## Legislative Assembly of Alberta

Title: **Thursday, June 13, 1991 8:00 p.m.**
Date: 91/06/13
[Mr. Deputy Speaker in the Chair]

MR. DEPUTY SPEAKER: Please be seated.

head: **Government Bills and Orders**
head: **Committee of the Whole**

[Mr. Schumacher in the Chair]

MR. CHAIRMAN: Welcome to Committee of the Whole.

### Bill 35
### Family Life and Substance Abuse Foundation Act

MR. CHAIRMAN: Are there any questions, comments, or amendments with regard to Bill 35?

MS M. LAING: Mr. Chairman, I hate to say this, but it would appear that there is no one here to answer our questions. [interjections] Thank you. Thank you very much, hon. House Leader.

Mr. Chairman, there's not a lot to say about the Bill. It duplicates, with the exception I think of one section, legislation that is in place; that is, the Alcohol and Drug Abuse Act and the Alcoholism and Drug Abuse Foundation Act. The minister in presenting this Bill said that she did not think much of the Alcoholism and Drug Abuse Foundation Act inasmuch as it was esoteric and academic and not grass-roots research. Yet this Bill provides for the very same establishment of a chair at the university.

Mr. Chairman, in going through this Bill I find only one section that is different, that isn't already in legislation, and if I could just find it, I would be able to ask the minister about that. It is in fact section 5(h). I'm wondering what is intended in section 5(h), which allows for this foundation to

> enter into a contract with any person in relation to any matter pertaining to the objects of the Foundation, including a patent agreement, royalty agreement or commercial marketing agreement.

I'm wondering if the minister intends by this that the research and the results of the research that would be done under the auspices of this Act through the moneys from this foundation then would be marketed as a money-making scheme, and if so, for whom? That is, would the royalties, would the profits from that which is developed through moneys from this grant then go back to the foundation, or would we see a privatization of the treatment or the education, the preventive services that might flow from the research that is done under the auspices of this Act?

Mr. Chairman, I have a further concern in that the funding that will flow from this foundation may be used to fund projects rather than programs. The difficulty with projects: once the project funding for many of the well-intentioned, often well-designed, and often effective projects that are funded under a number of initiatives by this government runs out, there is no future for them. I would suggest that program funding gives at least the possibility of continuity or continuation of successful programs. I raise that as a further concern about this foundation.

In reading the report that was done by the committee, who were educated by AADAC, it talked about the number of agencies that seek funding in relation to alcohol, substance abuse, and family life. It is unclear to me why in fact those agencies and those groups could not be getting funding from AADAC. In fact, many do get funding from AADAC. In speaking to the principle of the Bill, I noted that Occupational Health and Safety was in fact contracting with AADAC to do research. So I have to question why on earth we need this foundation.

Now, a member opposite came to me the other day and said, "Well, it's a very small staff; only four people." Mr. Chairman, it could be four counselors or four educators or four researchers; it does not need to be four bureaucrats. I would suggest, with all due respect, that four educators or four counselors or four researchers would be of much more benefit to the people of Alberta, the families of Alberta who are affected by substance abuse, that the money spent in that way would have a much more beneficial impact than four more bureaucrats and heaven knows how much for rent and how much for office equipment.

Mr. Chairman, what I see this Act doing is establishing a bureaucracy and funding a board or a commission or a foundation that has people on it, MLAs. I was at a meeting today where we were talking about the needs of children and how there are studies, studies, studies and where's the action and the cost to many of these foundations and commissions and programs of paying for MLAs. The people there were wondering why on earth MLAs get extra money when they get a good salary to be sitting in the Legislature and doing the work of the Legislature. I would suggest that an MLA appointed to this foundation in fact is doing the work of this Legislature. Why should that be a further drain on the taxpayers of Alberta?

I would suggest that what this Bill does is set up an unnecessary foundation that involves 11 persons appointed as trustees by the Lieutenant Governor in Council, 11 positions that will cost the taxpayers money with no real benefit. Those tax dollars would be better spent meeting the needs of Albertans rather than paying these 11 persons, no matter how small the stipend.

Mr. Chairman, I know that AADAC will have one trustee on it, but, my goodness, a great deal of expertise is present in the people that work at AADAC. One has to be very concerned that as this foundation receives more funding, AADAC and its excellent work will be cut back. So there is no way that I could in any way support the establishment of this foundation. It is simply a waste of time and taxpayers' money.

MR. CHAIRMAN: The hon. Member for Edmonton-Gold Bar.

MRS. HEWES: Thank you, Mr. Chairman. I still have some questions in regard to this foundation. The minister kindly answered some of my questions last time but not all of them, and they remain to me real barriers to this particular Bill going forward.

They have to do still with the way the endowment is set up. I gather from the minister's remarks, and perhaps the minister will confirm this, that the endowment is in the possession of the Legislature and not in the possession of the foundation. The Legislature will decide from year to year what portion of the interest from the endowment will go to the foundation or, in fact, if the foundation has not expended all its funds in any given year, if they will be returned to the GRF. Mr. Chairman, that is not what I anticipated when the Premier announced the foundation several years back, nor do I believe it's what is anticipated by the people of Alberta. Perhaps the minister will answer as to why the arrangement was changed or what the rationale is.

*8:10*

Mr. Chairman, the foundation, we gather now, is set up to do research into substance abuse, certainly a very worthy objective, but there is to be no operational funding for programs subsequently or initially. So the problem then occurs, and we see it in a number of other areas where research is undertaken by an agency or an organization such as Nechi or the Family Life Education Council or family services. There are many agencies who might apply to the foundation for a research grant and achieve it. Then the research has proven to be useful, and where does the agency go? If the research is something that can be sold, I suppose it can be transposed to other parts of the world and some benefits accrue to the foundation from that, but there is no guarantee of any ongoing funding for any research project that is undertaken, regardless of how successful, by this particular foundation. Presumably the program is then on its own, seeking funds from some other government source or from the community, or the research is simply not used.

In fact, the minister indicated that AADAC itself could apply to the foundation for research funds. Then, presumably, AADAC's operation could be enhanced by funds, and on their income revenue statement would appear revenue from this particular foundation. Well, then, Mr. Chairman, I suggest we have a curious situation where one government agent is supporting another, and down the road the same thing would apply to AADAC. Suppose AADAC did some excellent research and wanted operational funding. They can't go back to the foundation for that; they have to get it from the government or from some other source. Of course, we all know that AADAC's funding has been restricted; in fact, cut back. So I think there are some things there that need to be cleared up. If I were managing an agency and wanted to apply for research funding, I'd want to be awfully sure that if my research proved productive, there would be some understanding or some undertaking on the part of the foundation that I would be allowed to apply it. I think the general public needs to have that reassurance.

The other problem, of course, is that gradually we would creep up to the point where AADAC might be using a great deal more of its energies in research as opposed to applying the research they presently have in treatment programs. So more and more of their funding would be coming from the foundation and less and less from the GRF. Mr. Chairman, the minister shakes her head, and I sympathize with that, but these are the kinds of potentials that are left open in this particular Bill that I believe we need answers to.

FCSS programs, if they are in this field of practice, could in fact apply, causing all kinds of problems with local FCSS funding. I think we need to be very, very clear. If this is in-house research, if it is done by the foundation itself, then it is very clear, but if other agents including government agents can apply, I think we will muddy the waters, and we will cause ourselves some major problems down the road if no operational funding is available.

The endowment, Mr. Chairman, is not directed by the foundation but is in fact directed by the Legislature. As I said before, I think that is one of the misunderstandings that people in our communities have about this. They are interested in the program and want to know what's in it for our communities. It was widely described as a $200 million endowment going to this particular need of research in substance abuse. Now it appears that in fact the endowment is only going to be what the provincial government from year to year believes is necessary, and that's a very different thing. I think we need to clarify for our communities which one of those it is. I gather it's to be the latter, and I think communities anticipate the former, so we need to clarify that. We also need to clarify what the minister would plan to do regarding operational funding where research is concluded and needs to be applied, if the foundation has a role to play there.

Thank you, Mr. Chairman.

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

MR. HAWKESWORTH: Thank you, Mr. Chairman. I haven't yet had an opportunity really to say much about Bill 35, and I think it's appropriate at committee reading of the Bill to put into the record some concerns I have. The minister will be aware of them because when this matter was being reviewed some time ago, I sent her some documentation surrounding my concern, suggesting some amendments and some changes in the mandate of the foundation, which I know she passed over to the chairman of the committee that was reviewing this matter, the hon. Member for Lloydminster.

I want to say, Mr. Chairman, first of all, that my concern is about a matter that has not had widespread recognition, and that has to do with the matter of pathological or compulsive gambling as an addiction. It's a matter that's been avoided in the mandate of the Bill, in the definitions in the Bill. It is not recognized at all, and I believe it's a major shortcoming of the legislation. I'm going to take a few minutes this evening to talk about this because it's something that I believe all members of the Assembly have to be aware of and as matter of public concern have to eventually deal with.

Within the last 24 hours, Mr. Chairman, a good number of the members of this Assembly will probably have consumed an alcoholic beverage or perhaps more than that, two or three, but it does not automatically make anybody an alcoholic simply because they consume alcoholic beverages. A number of people in this Assembly within the last 24 hours, perhaps within the last 10 minutes, have used a mind-altering drug – and by that I mean nicotine – going out and helping the Provincial Treasurer with his budget deficit by smoking, but that doesn't mean that people who use cigarettes turn out to be substance abusers. Just because, you know, large numbers of people in our province consume alcoholic beverages and smoke cigarettes, that doesn't necessarily mean they're going to be the subjects or the objects of this particular legislation. It's when a particular behaviour becomes dysfunctional and creates problems, when things have gone too far that intervention of some sort is required. That's why, I guess, the minister and the government have decided to establish a foundation to look at the areas of substance abuse and how it affects family life in a dysfunctional way.

*8:20*

By the same token, probably most members of this Assembly have within the last week, if they're typical of Alberta households, gone out and purchased a lottery ticket. I don't know so much about members of the Assembly, because they're largely not in an income group that spends much time at bingo or in the casinos in our province, but in any of a number of areas people go out and spend money gambling. That by itself doesn't create a problem, Mr. Chairman. What becomes a problem is that small percentage of our population that doesn't know the limits of it or get consumed by it, and the behaviour turns into dysfunctional behaviour. It's a significant problem, but unfortunately there's very little research of a Canadian nature, at least

as far as I can determine, outlining the extent of this disability, of this problem.

I want to say to the minister, as I did when the committee was studying this legislation, that this mandate ought to have included a broader definition of addiction. It ought to have included a definition of addiction in the objects and in the title of the legislation. Many hundreds of millions of dollars are being spent each year in our province, according to the Alberta Gaming Commission. There's no reason for me to believe that Alberta is any different from any other jurisdiction. Some percentage of our Alberta citizens cannot afford the costs of gambling. It has become a pathological or compulsive problem for them, and it's affecting them and their family lives in a very serious and negative way.

Now, the excerpts of studies that I'm aware of, Mr. Chairman, indicate that by and large somewhere in the order of 80 percent of all households in Canada have, for example, within the last while purchased a lottery ticket, so there's a significant percentage of our people who are engaged in some way or another. That corresponds to evidence in the United States that approximately 80 percent of their population gambles as well. Whatever small numbers of studies have been done have indicated that somewhere in the neighbourhood of 3 to 4 percent of all those who gamble in one form or another have got to the point where it is dysfunctional and is having a very negative impact on people and their families.

Now, pathological gambling, Mr. Chairman, is just a recently identified disorder, I guess because the opportunities created by governments throughout North America have only recently begun to exploit gambling and to encourage gambling as a way of raising revenues. Therefore these problems have only recently begun to surface, but they're getting more and more attention, particularly in the United States, to the point that now there are, given the research done in the United States, definitions of what this problem is and how it can be recognized. I'd just like to share with members of the Assembly tonight what those conclusions have been in terms of defining pathological gambling:

> The essential features are a chronic and progressive failure to resist impulses to gamble and gambling behaviour that compromises, disrupts, or damages personal, family, or vocational pursuits. The gambling preoccupation, urge, and activity increase during periods of stress. Problems that arise as a result of the gambling lead to an intensification of the gambling behaviour. Characteristic problems include loss of work due to absences in order to gamble, defaulting on debts and other financial responsibilities, disrupted family relationships, borrowing money from illegal sources, forgery, fraud, embezzlement, and income tax evasion.
>
> Commonly these individuals have the attitude that money causes and is also the solution to all their problems. As the gambling increases, the individual is usually forced to lie in order to obtain money and to continue gambling, but hides the extent of the gambling. When borrowing resources are strained, antisocial behavior in order to obtain money for more gambling is likely. Any criminal behavior is typically nonviolent.

Mr. Chairman, the nature and extent of pathological gambling is coming to be more and more recognized, at least in the United States. Given that this government in Alberta is encouraging and promoting and stimulating more and more Albertans to gamble, there are more and more of our citizens being put at risk. It would seem to me that one of the mandates that this foundation ought to include is a requirement in its objectives to start determining the nature of this problem, to conduct research into it, and to begin developing strategies to combat it. After all, this government makes a lot of money off sales through the Alberta Liquor Control Board. There's a recognition inherent in the Act that there are problems being created for Albertans and their families; therefore, this foundation has been established. By the same token, there are many revenues accruing annually to the province, and in fact the Provincial Treasurer has a Bill on the Order Paper to take $225 million of accumulated surplus for this year's budget. By the same token, this government should begin focusing its attention on this problem and doing the research necessary to find out how extensive it is and what strategies can be developed to combat it or to help people cope with it.

I'd also like to share with the minister and members of the Assembly some research that was done by Henry Lesieur at South Oaks hospital in Amityville, New York, in examining the extent to which people who are suffering from various forms of addiction are also chronic or pathological gamblers; that is, the incidence of mutual addictions amongst the population of people who were patients at that hospital. I'd just like to share that with the members tonight. A survey was conducted of 346 inpatients.

> Eighty-nine percent were treated for alcoholism; 9.4 percent abused librium or valium; 4 percent abused barbiturates; 5.9 percent were amphetamine abusers, 2.3 percent hallucinogen abusers, 25.7 percent cocaine, 8.2 percent heroin, 1.8 percent another narcotic, and 24 percent abused marijuana.

*8:30*

Using a modified version, according to Dr. Lesieur, of this criteria I described earlier for pathological gambling

> the research team at South Oaks found that 10.1 percent of the inpatients admitted for alcohol or drug abuse were abusive gamblers and 9.8 percent were pathological gamblers. In other words, almost 20 percent of the inpatient alcohol/drug abuse population at South Oaks had a problem with gambling.

So I'm saying, Mr. Chairman, on the basis of albeit one reported study, which can't, I suppose, of itself be considered conclusive, that there was a very high correlation of people with the same problems that this foundation in Bill 35 is intended to address. There was a high incidence of similar individuals suffering from a gambling problem in the South Oaks hospital population.

It is evident, the researchers conclude,

> from the above figures that pathological gambling coexists with the abuse of other drugs, including alcohol, cocaine, marijuana and heroin. In fact, if the above figures show up in other studies we may assume that cocaine, heroin and marijuana use, either alone or in conjunction with alcohol, are most likely to be indicators that there is also the possibility of a gambling problem. Having said this however, one should also look for gambling among alcohol abusing populations because of the possibilities of recidivism triggered by gambling related stresses.
>
> Alcoholics and other drug users who also gamble may be using gambling as an alternate means of coping with lowered self esteem. Because these drugs and gambling exist in the same subcultural worlds, it's not surprising that more extensive analysis of their interactive effects has not yet been uncovered.

Well, this and other evidence was presented to the minister. I had hoped that at the review stage the drafters of the legislation would have responded by broadening the mandate of the foundation to recognize the potential problem that exists within our population here in Alberta, which I am convinced is having a significant impact on families but which has not yet been recognized by the government. I would just at this point draw attention to the fact, Mr. Chairman, that I've also drawn the attention of the Assembly to this problem in another way: with

Resolution 243, standing in my name on the Order Paper, calling on the government to start looking at this problem as it affects Albertans and do a baseline study to begin identifying the extent of the problem and ways in which it could be addressed.

That would seem to me to be a quite legitimate mandate for this particular foundation to engage in, and I'm very disappointed that the government didn't use this opportunity to establish such a mandate for the family life and substance abuse foundation. I think it's a significant oversight. I recognize that it's not widely recognized to this point as being a particular problem, but I would simply say to the minister that if it's not recognized yet, it's my prediction that soon it will be, and I'm sorry that we aren't taking more preventative steps at this point to ensure that that small percentage of our population who find gambling a major problem, a dysfunctional problem, a disabling problem, are not being assisted in any way by this legislation in front of us. It's one more reason in my mind, Mr. Chairman, why we should ask this Bill to be sent back to the drawing board and rethought.

Thank you.

MS BETKOWSKI: Mr. Chairman, I'm pleased to participate in the committee study of Bill 35, the Family Life and Substance Abuse Foundation Act. I'll deal with the questions and comments on the legislation as they occurred chronologically in the debate.

First of all, the Member for Edmonton-Avonmore. I would argue that the family life and substance abuse foundation is not the same vehicle as the alcoholism and drug abuse foundation. The alcoholism and drug abuse foundation is one that has been on the legislative record for more than two decades, and it really looked at strictly an academic model for the research. The change, and I think the appropriate change, with the family life and substance abuse foundation is that it looks beyond just the academic model or the chaired foundations at universities to look into this issue and instead will accept, as the Bill itself says in section 5(a):

> make grants . . . on any condition that the Foundation considers appropriate to any person or organization for a purpose consistent with the objects of the Foundation.

While I realize that the Member for Edmonton-Avonmore feels that the objects of the foundation should be program funding, what we finally have here are heritage fund dollars that are dedicated to research. That is something that I think is a very important part of what is being proposed here. Operational funding for AADAC and for many other government agencies that may apply to the foundation comes out of the General Revenue Fund. The research funds, in contrast, are coming out of the heritage fund dedicated to research. Believe me, research funds are somewhat difficult to come by and usually the first ones to be affected by budget restraint measures. I think that the fact that the funds are linked specifically to the heritage fund is a recognition of the importance of research into this area.

This is not program funding, because we believe that program funding appropriately and to the appropriate level comes from the General Revenue Fund. These are funds specifically for the objects listed in section 3, which I will not go through again, but the hon. members will note that each one of those sections refers to new, innovative kinds of research into this area as opposed to the operational side. It may well be that three to four years of innovative research and evaluation then becomes a program of an agency like AADAC, but I think it's important to draw the line between the two, and it's why I support the legislative and the budgetary model that's been presented.

With respect to royalties, the Member for Edmonton-Avonmore asked the question of whether or not royalties would go back to the foundation. I would refer the hon. member to section 11(1) of the Bill. It says that "money received by the Foundation from any source constitutes the funds of the Foundation"; ergo, the funds will come back to the foundation if there is a research project or a royalty that is paid because of the research done. This is not unlike the model that exists with the Alberta Cancer Board, where funds on any royalties come back to the Cancer Board funds.

The Member for Edmonton-Gold Bar spoke really about the operational funding and the whole question of the budgetary plan. I've tried to show what I believe is the distinction. The hon. member is right that the budgetary funding model is not part of the Bill, but certainly it will be part of the heritage foundation funding. In order to get this foundation up and running in this time of tight fiscal restraint, we thought it appropriate that rather than create an endowment fund whose funds would be taking revenues away from the heritage fund, revenues that could be going to general revenue during some pretty tight fiscal times, we decided to make a budgetary allocation to this foundation through the capital projects division. It's not a perfect solution, I recognize, and I think we may look at and may in fact request the heritage fund committee to look at the funding model that we may use in these kinds of fiscal restraint times. That would be, I think, an appropriate role of this Legislature: to look at that funding model. I think that could be appropriate in these kinds of times. I do emphasize what I believe is a very important, specific fund for research which is coming out of the heritage fund and going towards this foundation.

*8:40*

The Member for Calgary-Mountain View talked about the issue of compulsive gambling. The reality is that an addictive personality is an addictive personality whether it's addicted to drugs or alcohol or gambling or eating or shopping or caffeine or you name it. The qualities of those personalities are probably very, very similar. What we have here is, yes, singling out substance abuse, whether that be alcohol or drugs or another substance, but the results of the research will hopefully get to answer some of the questions as to why this occurs. Why is it that someone takes a drink of alcohol and is an alcoholic? Why is it that somebody else takes a drink and is not an alcoholic? Nobody can answer those questions at this point. This foundation is a vehicle by which we might start to answer some of those questions.

I won't get into the discussion I had with the Member for the Edmonton-Centre with respect to the biochemical research that may well be part of this foundation. Suffice to say that if we broaden the definition of addiction, I'm not sure we serve the Bill any better than it is already. Really the definition of addiction is about life becoming unmanageable for the individual who is addicted to whatever substance or drug or liquid. That is the issue. I think that looking into the issue of compulsive behaviour, addictive behaviours, will get us many of the answers he seeks with respect to the single issue of compulsive gambling.

Mr. Chairman, I believe that deals with at least some of the points that have been raised by hon. members with respect to the Bill. I'll await closing debate until there are other comments that may be made.

MR. CHAIRMAN: Any further comments?

SOME HON. MEMBERS: Question.

[Title and preamble agreed to]

MR. CHAIRMAN: On the Bill itself, are you agreed?

SOME HON. MEMBERS: Aye.

MR. CHAIRMAN: Opposed?

SOME HON. MEMBERS: No.

MR. CHAIRMAN: Carried.

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

[Eight minutes having elapsed, the Assembly divided]

For the motion:

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| Ady | Fischer | Musgrove |
| Betkowski | Gesell | Osterman |
| Bogle | Hyland | Paszkowski |
| Bradley | Johnston | Payne |
| Brassard | Jonson | Severtson |
| Calahasen | Klein | Speaker, R. |
| Cardinal | Kowalski | Stewart |
| Clegg | Laing, B. | Tannas |
| Day | Lund | Thurber |
| Drobot | Moore | Trynchy |
| Evans | | |

Against the motion:

| | | |
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| Chivers | Hawkesworth | Martin |
| Doyle | Hewes | McEachern |
| Fox | Laing, M. | Wickman |
| Gibeault | | |

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| Totals: | For – 31 | Against – 10 |

[The sections of Bill 35 agreed to]

MS BETKOWSKI: I move that Bill 35, the Alberta Family Life and Substance Abuse Foundation Act, be reported.

[Motion carried]

## Bill 29
## Loan and Trust Corporations Act

MR. CHAIRMAN: Are there any questions, comments, or amendments to be offered in respect of this Bill?

The hon. the Provincial Treasurer.

*8:50*

MR. JOHNSTON: Mr. Chairman, I want to advise the committee of an amendment to the Bill, which I have circulated. It is quite long and quite wordy and has heavy policy implications, so I hope you're listening carefully.

MR. MARTIN: You're the right guy to bring it in.

MR. JOHNSTON: Today is hear no evil, see no evil, speak no evil.

MR. KLEIN: Come on, Dick. Keep it short.

MR. JOHNSTON: You must have been talking to the same guy.

The amendment, Mr. Chairman, simply corrects a reference, and it's a very simple reference.

Beyond that I will not dwell extensively on the Bill because we have had an opportunity both this year and last year to have a fairly wide-ranging debate, and like some discussions in this Assembly the debate on principles tends to become focused to some extent on almost the sections of the legislation. To the extent that we've had some opportunity to talk about the broad architecture of the Bill and the principles, we also have had some indication as to the technical nature or the section-by-section analysis of the Bill. I think I have some appreciation for some of the comments that have been put forward. What I will do in this part of the legislative process, Mr. Chairman, is simply listen to the comments of my hon. colleagues and try to reply as we go through the Bill.

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

MR. HAWKESWORTH: Thank you, Mr. Chairman. I guess what I will begin by doing is sort of asking the hon. Provincial Treasurer a number of questions about some of the mechanics contained in the Bill. One amendment, I know, is being circulated to all hon. members, and a second one will be distributed very shortly.

To begin with the minister has made reference to the work that's been done by the various provincial finance ministers across the country. In fact, they released a communiqué called the Interprovincial Harmonization of Trust and Loan Company Legislation back at the end of March of this particular year. In going through some of those recommendations in the harmonization agreement document, some things are not clear. It's not clear to me that they have been incorporated or reflected in the legislation, so that's where I would like to begin my comments tonight, Mr. Chairman.

Part 11 has to do with investments, and in particular, Mr. Chairman, section 198 has to do with liquidity. Section 198 reads:

> A provincial corporation shall at all times have and keep available in the prescribed manner and amounts securities of a prescribed kind or cash, or both securities and cash, for liquidity purposes.

Now when the ministers met, they spoke about a 45 percent limit called the minimum quality asset rule. The document in the communiqué reads:

> Ministers recognized the importance of ensuring prudent lending and investment standards consistent with the borrowing multiple approach to capital adequacy. One of the key standards agreed to by officials is the minimum quality asset rule, which would require companies to maintain a minimum of 45% of total assets in specified categories of investments such as first mortgages and Treasury Bills.

The rule is set out in more detail in appendix 3 and appendix 6, which are included. It goes into some detail about "at least 45 percent of the assets of the company excluding assets of subsidiaries shall be maintained in," and there are seven of them that are listed: "securities issued or guaranteed by the government of Canada," "loans or leases to the government of Canada," "securities," "first mortgages upon real estate," "securities," "debt

securities," and "deposits with financial institutions," which seems to be the category referred to in section 198 of the Bill.

There's no 45 percent rule or limit contained in section 198, and given the importance that the ministers seem to have placed on this question, "maintain a minimum of 45% of total assets," as one of the key standards agreed to, I'd like to know why it is not contained within the legislation and why the legislation seems to be silent on that particular question.

*9:00*

Mr. Chairman, I'd like to ask the minister to also look to sections 200(4) and 200(3), and the question that I have: would the minister assure us for the record that section 200(4) will not be used to override 200(3), thereby keeping the 5 percent limit for companies with less than $15 million in capital, as was agreed in the interprovincial agreement? I should just point out subsection (4):

> Where the Minister is satisfied as to the experience and solvency of the corporation he may [if he wishes] on application [of the matter] increase the percentage referred to in subsection (3).

Yet, Mr. Chairman, again referring to the document circulated by the ministers, this question is dealt with on page 5 of that particular communiqué, and it says:

> Companies with less than $15 million in capital will be permitted to engage in commercial lending up to 5% of assets, but will require capitalization greater than or equal to $15 million and regulatory authorization to exceed the threshold.

Again, it seems to be a key point addressed by the minister, and I'd like the Provincial Treasurer on the record, if he would, to explain how the objective of the interprovincial agreement is going to be met with these two sections.

I'm also concerned – would the minister assure the Assembly that subsection 200(4) will never be used to allow any company to have more than 20 percent of its assets in commercial loans, again as he agreed in the Interprovincial Harmonization document? Again, I would just refer to that same section, Commercial Loan Definition, in which the ministers agreed on this:

> Recognizing that commercial financing is a rapidly changing area of intermediation, ministers directed that a standard definition and treatment of commercial financing be implemented by all the provinces either by statute and in the case of the capital threshold and upper 20% of assets limit, by regulatory policy.

Again, I'd just like him to explain how subsection (4) is going to operate in relationship to subsection (3) in practice. How does it implement the objectives outlined by all the ministers?

Now, Mr. Chairman, the Provincial Treasurer back in January of 1989 circulated a document called Proposed Loan and Trust Corporations Act: Main Principles. I've had the opportunity to go through it, and I'd like to ask the minister about what appears to me an oversight in implementing these main principles and incorporating them in Bill 29. There doesn't seem to be an apparent provision in Bill 29 to allow the minister to write down overvalued mortgage investments, as was contemplated in the 1989 principles. That has to do with page 36 of the principles document that the minister circulated. This principle was enunciated under Appraisal of Property:

> To ensure that the value of mortgage loans, real estate, and investments held by a provincial corporation accurately reflects market value, the Minister will be able to order appraisals and to order write-downs if necessary.

The legislative provisions include:

- In situations where the Minister considers that: the value placed on any real estate, owned by the provincial corporation or its subsidiaries is too great; the amount of a mortgage secured by real estate is greater than the lending value of the real estate; or the market value of any investments is less than the corporation's stated book value the Minister may require the corporation to secure an appraisal by one or more competent valuators.
- If the appraisal demonstrates the asset in question is overvalued the Minister may order that the appraised value be reflected in calculations required under the Act.
- An order made by the Minister shall be included in the corporation's annual financial statements.

Now, granted it's a 200-and-some page document, and the minister may very easily be able to point out an oversight on my part, but I cannot find those provisions incorporated within Bill 29. I would be appreciative of the minister if he could point those out to me or, if they're not there, perhaps explain why that principle in the 1989 document was not incorporated.

Mr. Chairman, there are provisions governing extraprovincial corporations, and those are corporations registered or incorporated in other provinces. They don't seem to be treated in the same way as provincial corporations are treated; that is, corporations incorporated in Alberta. I'm wondering why the provisions to make them subject to this legislation are not as broad as were enunciated in the 1989 principles document. I'm referring in particular to investment records in Alberta, registration enforcement offences, and penalties. What I found were sections 329 and 330, which govern minimum capital requirements and that really were the only sections that seemed to me to mention the application of this Bill to those other companies, yet on page 44 of the principles document that was circulated – again, in January of 1989 – the intention was that

provisions governing the extraprovincial corporations would

> allow for sufficient monitoring of [those] institutions' operations in Alberta to ensure that [they're] not conducting business in Alberta contrary to the best interests of Alberta depositors. As well, these provisions ensure that institutions from other jurisdictions do not engage in activities which are not available to Alberta institutions.

It's also proposed that proposed legislation is to be designed

> to minimize the duplication of regulatory efforts undertaken elsewhere.

Now, again I would be appreciative of the minister pointing out sections that I may have overlooked, but they didn't really stand out for me, and if they're not included in this legislation, is that because of the other provincial ministers coming to some agreement on this issue? Would the other rules in other provinces apply, and if so, what input, I suppose, would our government have if those other ministers or those other jurisdictions were to alter their legislation sometime in the future? That is, if other legislation in other provinces is to apply to corporations operating in Alberta that have been registered in those other jurisdictions, what's the monitoring and the enforcement going to be to ensure that they carry on business the way Albertans expect provincially regulated and chartered companies to operate here?

*9:10*

Now, I also know that the Institute of Chartered Accountants some time ago had a discussion paper regarding the regulation of the financial industry in Alberta, and in part I think it was in response to the collapse of First Investors and Associated Investors companies here in Alberta. I think that their principles and objectives and concerns need to be addressed or considered too, and I would ask the Provincial Treasurer if he would comment on one of the recommendations from that institute. The Institute of Chartered Accountants of Alberta recommended along the lines of: transfers of company's assets ought to be registered at the lower of cost and fair market value

so that it's a more conservative accounting standard, I suppose you would say, and would prevent a company from giving an artificially inflated value to their underlying assets.

Now, if I were to look at section 157(2), this is the section in Bill 29 that has to do with generally accepted accounting principles and auditing standards. In (2) it gives the power to the minister to "prescribe policies or rules that are to apply with respect to the preparation of financial statements." I would just ask the minister if he can give any assurances to the Assembly that the principle enunciated by the institute will be clearly required in the regulations prepared pursuant to this subsection.

One of the other recommendations made by the Institute of Chartered Accountants was to recommend a complaint-based system for investigation of consumer concerns, perhaps administered by an industry-funded group of self-governance. Now, I don't know how this might be addressed by the minister, but I couldn't find any provisions in Bill 29 implementing that particular recommendation from the industry. The minister is a member of the institute and by professional training is an accountant, and I'm wondering if he has some particular comments about that particular recommendation and why it wasn't followed through.

Now, accountability and record-keeping provisions in Bill 29 seem to be better than the existing legislation that we have on the record, at least the legislation governing trust companies currently in operation. In the current Trust Companies Act, section 80(2), this is a requirement.

> Every company shall cause to be kept proper books of account and accounting records in respect of all financial and other transactions of the company and, without limiting the generality of the foregoing, records of
>
> (a) all sums of money received and disbursed by the company and the matters in respect of which receipt and disbursement take place.

Now, this is not specifically mentioned in Bill 29. Again, more specifically, perhaps there is a section that I've overlooked that it is dealt with in, but I'm wondering if the minister could indicate for us where that provision is incorporated in the new legislation.

I guess, with those comments at least as an introduction, Mr. Chairman, I would . . .

MR. CHAIRMAN: Hon. member, order please. Could the Chair interrupt before you introduce your amendment, because the hon. Provincial Treasurer referred to a government amendment in his remarks. For the record we should deal with the government amendment first. Would the hon. Provincial Treasurer like to move the amendment? It's been circulated, but I don't believe the Chair heard the actual moving.

MR. JOHNSTON: Mr. Chairman, if I omitted to say "I move the amendment," I do so right now. I have noted the amendment. I've spoken to the amendment and referred to the sections. If the record wants to show the formal moving, I'll do it.

MR. CHAIRMAN: Thank you.

SOME HON. MEMBERS: Question.

[Motion on amendment carried]

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

MR. HAWKESWORTH: Well, thank you, Mr. Chairman. Given those questions I have of the minister, perhaps I could make that my conclusion for my first comments on committee reading. I await the minister's response and comments. Perhaps after he's responded to those, I could then put my amendments to the House.

MR. JOHNSTON: Excuse me, Mr. Chairman. I thought I would just take a second to outline what it is we're doing with respect to regulating these loan corporations just so that we have an understanding as to how the process works and what it is we're doing as regulators. The reason that I draw just a second's time to speak to it, is that some of the questions raised by Mr. Hawkesworth, the Member for Calgary-Mountain View, in fact speak to the process of regulation of these entities. I think I did speak briefly about this last year, but it's important to put on the record again. There are really two ways to look at the evaluation of an entity. In this process what we're attempting to do is to ensure that the depositor is safe, that in fact the company does maintain some formal liquidity and does not expand beyond its ability to meet its obligations to the depositors.

Traditionally we have worked on a so-called capital expansion basis, whereby a rule of thumb generally has been that you can expand your equity and capital by 20 times in deposits. That is a safe kind of ratio, which allows the company to maintain its liquidity, probably maintain its profitability and again, as I say, ensure the depositors have some level of comfort beyond their minimum amounts. That rule has been used by many, but it's now coming under some extensive rethink, or at least in a complementary fashion there's another process that's being used. It's being seen in the European common markets in particular. It's being used in the United States. That's the so-called Bank for International Settlements approach to the portfolio structure.

Now, this approach as well as dealing with the capital adequacy questions will look at a risk-weighted evaluation of the portfolio. By that I mean they will say that it is likely that if your portfolio has certain degrees of liquidity, moving from the most liquid form, which is cash, T-bills, and other quick assets, through to the less liquid type, which may and probably would include investments in real estate, if you have a portfolio that is risk weighted – that is, if you assign a risk to the investment in that kind of an asset, and give an appropriate weight to it on a vertical sense – you then can at the same time protect the makeup of the entity and ensure, just as we have done in the capital adequacy side, that in fact the depositors' position is protected. What this legislation has done is set out both possibilities, and we will by regulation probably focus on the Bank for International Settlements approach. The reason it's difficult to speak more thoroughly about this is that there's only one province that's now employing this technique, and that is B.C. So you can expect that under the harmonization rules, there's going to be some question about which one of the processes would be used. But typically a regulator will use both approaches.

*9:20*

Now, I think it's always been found in this kind of legislation that there have been certain limits on the mix of portfolios, but remember that trust companies in particular were at one time essentially mortgage companies. No matter how you cut it, that was really the business they were in. Then they started to do other things. Obviously, they had to hold some cash so they could pursue more mortgage investments, but there were fairly rigid restrictions on the opportunity for these companies to be

investing in real estate or in commercial loans and then, more fully of course, in so-called non arm's-length transactions or loans to others who may be associated with the entity. So this legislation and regulation will control that.

On the harmonization point, let me say that while there has been a fairly major discussion on harmonization and while we have come to a fairly clear agreement on most of the harmonization principles, the harmonization is not the law. The law, of course, is found in each province, and what the provinces agreed to through the harmonization agreement is to share information, to deal with ways in which we can improve the way in which our regulations and reporting practices and regulatory processes work. But it is not the law, and obviously each province would have to have some exceptions depending on its own historical evolution of the legislation, its own view as to what is applicable for its own entities within its province, and I suppose, the experience it's had as well.

Now, with respect to the harmonization, the so-called minimum quality asset rule, well, that's set out in section 197(1) that the member refers to. Section 198, which was the first reference the member made, is in fact part of that test on the risk-weighted portfolio approach. I don't see anything particularly bothersome about section 198. It is to ensure that the risk is in liquidity so the company can divest or move quickly, and it is, as I say, part of the minimum quality asset rule put out in 197(1). Now, I'm not sure that I've answered the question, but I can tell you that we'll adhere to both the asset and equity approach to the evaluation and regulation of a company and also to the minimum quality asset rule, the risk-weighted portfolio approach.

As you say, the calculation in evaluating an entity of this sort is very comprehensive and technical. It's not one that is necessarily based on accounting principles. In fact, what you're attempting to do in this process is mark the assets to market. Some trust companies will mark all their assets to market at the end of the day. Certainly, all their liquid assets and those assets which are tradable will be marked to market, but in the case of some assets such as mortgages, that's not quite that likely. So there is in this legislation as well an opportunity for the minister or the Auditor, for that matter, to be involved in the review of certain assets.

Now, the question was: what about the actual write-down of assets? Well, that's a normal process that is done in all corporations at the present time, not just trust companies but all corporations. If the Auditor feels that there's some difference in valuation, it is incumbent upon the management and the Auditor to get an extended, external evaluation of the asset and then mark that asset to market. Specifically, in this Act section 277 applies to the valuation of assets. The only time you have a problem is when in fact the asset backing the mortgage may be subject to some question, in which case you may have a case where the mortgage is under water, as they say. That is, the mortgage has a larger value than the asset backing it, in which case it is appropriate – and it's provided for here in section 277 – for the asset to be evaluated. If that asset isn't there, then there's a process for writing down the value of the mortgage. Those are normal kinds of processes which all of us accept, and it's incumbent upon management, auditors, and the external directors to ensure that that takes place. If that doesn't happen, obviously you get a qualified report. The regulators will step in and say that this company needs to be fixed in a variety of ways, including more capital or a change in the risk-weighted nature of the entity.

There has been some concern about the commercial loans, and the Member for Calgary-Mountain View did draw that to our attention in looking at section 200(4). As I've said before, the evolution has been towards allowing these companies to diversify their portfolio, and one of the diversifications has been in commercial loans. We think that these entities are sophisticated enough to be able to expand their portfolio into commercial loans. It is encroaching somewhat into the banking practices, but as the legislation properly points out and as the member notes, section 200(4) in terms of the assets of the entity limits the extension of the assets to a 5 percent test. That test would be fairly rigidly applied, but there is a provision for a small adjustment above that, and that will be based on the experience of the entity, but it's not going to be anywhere near the 20 percent that some people talk about. That's simply, I think, too large relative to the risk-weighted approach to other asset mix. So while that section is there, I would expect it's going to be very carefully used and would only apply in exceptional circumstances. In many cases, it would apply when in fact the company has gone above the 5 percent and the calculation shows it's running 5 and a half or 6 percent, say, of the portfolio. Rather than have it offside, you simply provide for a waiver over the interim, which I think is reasonable in the context of regulation of these entities.

I'm not too sure of the references to the Institute of Chartered Accountants. What I can say is that all those sections, 142 to 161, which essentially are referenced to the responsibility of the auditors and to what should be considered responsible, professional action by the auditors, have been vetted by the Canadian Institute of Chartered Accountants. I can say that a very thorough examination has been taking place, and the institute is extremely, if not one hundred percent, behind this particular Bill in terms of their reporting requirements, their professionalism, and their experience, by the way, that has been garnered over the last three to five years based on significant financial system losses here in Alberta.

Section 157(2), which was the member's particular question, dealt with the fact that "the Minister may prescribe policies or rules that are to apply with respect to the preparation of the financial statements." These probably would deal with such things as whether or not you prepare the forms on a consolidated basis, whether or not there have to be some other approaches to it, but typically we would not interfere with the report by management. As long as the Auditor expressed a view that he could express a fairness opinion on the assets and liability statement, we would not interfere. But if the Auditor said that there was something significantly wrong – this is an empowering section to say that – the minister can provide direction to the entity as to how to provide its financial statements so that in terms of disclosure and protecting interests of the deposits, we would have a more fair disclosure of those assets and to some extent liabilities.

I think I dealt with the capital requirement section in that I have indicated here that again what we do normally in reviewing an entity of this sort is to take all the assets, review them in terms of liquidity, marking the market, subtract from it the liabilities, and then through a process of adjustments come up with what might be seen to be the total amount of deposits that can be maintained by the equity side by applying the 20 rule. That 20-times rule applies to all sorts of surpluses or equity in the entity: capital paid into the company; retained earnings, which are the profits earned over the period; other forms of capital contributions; and to some extent even deep subordinated notes are included in that equity capital calculation. You take that amount and simply multiply it by 20 and see whether or not the company's close to being offside.

In several cases we have found – in the case of Standard Trust, for example, that company had not satisfied its capital requirements, and the capital requirements, of course, reduced because the company had, number one, operating losses which had continued for a couple of years and which reduced its equity. Secondly, because it was backstopped by real estate loans, the re-evaluation of those real estate loans caused an unusual hit to the balance sheet of the entity, and again its equity was eroded. So that's why in the case of Standard Trust the company was forced to have an audited financial statement. That audited financial statement, indeed, deeply adjusted for losses in the backstopping assets or some of the portfolio that Standard Trust had, and immediately the regulator could see that the company was offside in terms of its equity test. So that's normally how that approach is used. It's a long calculation. If any of you have ever seen it, you'd wonder why you have to spend months, almost, doing it and why it's so important that we have quick action to others so we can notify the provinces of the problems we're facing.

*9:30*

With respect to the transfer of assets. First of all, the fundamental accounting rule is that assets must be evaluated or valued for purposes of the balance sheet at the lower of cost or market value, which simply means that all transactions take place at cost. Should it be that an asset which you bought at cost suddenly has a lower market value, then you must mark the asset to market value; that is, you have to reflect the loss, and that is in fact what I've just referred to with respect to the Standard Trust example. Transactions must be at the lower of cost or market value, in particular between associated corporations. I think all members would appreciate that if you had a controlled subsidiary, you'd want to make sure the transaction takes place at a reasonable value so that you don't either generate an unusual or illusory, an artificial profit in one company or correspondingly a loss in another. So you do it at a fair market value or a cost basis, whichever is lower. Usually in the case of transactions between related corporations it's done at fair market value, and that's based on appraised value.

I think, Mr. Chairman, those are the major issues that have been referred to, but I would more than welcome any other questions which may be necessary to explain still further this fairly difficult piece of legislation.

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

MR. McEACHERN: Yes. I have just a few comments and questions. I thank the Treasurer for his excellent explanation of a number of aspects of this legislation. I guess I can't resist reminding him that some of the things he was talking about, the capital assets and the real estate properties of course, are what got us into a lot of trouble in this province in the past in a number of different companies, not to mention Principal and North West Trust and a few others.

I couldn't help wondering. In looking at this legislation – and it's certainly been long enough getting here, but finally it's here – the minister does in fact take quite a lot of power unto himself. He said a few minutes ago that members of the Alberta chartered accountants' association were fully behind this legislation. I think that's true, but not perhaps a hundred percent true. I certainly have talked to a few accountants who agreed with me on the legislation that was introduced last year – and this is almost identical – that in fact the minister takes an incredible amount of power unto himself and leaves a lot to regulation. So I think he shouldn't assume that it's exactly a hundred percent acquiescence with the legislation. Nonetheless, it's certainly a great improvement over the past and does go some way to meeting the concerns that most Albertans have, I think, about the incredible mess we've had in financial institutions in this province for the last 10 years or so. I mean, we've lost some 14 major corporations.

There was a particular question, though, and I've looked through the legislation, I must admit in a somewhat cursory manner as it's so long and in so difficult a language. I tried to find the section – and perhaps the Treasurer could direct me where to find it, if there is one – that deals with CDIC coverage. If we're going to have trust companies registered in this province, most of them will want to be under the federal insurance umbrella of the Canada Deposit Insurance Corporation, I would think. Certainly I think that North West Trust must be trying to restore its good name and be intending to re-establish insurance under CDIC. In fact, I wonder if the Treasurer would take a minute while we're in the details of this legislation and tell us whether or not they've been able to do that. It's been difficult to try to figure out. I have asked him in this House before, but I don't remember that we ever really got an answer.

One of the things that concerns me about CDIC coverage is that I want to know how it will work or how it will apply in the case of trust companies in Alberta. The CDIC coverage also applies to deposits in banks. I do know that I got a rather odd letter from our banker, one of the big commercial banks, some months back. In fact, the clerk had given it to my wife with great enthusiasm, and said: "Here, take this home and show it to your husband. What it'll do is explain how you and your husband together can have more than one, more than three even, $60 deposits in our institution and still be covered by CDIC coverage."

MR. JOHNSTON: Sixty dollars?

MR. McEACHERN: Sixty thousand dollars. Sorry, did I say $60? The $60,000 coverage. The Americans, by the way, have $100,000 coverage on deposits.

It seems to me it's rather an odd way of trying to regulate banks or trust companies, whichever the case might be – and I think they're similar in this case – by passing a law that says, "What we're trying to do is insure the small depositor." We set up CDIC to make sure the small depositor who puts his $30,000 in the bank doesn't lose it, and so what would be a reasonable amount to cover it to? Somebody comes to the conclusion that $60,000 would be reasonable. Then they say: "Well now. Okay. I can have that coverage, my spouse can have that same amount of coverage, and in fact if you have a joint account, that same joint account can then have that same kind of coverage." So there's $180,000 rather than $60,000 that we are covered to. And I guess that's okay, but this document – I wish I had it on hand; I filed it away somewhere, and I didn't bother to dig it out – purported to describe several other ways that we could find new deposits that would also qualify for $60,000 coverage, were we to have such amounts of money available to invest in that bank.

I guess I wonder how the Treasurer is intending to handle that. Is he going to handle it by regulation? Is it covered in this Bill, and I just couldn't find it? Does he think that $60,000 is enough? Does he think that there is some way . . . You know, the $60,000 has been the number for some years, and inflation being what it is, of course, it no longer has the same value it did

five or 10 years ago when it was made $60,000. Also, I suppose this could be left to regulation, but how would you set it up in such a way that somebody can't get a whole series of $60,000 in the same institution, because that does put incredible amounts of more pressure on the CDIC insurance scheme when or if a particular bankruptcy occurs in a financial institution. Then some depositors would get far more coverage than whatever was intended by the legislation, as far as I can tell.

Anyway, that's my question for the moment for the Treasurer.

MR. JOHNSTON: Mr. Chairman, let me say that I'm not sure where the Institute of Chartered Accountants differ at all with the legislation, but I'd be more than willing to listen to their suggestions as to how we can improve it. I think really what the Member for Edmonton-Kingsway has said is that generally speaking the Institute of Chartered Accountants is supportive of the legislation, so I guess we haven't got much difference there. But if there is something he knows about that would improve the Bill in terms of what the institute is saying, then let's have it. I don't think there's much there, because we have more than adequately dealt with their suggestions, and we spent an extensive amount of time in the run-up period dealing with them as to what the legislation says. At the same time, we spent a considerable amount of time with the trust companies as well, both the individual practitioners, the ones who have to operate on a day-to-day basis, together with their professional lawyer advisers and certainly with the Trust Companies Association of Canada, which also has a fairly large understanding and set of recommendations and minimums that would be appropriate for legislation. In all cases we have satisfied fully their suggestions and have reconciled any of their criticisms or comments, and I think it's safe to say at this point that this Bill is as contemporary as any in Canada with respect to those aspects.

The second aspect the member raises deals with the CDIC or the Canada . . .

*9:40*

MR. CHAIRMAN: Could we lower the sound level in the committee, please? Order.

The hon. Provincial Treasurer.

MR. JOHNSTON: You can see the trust company legislation isn't everybody's priority. I wonder why, eh? I wonder why. [interjections] The three of us are sort of a triangulation of views here.

The CDIC regulation is a federal jurisdiction and a federally driven jurisdiction, but what I can say, though, is you can appreciate that if you could have the situation where you had a provincially or federally chartered company operating across Canada, in terms of its regulatory tests you can see how complex it can be. You can have a provincial responsibility for regulatory investigation; you could well have other provincial investigations of that entity; you may well have a federal regulatory review, because you could have two charters, for example; and then finally, we have CDIC, because CDIC puts the bucks behind the deposits up to the amount of $60,000. So CDIC has the same access to these entities in return for the deposit insurance as does any provincial or federal regulator.

So they're in there at the same time as we are in many cases, attempting to review and assess the viability of the entity and to ensure that the depositors' deposits are protected. We're trying to harmonize that still further. We have now had some preliminary discussions with Gilles Loiselle, and we think that over the course of the next few months we'll be able to harmonize more specifically with the federal government and be able to bring into the harmonization play the federal government via CDIC. Nonetheless, CDIC now has a major role, and usually they're the ones who close off companies or put them into receivership because they're the ones who have to write the cheque. Certainly in the case of North West Trust it was CDIC that wrote the cheque for $280 million or so to clean up that company and to protect the depositors. They are also the ones that triggered the defaults and bankruptcy movements on the banks here in Alberta, and finally, were also the ones that dealt with CDIC.

Now, as to the multiple expansion of the deposits, I would not expect that one would criticize that. I mean, surely it should be the intention of all governments and regulators to ensure that the depositors are protected. So if there is some way that you can expand your deposits, I suppose by changing your name or whatever else you may do, I don't think that I find that too objectionable. I guess the first big test is that you have to have more than $60,000 to put in a savings account, and I think it's reasonable if you know that you're covered as to $60,000 that you should find a way, either by going to another bank or another trust company, for example, to ensure that you can spread your protection under that $60,000 limit as far as possible.

Now, whether or not you expand an account in one bank or expand the account in several banks doesn't seem relevant to me. To me what is relevant is that we do have CDIC in place, operating, providing protection to those people who want to take advantage of the $60,000 guarantee, and if you want to split your deposits or do whatever else you want with it, it should be your own business. That's how I would see it operating. But let me confirm again that's federal legislation. They have their own sets of regulations which are circulated in the same fashion as our regulations are circulated to Alberta-based trust and commercial loan companies, and they have to work to the rules provided by CDIC.

It is surprising, of course, that during the period of financial instability of some of our financial services sector players, many people simply ignored the CDIC rules and said: "Look, I don't care. I've got my $100,000. I've always had it there, and I know I'm taking some exposure." In the case of Standard Trust, if my memory is anywhere close to being accurate, although Standard Trust didn't operate in Alberta, I think there were 12 different Albertans who had deposits in Standard Trust Company somewhere, and of those 12 different deposits, despite the preliminary warnings over the past year of uncertainty in Standard Trust, four were over the $60,000 limit, moving somewhere above and towards the $100,000 level. The point I'm making is that it's curious to see how individuals will leave their money sit even if they hear about the uncertainty of the entity and knowing they're not covered by CDIC insurance. I think to some extent they believe that there's some other government guarantee sitting behind them, and the only place that that applies, of course, is in the case of Treasury Branches specifically and in the case of credit unions, put there by the province of Alberta and I think for good reasons.

Mr. Chairman, I think that deals with the two issues raised by the member.

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

MR. McEACHERN: Yes. In terms of the $60,000 limit in several different deposits, certainly if the aim is to spread the liability around – you know, if you have $60,000 in one

institution and $60,000 in another one and maybe a third one – that makes some sense and doesn't seem to me to particularly break the spirit of the legislation of setting a $60,000 limit, because you're talking about a different financial institution in each case. Therefore, the chance that any one of them would go bankrupt would still only make a certain amount of call on CDIC, which, remember, gets its money not only from some premiums from the various financial institutions but mostly from the taxpayers. Particularly after a long period of difficulty like we've just been through, they got a lot of taxpayers' money.

The point I wanted to make was that if an institution finds a way so that within that same institution you can have several $60,000 deposits, maybe it becomes kind of hypocritical to bother with the $60,000 limit. Maybe it should be $100,000 instead, and maybe there should be some way of stopping. Obviously, the intention is to see that depositors don't lose all their money, but if somebody wants to put a million dollars in, they're not about to insure that. It seems to me that's clearly what CDIC is saying by setting the $60,000 limit, and therefore it doesn't make a lot of sense for a financial institution to find ways of setting up subsidiary mortgage corporations and subsidiary whatever else corporations they can think of so that you can put your money into about four different entities. Since there's two of you and you can use joint accounts and single accounts, you can end up putting $500,000 in and have it still fully covered in one institution, which is more or less the implication of the letter I received from a particular commercial bank in this province. Well, they operate right across the country.

That's sort of what I was getting at with that, and I do think that that's a misuse of the legislation, or else there's no point in setting the $60,000 limit in the first place. So I think that the Treasurer should be concerned about that aspect of it.

The other simple question that I asked a minute ago that he didn't answer. He did mention North West Trust, but he didn't answer whether or not North West Trust in Alberta now has CDIC coverage or not. You did say that the Treasury Branches and the credit union depositors, of course, are fully backed by the province of Alberta, and so there is no risk there whatsoever. North West Trust was wholly owned by the province of Alberta, and I assume for a time that their deposits were fully covered by the taxpayers of Alberta, but you've never clarified in this House whether or not that's still the case or whether they're back on CDIC coverage and have $60,000 per deposit covered.

MR. JOHNSTON: The point with respect to the size of $60,000 deposits. I'm not too sure if we agree or disagree, but all I can say is that if you want to separate your assets and have a multiple number of $60,000 accounts for whatever reason, I guess it's up to you. I would suggest that everybody should afford themselves that protection. I'm sure CDIC from time to time has reviewed the necessity of increasing the limit to $100,000 or whatever else, and they must be plotting on some statistical basis. Remember, it's you and I essentially who pay for that insurance deposit via the charges we pay to the commercial banks, who in fact have to pay to CDIC that insurance cost. So I suppose if the insurance coverage is higher, you'd have to expect that the premium cost is higher; you have to expect that you and I have to pay more.

So I think there's a balance along here somewhere. My view is that if an individual can keep track of the $60,000 deposits, maintain the protection whether it's in one bank or several banks, let's do it. If I was the banker, I'd want the chap to keep his money in my bank because obviously that allows me to circulate dollars, generate cash and business activities. I'm not too sure if there's a disagreement, but I think we've had a discussion at this point nonetheless.

*9:50*

With respect to North West Trust and CDIC, CDIC is in North West Trust for the first $60,000, as everybody else. But what we have agreed to is to indemnify CDIC for any losses above that, so that if for some reason – the probability is very, very slight – North West Trust got into some problems of some sort, the province would be backstopping that position. But there's a very, very slight probability of that ever happening. Our understanding with CDIC was that after a two-year period we could begin negotiations to have CDIC fully and alone responsible for deposit insurance. We are in the process of doing that right now to take any suggestion that the province would be backstopping the assets away, so that we could go on with the privatization of North West Trust, should we be favourably disposed to that based on economics and other kinds of situations. So I think that's roughly where we are in CDIC.

MR. McEACHERN: Thank you.

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

MR. HAWKESWORTH: Thank you, Mr. Chairman. Watching the Provincial Treasurer tonight it's as if he's giving a seminar. I'm just wondering if there's some way we could get university credits for accounting 101 for all the information he's sharing with us tonight. Anyway, I wanted to express my appreciation for the Provincial Treasurer taking the time to answer the questions and the concerns raised. I'm listening, I'm learning from it, and I appreciate him doing that.

I would like to just come back to section 198 again, the matter of liquidity. Again, I guess the point I'd like to ask the Provincial Treasurer to address. The ministers agreed on a minimum of 45 percent of total assets that would be required for investment in specified categories such as first mortgages and treasury bills. Now, there's a specific requirement identified: 45 percent. When it gets translated into the legislation in front of us, the percentage, 45 percent, does not appear. I'm just wondering if the Provincial Treasurer could identify – and it wasn't clear to me – why 45 percent was not in there. Was it just simply that he's going to do it in regulation and that was simply the reason, or is there some other purpose why it's not included?

The second question I'd like to revisit has to do with extraprovincial corporations. Of all my questions, this is the second one that I'd like to revisit. Sections 329 and 330 deal with extraprovincial corporations. It refers to how they should be registered, and it refers to minimum capital requirements. But when I look at the legislation, Bill 29, for example, there's a whole part dealing with restrictive party transactions; part 11, for example, dealing with Investments and another part, part 13, Liquidation and Dissolution. All of these other parts are also important aspects of the legislation, and it's not clear to me to what extent they apply to extraprovincial companies operating in Alberta. Are they exempt from those other sections? Do other provincial Bills and legislation govern their operations, or is there some other mechanism that eludes me in the legislation that deals with this question? If it's in the legislation and the minister can point it out to me, I'd really appreciate it, but the whole question of how extraprovincial corporations are covered

under the Act is a big question mark for me that I didn't understand in his explanation.

MR. JOHNSTON: Two points. First of all, let me say that obviously part of the legislation will be done in regulation, and those regulations will deal most with how it is you value a company, how you market-to-market, how you calculate the risk weight of a portfolio. What we have done specifically in this legislation is deal with those thorny parts of the portfolio investments that require most attention and which we think should be most rigidly applied so that they're not subject to regulatory change; that is, as the member has noted before – I haven't got the section specifically, but the section with respect to commercial loans. Very thoroughly it says that you should limit it to 5 percent, and to go above that 5 percent test, the portfolio would have to show reasonable and just cause and require ministerial approval. So we're trying to be sticky in terms of controlling that side, and we're also being sticky as to the control of the real estate side. I think there's a section – it's probably in the 202 section somewhere – whereby you deal with the real estate. You'll notice that if you foreclose on a piece of real estate, you have seven years to try and divest yourself of it.

Secondly with respect to real estate, we limit and are very specific about how a company can invest in real estate for its own purposes. That simply points to the recommendations we've received from a variety of sources, who have said: "Uh, uh, uh; don't get involved in commercial loans," and "Uh, uh, uh; watch out for real estate," because that's where the trap is. You see, these companies essentially have enough exposure on the rest of their portfolio, which could be probably 55 percent in mortgages, and that exposure is that these mortgages are usually backstopped by real estate. So you can see that the change in real estate does lever through the company's calculations very rapidly. If you had the opportunity to invest directly in real estate, you'd have more risk, because that's the risk-weighted portfolio calculation. Therefore, we're fairly rigid and direct in the legislation about those sections.

The rest of it, though, will be covered by this harmonization approach and by our other regulations, which will say, as they do now, that you have to have not only a portfolio in mortgages but you have to have a high mix of those mortgages in single-family dwellings at certain levels of market value to mortgage value. So that's roughly what will happen, and more of those will flow with respect to the actual details on the regulations.

Now, extraprovincial corporations. Remember that the reason we have extraprovincial corporations in this legislation is that there will be other companies operating here who have their charter or incorporation in still another province. Normally, under the harmonization rules we find that it is the charter province's responsibility for the first level of regulation. As a result, if we have a company that's head-officed here in Alberta, it is our responsibility to take the lead on the regulatory investigations in bringing together the other provinces should there be a problem, ensuring that the communication takes place across the rest of the provinces. But remember that the sections clearly require the filing of financial statements. There are sections that can order the financial statements to be done at a different time or that interim financial statements be provided. Still further, the province has the right, through the harmonization as well and information sharing, to have access to the statements of the financial entity operating in the province and to the books and records of the entity as well. So we have a fair degree of flexibility as to what the province can do with respect to extraprovincial corporations that operate in this province.

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

MR. HAWKESWORTH: Well, thank you, Mr. Chairman. I think we'll leave those questions and those responses this evening.

I would just, finally I guess, draw the minister's attention to section 207, which has to do with Limitations on Shareholding. Now, the ministers agreed in their harmonization document that there was a category of permissible subsidiaries and associates. That's translated in part under section 207, which reflects or deals with subsidiary companies. There's a whole long list of them: subsection (4) beginning with (a), all the way through to (m).

Now, so far as I can see, the agreed list between the various provincial ministers – it's a fairly long list – most of the agreed subsidiary categories are reflected in (a) to (l), but the minister has included another subsection called "a prescribed body corporate." Now, (a) to (l) pretty well incorporates the entire list that the ministers agreed to. My question to the minister is, why subsection (m)? Why is it necessary to have a whole new category that basically is a loophole, as far I can see, that would in the regulations allow virtually any other kind of company to be held as a subsidiary, thereby avoiding or getting around all the provisions of that section?

*10:00*

MR. JOHNSTON: Section 207: Did you say (m)? Yes, "a prescribed body corporate." Obviously, we haven't got full information as to what might be forthcoming. I know that the list is quite exhaustive, but rather than having to go back and amend the Act for some future holdings, this simply allows the government some flexibility to say that this is an eligible downstream equity investment. But remember, this is not at all an exemption, and don't forget that all of these investments are captured by the aggregate portfolio limit on investments in downstream companies, including all those prescribed. So we have the limit in terms of how much you can invest, and it simply opens the door in case there's one we haven't thought of. You know, as the information age changes, you could have some kind of a new symbolic analyst company that is driven by some new invention that we haven't thought of. At this point there's been no type of company described by the regulations, and we don't expect there will be, but it is an out section, if you like.

MR. CHAIRMAN: Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Would it be now in order to deal with the amendments that I've circulated? If so, let me just launch right in on them.

Mr. Chairman, members will have in front of them two amendments – well, two different documents. The first document that I'd like to deal with is several pages in length, and it begins with section 8. I think these are more or less in numerical order. Let me explain the amendments as we go through.

Section 8 has to do with the conditions for issuing letters patent. In the introductory clause the Lieutenant Governor in Council will not issue letters without being satisfied that a number of conditions have been satisfactorily achieved. What I believe is important is that there are no objective criteria to determine what will make up the collective mind of the Lieutenant Governor in Council. It would seem reasonable to simply include the words "on reasonable grounds" before the words "without being satisfied." It would read:

the Lieutenant Governor in Council shall not issue letters patent to incorporate a provincial corporation on reasonable grounds without being satisfied that . . .

Mr. Chairman, subsection (e) has to do with the directors of a corporation, and I believe it's important for the financial industry of this province and of this country that we require proposed directors to be ordinarily resident in Canada and ordinarily resident in Alberta. I think an important objective of our provincial legislation is to ensure that those persons who are key as far as the operations of a provincial corporation should be familiar with this province and with its political, social, and economic situations. So requiring directors to be ordinarily resident in Canada or in Alberta is an important consideration, and as well it brings into harmony, I guess, what's already required under section 104. Certainly requiring three-quarters of the proposed directors to be ordinarily resident in Canada would bring this section into harmony with section 104.

After subsection (h) a new section would be added.

Where the persons applying for letters patent are non-residents of Alberta, adequate proof has been presented that the corporation will be capable of making a contribution to the financial system of the province.

Again it's to ensure that the priorities of the province are uppermost in the consideration by the Lieutenant Governor in Council of applications, and it is one of the recommendations that was made some time ago by the Institute of Chartered Accountants. I might also add, Mr. Chairman, that this is also a principle that was outlined by the Provincial Treasurer himself in his proposed loan and trust corporations Act principles document that he circulated back in 1989. I believe it is important for us to ensure that when people from outside the province of Alberta are applying to register in this province, they have to make it as part of their business plan and documentation to the cabinet that they address this very issue. I believe it's an important one and one that we need to emphasize in our legislation.

Section 76. Mr. Chairman, is this the way you would prefer to have me proceed, just go through them one after another as circulated? Or would you want to just allow intervention as each section is dealt with? I've now concluded amendment A, and I could allow others to address it if they wish, or I could just carry right on.

MR. CHAIRMAN: I think the hon. member should just carry on.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Section 76 has to do with the matter of interpretation, and what is anticipated with amendment B is to ensure broad ownership of any provincial corporation. For those corporations that have a capital base in excess of $50 million, it's contemplated that no more than 10 percent of the total number of shares would be controlled or owned by any one person or entity. As well, it's understood that there are currently corporations in this province that might be over $50 million in capitalization that are not able to meet this requirement immediately, and even to ask them to achieve it within a year would be quite hard on those shareholders. Therefore, the next clause of this amendment lays out a schedule that would allow for the ongoing divestiture of shares in the marketplace to the public in order that individuals who are the shareholders of such a company would be able to dispose of their shares in an orderly way in order to achieve the objectives of the Act. Within a nine-year period of time a corporation that currently might be in violation of this section would be able to achieve its 10 percent objective, so it's a phase-in of being able to achieve this particular objective.

*10:10*

It's important, Mr. Chairman, because the ownership by a small clique or a small number of individuals and their ability to direct the operations of a loan and trust corporation could lead to certain abuses. We've certainly seen that as a case in the United States through the savings and loans crisis. Their regulations governing the ownership of savings and loans allowed for a small group of people to control these institutions. With the falling off and decline of the regulatory climate and the regulations governing those institutions, many of those individuals in charge of savings and loan companies abused their position, and it led to their insolvency at great financial losses to depositors, to creditors, and to others, leaving a bill for Americans in excess of hundreds of billions of dollars.

Now, I think it fair to say that we've had a similar experience in Alberta, at least in terms of a small number of shareholders controlling trust companies. In particular, North West Trust and Heritage Trust are two examples that come to mind which fell into financial difficulty requiring the provincial government to become involved – or at least the provincial government chose to – and to restructure those companies at considerable loss to the taxpayers of this province. It's my view, Mr. Chairman, that had those companies been more broadly owned and the shareholding more widely held, some of those difficulties might have been avoided. So it's an important consideration.

As far as I understand, this is one of the requirements that is being made in the federal legislation. Now, I stand to be corrected because that legislation has now been pending in front of the House of Commons for some time and legislative changes may have been made there, but my understanding is that these are objectives of the federal legislation. At least 35 percent of the voting shares of the federal institutions, companies with a capital base of more than $750 million, will be required. It also, as I understand, means that shares are not held by any person who holds more than 10 percent interest in any class of voting shares of the company. In the case of the federal legislation, companies would have five years to comply with the 35 percent rule. I'm proposing, Mr. Chairman, that it would be prudent as well as to the credit of any Alberta company that that number be even further expanded so that no one individual would have more than 10 percent ownership of a company.

Section 79, Mr. Chairman, has to do with the minister being able to "by order exempt any provincial corporation or other person from the application of section 77 or 78." Now, this is a very curious provision because for a couple of pages under sections 77 and 78 the requirement is for the minister's consent in order to transfer or issue voting shares of a company. Indeed, in section 78 the minister has a right to obtain information if he requests it in writing. He can require information concerning the ownership or beneficial ownership, who shares are held by, and so on, which would in my mind be very important information, particularly as far as it concerns the regulations of provincial corporations. So I don't understand why the minister would even want the power, or how he would contemplate using the power, to even want information and even by order exempt a provincial corporation from these particular requirements. I think we ought to expect a minister to be able to operate under sections 77 and 78, so we're proposing that section 79 be struck out.

Under section 104 again, Mr. Chairman, "1/3 of the directors . . . be ordinarily resident in Alberta" makes that section consistent with the previous recommendation A.

Amendment E, Mr. Chairman, has to do with amending section 105 by adding a further section. Section 105 has to do with people who are disqualified from being a director, and I'm proposing in this particular list to add "an individual who is an elected official, employee or agent of any federal, provincial, state, territorial, or municipal government." The concern here is that by disqualifying government officials, and indeed elected officials, it eliminates the potential for having special interest or special treatment or an inside track when it comes to lobbying or regulating. When it comes to looking after the affairs of the company, we believe there has to be a certainty that there's no perceived or real conflict of interest. Having elected officials eliminated from consideration of being a director we believe would achieve that objective.

Amendments F and G again are in accord with and fulfill and carry out the same amendment contemplated in A and D.

Amendment H has to do with Section 126 of the Bill, Mr. Chairman, which is the delegation of fiduciary responsibilities. I know that certainly those are important powers. Certainly for a trust company it is a fiduciary responsibility that they're expected to carry out. The amendment would add the words "and the directors are deemed to have permitted the act of the delegate for the purposes of section 308." Without this amendment, directors would not be accountable under the liability rules. If members would want to turn to section 308, it has to do with the liability of directors and officers. So it's important that we include that, because it's an important aspect of accountability.

*10:20*

Amendment I again is consistent with requiring directors to be ordinarily resident in Alberta.

Section 128 is amended by amendment J. Now, it just simply means, Mr. Chairman, that if the residency requirements are not met, an act of the board is not valid. So I guess it's a penalty clause to ensure that the Alberta requirement would be for members of the board at all meetings of the board, which would be assured by amendment J.

Under amendment K Section 162(1) is struck out. Again, Mr. Chairman, there are a number of sections – section 162 is one of them, section 180 is another section, and section 195 is a third section. You'll note that these are the first clauses of individual parts. In the case of section 162, it's the introductory clause to part 9. Section 180 is the introductory clause to part 10. Section 195 is the introductory clause to part 11. In all cases, these clauses allow for the exemption of a trust corporation that is not in the business of deposit-taking. It seems to me that these are exemptions notwithstanding whether they're taking deposits or not, but if they're in the business of carrying on financial business in the province, these sorts of exemptions to the application of various parts of the Act are not justifiable.

Amendment L, Mr. Chairman. Section 168(1) has to do with the question of related or restricted parties and allows a provincial corporation "without the prior approval of the board of directors" to "enter into a transaction with a restricted party." The way the subsection is worded, it says it can enter into a transaction if it "involves minor or general expenditures by the corporation." Well, I'm afraid the subsection is opening up an entire loophole that would open up all kinds of relationships with a subsidiary company simply by stating it's a general expenditure that's at stake, and the whole intent of the legislation can be thwarted by having those words included. For those transactions that involve a minor expenditure, no one would have any objection, but when you say a "general" expenditure, that contemplates something that's very broad and is going to allow for the whole intention of the Act to be thwarted or circumvented. We believe that board approval should be required because general expenditures might be substantial expenditures, and that ought to be a matter that the board has the decision-making over.

Section 169. Again this is a part dealing with restricted parties. This is a matter of loans being made to directors and other employees. The amendment proposes adding a number of words at the end of subsection (a), setting the maximum amount of a loan that can be discounted from fair market rate at $50,000. Mr. Chairman, it just limits and puts a ceiling on the amount that can be loaned interest free to employees, and is one that I think ought to be supported.

Section 170, Mr. Chairman, has to do again with restricted parties, and sub (d) . . . Well, in essence, it removes the subsection dealing with transactions "with a restricted party that is a financial institution" and allows for a new section to be created. A board of directors really shouldn't be able to give approval to transactions with a restricted party, permitted by the regulations and not subject to the Legislature. Adding a new section, (1.1), would prevent a loan to a restricted party if the company is or would become insolvent. Again, given the experience in this province, that is something that based on experience we should be taking prudent steps to avoid.

Section 172: amendment O introduces some objective criteria for the minister's approval of restricted transactions.

Amendment P has to do with section 176(1), Mr. Chairman, which is disclosure by a restricted party. It would mean simply that section 163(1), restricted party, has the same disclosure requirements as section 2(7), restricted party, has. So it provides some consistency there.

Amendment Q puts the onus to report on the directors as well as the auditors, an important consideration, Mr. Chairman.

[Mr. Hawkesworth's speaking time expired]

MR. McEACHERN: Mr. Chairman, I would like to finish reading the amendments to get them all on the record.

Section 177 is amended by adding the following before section 177(1). It would become 177(1.a).

> A director of a provincial corporation shall promptly report to the board of directors any material breach of this Part of which he becomes aware.

Amendment R. Section 195 is amended "(a) by striking out subsection 195(1), and (b) by renumbering subsection 195(2) as section 195."

Amendment S. The following is added after section 200:

> 200.1 No corporation shall loan an amount in excess of 1% of its total assets to any one borrower under sections 199 or 200.

*10:30*

Amendment T. Section 215(1) is amended by striking out "With the approval of the Minister" and adding in its place, "Where the Minister is satisfied on reasonable grounds that it is in the public interest, he may permit."

Amendment U. Section 260 is struck out.

Amendment V. Section 309 is amended by striking out "3 years" and replacing it with "4 years."

Mr. Chairman, I wish to speak to some of these amendments. I'm not going to try to do them all, but there are a few of them

that strike a chord with me. I want to put some comments on the record.

To go back to section 8, then, amendments A and C are similar in that they put in an expression, "on reasonable grounds," that gives a person or a judge or the general public at least an inkling that criteria are available or were used by the cabinet in making any decision it might make in section 8 for giving the letters patent. It would seem to me that if you leave out those words . . . I want to just look at the exact section and get it the way it's worded now. It says

> The Lieutenant Governor in Council shall not issue letters patent to incorporate a provincial corporation without being satisfied that . . .

and then they go on to name a number of things. So there are some other criteria there. If you just stop at the point of that first sentence, you get the impression that the cabinet could be satisfied by anything. Now, I know there are some other specific points raised afterwards, but it seems to me that the general point has to be that there be reasonable grounds for them being satisfied. It is helpful to have that in.

You go on to (c), which adds after subsection (h) of this section:

> where the persons applying for letters patent are non-residents of Alberta, adequate proof has been presented that the corporation will be capable of making a contribution to the financial system of the province.

So if we are going to allow foreign corporations to operate in this province, then there must be a general sense of well-being that in fact they will be contributing to the development of this province, that there will be an overall benefit by having them involved.

There are a couple of other amendments here that have the same kind of suggestion, so I would just mention them now: amendments O and T. I would just recommend those to the minister. It would strengthen, I think, some sections of the Act.

Going back to amendment A, section 8, and looking at part (b): by adding the following after subsection (e)

> (e.1) no less than 3/4 of the proposed directors are ordinarily resident in Canada.

As our Member for Calgary-Mountain View pointed out, that would bring it in line with section 104, the general rule about directors of loan and trust companies. We thought we should also add:

> (e.2) no less than 1/3 of the proposed directors are ordinarily resident in Alberta.

So we are Canadians, but we're also Albertans, and we felt if it's going to be a company operating out of Alberta, at least a third of the directors should be from Alberta.

Amendment B on the capital base and the percentage of ownership by any one shareholder is an important section. We spent a lot of time looking at this and thinking about it. The federal legislation: as my colleague for Calgary-Mountain View said, we're not exactly sure where that stands now, but their intent did seem to be to restrict the ownership of a federally incorporated trust company to 65 percent to be owned by one person. Now, certainly that was a start in the direction of getting away from having a trust company as a private fiefdom of one person or one family. We've seen in Alberta the trouble that can be caused by that. However, it still doesn't go far enough. The deregulation that has gone on and the reregulation that is now taking place very clearly puts trust companies in competition with banks, and banks have to comply with a rule that no one company or corporation or no one person can own more than 10 percent of a bank. The banks, I know, are pushing for a similar kind of restriction on trust companies. They think that if they're going to compete with them, they should have the same rules by which to compete. So I recommend that to the Treasurer.

I mentioned a while ago that some of the members of the Alberta chartered accountants' association weren't maybe all that gung ho, as the Treasurer had pointed out, about his legislation. It is true that you satisfied most of their interests, I think. But there was a sort of a nodding and agreement when I asked. I won't name any names or anything. But didn't the chartered accountant that I was talking to agree with me that the Bill – and at that time it was last year's Bill; I think it was Bill 38. Yes, but it's almost identical legislation. Didn't it give just a little more power to the minister and a little more power to regulations than was perhaps necessary? While nobody made a lot of noise about agreeing, there were a few little nods. I think that most people agreed that this government has taken more and more onto the minister.

I'm sure the minister has in this legislation and particularly in the section where he talks about if there's a difficulty and the minister has to sort of take over, the powers he has are very sweeping, very, very powerful legislation, a way of streamlining in fact the right of the minister to take over and run a trust company like he has done with North West Trust. In fact, it was the same kind of adjustments that he made in the new credit union legislation so that if anything happens again with the credit unions, the minister will have pretty powerful and efficient legislation backing him up in any moves he might make to take over the credit unions, as he did fairly recently, a number of credit unions. I don't think there's much doubt that the minister has probably more power than is necessary, and in fact a few of these amendments sort of refer to some of those sections where the minister has these sweeping powers.

The statement, actually, of "on reasonable grounds" for the minister or the cabinet, as inserted in a number of sections that I already mentioned, would be some help in that regard. Removing section 79, for example, would be another very good example: C of the amendments where it says that section 79 is struck out. It seems to me that 79 is really not necessary, because if you look at 77 and 78, they give a lot of power to the minister. In fact, it's all about the minister's powers in a number of parts and aspects. If you just look at the lead-in on 77(1), for instance,

> The directors of a provincial corporation shall refuse to allow the transfer or issue of . . . shares of the corporation to be entered in the securities register without the Minister's consent.

I mean, the expressions "the Minister's consent" and "until the Minister's consent is obtained" in another section here – both section 77 and 78 are loaded with "the Minister." "The Minister requires in support of" and so on and so on. Really he doesn't need 79 to have the right to exempt people from sections 77 and 78, because most of the powers in 77 and 78 are the minister's. I just point those things out to suggest to the minister that he has certainly made sure that he, as the minister for now, and some member from this side of the House when we form the government, will have incredible powers in this legislation.

*10:40*

I wanted to look just momentarily at section E. Section 105 is amended by adding the following after subsection (f):

> (g) an individual who is an elected official, employee or agent of any federal, provincial, state, territorial, or municipal government.

That deserves a little closer look. Section 105 talks about the persons who are "disqualified from being or remaining as directors of a provincial corporation," and there is a list of a number of groups. We want to add this list to the group. It

does not seem to me that it would make sense, for example, for the minister to be on the board of directors of a private trust company provincially registered in Alberta nor would it make sense for one of the other members of the cabinet or a member of this Assembly to be on the board of directors of one of these provincial corporations. The same is probably true for the federal because they have a lot of influence in the financial institutions. I'm not sure the municipal officials are quite as critical as the provincial ones, but certainly they also are, I suppose, in a potential conflict of interest situation. I wanted to mention those points.

I want to skip now – and this will probably be the last point that I speak to – to the very last point on page 3, section S. The following is added after section 200. I want to just turn to 200 momentarily. It's such a big book that it always takes a minute to find the exact spot. Section 200 is about commercial loans, and it talks about the loans that a trust company or a loans company might make that are commercial loans as opposed to, I guess, individual loans. Our suggestion here is that we add a 200(1):

> No corporation shall loan an amount in excess of 1% of its total assets to any one borrower under sections 199 or 200.

The reason I wanted to mention this point is that I think it's fairly clear that we've had some trouble with this particular problem in the past in Alberta, and the example I'm going to cite is one of my favourite ones, North West Trust. Fairly clearly, the Treasury Branches in this province between 1983 and 1985 loaned to North West Trust over half a billion dollars. Some people have even put it as high as maybe $650 million. North West Trust had a number of different entities, some 33 related companies, and in aggregate those companies were loaned over half a billion dollars between 1983 and 1985, as near as we can make out anyway. Maybe there were other problems with Treasury Branches as well in terms of having money into real estate and mortgage problems, but I still think the major problem . . . If the amount was $650 million – and it may not have been quite that high, but I'm sure that it was over $500 million – that would have represented 15 percent of that company's assets in one financial institution that knew it was in economic trouble. It doesn't make any sense.

I've said it before in the House: the only possible way any self-respecting financial institution would do that was if they were directed to by their political masters, and I firmly believe that is what took place. The legacy is still with us. When this Treasurer took over North West Trust, he got $277 million from CDIC, and $153 million of that went to the Treasury Branches to pay back some of the unpaid loans from that situation. Also, the Treasury Branches are carrying on their books some $150 million in debts, and they have also written down some $250 million in bad properties over the last four or five years. So the legacy of the Treasury Branches putting such a huge part of their portfolio into one company that we knew was in economic trouble is extraordinarily a major problem in this province, or certainly was. Just to see that that would never happen again, no financial institution, no trust company, no loan company should ever put more than 1 percent of its assets into one commercial entity. All it's doing is looking for trouble. If the people's deposits are going to be safe in these loan and trust companies, then the loan and trust companies have to have widely disbursed portfolios so that they do not get caught with too much money in one company that is a major problem, as was North West Trust.

I'll stop with those comments at this stage and look forward to the comments of the other members of the House.

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

MR. HAWKESWORTH: Thank you, Mr. Chairman. I appreciated the comments made by the Member for Edmonton-Kingsway. I propose not to repeat them. I think revisiting the lesson of North West Trust is a very important point, and he makes the point eloquently as to why amendment S ought to be adopted. It's just a prudent matter of business practice not to loan an amount in excess of 1 percent of its assets to any one borrower or related borrower. That should be a hallmark of any legislation regarding loans and trust companies in this province.

The amendment T I think has been addressed as well, but the point that I'd like to look to is indemnity agreements, Mr. Chairman. Basically it has to do with this whole question that was raised earlier in terms of questions from the Member for Edmonton-Kingsway, as far as the indemnification of deposits, the guarantees of deposits. For the provincial government to take on in legislation a provision to enter into indemnity agreements with the government of another province or a body corporate that's the agent of the government of another province in regards to insuring the deposits is just opening up a whole big kettle of fish. How, for example, is this province going to police the operations of a provincial corporation in another jurisdiction? If the government has entered into an indemnification agreement, it lets that other province off the hook in terms of the regulation. So what's being done here, as I understand it, is that a province takes unto itself primary responsibility for regulating companies in Alberta and it's going to indemnify other provinces for the operation of those companies licensed in those other provinces.

Now, how are the operations of a company going to be regulated and policed in another province? Does that mean that provincial jurisdiction, provincial Treasury officials and others are going to be looking at what's going on in another province? We've just been through the experience of the Principal Savings & Trust and the relationship between the Cormie empire and the operations of First Investors and Associated Investors in other provinces. We've just been through this experience where Alberta failed in its regulatory environment to properly police those companies, and as a result people who put deposits in those companies in other provinces lost money. If we're going to have a repeat of the same situation – and it's written in legislation that these indemnity agreements are in place – it's just opening up all kinds of liability for the province to backstop and basically guarantee all deposits to those trust companies. I have a great deal of concern about doing that, especially given that there doesn't appear to me to be adequate review and regulatory measures in place to review the operations of those companies in other provinces.

*10:50*

Section 309 has to do with, I guess, Limitation on Prosecution. Statute of limitations is sometimes referred to, and this basically says that:

> A prosecution . . . may not be commenced later than 3 years after the facts that constitute the . . . offence become known to the Minister.

We would advocate replacing that with four years. It extends the prosecution limitation period and would allow the time required for a proper investigation to take place, whether it be through the Attorney General's department or the RCMP or some other agency or department of government. If it's a highly complex series of related financial transactions, being able to

find the evidence, prove the evidence, or collect the evidence may be a time-consuming matter, and by replacing three years with four it gives an extra year for government to carry out their activities before laying the charge.

So, Mr. Chairman, collectively we've now gone through all of the amendments that I've placed on the floor. I rather doubt the government is going to adopt them, but they're there for the public record, so that in the future should there be problems with loan and trust corporations in this province, some of the shortcomings may have been highlighted with the amendments that we've placed in the public record tonight. I would hope that the minister, if he's not going to accept them tonight – I doubt that he will – will certainly give them consideration for the future. I find that by putting these suggestions out there, sometimes they are eventually adopted. As I know, one that was proposed earlier for Bill 38 when it was introduced last fall was adopted by the minister and is found, is incorporated within Bill 29. Perhaps in the next round of amendments with this legislation the provincial government will realize the wisdom of some of these suggestions.

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

MR. McEACHERN: Yes, just one more point here. I asked the Treasurer which section dealt with CDIC, and I have, of course, discovered it now, looking at 260. Section 260(3) and (4), of course, are the parts that deal with CDIC. Subsection (3) is the general right of the province to make a general agreement with the Canada Deposit Insurance Corporation; that's fine, but (4) is sort of a belated statement of what happened with the federal government and the Provincial Treasurer when he took over North West Trust. It says,

> An agreement made pursuant to subsection (3) may contain an undertaking by the Government to indemnify the Canada Deposit Insurance Corporation for any loss to that Corporation occurring by reason of its obligation to make payment in respect of any deposit insured by a policy of deposit insurance when that obligation arises during the period specified in the agreement for that purpose.

I don't know if that two-year period he mentioned is over now or not, but a little while ago the Treasurer did say, if I heard and understood him correctly, that the CDIC coverage is now back on North West Trust deposits up to the tune of $60,000 but that the province is still guaranteeing any amount of deposit over and above that for any depositors that have not stopped at the $60,000 limit. My question really is just: did I hear him exactly right and is that where the situation now lies between the province and North West Trust, or is the obligation just because we own the company, which is another and a different reason? I guess if the obligation is because we're guaranteeing those deposits over and above the $60,000, what is the level of that obligation for the taxpayers? How much is that liability? Where and how can we find that in the public accounts of the province?

MR. JOHNSTON: Well, Mr. Chairman, I think the amendments have been put forward in essentially two parts tonight, the so-called first section, which I think are ones we have seen last year, and the current update this year can be handled in the following manner.

Let me say that I'm sure that the intention of the opposition was to make reasonable recommendations and to provide advice, and there has been a lot of work obviously put into these sets of amendments by the opposition. I think on balance their comments tonight have been reasonable and balanced and with sincere intent. But pursuing the protection of the depositors, which I have outlined earlier, has been the objective of the province as well. Nonetheless, the amendments do fall into a couple of categories. I would say that unlike other pieces of legislation in other times, I would be willing to provide to members of the NDP Party – sic – who have spoken on the question of this legislation, to give to them how we see this legislation articulating and where various sections have perhaps been missed in the review, which covers off some of the concerns that are made. I put those in the so-called nominal or technical area, and there's quite a few of those.

Still further, there is another set of amendments made by the members which really are not square with what is now happening in terms of contemporary legislation in this area. That falls into two areas, one area being the so-called requirements as to the degree of ownership of the entity itself and the kind of people who own the entity itself; that is, in particular their residency. It strikes me that I've heard both members talk about the information age, about the globalization of the world, about the kinds of transition that we're facing. I think many of us realize that today – I'm thinking now of Kenichi Ohmae's book, who I think said it very well when he referred to *The Borderless World*. He said in that book, just recently published by that distinguished consultant from McKinsey & Company, that there is no overseas.

In my mind that captured it all. I mean, this is a very fast-moving, high-tech world where in the symbol economy dollars move rapidly, and as I've said in other speeches before, the transactions in that symbol economy overwhelm the real trade dollars by about 12 or 13 to 1. It's a vast amount of money, it's moving rapidly, and we are no longer considered to be Alberta-based companies or Canadian corporations. What we have are global companies operating where they can make the highest margin of returns, and certainly I would expect that everyone now anticipates that. But I draw members' attention in particular reading of that particular book because it puts in place what it is that's happening. The reason I make that point and that distinction is that we have seen no evidence and there has been no evidence given to us that would suggest that ownership of a company causes any greater protection to the depositor. In fact, all the reviews we have done and Estey has done and others have done suggest that the ownership question is absolutely irrelevant to ensuring what is the objective of maintaining the depositors' integrity.

Secondly, the control of the shares themselves is an old position. To say that you have to disperse the ownership of the entity by wide ownership in fact has not proven to be relevant. What has proven to be relevant and where this legislation in terms of its architecture is structured differently is that you must ensure, first of all, that you have a set of directors themselves who are in the entity who are external or outside directors. That provides that comprehensive external view of the management of the entity.

*11:00*

Secondly, you have to ensure that those directors have very clear rules as to what they can do and cannot do and specifically outline in the legislation the self-dealing responsibilities of the entity and the directors and the management. When you control that, either by prohibition or by actual disclosure, then you have in fact dealt with the problems you're attempting to deal with by dispersing the ownership or by saying that you can't have foreign ownership. You see, really what we're trying to do here is to encourage the formation of capital as opposed to the dislocation of capital, and that's what this legislation is doing. There is no

connection between the dispersed ownership and the financial viability of an entity, and that's why, if I put those sections of amendments in one place, we can say that there is not in fact any reason to accept these amendments.

I want to go on to say that there is an important committee that's being established in this legislation under section 127 and still further under section 175 and in fact is referred to in section 168. It's something called a conduct review committee. The conduct review committee is charged with the responsibility of setting out for the entity's purposes such things as: what is a common transaction that is not in fact off side in terms of self-dealing; what are the rules of directors? The auditor, by the way, can be a member of that committee and sit in on it. So this is a new section that is put in this legislation to deal with some of these matters that have been disclosed and talked about. This materiality question is obviously on the auditor's mind, but what we have said here is that these sections ensure that the so-called reasonable transactions are not prohibited.

I could, Mr. Chairman, say that some of the other amendments are attempting to deal with reasonable questions, but I think some of their amendments, what I'll put under technical grounds, such as the extensive questions and recommendations on section 8, the so-called reasonable grounds section, really are not relevant to the section. In fact, that section of the legislation itself goes on to ensure that the public interest is protected, that there is a feasible plan to ensure that these decisions are based on those tests. We would not want to add any more problematic words to that section. Our lawyers have advised us that that probably could upset some legislation and some discretion.

As to ministerial discretion, which seems to be a big problem for the member, I should say that that discretion, first of all, balances the need to act rapidly and carefully and prudently to protect the depositors' position should that be necessary on a regulatory basis. That's really where most of the discretion flows. The other area of discretion deals with certain exceptions whereby we could, as one of the members pointed out, make an exception; for example, with respect to dealing with certain other entities with whom we know there is a good entity relationship, where the company is well established. The member mentioned section 79, as it's known. For example, this is to waive administrative procedures for applicants whose eligibility in terms of financial resources and other criteria is well established; for example, dealing with a bank. If we know that the bank's got billions of dollars, is well capitalized, and is controlled by the CDIC and the bank regulators, we could waive some of the steps that are required and use discretion if we're dealing with them. And still further questions, for example, where the minister has the right to establish an indemnity to ensure that the financial viability of an entity is in place. So while there is some ministerial discretion, that discretion is mostly regulatory and is driven by the need to be able to move quickly to protect the depositors' position.

I think I've talked about the so-called arm's-length transaction. A lot of the amendments deal with that section.

With respect to the section on preferential mortgages, this is a reasonable kind of process that takes place. Many companies do provide preferential mortgages. At one time there were low interest mortgages or you may well find that it has bullet kind of payments as opposed to amortization payments. There are a variety of ways that that can be done, and that's done as a normal course of business. If there's any tax to be generated or tax implications, of course that's another matter and not covered by this Act and will be triggered by another piece of legislation. We would watch that carefully as well. In any event, these kinds of transactions are controlled by the board of directors, and I say again that we have very carefully regulated and provided responsibility to the external directors certainly and other directors generally to ensure that these kinds of transactions are disclosed and in fact controlled should they become too widely dispersed. In any event, there is a control with respect to the portfolio limit on these kinds of transactions. I don't agree that we have to limit them to the extent put forward.

Mr. Chairman, as I've said, I think the amendments fall into those general categories. I have talked more generally than specifically. I have indicated that in some cases I'd be glad to write to the two members in particular, Calgary-Mountain View and Edmonton-Kingsway, simply to show how in some of the sections they referred to they may well have missed other controls that are implicit in the legislation in other sections, and I'll attempt to do that over the course of the next couple of weeks.

So with those comments, Mr. Chairman, with respect to the amendments, as the government will be voting against these amendments, I urge all members of the Legislature to vote against the amendments.

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

MR. HAWKESWORTH: Mr. Chairman, I had proposed that we deal first with the amendments that I've referred to. As I said, I circulated a second set of them. The minister has already made some comments towards those, so perhaps I could just make a couple of comments myself, and that would bring to a close my amendments and my intervention on this Bill in committee.

Mr. Chairman, the second set of amendments I have circulated to members of the Assembly basically has to do with the question of whether we as a province and as a country intend to maintain as a national objective, as a provincial objective the ownership of our financial industry. That's more than just a practical question, as the Provincial Treasurer seemed to indicate. It's an important philosophical one. It may be that for some individuals there are no borders, but for most people there are significant borders, and for much of our financial institutions, our restrictions in Canada traditionally over the last 75 or 80 years have served this country well to maintain a virtual Canadian monopoly on our own financial institutions.

One only needs to look at the success of our chartered banks to know what kind of an impact those regulations and rules and laws have had in enabling them to become global corporations. Now, we as a party certainly have lots of questions and arguments with the way our banks in Canada have operated, but let's make no mistake that they are Canadians who own those banks and it's Canadians who benefit when they pay dividends and when they make profits. If we are going to open up our financial institutions and our banking institutions in this country to foreign ownership, we're going to lose a lot of those benefits that have traditionally accrued to the people of this country.

Now, under our existing legislation here in Alberta governing trust companies there is a 25 percent upper limit on the number of shares of the capital stock of a company that can be held by nonresidents. What I would propose, Mr. Chairman, is to maintain that standard. Now, just last year in this Assembly we debated a Bill to divest the province of its shares in Alberta Government Telephones. In that legislation this government put an upper limit of 10 percent on the number of shares that could be owned outside of the country. We had lots of arguments

over that. We feel that it should have been held a hundred percent by the people of Alberta as it was, as a Crown corporation. Notwithstanding that, even taking this government on the basis of the principles it's enunciated, they put an upper limit of 10 percent on the foreign ownership of AGT. They recognize the importance of the principle as well, Mr. Chairman, and I'm saying that we believe that the existing provisions of the trust companies legislation should be carried over into our new legislation, that being that the cumulative shares, the cumulative share ownership of foreigners, nonresidents of Canada, not exceed 25 percent of the voting shares of provincially incorporated loans and trust corporations. Now, I would have myself preferred a much lower percentage than that, but I recognize that 25 percent is what's currently within the Act, and for that reason and that reason only have carried over the 25 percent into the proposed new legislation.

*11:10*

This is an important question, Mr. Chairman, and I'm not convinced by the Provincial Treasurer that allowing our financial institutions to be owned outside the province and outside the country is going to be necessarily in the best interests of Alberta. Certainly for those companies held outside of Canada I don't believe it is in the interests of this country or in the interests of this province to allow foreigners to buy up this last remaining bulwark of Canadian owned industry within our own country. We're no longer owners and we're no longer masters in our house because of the policies of this and Liberal governments in the past that have allowed the giveaway and the buy-up and the takeover of our economy by others who are not Canadians. When you see the numbers of the large amounts of capital and money leaving this country and the decisions made outside the country, not made in the interests of Canada but in the interests of others, we can see that Canadians have been hurt as a result of those policies.

Finally, just one last comment in response to the Provincial Treasurer about the broad ownership and the wide ownership of financial institutions. This again has been one of the hallmarks and strengths of our financial institutions in this country. We note that those institutions that have been broadly and widely held have been the most stable and have lasted and prospered and done well in this country over the years. It's those institutions that have been narrowly held by a smaller group of individuals that have gotten into financial difficulties. Indeed, we only need to look within our own borders to see the truth of that. As well, I haven't been able to put my finger on the exact clause, but if memory serves me correctly the legislation only requires a minimum of five directors for a provincial corporation. If you have a minimum of only five directors plus narrowly held shares of these companies, the potential there for abuse and misuse is just so great that I don't believe the public interest really is well served simply by the potential that might exist in that particular situation.

So on this side of the House, Mr. Chairman, we stand by the amendments. I'm sorry that they're not going to be accepted by the government; I didn't expect them to. They were by and large introduced in response to Bill 38 last fall. They weren't accepted then, with the redrawing of Bill 29. However, I would like to thank the Provincial Treasurer for taking the time to respond to the concerns tonight and for addressing the questions put to him. It's a complicated Bill. It's a long and complex Bill. I can only hope that it's going to operate in the public interest, be regulated in the public interest for the years to come, and that we will no longer see the repeats, the tragic repeats of the financial fiascos that have been visited on the people of this province in recent years.

Thank you.

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

MR. McEACHERN: Yeah. Just very briefly I'd add a couple of points. Of course, we're now talking about the two extra amendments, sections A and B on the second piece of paper that my colleague introduced regarding the 25 percent foreign ownership limit and a couple of other points which I won't go over in detail. I'll just say to the Treasurer that I've really appreciated tonight the time and patience he has taken to explain a lot of the issues and the government's position on those issues, but I think it is worth just making a couple of points in rebuttal, to some extent.

He talked about the globalization process and the speed with which money moves through this province and through the whole world. I say that yes, that is happening at an alarming rate actually, but that just means we have to be all that much more vigilant and all that much more careful as to how we handle our financial institutions. While he says that the ownership is not the key, nonetheless all one has to do in Alberta is look back at the Principal affair and the Kipnes and Rollingher ownership of North West Trust to recognize the incredible problems caused in this province by those institutions. While the control of who the directors are and the location of those directors may be very important, only the future is going to tell us which is more important, the ownership or the directorships, and I don't think the jury is in on that yet.

It seems to me that the Treasurer has brought forward legislation that certainly is an improvement over what we've got right now. We all recognized that the four pillars of the financial world have broken down and been turned upside down in the last few years, and in effect we've been almost without regulation. The consequence in Alberta has been that the Treasurer has had to take over what remaining financial institutions there are in this province. I mean, we already own the Treasury Branches. We've now taken over the credit unions, and we've now taken over North West Trust, and there really isn't much else left. So we've been in sort of a limbo period, and I can only hope that this legislation not only harmonizes adequately with other provinces and the federal government and what's happening on the globalization scene but also protects Albertans and Alberta depositors.

I just can't resist saying a word or two about foreign ownership. I believe that we in this House made the case for the difficulties that foreign ownership causes this economy, and for that to be extended extensively into the financial institutions of this country is a further erosion of our sovereignty as a nation. It's really quite extraordinary to me that the government can go into a free trade deal and open us up to more foreign ownership when we on this side of the House quoted statistic after statistic provided to us by Mel Hurtig indicating the difficulties caused to this economy by foreign ownership. I did it in the Economic Development and Trade estimates last year, and we did it again in great detail in the debate over the 10 percent foreign ownership of AGT. The numbers are all there and still valid and in fact have been added to in terms of the difficulty of trying to run an economy without control of that economy.

Just a final point. I suggested the other day that if we're going to go into a Mexico trade deal, we should have at least some kind of social charter to protect the workers of this province. The Deputy Premier said that he wouldn't go into

such a deal that would put our social services on the line and let other countries have a say in what those social services should be. That's well by me; I agree with him on that point. But how could he then go into a trade deal that would put all our financial services and our economic institutions on the line with those other countries, particularly when one of them is 10 times our size and has 10 times as much clout and therefore puts us at risk? He seems to be prepared to risk our economy and our financial institutions, but he's not prepared to risk our social services. Well, I say to him that if he risks the financial and economic viability of this country by putting it on the line with the United States and Mexico, he will not have the resources to keep our social services, our education, and our health care at the level they presently are. It cannot possibly continue to survive if we have sold out economically. I'll stop there.

*11:20*

MR. CHAIRMAN: Any further comments? Is the committee ready for the question?

HON. MEMBERS: Question.

MR. CHAIRMAN: Then we'll deal with the first bundle of amendments.

[Motion on amendments A through V lost]

[Motion on amendments A and B lost]

[Title and preamble agreed to]

[The sections of Bill 29 as amended agreed to]

MR. JOHNSTON: Mr. Chairman, I move that Bill 29 as amended be reported.

[Motion carried]

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

[Motion carried]

[Mr. Deputy Speaker in the Chair]

MR. JONSON: Mr. Speaker, the Committee of the Whole has had under consideration and reports Bill 35, and Bill 29 with some amendments. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

MR. DEPUTY SPEAKER: Does the Assembly agree with the report?

HON. MEMBERS: Agreed.

[At 11:23 p.m. the Assembly adjourned to Friday at 10 a.m.]