interest rates and the Canadian dollar in the foreign economy, had Canada on the brink of a crisis that could bring the International Monetary Fund in to tell us how to run our economy. Canada's in that bad a shape in terms of foreign ownership and possible control or at least disastrous results if the government lowered the interest rate too precipitously and particularly the Japanese investors decided to pull out fast. We saw some threat of that some time ago. That's the kind of Tory policies that have led us to that kind of brinkmanship, and this kind of losing control of your economy that I'm talking about here is part of the cause.

Everybody says we need this foreign investment to create jobs. Well, just let me give you some stats on that. Canadian-controlled companies between 1978 and '85 created 876,000 jobs. Foreign companies, American companies specifically, created 1,400 new jobs. Other foreign-controlled companies had the net effect of reducing our number of jobs by 12,800. Now, you tell me we need foreign investment to create jobs and that's the performance? There's another stat on that as well. For every billion dollars of profit – and I remember hearing the Economic Development and Trade minister mention this. He was bragging that for every billion dollars of exports we create something like 19,000 jobs in Alberta, saying how good exports are for us. Well, here's a stat also related to \$1 billion of profits. For every \$1 billion of profits between 1978 and 1984 Canadian companies created 5,765 jobs. American companies, specifically, created 17 jobs. For a billion dollars in profits they could either take out of this country or spend in buying up more of this country – they certainly didn't pay much of it in taxes – they created a whole 17 jobs, whereas Canadian companies created nearly 6,000 jobs for a billion dollars of profit.

Canadian control of the oil and gas industry. Now, back in the early '80s it was pretty low, and it started to climb in the year '80-81. Then it leveled off a bit and grew gradually to about 40 percent in 1984 when the Tories came to power. It continued to grow in '85 and '86, but in '87 and '88 it's heading downward at a rapid rate. Canadians are in control of less than 35 percent of our oil and gas industry. So it's no wonder we end

up writing policies that are really geared to America, because most of the companies are American and doing what's good for themselves and not what's necessarily good for Albertans.

Now, one of the things that everybody likes to brag about, the federal Tories particularly – and I guess the provincial Tories have picked it up because they like the free trade deal. Just take a look at what's happening with New Zealand and Australia. Here was a one-on-one trade deal between a very small country and very big country, and of course it's good and working wonderfully, isn't it? Yeah, sure is, particularly now that New Zealand has a GST.

MR. WICKMAN: Give him some time to respond, Alex.

MR. McEACHERN: I'm going to stop in a few minutes, member.

MR. WICKMAN: Good. Well, a few minutes will be fine.

MR. McEACHERN: Just a couple more to go here. The real gross domestic product . . . [interjection] You should listen to this.

The real gross domestic product of Australia has been growing since 1984 at a very rapid rate, almost a 45 degree angle line growth on the graph. New Zealand, on the other hand, a small country going into a free trade deal with a big country, was growing in 1984 and did until 1985, and then suddenly it leveled off and now is going downward quite rapidly. Their gross domestic product is not growing. The growth rate is going down.

So there's a difference, Mr. Chairman, between making a deal through GATT and through multinational organizations where you talk about what is fair trading practices and going into a free trade deal with a big giant that already controls much of your economy. What we're finding happening now is that the United States is making a deal with Mexico which brings Canada into a North American sort of free trade zone or an integrated economy in which Canada will be the supplier of raw materials, Mexico will be the supplier of cheap labour – and that spells real trouble for workers in this country – and the United States will provide the capital and the technology and, therefore, control it all to the detriment of Canada and Mexico. We're being put into that deal, and we're not even at the table with Mexico and the United States, yet the impact will be incredible on our economy.

So, Mr. Chairman, I'll stop there and just say that the economy . . . [some applause] If you make too much noise, I'll stay here longer. I do have the floor for another 10 minutes if I want it.

The summary I would like to make is that while the Alberta economy has some diversification and some things happening now due to the pulp mills and due to the incredible, innovative entrepreneurs that we have – the small businesses that survive in spite of our policies, so that we have a reasonably healthy economy for the moment – there are some real, serious underlying problems in Canada, of which we are a part, and we are in the long run in a lot of trouble unless we reverse the direction that this government is taking us.

MR. JOHNSTON: Mr. Chairman, I think we can take it from the Member for Edmonton-Kingsway's comments that he's opposed to free trade. I appreciate the economic analysis. I can say that I tend to agree with him with respect to the Canadian

position, that in fact it is true that Canada's debt has increased dramatically and, of course, we're committed to repaying it and our debt servicing cost as a percentage of GNP is very high. I'm not too sure who the economic advisers are to the federal government or to whom, but it is a major problem. I think that's the point the member's trying to get across.

Certainly I don't agree with him with respect to the free trade arguments. I think that over time the free trade arrangement will work to our advantage, particularly because it will make the natural flow north and south, allow diversification of our own industries here in Alberta, but in particular will be a major attempt to remove some of the subsidies which are distorting the allocation of resources in Canada and in the United States and making us all more competitive in the world markets and certainly here in western Canada and in Alberta. I believe that the so-called law of comparative advantage will bring back to western Canada an opportunity for us to expand our red meat industry, the pork industry in particular, and some of the grain industry, providing that dislocations which now exist, generated or distorted by subsidies, can be removed. So in some cases I think there will be some indirect benefits to us here in this province besides the direct ones which are generated by opportunities for trade.

I probably would admit, though, that the high Canadian dollar to date has eroded much of the advantages of free trade over the past year, and that's why we're arguing that to allow us to expand into some of those markets, we would like to see the Canadian dollar down to a more reasonable level.

I am reminded, when you talk about economists, of that old joke that I'm sure many of you have heard about May Day. Since May Day has just passed, I'll bring it to the members of the Assembly: wherein the head of the Russian presidium and the number one generals were watching the May Day parade in Moscow, and of course everything was parading through – the tanks, the rocket launchers, the army. And at the very end there were two people walking along, and of course after this hour and a half parade the comrades turned to each other, to the general, and said, "What are those two guys in civilian clothes at the end there?" And the guy says: "Well, those are two economists. Nothing can be more destructive than having two economists together." I think that probably has been the case in terms of some of the forecasting we've been dealing with.

Well, let me deal more specifically with the question from my colleague from Wainwright. I will try to run through, insofar as the time allows me, as many of the questions as I can. I would point out to the Member for Calgary-Buffalo that in all other years past, those questions which we can answer and have not answered we provide along to our House leader, who files them in the regular sense, and those have been made available, and we'll continue to do just that, at least with those questions which we deem are reasonable. There is a substantial number of questions on the Order Paper. I'm not too sure why they're there, but they certainly are taking up the private members' days in terms of debating those motions for returns. Many of them are fraught with mistakes and are not acceptable to the government, but I know the opposition will use that excuse to talk about freedom of information, the fact that we're not responding. The point is that as soon as we get up to talk about it, we get into a long debate about other issues, and of course the time is taken up just talking about why it is that these are not appropriate questions. But with respect to the estimates and any other information that can be made available and will

supplement the public accounts, of course we'll do that, and many of the questions today were, in fact, of that order.

Let me deal with the capital bonds, because I think this is one of the very unique examples of the way in which the people of Alberta have responded to the needs of, I guess, our funding here in the province. You recall that in 1986 when the price of oil collapsed dramatically and we had to start borrowing, we asked the people of Alberta to put some of their dollars to work for the future of this province, investing in such things as hospitals, universities, colleges, those kinds of facilities which have a very long life going out. That's why we formed the Capital Fund, and much of the money that's raised from the Alberta capital bonds each year is used to fund those important projects which have a very long life and which can add to the kinds of priorities we have on the social side, health and others and education as well, and I think provide meaningful opportunities for the people of our province.

Well, I think many western provinces are now copying the Alberta Capital Fund. Other provinces are trying to do the same thing. Ours has been in place since 1987. In that year we sold over \$900 million worth of bonds. The total outstanding is about \$900 million right now, although we have sold about \$1.7 billion worth of bonds total. So the net has been the redemptions.

This year, the first year, '87, bonds are going to come due. They'll be rolled over, if necessary, into the new 1990 issue, and of course there may well be some redemptions because these bonds become redeemable on June 1 and December 1. But what the people of Alberta are interested in is: what is the rate going to be this year? Well, I can advise the Member for Wainwright and all other members that we will set the rate tomorrow at 12 and one-half percent for the coupon. That rate will stay in place for six months. It's fairly contemporary with the going rates in the private sector. Some of the T-bills are now trading, for the small investor that these bonds attract, at around 12.75 or so. Nonetheless, this is a very good investment for Albertans, 12 and a half percent. We think it's contemporary, and we think it will attract quite a response from the Alberta investors.

Remember that the interest, which is paid every six months – and in fact those cheques will be circulated on May 23 to Albertans – goes back to Albertans. It goes back to the people of this province, and that's where it should go. So you can make a quick calculation. Say the current rate is 11 percent on about \$900 million outstanding. We're going to be putting about \$50 million worth of interest back into the consumers' hands in this province for consumption, other purposes, maybe a little bit of income tax I guess, but as well they could roll that money over and increase their exposure on the Alberta capital bonds. So the up-front rate for six months will be 12 and a half percent. Now, I should point out that the floor price, which is one of the important aspects of these bonds, will be set at 11 percent. That means for the next five years, which is the term of these bonds, you will be guaranteed a minimum of 11 percent, again making it an attractive, long-term, safe investment for Albertans, guaranteed by the province, and I think you're going to see that they'll be very successfully sold again. I would point out, as I've noted, that because there is a rollover feature, anybody who wants to roll the '87 issue over into the 1990 issue can do so as part of the payment.

Well, Mr. Chairman, I'm glad I had an opportunity to get that information out. That's information that many Albertans were concerned about. We can certainly ask them to talk to financial

institutions across the province who are handling the sales and get their subscription in right away for these very hot items that go towards the future of this province.

Mr. Chairman, as I look at the time, I might just make the motion in committee that the committee does rise and report progress.

[Motion carried]

[Mr. Jonson in the Chair]

MR. SCHUMACHER: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions of the Treasury

Department, reports progress thereon, and requests leave to sit again.

MR. ACTING DEPUTY SPEAKER: Are you agreed with the report from the Committee of Supply?

HON. MEMBERS: Agreed.

MR. ACTING DEPUTY SPEAKER: Opposed? Carried.

[At 5:29 p.m. the House adjourned to Thursday at 2:30 p.m.]