

SCOMM

#9:86

Mr. ^{Robert} Splane, Assistant Deputy Provincial Treasurer
Mr. McKenzie Budget & Management

oil : 1.6 million production - peak production

Investment committee = Premier & cabinet

45% of Revenue from non-renewable resources
mostly oil.

Personal income lowest among the provinces

Sliding Royalty based upon production & oil price.

Purpose of HFF: Alternative source of revenue by

- 1) increasing tax base
- 2) earning interest (revenue source to HFF)
- 3) source of capital

No long term borrowing for capital financing since 1971 (by Province)
eg irrigation paid directly. □

— 65 programs — but no more than one cabinet person responsible for a program although a minister may have several programs

11% } budget growth
16% }
taxes etc

aim to avoid deficits, sales

No residential property levy for schools
90% Provincially funded

Housing Investments

← tar sands

15 federal

5 ontario

10 albert

10% through debentures

10% through Alberta Energy Corp

Alberta Energy Corp 50% Alberta
50% public-private



1976

CHAPTER 2

THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

(Assented to May 19, 1976)

Preamble

WHEREAS substantial revenues are being received by the Province from the sale of non-renewable resources owned by the people of Alberta; and

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

WHEREAS it would be improvident to spend all such revenues as they are received; and

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

THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

Definitions

1. In this Act,

- (a) "Investment Committee" means the Heritage Savings Trust Fund Investment Committee established under section 3;
- (b) "non-renewable resource revenue" means
 - (i) moneys received by the Crown pursuant to agreements as defined in *The Mines and Minerals Act*,
 - (ii) moneys received by the Crown as bonuses to acquire agreements as defined in *The Mines and Minerals Act*, and
 - (iii) moneys received under an agreement between the Crown in right of Alberta and the holder of a bituminous sands lease under which the Crown agrees to accept money payments in lieu of royalty under the lease;

- (c) "Special Act" with reference to any fiscal year after the 1976-77 fiscal year means an Act of the Legislature authorizing the transfer from the General Revenue Fund to the Trust Fund of 30 per cent of the non-renewable resource revenue received in that fiscal year;
- (d) "Trust Fund" means the Alberta Heritage Savings Trust Fund established under section 2.

Alberta
Heritage
Savings Trust
Fund

2. (1) There is hereby established a fund to be known as the "Alberta Heritage Savings Trust Fund".

(2) The Provincial Treasurer shall hold and administer the Trust Fund in accordance with this Act.

(3) The Provincial Treasurer shall establish and maintain a separate accounting record of the Trust Fund.

Heritage
Savings
Trust Fund
Investment
Committee

3. (1) There is hereby established a committee called the "Heritage Savings Trust Fund Investment Committee" consisting of all members of the Executive Council.

(2) The Investment Committee shall designate one of its members as chairman and another as vice-chairman.

(3) The Lieutenant Governor in Council may make rules governing the calling of meetings of the Investment Committee, the quorum required at its meetings and, generally, the conduct of the Committee's business and affairs.

Transfer of
assets

*Reached Aug 30, 1976
See Premier's Statement*

4. (1) As soon as practicable after the commencement of this Act, there shall be transferred from the General Revenue Fund to the Trust Fund \$1,500,000,000.

(2) The amount transferred pursuant to subsection (1) may be transferred in cash or other assets, but where assets other than cash are to be transferred, the Investment Committee shall, before any transfer is made, approve

- (a) the assets to be transferred,
- (b) the manner in which and the time or times at which the transfer is to be made, and
- (c) the valuation of the assets or the method by which the assets are to be valued,

and may impose such conditions relating to the transfer as the Investment Committee considers necessary.

(3) Where the Investment Committee is of the opinion that any asset to be transferred under subsection (1)

- (a) will yield a reasonable return or profit to the Trust Fund, and
- (b) will tend to strengthen and diversify the economy of Alberta,

the Investment Committee may direct that the asset upon its transfer shall form part of the Alberta Investment Division of the Trust Fund as if the asset were the subject of an investment made pursuant to section 6, subsection (1), clause (c).

(4) Assets other than cash that are transferred pursuant to subsection (1) and that do not form part of the Alberta Investment Division of the Trust Fund by virtue of a direction under subsection (3) shall consist only of assets within the classes enumerated in section 9, subsection (1) and upon being transferred shall be deemed to be investments made under that section.

(5) The income of the Trust Fund accrues to and forms part of the Trust Fund.

Transfer of
non-renewable
resource
revenue

5. (1) After the commencement of this Act,

- (a) 30 per cent of the non-renewable resource revenue received in the 1976-77 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act;
- (b) 30 per cent of the non-renewable resource revenue received in the 1977-78 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if the transfer is authorized by a Special Act enacted in that fiscal year;
- (c) 30 per cent of the non-renewable resource revenue received in the 1978-79 fiscal year and in each fiscal year thereafter shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if, in the case of each fiscal year, the transfer is authorized by a Special Act enacted in the preceding fiscal year.

(2) The title of a Special Act shall be "The Alberta Heritage Savings Trust Fund Special Appropriation Act" followed by a reference to the fiscal year to which it relates.

(3) The President of the Executive Council or a member of the Executive Council designated by him for the purpose shall, with leave of the Assembly,

- (a) introduce during the 1977-78 fiscal year a Bill for a Special Act relating to the 1977-78 fiscal year, and
- (b) introduce during the 1977-78 fiscal year and during each fiscal year thereafter a Bill for a Special Act relating to the next succeeding fiscal year.

(4) The Provincial Treasurer shall, with respect to each month in

- (a) the 1976-77 fiscal year, and

(b) each succeeding fiscal year in respect of which a Special Act is enacted,
transfer 30 per cent of the non-renewable resource revenue received in the month from the General Revenue Fund to the Trust Fund as soon as practicable after the end of the month in which it is received.

(5) Notwithstanding subsection (4), the Provincial Treasurer may, with respect to any month to which that subsection applies, estimate 30 per cent of the non-renewable resource revenue to be received in that month and transfer that sum from the General Revenue Fund to the Trust Fund during that month or as soon as practicable after the end of the month in respect of which the estimate is made.

(6) With respect to the 1976-77 fiscal year and each succeeding fiscal year in respect of which a Special Act is enacted, the Provincial Treasurer, depending upon whether the total of the sums transferred pursuant to subsections (4) and (5) is greater or less than 30 per cent of the non-renewable resource revenue received in that fiscal year as shown in the public accounts for that fiscal year, shall

(a) transfer moneys from the General Revenue Fund to the Trust Fund, or

(b) transfer moneys from the Trust Fund to the General Revenue Fund,

so that the amount of the non-renewable resource revenue in the Trust Fund for that fiscal year is equal to 30 per cent of the non-renewable resource revenue received in that fiscal year.

(7) No interest is payable with respect to any money transferred pursuant to this section to or from the General Revenue Fund or to or from the Trust Fund.

Divisions of
the Trust
Fund

6. (1) The assets of the Trust Fund shall be used for the following purposes:

For
Capital projects
Division

(a) the making of investments in projects which will provide long term economic or social benefits to the people of Alberta but which will not by their nature yield a return to the Trust Fund;

Canada
Division
(outside
Alberta)

(b) the making of investments by way of loans to

(i) the Crown in right of Canada, or

(ii) the Crown in right of any other province of Canada, or

(iii) any other person if the repayment of the loan and the payment of interest thereon by that person is guaranteed by the Crown in right of Canada or the Crown in right of any other province of Canada;

Alberta
Division

(c) the making of investments which, in the opinion of the Investment Committee or in the opinion of

the Legislative Assembly as expressed in a resolution of the Assembly,

- (i) will yield a reasonable return or profit to the Trust Fund, and
- (ii) will tend to strengthen and diversify the economy of Alberta.

(2) Investments referred to in subsection (1), clause (a)

- (a) shall only be made if moneys are first appropriated from the Trust Fund by an Act of the Legislature specifically for a purpose described in subsection (1), clause (a),

(b) shall not exceed 20 per cent of the assets of the Trust Fund, and

(c) shall form the Capital Projects Division of the Trust Fund.

(3) Investments referred to in subsection (1), clause (b)

- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,

(b) in the absence of any such directions, shall be made only with the approval of the Investment Committee,

(c) shall not exceed 15 per cent of the assets of the Trust Fund, and

(d) shall form the Canada Investment Division of the Trust Fund.

(4) Investments referred to in subsection (1), clause (c)

- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,

(b) in the absence of any such directions, shall be made with the approval of the Investment Committee, and

(c) shall form the Alberta Investment Division of the Fund.

(5) For the purposes of this section,

- (a) investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to Acts of the Legislature referred to in subsection (2), clause (a);

(b) investments in the Canada Investment Division and the Alberta Investment Division and all other assets of the Trust Fund shall be valued at book value;

(c) the percentage limitations referred to in subsection (2), clause (b) and subsection (3), clause (b) shall be determined at the end of each fiscal year.

Canada
Division

Disposition of
Investments

7. (1) Where any investment is made under section 6 with the approval of the Investment Committee, no disposition shall be made of that investment except with the approval of the Investment Committee.

(2) Where a resolution of the Legislative Assembly directs the making of any investment pursuant to section 6, no disposition shall be made of that investment except pursuant to a resolution of the Legislative Assembly.

(3) Where a resolution of the Legislative Assembly directs the disposition of any investment then, notwithstanding subsection (1), the investment shall be disposed of in accordance with the directions contained in any resolution of the Legislative Assembly.

Terms and
conditions
on approvals

8. Any approval given by the Investment Committee under section 6 or 7 may be made subject to such terms and conditions as the Committee considers necessary.

Residual
investment
powers

9. (1) Notwithstanding section 6, where any moneys in the Trust Fund have not been or are not being invested pursuant to that section, the Provincial Treasurer may invest and may re-invest those moneys in any or all of the following:

- (a) the bonds, debentures or other evidences of indebtedness of, or guaranteed as to the repayment of principal and interest by, the Government of Canada, the government of any province of Canada or any municipal corporation in Canada;
- (b) the bonds, debentures or other evidences of indebtedness of or guaranteed as to the repayment of principal and interest by the government of a country other than Canada;
- (c) the bonds, debentures or other evidences of indebtedness of any agent of the Crown in right of Alberta;
- (d) certificates of deposit, deposit receipts or other evidences of indebtedness given by a chartered bank or treasury branch in consideration of a deposit or deposits made with the bank or treasury branch;
- (e) certificates of deposit, deposit receipts or other evidences of indebtedness which are unconditionally guaranteed by a chartered bank;
- (f) the bonds, debentures or other evidences of indebtedness of or guaranteed by any corporation, if those bonds, debentures or other evidences of indebtedness are authorized investments under section 63, subsection (1) of the *Canadian and British Insurance Companies Act*;
- (g) mortgages or hypothecs of real estate or leaseholds in Canada if the amount paid for the mortgage or

hypothec together with the amount of indebtedness under any mortgage or hypothec on the real estate or leasehold ranking equally with or superior to the mortgage or hypothec in which the investment is made does not exceed three-quarters of the value of the real estate or leasehold covered thereby;

- (h) mortgages or hypothecs of real estate or leaseholds in Canada notwithstanding that the mortgage or hypothec exceeds the amount authorized under clause (g) if the excess is guaranteed or insured by, or through an agency of, the Government of Canada or a province of Canada, or by an insurance company approved by the Treasury Board.

(2) The Provincial Treasurer may dispose of any investments made or deemed to be made under this section.

(3) Notwithstanding section 28.4, subsection (1) of *The Financial Administration Act*, the Provincial Treasurer shall transfer moneys from the Trust Fund to the Consolidated Cash Investment Trust Fund only where the moneys have not been invested or re-invested under subsection (1) or where the moneys have not been invested pursuant to section 6.

Administration
fees

10. (1) Where any costs, expenses or other payments are directly attributable to the administration of the Trust Fund, the Provincial Treasurer may charge the cost, expense or payment to the Trust Fund.

(2) After the end of each fiscal year the Investment Committee shall

- (a) estimate an amount consisting of the fees, wages, salaries, costs, expenses or other payments incurred in connection with the administration of the Trust Fund and paid out of the General Revenue Fund in the preceding fiscal year, and
- (b) authorize the Provincial Treasurer to transfer the amount estimated under clause (a) from the Trust Fund to the General Revenue Fund.

Quarterly
reports

11. (1) The Provincial Treasurer shall, as soon as practicable after the end of each quarter of the 1977-78 and succeeding fiscal years, prepare a report summarizing the investments made under section 9 and listing the investments made under section 6 during the preceding quarter.

(2) When a quarterly report is prepared under subsection (1), the Provincial Treasurer shall forthwith furnish copies of the report to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

hypothec together with the amount of indebtedness under any mortgage or hypothec on the real estate or leasehold ranking equally with or superior to the mortgage or hypothec in which the investment is made does not exceed three-quarters of the value of the real estate or leasehold covered thereby;

- (h) mortgages or hypothecs of real estate or leaseholds in Canada notwithstanding that the mortgage or hypothec exceeds the amount authorized under clause (g) if the excess is guaranteed or insured by, or through an agency of, the Government of Canada or a province of Canada, or by an insurance company approved by the Treasury Board.

(2) The Provincial Treasurer may dispose of any investments made or deemed to be made under this section.

(3) Notwithstanding section 28.4, subsection (1) of *The Financial Administration Act*, the Provincial Treasurer shall transfer moneys from the Trust Fund to the Consolidated Cash Investment Trust Fund only where the moneys have not been invested or re-invested under subsection (1) or where the moneys have not been invested pursuant to section 6.

Administration
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10. (1) Where any costs, expenses or other payments are directly attributable to the administration of the Trust Fund, the Provincial Treasurer may charge the cost, expense or payment to the Trust Fund.

(2) After the end of each fiscal year the Investment Committee shall

- (a) estimate an amount consisting of the fees, wages, salaries, costs, expenses or other payments incurred in connection with the administration of the Trust Fund and paid out of the General Revenue Fund in the preceding fiscal year, and
- (b) authorize the Provincial Treasurer to transfer the amount estimated under clause (a) from the Trust Fund to the General Revenue Fund.

Quarterly
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(2) When a quarterly report is prepared under subsection (1), the Provincial Treasurer shall forthwith furnish copies of the report to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Annual
reports

12. (1) The Provincial Auditor shall from time to time and at least once each year audit the accounts and financial transactions of the Trust Fund.

(2) The Provincial Treasurer shall, as soon as practicable after the end of each fiscal year, prepare a report summarizing the operation of the Trust Fund during the preceding fiscal year and containing a financial statement, audited by the Provincial Auditor, showing

- (a) transfers of cash and other assets to the Trust Fund during the preceding fiscal year,
- (b) payments made from and income accrued to the Trust Fund for the preceding fiscal year, and
- (c) the total moneys expended under Acts of the Legislature referred to in section 6, subsection (2), clause (a) in respect of investments in the Capital Projects Division of the Trust Fund.

(3) When an annual report is prepared under subsection (2), the Provincial Treasurer shall forthwith furnish copies of it to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Review of
operations

13. (1) There is hereby established a select standing committee of the Legislative Assembly called the "Select Standing Committee on The Alberta Heritage Savings Trust Fund Act" consisting of 15 members.

(2) The members of the Select Standing Committee shall be appointed at the commencement of each session in the same way that members are appointed to other select standing committees of the Legislative Assembly.

(3) When a copy of an annual report is furnished to the Clerk of the Legislative Assembly pursuant to section 12, subsection (3) the annual report shall be deemed to be referred to the Select Standing Committee for review and a report concerning the investments of the Trust Fund which may contain any recommendations of the Committee concerning those investments.

(4) Where a motion is made in the Legislative Assembly for second reading of a Bill for a Special Act relating to the 1978-79 or any succeeding fiscal year, then, unless the Assembly by resolution otherwise directs, the debate on the motion shall be proceeded with only if the report of the Select Standing Committee relating to the preceding fiscal year has been tabled in the Assembly.

(5) The Select Standing Committee may, without leave of the Assembly, sit during any period when the Assembly is adjourned or after prorogation of a session of the Legislature.

*brought on
the table*

R.S.A. 1970,
c. 142

14. *The Financial Administration Act is amended*

- (a) *as to section 16.1 by adding the word "or" at the end of clause (e) and by adding the following clauses after clause (e):*
 - (f) *between accounts in the General Revenue Fund and the Alberta Heritage Savings Trust Fund, or*
 - (g) *between accounts in the Consolidated Cash Investment Trust Fund and the Alberta Heritage Savings Trust Fund, or*
 - (h) *for the purpose of making investments under section 9 of The Alberta Heritage Savings Trust Fund Act,*
- (b) *by adding the following section after section 40.1:*

Advances

40.2 The Provincial Treasurer shall, upon the direction of the Treasury Board, advance from the General Revenue Fund to the Alberta Heritage Savings Trust Fund such sums as may be required upon such terms and conditions as the Treasury Board may impose.

- (c) *as to item 1 of the Schedule, by adding to the list of designated funds of the Provincial Treasurer the following:*

(a.1) Alberta Heritage Savings Trust Fund.

Coming
into force

15. This Act comes into force on the day upon which it is assented to.



1976

CHAPTER 2

THE ALBERTA HERITAGE SAVINGS TRUST FUND ACT

(Assented to May 19, 1976)

Preamble

WHEREAS substantial revenues are being received by the Province from the sale of non-renewable resources owned by the people of Alberta; and

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

WHEREAS it would be improvident to spend all such revenues as they are received; and

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

THEREFORE HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Alberta, enacts as follows:

Definitions

1. In this Act,

- (a) "Investment Committee" means the Heritage Savings Trust Fund Investment Committee established under section 3;
- (b) "non-renewable resource revenue" means
 - (i) moneys received by the Crown pursuant to agreements as defined in The Mines and Minerals Act,
 - (ii) moneys received by the Crown as bonuses to acquire agreements as defined in *The Mines and Minerals Act*, and
 - (iii) moneys received under an agreement between the Crown in right of Alberta and the holder of a bituminous sands lease under which the Crown agrees to accept money payments in lieu of royalty under the lease;

*Mines & Minerals
act*

*What minerals
are covered?*

- (c) "Special Act" with reference to any fiscal year after the 1976-77 fiscal year means an Act of the Legislature authorizing the transfer from the General Revenue Fund to the Trust Fund of 30 per cent of the non-renewable resource revenue received in that fiscal year;
- (d) "Trust Fund" means the Alberta Heritage Savings Trust Fund established under section 2.

Alberta
Heritage
Savings Trust
Fund

2. (1) There is hereby established a fund to be known as the "Alberta Heritage Savings Trust Fund".

(2) The Provincial Treasurer shall hold and administer the Trust Fund in accordance with this Act.

(3) The Provincial Treasurer shall establish and maintain a separate accounting record of the Trust Fund.

Executive Council
24 members

Heritage
Savings
Trust Fund
Investment
Committee

3. (1) There is hereby established a committee called the "Heritage Savings Trust Fund Investment Committee" consisting of all members of the Executive Council.

(2) The Investment Committee shall designate one of its members as chairman and another as vice-chairman.

(3) The Lieutenant Governor in Council may make rules governing the calling of meetings of the Investment Committee, the quorum required at its meetings and, generally, the conduct of the Committee's business and affairs.

Transfer of
assets

4. (1) As soon as practicable after the commencement of this Act, there shall be transferred from the General Revenue Fund to the Trust Fund \$1,500,000,000.

(2) The amount transferred pursuant to subsection (1) may be transferred in cash or other assets, but where assets other than cash are to be transferred, the Investment Committee shall, before any transfer is made, approve

- (a) the assets to be transferred,
- (b) the manner in which and the time or times at which the transfer is to be made, and
- (c) the valuation of the assets or the method by which the assets are to be valued,

and may impose such conditions relating to the transfer as the Investment Committee considers necessary.

(3) Where the Investment Committee is of the opinion that any asset to be transferred under subsection (1)

- (a) will yield a reasonable return or profit to the Trust Fund, and
- (b) will tend to strengthen and diversify the economy of Alberta,

the Investment Committee may direct that the asset upon its transfer shall form part of the Alberta Investment Division of the Trust Fund as if the asset were the subject of an investment made pursuant to section 6, subsection (1), clause (c).

(4) Assets other than cash that are transferred pursuant to subsection (1) and that do not form part of the Alberta Investment Division of the Trust Fund by virtue of a direction under subsection (3) shall consist only of assets within the classes enumerated in section 9, subsection (1) and upon being transferred shall be deemed to be investments made under that section.

(5) The income of the Trust Fund accrues to and forms part of the Trust Fund.

Transfer of
non-renewable
resource
revenue

5. (1) After the commencement of this Act;

(a) 30 per cent of the non-renewable resource revenue received in the 1976-77 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act;

(b) 30 per cent of the non-renewable resource revenue received in the 1977-78 fiscal year shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if the transfer is authorized by a Special Act enacted in that fiscal year;

(c) 30 per cent of the non-renewable resource revenue received in the 1978-79 fiscal year and in each fiscal year thereafter shall be transferred from the General Revenue Fund to the Trust Fund in accordance with this Act but only if, in the case of each fiscal year, the transfer is authorized by a Special Act enacted in the preceding fiscal year.

(2) The title of a Special Act shall be "The Alberta Heritage Savings Trust Fund Special Appropriation Act" followed by a reference to the fiscal year to which it relates.

(3) The President of the Executive Council or a member of the Executive Council designated by him for the purpose shall, with leave of the Assembly,

(a) introduce during the 1977-78 fiscal year a Bill for a Special Act relating to the 1977-78 fiscal year, and

(b) introduce during the 1977-78 fiscal year and during each fiscal year thereafter a Bill for a Special Act relating to the next succeeding fiscal year.

(4) The Provincial Treasurer shall, with respect to each month in

(a) the 1976-77 fiscal year, and

Special act -
how different from
the
heritage fund
8 Subst

Alaska Permanent
Fund would
also require
an appropriation
(Someone has to
determine &
approve an
amount)

(b) each succeeding fiscal year in respect of which a Special Act is enacted, transfer 30 per cent of the non-renewable resource revenue received in the month from the General Revenue Fund to the Trust Fund as soon as practicable after the end of the month in which it is received.

(5) Notwithstanding subsection (4), the Provincial Treasurer may, with respect to any month to which that subsection applies, estimate 30 per cent of the non-renewable resource revenue to be received in that month and transfer that sum from the General Revenue Fund to the Trust Fund during that month or as soon as practicable after the end of the month in respect of which the estimate is made.

(6) With respect to the 1976-77 fiscal year and each succeeding fiscal year in respect of which a Special Act is enacted, the Provincial Treasurer, depending upon whether the total of the sums transferred pursuant to subsections (4) and (5) is greater or less than 30 per cent of the non-renewable resource revenue received in that fiscal year as shown in the public accounts for that fiscal year, shall

→ (a) transfer moneys from the General Revenue Fund to the Trust Fund, or

→ (b) transfer moneys from the Trust Fund to the General Revenue Fund,

so that the amount of the non-renewable resource revenue in the Trust Fund for that fiscal year is equal to 30 per cent of the non-renewable resource revenue received in that fiscal year.

(7) No interest is payable with respect to any money transferred pursuant to this section to or from the General Revenue Fund or to or from the Trust Fund.

Divisions of
the Trust
Fund

G. (1) The assets of the Trust Fund shall be used for the following purposes:

(a) the making of investments in projects which will provide long term economic or social benefits to the people of Alberta but which will not by their nature yield a return to the Trust Fund;

(b) the making of investments by way of loans to
(i) the Crown in right of Canada, or
(ii) the Crown in right of any other province of Canada, or

(iii) any other person if the repayment of the loan and the payment of interest thereon by that person is guaranteed by the Crown in right of Canada or the Crown in right of any other province of Canada;

(c) the making of investments which, in the opinion of the Investment Committee or in the opinion of

*loans to
Government
agencies*

the Legislative Assembly as expressed in a resolution of the Assembly,

- (i) will yield a reasonable return or profit to the Trust Fund, and
- (ii) will tend to strengthen and diversify the economy of Alberta.

(2) Investments referred to in subsection (1), clause (a)

- (a) shall only be made if moneys are first appropriated from the Trust Fund by an Act of the Legislature specifically for a purpose described in subsection (1), clause (a),

- (b) shall not exceed 20 per cent of the assets of the Trust Fund, and

- (c) shall form the Capital Projects Division of the Trust Fund.

(3) Investments referred to in subsection (1), clause (b)

- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,

- (b) in the absence of any such directions, shall be made only with the approval of the Investment Committee,

- (c) shall not exceed 15 per cent of the assets of the Trust Fund, and

- (d) shall form the Canada Investment Division of the Trust Fund.

(4) Investments referred to in subsection (1), clause (c)

- (a) shall be made or approved by the Investment Committee in accordance with the directions contained in any resolution of the Legislative Assembly,

- (b) in the absence of any such directions, shall be made with the approval of the Investment Committee, and

- (c) shall form the Alberta Investment Division of the Fund.

(5) For the purposes of this section,

- (a) investments in the Capital Projects Division shall be deemed to be assets of the Trust Fund with a value equal to the amounts expended pursuant to Acts of the Legislature referred to in subsection (2), clause (a);

- (b) investments in the Canada Investment Division and the Alberta Investment Division and all other assets of the Trust Fund shall be valued at book value;

- (c) the percentage limitations referred to in subsection (2), clause (b) and subsection (3), clause (b) shall be determined at the end of each fiscal year

Social Legislative Division

over what period or at any given time

Canada Investment Division

Alberta Investment Division

how specific are the directions of legislative resolutions

how are overages handled

Disposition of
Investments

7. (1) Where any investment is made under section 6 with the approval of the Investment Committee, no disposition shall be made of that investment except with the approval of the Investment Committee.

(2) Where a resolution of the Legislative Assembly directs the making of any investment pursuant to section 6, no disposition shall be made of that investment except pursuant to a resolution of the Legislative Assembly.

(3) Where a resolution of the Legislative Assembly directs the disposition of any investment then, notwithstanding subsection (1), the investment shall be disposed of in accordance with the directions contained in any resolution of the Legislative Assembly.

Terms and
conditions
on approvals

8. Any approval given by the Investment Committee under section 6 or 7 may be made subject to such terms and conditions as the Committee considers necessary.

Residual
investment
powers

9. (1) Notwithstanding section 6, where any moneys in the Trust Fund have not been or are not being invested pursuant to that section, the Provincial Treasurer may invest and may re-invest those moneys in any or all of the following:

- (a) the bonds, debentures or other evidences of indebtedness of, or guaranteed as to the repayment of principal and interest by, the Government of Canada, the government of any province of Canada or any municipal corporation in Canada;
- (b) the bonds, debentures or other evidences of indebtedness of or guaranteed as to the repayment of principal and interest by the government of a country other than Canada;
- (c) the bonds, debentures or other evidences of indebtedness of any agent of the Crown in right of Alberta;
- (d) certificates of deposit, deposit receipts or other evidences of indebtedness given by a chartered bank or treasury branch in consideration of a deposit or deposits made with the bank or treasury branch;
- (e) certificates of deposit, deposit receipts or other evidences of indebtedness which are unconditionally guaranteed by a chartered bank;
- (f) the bonds, debentures or other evidences of indebtedness of or guaranteed by any corporation, if those bonds, debentures or other evidences of indebtedness are authorized investments under section 63, subsection (1) of the *Canadian and British Insurance Companies Act*;
- (g) mortgages or hypothecs of real estate or leaseholds in Canada if the amount paid for the mortgage or

hypothec together with the amount of indebtedness under any mortgage or hypothec on the real estate or leasehold ranking equally with or superior to the mortgage or hypothec in which the investment is made does not exceed three-quarters of the value of the real estate or leasehold covered thereby;

- (h) mortgages or hypothecs of real estate or leaseholds in Canada notwithstanding that the mortgage or hypothec exceeds the amount authorized under clause (g) if the excess is guaranteed or insured by, or through an agency of, the Government of Canada or a province of Canada, or by an insurance company approved by the Treasury Board.

(2) The Provincial Treasurer may dispose of any investments made or deemed to be made under this section.

(3) Notwithstanding section 28.4, subsection (1) of *The Financial Administration Act*, the Provincial Treasurer shall transfer moneys from the Trust Fund to the Consolidated Cash Investment Trust Fund only where the moneys have not been invested or re-invested under subsection (1) or where the moneys have not been invested pursuant to section 6.

Administration
fees

10. (1) Where any costs, expenses or other payments are directly attributable to the administration of the Trust Fund, the Provincial Treasurer may charge the cost, expense or payment to the Trust Fund.

(2) After the end of each fiscal year the Investment Committee shall

- (a) estimate an amount consisting of the fees, wages, salaries, costs, expenses or other payments incurred in connection with the administration of the Trust Fund and paid out of the General Revenue Fund in the preceding fiscal year, and
- (b) authorize the Provincial Treasurer to transfer the amount estimated under clause (a) from the Trust Fund to the General Revenue Fund.

Quarterly
reports

11. (1) The Provincial Treasurer shall, as soon as practicable after the end of each quarter of the 1977-78 and succeeding fiscal years, prepare a report summarizing the investments made under section 9 and listing the investments made under section 6 during the preceding quarter.

(2) When a quarterly report is prepared under subsection (1), the Provincial Treasurer shall forthwith furnish copies of the report to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Annual
reports

12. (1) The Provincial Auditor shall from time to time and at least once each year audit the accounts and financial transactions of the Trust Fund.

(2) The Provincial Treasurer shall, as soon as practicable after the end of each fiscal year, prepare a report summarizing the operation of the Trust Fund during the preceding fiscal year and containing a financial statement, audited by the Provincial Auditor, showing

- (a) transfers of cash and other assets to the Trust Fund during the preceding fiscal year,
- (b) payments made from and income accrued to the Trust Fund for the preceding fiscal year, and
- (c) the total moneys expended under Acts of the Legislature referred to in section 6, subsection (2), clause (a) in respect of investments in the Capital Projects Division of the Trust Fund.

(3) When an annual report is prepared under subsection (2), the Provincial Treasurer shall forthwith furnish copies of it to all members of the Legislative Assembly and to the Clerk of the Legislative Assembly and upon doing so shall make the report public.

Review of
operations

13. (1) There is hereby established a select standing committee of the Legislative Assembly called the "~~Select Standing Committee on The Alberta Heritage Savings Trust Fund Act~~" consisting of 15 members.

(2) The members of the Select Standing Committee shall be appointed at the commencement of each session in the same way that members are appointed to other select standing committees of the Legislative Assembly.

(3) When a copy of an annual report is furnished to the Clerk of the Legislative Assembly pursuant to section 12, subsection (3) the annual report shall be deemed to be referred to the Select Standing Committee for review and a report concerning the investments of the Trust Fund which may contain any recommendations of the Committee concerning those investments.

(4) Where a motion is made in the Legislative Assembly for second reading of a Bill for a Special Act relating to the 1978-79 or any succeeding fiscal year, then, unless the Assembly by resolution otherwise directs, the debate on the motion shall be proceeded with only if the report of the Select Standing Committee relating to the preceding fiscal year has been tabled in the Assembly.

(5) The Select Standing Committee may, without leave of the Assembly, sit during any period when the Assembly is adjourned or after prorogation of a session of the Legislature.

R.S.A. 1970,
c. 142

14. *The Financial Administration Act is amended*

(a) *as to section 16.1 by adding the word "or" at the end of clause (c) and by adding the following clauses after clause (c):*

(f) *between accounts in the General Revenue Fund and the Alberta Heritage Savings Trust Fund, or*

(g) *between accounts in the Consolidated Cash Investment Trust Fund and the Alberta Heritage Savings Trust Fund, or*

(h) *for the purpose of making investments under section 9 of The Alberta Heritage Savings Trust Fund Act,*

(b) *by adding the following section after section 40.1:*

Advances

40.2 The Provincial Treasurer shall, upon the direction of the Treasury Board, advance from the General Revenue Fund to the Alberta Heritage Savings Trust Fund such sums as may be required upon such terms and conditions as the Treasury Board may impose.

(c) *as to item 1 of the Schedule, by adding to the list of designated funds of the Provincial Treasurer the following:*

(a.1) Alberta Heritage Savings Trust Fund.

Coming
into force

15. This Act comes into force on the day upon which it is assented to.

Legislative Appropriations from Heritage Fund
Examples of legislative resolutions directing loans

Investment Committee = Executive Council = ?

All payments into the fund after final year 1876-77 (current year) ~~are continuing or~~ require an additional legislative authorization.

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NOTES FOR A SPEECH

BY THE

HONOURABLE MERV LEITCH
PROVINCIAL TREASURER OF ALBERTA

TO THE

INVESTMENT DEALERS ASSOCIATION OF CANADA

ON

JUNE 18, 1976
JASPER, ALBERTA

NOTES FOR A SPEECH TO THE
INVESTMENT DEALERS ASSOCIATION OF CANADA

ON BEHALF OF PREMIER LOUGHEED AND THE GOVERNMENT OF ALBERTA, I'D LIKE TO EXTEND TO ALL OF YOU A VERY WARM WELCOME TO OUR PROVINCE AND TO JASPER.

I WOULD ALSO LIKE TO ADD HOW DELIGHTED I AM TO HAVE RECEIVED AN INVITATION TO SPEAK TO YOU THIS MORNING. PREMIER LOUGHEED ASKED ME TO PASS ON TO YOU HIS REGRETS THAT HE WAS UNABLE TO ACCEPT YOUR INVITATION. HE LEFT WEDNESDAY MORNING FOR A TRIP TO THE UNITED STATES WHERE HE WILL BE DISCUSSING WITH HEADS OF GOVERNMENT AND THE INVESTMENT COMMUNITY MATTERS OF MAJOR IMPORTANCE TO US, SUCH AS PETROCHEMICAL TARIFFS, OIL AND NATURAL GAS PRICING AND SUPPLY, AND THE INVESTMENT CLIMATE IN ALBERTA GENERALLY.

I WANTED TO TALK ABOUT TWO MATTERS THIS MORNING.

THE ALBERTA HERITAGE SAVINGS TRUST FUND AND THEN TAKE ISSUE WITH SOME COMMENTS THAT I'VE READ REGARDING THE ASSOCIATION'S VIEWS ABOUT THE ALBERTA ENERGY COMPANY.

I'M SURE ALL OF YOU HAVE HEARD SOMETHING ABOUT THE ALBERTA HERITAGE SAVINGS TRUST FUND BUT I EXPECT MANY OF YOU WILL HAVE SOME UNANSWERED QUESTIONS, SUCH AS:

- WHY DID WE SET UP THE FUND?
- HOW LARGE IS IT?
- HOW LARGE IS IT LIKELY TO BECOME?

AND, PERHAPS MOST RELEVANT TO YOUR BUSINESS,

- WHAT DO WE INTEND TO DO WITH IT?

FIRST, WHY HAVE A FUND AT ALL? THERE WERE ALTERNATIVES, SUCH AS REDUCING TAXES, RESTRICTING PRODUCTION OF OIL AND NATURAL GAS TO REDUCE THE FLOW OF REVENUE, SELLING THE RESOURCES EVEN FURTHER BELOW THE MARKET VALUE THAN IS NOW THE CASE, OR INCREASING GOVERNMENT SPENDING. I THINK IT IS PRETTY OBVIOUS TO ALL OF YOU WHY NONE OF THOSE ALTERNATIVES WOULD BE ACCEPTABLE, ALTHOUGH THE ALTERNATIVE OF INCREASING GOVERNMENT SPENDING PERHAPS WARRANTS SOME COMMENT. IT IS OUR GOVERNMENT'S VIEW THAT INFLATION IS ONE OF THE CRITICAL ISSUES IN THIS NATION AND THAT INCREASES IN GOVERNMENT SPENDING CONTRIBUTED TO INFLATION, DIRECTLY IN THE SENSE THAT GOVERNMENT SPENDING ADDED TO INFLATIONARY PRESSURES, AND INDIRECTLY IN THE SENSE THAT LARGE INCREASES IN GOVERNMENT SPENDING ADDED TO INFLATION PSYCHOLOGY. FOR THAT REASON WE MOVED NEARLY A YEAR AGO BY ANNOUNCING THAT WE INTENDED TO LIMIT THE INCREASE IN GOVERNMENT SPENDING FOR THE CURRENT

FISCAL YEAR TO 11%. IT IS INTERESTING BUT ENTIRELY BY COINCIDENCE THAT THAT 11% CORRESPONDS VERY CLOSELY TO THE ANTI-INFLATION BOARD 8% WAGE INCREASE GUIDELINES IF YOU ADD THE VOLUME INCREASES ARISING OUT OF POPULATION GROWTH AND GREATER UTILIZATION OF GOVERNMENT SERVICES.

AFTER EXAMINING THOSE ALTERNATIVES WE REACHED THE CONCLUSION THAT THERE SHOULD BE SET ASIDE A CERTAIN PORTION OF THE REVENUES FROM THE SALE OF NON-RENEWABLE NATURAL RESOURCES FOR THE USE OF FUTURE GENERATIONS TO HELP CUSHION THE TAX BURDENS THEY WILL NEED TO BEAR IF AND WHEN REVENUES FROM THE SALE OF NATURAL RESOURCES BEGAN TO FALL OFF. THAT THOSE REVENUES WILL BEGIN TO DROP I THINK IS VIRTUALLY A CERTAINTY BECAUSE THEY NOW COME PRIMARILY FROM THE SALE OF OIL AND NATURAL GAS AND AT CURRENT LEVELS OF PRODUCTION THE LIFE SPAN FOR THOSE RESOURCES IS VERY SHORT. WHETHER FALLING REVENUES FROM THOSE RESOURCES WILL BE REPLACED BY REVENUES FROM THE SALE OF OIL FROM THE OIL SANDS OR THE SALE OF COAL, OF WHICH ALBERTA HAS VAST QUANTITIES, IS, IN MY VIEW, A MATTER OF CONSIDERABLE DOUBT. THAT IS SO BECAUSE IT IS YET TO BE ESTABLISHED THAT EITHER OIL FROM THE SANDS OR ALBERTA'S COAL CAN BE PRODUCED AND SOLD AT PRICES THAT WILL DEFRAID THE COST OF PRODUCTION, PROVIDE A REASONABLE PROFIT FOR THE RISK-TAKING DEVELOPER, AND LEAVE SUBSTANTIAL ADDITIONAL REVENUES TO THE PROVINCIAL GOVERNMENT AS OWNERS OF THE RESOURCE.

THE FUND WAS ESTABLISHED BY LEGISLATION THIS SPRING WITH AN INITIAL CAPITALIZATION OF ONE AND ONE-HALF BILLION DOLLARS. IN ADDITION, THE LEGISLATION PROVIDES THAT THIRTY PER CENT OF ALL REVENUES RECEIVED FROM NON-RENEWABLE NATURAL RESOURCES SHALL FLOW INTO THE FUND. FOR THE CURRENT FISCAL YEAR I EXPECT THAT WILL AMOUNT TO OVER SIX HUNDRED MILLION DOLLARS. THE SIZE OF FUTURE REVENUE FLOWS TO THE FUND WILL, OF COURSE, DEPEND ON THE PRICES WE RECEIVE FOR NATURAL RESOURCES, THE COST OF PRODUCING THEM, THE LEVELS OF PRODUCTION, ETC., ALL OF WHICH ARE NOW FRAUGHT WITH TOO MUCH UNCERTAINTY TO MAKE RELIABLE ESTIMATES VERY FAR INTO THE FUTURE. NONETHELESS, I THINK IT'S SAFE TO PREDICT THAT THE FUND WILL GROW FAIRLY RAPIDLY TO SEVERAL BILLION DOLLARS.

BEFORE COMMENTING ON WHAT WE INTEND TO DO WITH THE FUND, I SHOULD EXPLAIN ITS STRUCTURE. IT IS DIVIDED INTO THREE PARTS. THE FIRST IS A CAPITAL PROJECTS DIVISION WHICH CANNOT EXCEED TWENTY PER CENT OF THE FUND. THE MONEY FROM THAT DIVISION IS TO BE INVESTED IN PROJECTS WHICH WILL PROVIDE LONG TERM ECONOMIC AND SOCIAL BENEFITS TO THE PROVINCE BUT WHICH WILL NOT BY THE NATURE YIELD A RETURN TO THE FUND. INVESTMENTS FROM THAT DIVISION OF THE FUND MUST BE APPROVED BY AN ACT OF THE LEGISLATURE AND I EXPECT WILL INCLUDE SUCH THINGS AS IRRIGATION PROJECTS, PROVINCIAL PARKS, PERHAPS MEDICAL RESEARCH AND THINGS OF THAT NATURE.

THE SECOND DIVISION OF THE FUND IS THE CANADA INVESTMENT DIVISION WHICH CANNOT EXCEED 15% OF THE FUND AND IS RESTRICTED TO LOANS TO OTHER CANADIAN GOVERNMENTS OR OTHER PERSONS WHERE REPAYMENT OF THE LOAN IS GUARANTEED BY CANADIAN GOVERNMENTS.

THE BALANCE OF THE FUND IS THE ALBERTA INVESTMENT DIVISION AND INVESTMENTS FROM IT ARE RESTRICTED TO THOSE THAT WILL YIELD A REASONABLE RETURN OR PROFIT TO THE FUND AND WHICH WILL TEND TO STRENGTHEN AND DIVERSIFY THE ALBERTA ECONOMY.

ANY PORTION OF THE FUND THAT IS NOT INVESTED IN THE WAYS I'VE OUTLINED WILL BE INVESTED BY THE PROVINCIAL TREASURER IN ESSENTIALLY SHORT TERM SECURITIES.

NOW, HOW DO I SEE THE PRESENCE OF THIS FUND AFFECTING THE INVESTMENT INDUSTRY IN CANADA? IN A SENTENCE, I DOUBT THAT IT WILL HAVE ANY DIRECT IMPACT UPON THE INVESTMENT COMMUNITY. THAT IS SO BECAUSE OF TWO BASIC GUIDELINES WE ANTICIPATE FOLLOWING. THE FIRST IS THAT IT SHOULD BE INVESTED WITH A MINIMUM OF INTERFERENCE WITH PRIVATE SECTOR ACTIVITY IN THE PROVINCE AND, SECONDLY, IT SHOULD BE INVESTED IN SUCH A WAY AS NOT TO UNDULY DISRUPT EXISTING FINANCIAL INSTITUTIONS OPERATING WITHIN THE PROVINCE.

WE DO NOT CONTEMPLATE HAVING MANAGERS FOR THE FUND, ALTHOUGH UNDOUBTEDLY WE WILL FROM TIME TO TIME BE RETAINING MEMBERS OF YOUR ASSOCIATION AS ADVISORS. FOR EXAMPLE, WE RECENTLY RETAINED A. E. AMES & COMPANY IN CONNECTION WITH THE \$200 MILLION OF CONVERTIBLE DEBENTURES THAT WERE PURCHASED FROM GULF AND CANADA-CITIES SERVICE IN RELATION TO THE SYNCRUDE PROJECT.

THERE IS PERHAPS A FEELING THAT NOW THAT WE HAVE THE FUND ESTABLISHED THERE IS GOING TO BE BY THE PROVINCIAL GOVERNMENT A GREAT RUSH OF INVESTMENT IN ALL SORTS OF AREAS. I REALLY DON'T SEE IT HAPPENING THAT WAY AND IN FACT I DOUBT THAT YOU WILL SEE ANY IMMEDIATE SIGNIFICANT CHANGE IN THE INVESTMENT PRACTICES WE HAVE FOLLOWED OVER THE PAST FEW YEARS. WE CURRENTLY HAVE ABOUT 2.3 BILLION DOLLARS INVESTED WITH ABOUT ONE BILLION OF THAT IN THE SHORT TERM MONEY MARKET. SEVERAL HUNDRED MILLION DOLLARS ARE CURRENTLY INVESTED BY WAY OF ADVANCES TO THE ALBERTA HOUSING CORPORATION WHICH IN TURN LENDS THAT MONEY ON THE SECURITY OF MORTGAGES AND I EXPECT A VERY SUBSTANTIAL INVESTMENT IN THE ALBERTA INVESTMENT DIVISION OF THE FUND WILL BE IN LOANS TO THE ALBERTA HOUSING CORPORATION OR THE RECENTLY CREATED ALBERTA¹¹⁻¹¹⁻⁵ MORTGAGE CORPORATION. IN ADDITION, WE HAVE SOME HUNDREDS OF MILLIONS OF DOLLARS INVESTED IN THE DEBENTURES AND BONDS OF THE ALBERTA MUNICIPAL FINANCE CORPORATION WHICH LENDS MONEY TO MUNICIPAL GOVERNMENTS. WE ALSO HAVE SOME HUNDREDS OF MILLIONS OF

DOLLARS INVESTED IN ALBERTA GOVERNMENT TELEPHONE DEBENTURES. OUR INVESTMENT IN THE SYNCRUDE PROJECT BY WAY OF EQUITY AND DEBT WILL TOTAL ABOUT FOUR HUNDRED MILLION DOLLARS. WE ALSO HAVE A 75 MILLION DOLLAR EQUITY INVESTMENT IN THE ALBERTA ENERGY COMPANY. IN SHORT, APART FROM A SUBSTANTIAL INCREASE IN LOANS FOR HOUSING, I EXPECT WE WILL MAKE ADDITIONAL INVESTMENTS ONLY AFTER CAREFUL AND STUDIED DELIBERATION WITH THE COMMENTS I'VE MADE ABOUT INTERFERENCE IN THE PRIVATE SECTOR BEING IMPORTANT GUIDELINES.

I NOW WANT TO TAKE ISSUE WITH SOME STATEMENTS I UNDERSTAND TO HAVE BEEN MADE BY THE INVESTMENT COMMUNITY REGARDING THE WAY IN WHICH THE ALBERTA ENERGY COMPANY SHARES WERE DISTRIBUTED. THOSE STATEMENTS WERE TO THE EFFECT THAT THE SHARES OUGHT TO HAVE BEEN MARKETING NATIONALLY AND ONLY THROUGH PROFESSIONAL BROKERS. WE DIDN'T DO IT THAT WAY BECAUSE, IN OUR VIEW, THAT WASN'T THE BEST WAY TO ACHIEVE TWO OF THE IMPORTANT OBJECTIVES WE HAD IN MIND WHEN WE ESTABLISHED THE COMPANY. THOSE TWO OBJECTIVES WERE:

FIRSTLY, TO GIVE TO ALL ALBERTANS AN OPPORTUNITY TO PARTICIPATE IN THE RISKS AND REWARDS OF RESOURCE DEVELOPMENT WITHIN THE PROVINCE BY BEING SHAREHOLDERS OF AN ALBERTA-CONTROLLED COMPANY; AND

SECONDLY, TO INVOLVE IN THIS ASPECT OF THE FREE ENTERPRISE SYSTEM AS MANY NEW INVESTORS AS POSSIBLE.

IN OUR JUDGMENT, WE WERE GOING TO BE SUCCESSFUL IN ACHIEVING THOSE OBJECTIVES ONLY IF WE HAD A SYSTEM OF PURCHASING SHARES THAT INEXPERIENCED BUYERS FELT RELAXED AND COMFORTABLE WITH.

WE WANTED THE FIRST TIME INVESTOR TO HEAR ABOUT THE ALBERTA ENERGY COMPANY, DECIDE THAT HE'D LIKE TO INVEST IN IT AND THEN MAKE THE INVESTMENT. WE FELT THAT PERSON WOULD BE LESS LIKELY TO INVEST IF THE ONLY WAY HE COULD DO SO WAS BY PHONING A BROKER. FOR MANY OF THEM IN ALBERTA THAT MEANS DEALING BY LONG DISTANCE, SOMETHING FIRST TIME INVESTORS ARE NOT GOING TO DO. BUT NEARLY EVERYONE WHO HAS FUNDS TO INVEST HAS A RELATIONSHIP WITH THE BANK OR THE LOCAL TRUST COMPANY OR THE CREDIT UNION, AND BY ENABLING PURCHASES TO BE MADE THROUGH THOSE OUTLETS WE BELIEVED THERE WOULD BE A BETTER CHANCE OF BRINGING IN NEW INVESTORS.

WE BELIEVE WE WERE SUCCESSFUL. THERE ARE APPROXIMATELY 60,000 SHAREHOLDERS IN THE COMPANY. 83% OF THEM HOLD ONE HUNDRED SHARES OR LESS. THAT, LADIES AND GENTLEMEN, IS A LOT OF SMALL ALBERTA INVESTORS AND MANY OF THEM, WE ARE SATISFIED, ARE FIRST TIME INVESTORS. THE DISTRIBUTION THROUGHOUT THE PROVINCE BY APPLICATIONS FOR SHARES WAS ROUGHLY THE SAME AS THE POPULATION DISTRIBUTION.

2
I SHOULD PERHAPS SAY A WORD ABOUT WHY WE HAD THE TWO OBJECTIVES I MENTIONED FOR THE ALBERTA ENERGY COMPANY. THERE WERE A LOT OF PEOPLE IN ALBERTA WHO FELT THEY DID NOT HAVE THE OPPORTUNITY TO SHARE IN THE PROFITS THAT WERE BEING MADE FROM THE DEVELOPMENT OF OUR NATURAL RESOURCES. I KNOW

ONE CAN ARGUE THAT THAT BELIEF WAS NOT VALID BUT, NONETHELESS, IT WAS THERE AND IN OUR VIEW IT WAS ESSENTIAL TO RESPOND TO IT AND THE MOST EFFECTIVE RESPONSE IS AT LEAST TO BE ABLE TO SAY TO THOSE PEOPLE, YOU DID HAVE AND NOW HAVE THAT OPPORTUNITY THROUGH THE ALBERTA ENERGY COMPANY.

I KNOW THAT ALL OF YOU IN THIS ROOM BELIEVE IN THE FREE ENTERPRISE SYSTEM. SO DOES THE ALBERTA GOVERNMENT. WE BELIEVE THAT THE FREE ENTERPRISE SYSTEM PROVIDES THE GREATEST BENEFITS TO THE MOST PEOPLE BUT I SUGGEST TO YOU THAT YOUR BELIEVING IN IT AND OUR BELIEVING IN IT IS NOT ENOUGH.

REMEMBER THAT IN BRITISH COLUMBIA, MANITOBA AND SASKATCHEWAN THERE WERE GOVERNMENTS THAT BELIEVED IN THE FREE ENTERPRISE SYSTEM AND THERE WERE ORGANIZATIONS SUCH AS YOURS THAT BELIEVED IN IT. THAT WASN'T ENOUGH TO PREVENT THE MAJORITY OF THE PEOPLE OF THOSE PROVINCES FROM DECIDING THAT ANOTHER SYSTEM WOULD BE BETTER FOR THEM.

I'M CONVINCED THAT THEY WOULD HAVE REACHED A DIFFERENT DECISION HAD THEY BEEN MORE DIRECTLY INVOLVED WITH, MORE INITIMATELY A PART OF A FREE ENTERPRISE SYSTEM AND THAT IS WHAT WE ENDEAVOURED TO ACCOMPLISH WITH THE ALBERTA ENERGY COMPANY.

LET ME LEAVE THIS TOPIC BY NOTING THE THEME OF YOUR CONFERENCE, THE CHALLENGES FOR THE CANADIAN INVESTMENT INDUSTRY, BY SAYING, IS THE CANADIAN INVESTMENT INDUSTRY

DOING ALL THAT IT SHOULD BE DOING

- (1) TO EXTEND THE INDUSTRY'S MARKET
- (2) TO EXPLAIN THE INDUSTRY
- (3) TO BRING INTO THE CAPITAL POOL THOSE SMALL INVESTORS WHO ARE NOW PUTTING THEIR FUNDS ELSEWHERE?

I'D LIKE TO CLOSE WITH A WORD ABOUT OUR PHILOSOPHY REGARDING THE INVESTMENT CLIMATE IN ALBERTA. DURING OUR TERM OF OFFICE WE HAVE ENDEAVOURED TO MAKE ALBERTA THE MOST PROMISING PLACE IN NORTH AMERICA IN WHICH TO INVEST. WE HAVE THE LOWEST TAXES IN THE NATION AND THE HIGHEST LEVEL OF GOVERNMENT SERVICES. THE PREMIER LAST FALL HEADED A MISSION TO EUROPE AND ONE OF OUR OBJECTIVES WAS TO MAKE CONTACT WITH THE INVESTMENT COMMUNITY IN THE NINE COUNTRIES WE VISITED TO TELL THEM THE ALBERTA STORY AND TO WELCOME THEIR PRESENCE HERE. WE'VE PRESSED VIGOROUSLY FOR THE DIVERSIFICATION OF THE ECONOMY AND PARTICULARLY THE DEVELOPMENT WITHIN ALBERTA OF AGRICULTURAL PROCESSING. IN ADDITION, THE MINISTER OF ENERGY AND NATURAL RESOURCES WILL BE RELEASING WITHIN A MATTER OF DAYS THE GOVERNMENT'S COAL POLICY.

THE POLICY WILL ESTABLISH THE GUIDELINES FOR FUTURE DEVELOPMENT AND WILL, I BELIEVE, LEAD TO MAJOR NEW INVESTMENTS WITHIN THE PROVINCE. WE WELCOME YOUR PRESENCE HERE.

WE HOPE IN THE YEARS AHEAD YOU WILL FIND IT
CHALLENGING AND REWARDING TO BE IN BUSINESS HERE.

STATEMENT re ALBERTA HERITAGE SAVINGS TRUST FUND - by PREMIER LOUGHEED
RED DEER RALLY, MARCH 12, 1975 - 8:00 P.M. *Pre-election*

The purpose of the Alberta Heritage Savings Trust Fund is to set aside certain revenues accruing to the Provincial Government from the sale of the non-renewable natural resource - crude oil - in a separate trust fund rather than in the General Revenues of the Provincial Government. Such trust funds are not to be utilized for normal operating and capital budgetary requirements of the Provincial Government, but are to be set aside for investment to assure that future generations of Albertans may have a better opportunity to sustain the same high level of prosperity and provincial government benefits as are presently being enjoyed by Alberta citizens.

The goals and objectives of the Alberta Heritage Savings Trust Fund include the utilization of the funds in investments which in part will help to create more and better jobs through a more diversified economy, less reliant upon the sale of depleting resources; in part to improve and sustain the quality of life within Alberta in the future; in part to recognize that the potential talent and capacity of young Albertans in the longer view is our greatest resource; and in part earn Albertans interest and dividends for the future to strive to maintain the lowest personal taxation in Canada.

The source of funds - It is proposed that the revenues received by the Alberta Government from the Alberta Petroleum Marketing Commission from

the sale of the Alberta Government's share of crude oil since April 1, 1974 by way of a substantial portion of crude oil royalty revenue should be appropriated and held in the Alberta Heritage Savings Trust Fund pursuant to the specific terms of the legislation.

The following types of investment should be considered as appropriate for the Fund :

- (a) Those which diversify and strengthen the Alberta economy in the future and stimulate new jobs for Albertans - In due course such investments should provide revenue to the Provincial Government through expanded tax revenues. Examples include the proposal to upgrade and rehabilitate the irrigation capacity of the province. A further example arises from our intention to invest significant funds in science and research to expand and broaden the productive capacity of the province.
- (b) Investments which will improve the future quality of life of Albertans in education, health, parks, recreation, culture, housing and similar social areas. For example, the recently announced commitment of a special revolving Mortgage Fund of \$200 million for Starter Homes which will provide mortgage financing at preferred low interest rates for basic, modest housing units for the purpose of achieving expanded home ownership in Alberta. A further example is a commitment to apply a portion of the funds for educational research at all levels and for teaching facilities to assist all those involved in education to further improve the quality of education for our students and their children.

- (c) Investments to stimulate the economy of Alberta - which should provide direct earned income revenue to the province. One example, would be the Provincial Government investment in the shares of the Alberta Energy Company. Another area would be in improved transportation facilities.
- (d) Direct on-going investments of a straight financial nature - earning interest. This would include the current investment in the short term Canadian interest market providing the people of Alberta with a good return of interest income (approximately \$127 million for 1975-76).

Guidelines or parameters

- (a) The funds should be invested with a minimum of interference with private sector activity in the province.
- (b) The funds should be invested in such a way as not to unduly disrupt existing financial institutions which are operating in the Alberta public interest.
- (c) The funds should be primarily invested within Alberta - investment outside the province should be restricted - other than in exceptional circumstances - to debt financing of projects or enterprises which are made on normal commercial terms and which will provide an adequate return to Albertans.

Legislative framework

- (1) The fund to be established under an Act of the Province of Alberta, which would provide the appropriate legislative framework and legislative authority for the appropriation of the fund and their investments.
- (2) A new Standing Committee of the Legislature would be proposed to annually review the operations of the Fund and to report to the Assembly any recommendations or suggestions for adjustment, alteration, supervision or guidelines for the operation of the Fund or possible amendments to the legislation.
- (3) The Provincial Auditor - as an independent Officer of the Legislature - would have the same scope of supervision as he has with other Provincial Government funds and should separately report each year his audit of the Alberta Heritage Savings Trust Fund, to be tabled in the Legislature for public consideration and legislative review.

/ww

11 March/75

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.

by PREMIER PETER LOUGHEED

Room 310

Legislative Building

Edmonton, Alberta, Canada T5G 0W7

RELEASE TIME : - Monday, August 30, 1976 - 8:30 a.m.

Premier Lougheed announced today the initial investment portfolio of the Alberta Heritage Savings Trust Fund. In the aggregate, the investments involved the sum of \$1.5 billion as a transfer from the general revenues of the Province.

The purpose of the Fund is to set aside each year thirty (30%) percent of the resource revenues derived primarily from selling our oil and gas reserves to assure the province is still in a strong financial position when revenues begin to decline dramatically in a few years as the wells begin to run dry. "If we do not preserve this Fund - Albertans a decade from now will be in a difficult position to maintain our current high standard of general prosperity" stated the Premier. The Premier further noted that "for those who propose we spend all of these monies today on current needs, they should realize that the province is already spending more for services to people than any other provincial government in Canada and utilizing seventy (70%) percent of these depleting resource revenues for today's needs to provide low levels of taxation, including no sales tax.

The Premier drew attention to the fact that of the \$1.5 billion, approximately \$500 million were debentures of the Alberta Housing

....?

Corporation and the Alberta Home Mortgage Corporation and represented a social and economic investment in expanded housing for Alberta citizens.

Nearly a quarter of a billion dollars of the assets transferred represented an investment in energy resource development within the province being composed of the Alberta Energy Company Ltd. shares, the Government's equity interest in the Syncrude project and the money advanced under convertible debentures issued by Gulf Oil Canada Limited and Canada-Cities Service Ltd. Under these debentures the province has the option to acquire additional ownership interests in the Syncrude project.

"The investment in Syncrude is an important protection for the future to attempt to build alternative sources of resource revenues to replace those now being received from conventional oil."

Over \$700 million of the Alberta Government Telephones notes and debentures and Alberta Municipal Financial Corporation debentures were also transferred to the Fund. The Premier observed that these notes and debentures at the time of their purchase by the General Revenues Fund had been so structured that they were readily marketable should the Investment Committee decide that they ought to be replaced with other investments.

The Premier observed that the interest yield to the Fund from the housing debentures and the securities of the Alberta Government

Telephones Commission, together with the Alberta Municipal Financing Corporation, provide an average yield of 9.4 percent. The balance of the \$1.5 billion, being approximately \$250 million involves cash assets which will immediately be used to purchase short term investments.

None of the assets transferred were investments in the Capital Projects Division of the Fund as investments from that division are to be approved by the Legislative Assembly. None of the assets transferred form part of the Canada Investment Division of the Fund. All assets save the marketable securities and the cash were transferred to the Alberta Investment Division of the Fund.

The Premier added that in addition to the \$1.5 billion being transferred, the Fund had also been receiving since April 1st, 1976 thirty (30%) percent of non-renewable resource revenues. For the fiscal year ending March 31, 1977, this would amount to approximately \$600 million.

Pending forthcoming investment decisions and commitments, these additional funds are being held in short term investments bearing interest at current commercial rates.

The first audited statement of the Alberta Heritage Savings Trust Fund for the period ending March 31, 1977 is anticipated to be made public in the spring of next year.

ASSETS TO BE TRANSFERRED AUGUST 30, 1976
TO THE ALBERTA HERITAGE SAVERS TRUST FUND

<u>Asset</u>	<u>Valuation</u>
<u>ASSETS OTHER THAN CASH</u>	
<u>SECTION 6 INVESTMENTS</u>	
CAPITAL PROJECTS DIVISION - s.s. 6(1) (a)	NIL
CANADA INVESTMENT DIVISION - s.s. 6(1) (a)	NIL
ALBERTA INVESTMENT DIVISION - s.s. 6(1) (c)	
<u>HOUSING INVESTMENTS</u>	
Alberta Housing Corporation Debentures	
1. maturing April 1, 2006 at 9.45% interest compounded semi-annually	\$ 116,394,181.47
2. maturing August 30, 2006 at 10.14% interest compounded semi-annually	10,000,000.00
Alberta Home Mortgage Corporation Debentures	
3. maturing April 1, 2006 at 9.57% interest compounded semi-annually	142,671,014.97
4. maturing August 30, 2006 at 10.17% interest compounded semi-annually	30,000,000.00
	\$ 299,065,196.44 (20%)
<u>ENERGY RESOURCES INVESTMENTS</u>	
5. Alberta Energy Company 7,531,032 Common Shares	75,307,436.52
6. Alberta Syncrude Equity	83,100,000.00
7. Canada-Cities Service Ltd. Convertible Debentures	38,507,000.00
8. Gulf Oil Canada Limited Convertible Debentures	42,900,000.00
	\$ 239,814,436.52 (16%)
<u>SECTION 9(1) INVESTMENTS</u>	
<u>MARKETABLE SECURITIES</u>	
9. Alberta Government Telephones Commission Notes	77,231,712.33
10. Alberta Government Telephones Commission Debentures	385,132,368.50
11. Alberta Municipal Financing Corporation Debentures	244,195,088.45
	\$ 706,559,169.23 (47%)
1. CASH ASSETS	\$ 254,561,197.76 (17%)
Total Assets	\$1,500,000,000.00 (100%)

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NOTES FOR A SPEECH

BY THE

HONOURABLE MERV LEITCH
PROVINCIAL TREASURER OF ALBERTA

TO THE

INVESTMENT DEALERS ASSOCIATION OF CANADA

ON

JUNE 18, 1976
JASPER, ALBERTA

NOTES FOR A SPEECH TO THE
INVESTMENT DEALERS ASSOCIATION OF CANADA

ON BEHALF OF PREMIER LOUGHEED AND THE GOVERNMENT OF ALBERTA, I'D LIKE TO EXTEND TO ALL OF YOU A VERY WARM WELCOME TO OUR PROVINCE AND TO JASPER.

I WOULD ALSO LIKE TO ADD HOW DELIGHTED I AM TO HAVE RECEIVED AN INVITATION TO SPEAK TO YOU THIS MORNING. PREMIER LOUGHEED ASKED ME TO PASS ON TO YOU HIS REGRETS THAT HE WAS UNABLE TO ACCEPT YOUR INVITATION. HE LEFT WEDNESDAY MORNING FOR A TRIP TO THE UNITED STATES WHERE HE WILL BE DISCUSSING WITH HEADS OF GOVERNMENT AND THE INVESTMENT COMMUNITY MATTERS OF MAJOR IMPORTANCE TO US, SUCH AS PETROCHEMICAL TARIFFS, OIL AND NATURAL GAS PRICING AND SUPPLY, AND THE INVESTMENT CLIMATE IN ALBERTA GENERALLY.

I WANTED TO TALK ABOUT TWO MATTERS THIS MORNING.

THE ALBERTA HERITAGE SAVINGS TRUST FUND AND THEN TAKE ISSUE WITH SOME COMMENTS THAT I'VE READ REGARDING THE ASSOCIATION'S VIEWS ABOUT THE ALBERTA ENERGY COMPANY.

I'M SURE ALL OF YOU HAVE HEARD SOMETHING ABOUT THE ALBERTA HERITAGE SAVINGS TRUST FUND BUT I EXPECT MANY OF YOU WILL HAVE SOME UNANSWERED QUESTIONS, SUCH AS:

- WHY DID WE SET UP THE FUND?
- HOW LARGE IS IT?
- HOW LARGE IS IT LIKELY TO BECOME?

AND, PERHAPS MOST RELEVANT TO YOUR BUSINESS,

- WHAT DO WE INTEND TO DO WITH IT?

FIRST, WHY HAVE A FUND AT ALL? THERE WERE ALTERNATIVES, SUCH AS REDUCING TAXES, RESTRICTING PRODUCTION OF OIL AND NATURAL GAS TO REDUCE THE FLOW OF REVENUE, SELLING THE RESOURCES EVEN FURTHER BELOW THE MARKET VALUE THAN IS NOW THE CASE, OR INCREASING GOVERNMENT SPENDING. I THINK IT IS PRETTY OBVIOUS TO ALL OF YOU WHY NONE OF THOSE ALTERNATIVES WOULD BE ACCEPTABLE, ALTHOUGH THE ALTERNATIVE OF INCREASING GOVERNMENT SPENDING PERHAPS WARRANTS SOME COMMENT. IT IS OUR GOVERNMENT'S VIEW THAT INFLATION IS ONE OF THE CRITICAL ISSUES IN THIS NATION AND THAT INCREASES IN GOVERNMENT SPENDING CONTRIBUTED TO INFLATION, DIRECTLY IN THE SENSE THAT GOVERNMENT SPENDING ADDED TO INFLATIONARY PRESSURES, AND INDIRECTLY IN THE SENSE THAT LARGE INCREASES IN GOVERNMENT SPENDING ADDED TO INFLATION PSYCHOLOGY. FOR THAT REASON WE MOVED NEARLY A YEAR AGO BY ANNOUNCING THAT WE INTENDED TO LIMIT THE INCREASE IN GOVERNMENT SPENDING FOR THE CURRENT

FISCAL YEAR TO 11%. IT IS INTERESTING BUT ENTIRELY BY COINCIDENCE THAT THAT 11% CORRESPONDS VERY CLOSELY TO THE ANTI-INFLATION BOARD 8% WAGE INCREASE GUIDELINES IF YOU ADD THE VOLUME INCREASES ARISING OUT OF POPULATION GROWTH AND GREATER UTILIZATION OF GOVERNMENT SERVICES.

AFTER EXAMINING THOSE ALTERNATIVES WE REACHED THE CONCLUSION THAT THERE SHOULD BE SET ASIDE A CERTAIN PORTION OF THE REVENUES FROM THE SALE OF NON-RENEWABLE NATURAL RESOURCES FOR THE USE OF FUTURE GENERATIONS TO HELP CUSHION THE TAX BURDENS THEY WILL NEED TO BEAR IF AND WHEN REVENUES FROM THE SALE OF NATURAL RESOURCES BEGAN TO FALL OFF. THAT THOSE REVENUES WILL BEGIN TO DROP I THINK IS VIRTUALLY A CERTAINTY BECAUSE THEY NOW COME PRIMARILY FROM THE SALE OF OIL AND NATURAL GAS AND AT CURRENT LEVELS OF PRODUCTION THE LIFE SPAN FOR THOSE RESOURCES IS VERY SHORT. WHETHER FALLING REVENUES FROM THOSE RESOURCES WILL BE REPLACED BY REVENUES FROM THE SALE OF OIL FROM THE OIL SANDS OR THE SALE OF COAL, OF WHICH ALBERTA HAS VAST QUANTITIES, IS, IN MY VIEW, A MATTER OF CONSIDERABLE DOUBT. THAT IS SO BECAUSE IT IS YET TO BE ESTABLISHED THAT EITHER OIL FROM THE SANDS OR ALBERTA'S COAL CAN BE PRODUCED AND SOLD AT PRICES THAT WILL DEFRAY THE COST OF PRODUCTION, PROVIDE A REASONABLE PROFIT FOR THE RISK-TAKING DEVELOPER, AND LEAVE SUBSTANTIAL ADDITIONAL REVENUES TO THE PROVINCIAL GOVERNMENT AS OWNERS OF THE RESOURCE.

THE FUND WAS ESTABLISHED BY LEGISLATION THIS SPRING WITH AN INITIAL CAPITALIZATION OF ONE AND ONE-HALF BILLION DOLLARS. IN ADDITION, THE LEGISLATION PROVIDES THAT THIRTY PER CENT OF ALL REVENUES RECEIVED FROM NON-RENEWABLE NATURAL RESOURCES SHALL FLOW INTO THE FUND. FOR THE CURRENT FISCAL YEAR I EXPECT THAT WILL AMOUNT TO OVER SIX HUNDRED MILLION DOLLARS. THE SIZE OF FUTURE REVENUE FLOWS TO THE FUND WILL, OF COURSE, DEPEND ON THE PRICES WE RECEIVE FOR NATURAL RESOURCES, THE COST OF PRODUCING THEM, THE LEVELS OF PRODUCTION, ETC., ALL OF WHICH ARE NOW FRAUGHT WITH TOO MUCH UNCERTAINTY TO MAKE RELIABLE ESTIMATES VERY FAR INTO THE FUTURE. NONETHELESS, I THINK IT'S SAFE TO PREDICT THAT THE FUND WILL GROW FAIRLY RAPIDLY TO SEVERAL BILLION DOLLARS.

BEFORE COMMENTING ON WHAT WE INTEND TO DO WITH THE FUND, I SHOULD EXPLAIN ITS STRUCTURE. IT IS DIVIDED INTO THREE PARTS. THE FIRST IS A CAPITAL PROJECTS DIVISION WHICH CANNOT EXCEED TWENTY PER CENT OF THE FUND. THE MONEY FROM THAT DIVISION IS TO BE INVESTED IN PROJECTS WHICH WILL PROVIDE LONG TERM ECONOMIC AND SOCIAL BENEFITS TO THE PROVINCE BUT WHICH WILL NOT BY THE NATURE YIELD A RETURN TO THE FUND. INVESTMENTS FROM THAT DIVISION OF THE FUND MUST BE APPROVED BY AN ACT OF THE LEGISLATURE AND I EXPECT WILL INCLUDE SUCH THINGS AS IRRIGATION PROJECTS, PROVINCIAL PARKS, PERHAPS MEDICAL RESEARCH AND THINGS OF THAT NATURE.

THE SECOND DIVISION OF THE FUND IS THE CANADA INVESTMENT DIVISION WHICH CANNOT EXCEED 15% OF THE FUND AND IS RESTRICTED TO LOANS TO OTHER CANADIAN GOVERNMENTS OR OTHER PERSONS WHERE REPAYMENT OF THE LOAN IS GUARANTEED BY CANADIAN GOVERNMENTS.

THE BALANCE OF THE FUND IS THE ALBERTA INVESTMENT DIVISION AND INVESTMENTS FROM IT ARE RESTRICTED TO THOSE THAT WILL YIELD A REASONABLE RETURN OR PROFIT TO THE FUND AND WHICH WILL TEND TO STRENGTHEN AND DIVERSIFY THE ALBERTA ECONOMY.

ANY PORTION OF THE FUND THAT IS NOT INVESTED IN THE WAYS I'VE OUTLINED WILL BE INVESTED BY THE PROVINCIAL TREASURER IN ESSENTIALLY SHORT TERM SECURITIES.

NOW, HOW DO I SEE THE PRESENCE OF THIS FUND AFFECTING THE INVESTMENT INDUSTRY IN CANADA? IN A SENTENCE, I DOUBT THAT IT WILL HAVE ANY DIRECT IMPACT UPON THE INVESTMENT COMMUNITY. THAT IS SO BECAUSE OF TWO BASIC GUIDELINES WE ANTICIPATE FOLLOWING. THE FIRST IS THAT IT SHOULD BE INVESTED WITH A MINIMUM OF INTERFERENCE WITH PRIVATE SECTOR ACTIVITY IN THE PROVINCE AND, SECONDLY, IT SHOULD BE INVESTED IN SUCH A WAY AS NOT TO UNDULY DISRUPT EXISTING FINANCIAL INSTITUTIONS OPERATING WITHIN THE PROVINCE.

WE DO NOT CONTEMPLATE HAVING MANAGERS FOR THE FUND, ALTHOUGH UNDOUBTEDLY WE WILL FROM TIME TO TIME BE RETAINING MEMBERS OF YOUR ASSOCIATION AS ADVISORS. FOR EXAMPLE, WE RECENTLY RETAINED A. E. AMES & COMPANY IN CONNECTION WITH THE \$200 MILLION OF CONVERTIBLE DEBENTURES THAT WERE PURCHASED FROM GULF AND CANADA-CITIES SERVICE IN RELATION TO THE SYNCRUDE PROJECT.

THERE IS PERHAPS A FEELING THAT NOW THAT WE HAVE THE FUND ESTABLISHED THERE IS GOING TO BE BY THE PROVINCIAL GOVERNMENT A GREAT RUSH OF INVESTMENT IN ALL SORTS OF AREAS, I REALLY DON'T SEE IT HAPPENING THAT WAY AND IN FACT I DOUBT THAT YOU WILL SEE ANY IMMEDIATE SIGNIFICANT CHANGE IN THE INVESTMENT PRACTICES WE HAVE FOLLOWED OVER THE PAST FEW YEARS. WE CURRENTLY HAVE ABOUT 2.3 BILLION DOLLARS INVESTED WITH ABOUT ONE BILLION OF THAT IN THE SHORT TERM MONEY MARKET. SEVERAL HUNDRED MILLION DOLLARS ARE CURRENTLY INVESTED BY WAY OF ADVANCES TO THE ALBERTA HOUSING CORPORATION WHICH IN TURN LENDS THAT MONEY ON THE SECURITY OF MORTGAGES AND I EXPECT A VERY SUBSTANTIAL INVESTMENT IN THE ALBERTA INVESTMENT DIVISION OF THE FUND WILL BE IN LOANS TO THE ALBERTA HOUSING CORPORATION OR THE RECENTLY CREATED ALBERTA^{11.415} MORTGAGE CORPORATION. IN ADDITION, WE HAVE SOME HUNDREDS OF MILLIONS OF DOLLARS INVESTED IN THE DEBENTURES AND BONDS OF THE ALBERTA MUNICIPAL FINANCE CORPORATION WHICH LENDS MONEY TO MUNICIPAL GOVERNMENTS. WE ALSO HAVE SOME HUNDREDS OF MILLIONS OF

DOLLARS INVESTED IN ALBERTA GOVERNMENT TELEPHONE DEBENTURES. OUR INVESTMENT IN THE SYNCRUDE PROJECT BY WAY OF EQUITY AND DEBT WILL TOTAL ABOUT FOUR HUNDRED MILLION DOLLARS. WE ALSO HAVE A 75 MILLION DOLLAR EQUITY INVESTMENT IN THE ALBERTA ENERGY COMPANY. IN SHORT, APART FROM A SUBSTANTIAL INCREASE IN LOANS FOR HOUSING, I EXPECT WE WILL MAKE ADDITIONAL INVESTMENTS ONLY AFTER CAREFUL AND STUDIED DELIBERATION WITH THE COMMENTS I'VE MADE ABOUT INTERFERENCE IN THE PRIVATE SECTOR BEING IMPORTANT GUIDELINES.

I NOW WANT TO TAKE ISSUE WITH SOME STATEMENTS I UNDERSTAND TO HAVE BEEN MADE BY THE INVESTMENT COMMUNITY REGARDING THE WAY IN WHICH THE ALBERTA ENERGY COMPANY SHARES WERE DISTRIBUTED. THOSE STATEMENTS WERE TO THE EFFECT THAT THE SHARES OUGHT TO HAVE BEEN MARKETING NATIONALLY AND ONLY THROUGH PROFESSIONAL BROKERS. WE DIDN'T DO IT THAT WAY BECAUSE, IN OUR VIEW, THAT WASN'T THE BEST WAY TO ACHIEVE TWO OF THE IMPORTANT OBJECTIVES WE HAD IN MIND WHEN WE ESTABLISHED THE COMPANY. THOSE TWO OBJECTIVES WERE:

FIRSTLY, TO GIVE TO ALL ALBERTANS AN OPPORTUNITY TO PARTICIPATE IN THE RISKS AND REWARDS OF RESOURCE DEVELOPMENT WITHIN THE PROVINCE BY BEING SHAREHOLDERS OF AN ALBERTA-CONTROLLED COMPANY; AND

SECONDLY, TO INVOLVE IN THIS ASPECT OF THE FREE ENTERPRISE SYSTEM AS MANY NEW INVESTORS AS POSSIBLE.

IN OUR JUDGMENT, WE WERE GOING TO BE SUCCESSFUL IN ACHIEVING THOSE OBJECTIVES ONLY IF WE HAD A SYSTEM OF PURCHASING SHARES THAT INEXPERIENCED BUYERS FELT RELAXED AND COMFORTABLE WITH.

WE WANTED THE FIRST TIME INVESTOR TO HEAR ABOUT THE ALBERTA ENERGY COMPANY, DECIDE THAT HE'D LIKE TO INVEST IN IT AND THEN MAKE THE INVESTMENT. WE FELT THAT PERSON WOULD BE LESS LIKELY TO INVEST IF THE ONLY WAY HE COULD DO SO WAS BY PHONING A BROKER. FOR MANY OF THEM IN ALBERTA THAT MEANS DEALING BY LONG DISTANCE, SOMETHING FIRST TIME INVESTORS ARE NOT GOING TO DO. BUT NEARLY EVERYONE WHO HAS FUNDS TO INVEST HAS A RELATIONSHIP WITH THE BANK OR THE LOCAL TRUST COMPANY OR THE CREDIT UNION, AND BY ENABLING PURCHASES TO BE MADE THROUGH THOSE OUTLETS WE BELIEVED THERE WOULD BE A BETTER CHANCE OF BRINGING IN NEW INVESTORS.

WE BELIEVE WE WERE SUCCESSFUL. THERE ARE APPROXIMATELY 60,000 SHAREHOLDERS IN THE COMPANY. 83% OF THEM HOLD ONE HUNDRED SHARES OR LESS. THAT, LADIES AND GENTLEMEN, IS A LOT OF SMALL ALBERTA INVESTORS AND MANY OF THEM, WE ARE SATISFIED, ARE FIRST TIME INVESTORS. THE DISTRIBUTION THROUGHOUT THE PROVINCE BY APPLICATIONS FOR SHARES WAS ROUGHLY THE SAME AS THE POPULATION DISTRIBUTION.

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I SHOULD PERHAPS SAY A WORD ABOUT WHY WE HAD THE TWO OBJECTIVES I MENTIONED FOR THE ALBERTA ENERGY COMPANY. THERE WERE A LOT OF PEOPLE IN ALBERTA WHO FELT THEY DID NOT HAVE THE OPPORTUNITY TO SHARE IN THE PROFITS THAT WERE BEING MADE FROM THE DEVELOPMENT OF OUR NATURAL RESOURCES. I KNOW

ONE CAN ARGUE THAT THAT BELIEF WAS NOT VALID BUT, NONETHELESS, IT WAS THERE AND IN OUR VIEW IT WAS ESSENTIAL TO RESPOND TO IT AND THE MOST EFFECTIVE RESPONSE IS AT LEAST TO BE ABLE TO SAY TO THOSE PEOPLE, YOU DID HAVE AND NOW HAVE THAT OPPORTUNITY THROUGH THE ALBERTA ENERGY COMPANY.

I KNOW THAT ALL OF YOU IN THIS ROOM BELIEVE IN THE FREE ENTERPRISE SYSTEM. SO DOES THE ALBERTA GOVERNMENT. WE BELIEVE THAT THE FREE ENTERPRISE SYSTEM PROVIDES THE GREATEST BENEFITS TO THE MOST PEOPLE BUT I SUGGEST TO YOU THAT YOUR BELIEVING IN IT AND OUR BELIEVING IN IT IS NOT ENOUGH.

REMEMBER THAT IN BRITISH COLUMBIA, MANITOBA AND SASKATCHEWAN THERE WERE GOVERNMENTS THAT BELIEVED IN THE FREE ENTERPRISE SYSTEM AND THERE WERE ORGANIZATIONS SUCH AS YOURS THAT BELIEVED IN IT. THAT WASN'T ENOUGH TO PREVENT THE MAJORITY OF THE PEOPLE OF THOSE PROVINCES FROM DECIDING THAT ANOTHER SYSTEM WOULD BE BETTER FOR THEM.

I'M CONVINCED THAT THEY WOULD HAVE REACHED A DIFFERENT DECISION HAD THEY BEEN MORE DIRECTLY INVOLVED WITH, MORE INITIMATELY A PART OF A FREE ENTERPRISE SYSTEM AND THAT IS WHAT WE ENDEAVOURED TO ACCOMPLISH WITH THE ALBERTA ENERGY COMPANY.

LET ME LEAVE THIS TOPIC BY NOTING THE THEME OF YOUR CONFERENCE, THE CHALLENGES FOR THE CANADIAN INVESTMENT INDUSTRY, BY SAYING, IS THE CANADIAN INVESTMENT INDUSTRY

DOING ALL THAT IT SHOULD BE DOING

- (1) TO EXTEND THE INDUSTRY'S MARKET
- (2) TO EXPLAIN THE INDUSTRY
- (3) TO BRING INTO THE CAPITAL POOL THOSE SMALL INVESTORS WHO ARE NOW PUTTING THEIR FUNDS ELSEWHERE?

I'D LIKE TO CLOSE WITH A WORD ABOUT OUR PHILOSOPHY REGARDING THE INVESTMENT CLIMATE IN ALBERTA. DURING OUR TERM OF OFFICE WE HAVE ENDEAVOURED TO MAKE ALBERTA THE MOST PROMISING PLACE IN NORTH AMERICA IN WHICH TO INVEST. WE HAVE THE LOWEST TAXES IN THE NATION AND THE HIGHEST LEVEL OF GOVERNMENT SERVICES. THE PREMIER LAST FALL HEADED A MISSION TO EUROPE AND ONE OF OUR OBJECTIVES WAS TO MAKE CONTACT WITH THE INVESTMENT COMMUNITY IN THE NINE COUNTRIES WE VISITED TO TELL THEM THE ALBERTA STORY AND TO WELCOME THEIR PRESENCE HERE. WE'VE PRESSED VIGOROUSLY FOR THE DIVERSIFICATION OF THE ECONOMY AND PARTICULARLY THE DEVELOPMENT WITHIN ALBERTA OF AGRICULTURAL PROCESSING. IN ADDITION, THE MINISTER OF ENERGY AND NATURAL RESOURCES WILL BE RELEASING WITHIN A MATTER OF DAYS THE GOVERNMENT'S COAL POLICY.

THE POLICY WILL ESTABLISH THE GUIDELINES FOR FUTURE DEVELOPMENT AND WILL, I BELIEVE, LEAD TO MAJOR NEW INVESTMENTS WITHIN THE PROVINCE. WE WELCOME YOUR PRESENCE HERE.

WE HOPE IN THE YEARS AHEAD YOU WILL FIND IT
CHALLENGING AND REWARDING TO BE IN BUSINESS HERE.

PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.