

ALASKA LEGISLATIVE COUNCIL / HOUSE

194 SCOMM 9: HOUSE SPEC. COMM. ON PERMANENT FUND 1977-78

UNIVERSITY OF ALASKA

Hon. Hugh Malone
Page 4
February 21, 1977

8. Is it desirable to centralize all sources of various types of information in the State of Alaska or should there be coordination between several types and kinds of informational centers? In either case, what should be the role of AEIDC?

BACKGROUND

A discussion paper on this subject prepared for the National Academy of Science is appended. Additionally, the F-SLUPC is currently proposing the establishment of an interagency Alaska Resource Information System (ARIS). A paper explaining their approach is also appended.

9. Within what levels and forms of funding should AEIDC operate?

BACKGROUND

AEIDC is currently budgeted a State appropriation within the Organized Research budget unit of the University of Alaska. This appropriation takes care of only about one-half of the cost of AEIDC's public service expenditures. The cost of this public service is, therefore, borne only partly by appropriation. The remainder comes from overhead revenues from contractual services and small grants from the federal or state governments. An analysis of the services performed by AEIDC in relation to funding sources and levels is badly needed.

10. How should the "educational" functions of AEIDC be defined?

BACKGROUND

"Educational" functions currently involving AEIDC personnel include:
teaching of academic courses on a reimbursable basis with the University of Alaska Anchorage;

conducting workshops and seminars on natural resource or environmental issues or problems; and

publication and dissemination of books on Alaskan resources and environments.

Should AEIDC personnel be involved in teaching as well as information analysis and synthesis? Should "educational" activities be expanded to include the development of innovative techniques of information dissemination?

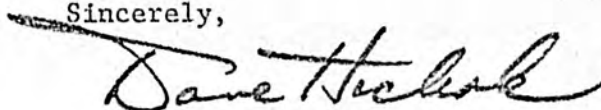
In conclusion may I simply say that I need your help. The entire staff of AEIDC is dedicated to the future of Alaska. We live in a rapidly changing world and our organization needs a dynamic and vital role in delivering readily comprehensible environmental knowledge and understanding to the land and resource use issues of our state.

UNIVERSITY OF ALASKA

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Along this line I have had conversations at the national level with our delegation, legislative committee staff members and heads of several federal agencies in late January. I am not sure at this point whether federal interest hearings pertinent to AEIDC will be held by the Congress but in any event I would welcome a public dialogue on our role in this regard, here in Alaska, and urge you to give this suggestion serious consideration.

Sincerely,



David M. Hickok
Director

Attachments

Identical letters sent to:

Hon. John Rader
Hon. Kay Poland
Hon. Al Osterback

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
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.

*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
& 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.

Social Legislative Division

(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

over what period or at any given time

- (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.

Canada Investment Division

(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.

Alberta Investment Division

(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

how are overages handled

how specific are the directions of legislative resolutions

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

hypotheec together with the amount of indebtedness under any mortgage or hypotheec on the real estate or leasehold ranking equally with or superior to the mortgage or hypotheec 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 hypotheecs of real estate or leaseholds in Canada notwithstanding that the mortgage or hypotheec 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 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 ALBERTA¹¹⁻¹¹⁻⁶⁷ 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 (17%)
1. CASH ASSETS	\$ 254,561,197.76 (11%)
Total Assets	\$1,500,000,000.00 (100%)

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 INITIALLY 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.

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Alaska's Growth and Future Choices

This section provides an overview of growth in Alaska, emerging growth policy issues, and the general role of the Growth Policy Council's Alaska Public Forum Program as a vehicle for strengthening citizen participation in the State's policy-making process.

The Setting for Growth

There was a serious question in the 1960's whether the new State of Alaska might survive economically. Its economy, which was dependent on

Federal Government expenditures and a few unstable resource extradition industries, was capital poor, high cost, underdeveloped, and generally stagnant. In the 1970's, in contrast, the question has become one of whether the State is capable of managing the massive surge in wealth and growth that petroleum development is bringing to Alaska. The surge of growth began with the discovery of oil at Prudhoe Bay in 1968. This was followed in quick succession by the State of Alaska's \$900 million sale of Prudhoe Bay oil leases, passage of the Alaska Native Claims Settlement Act by Congress, the start of construction of the \$8 billion trans-Alaska oil pipeline, planning for a Prudhoe Bay gasline, and the Federal Government's announcement of an accelerated OCS oil and gas leasing program weighted heavily toward Alaska offshore regions. Thus, the Prudhoe Bay discovery was but the first of a series of developments now changing the face of Alaska.

Pressures for development of Alaska's oil and gas resources multiplied rapidly after the the Prudhoe Bay discovery, due largely to the Settlement Act and the national and world-wide energy crisis. The Settlement Act awarded over 40 million acres of land and \$1 billion to Alaska's Native Eskimos, Indians, and Aleuts in compensation for their aboriginal claims to most of the land of Alaska. Organized into profit-making corporations under the Act, Native leaders now have obligations and strong incentives to develop the resources on their lands, and to enter into other forms of profit-making enterprise. Further, the Settlement Act removed a major legal block to construction of the pipeline from Prudhoe Bay and made it possible for the State to resume selection of its own 103 million acre entitlement under the Statehood Act.

Then came the energy crisis--the sudden increase in oil prices and the withholding of oil exports by the Arab nations and other members of the Organization of Petroleum Exporting Countries. Since the United States was heavily dependent on these exports, these events led to a series of emergency measures by the Federal Government, including the accelerated OCS leasing program. Nine of the twenty-four lease sales under the program are scheduled for Alaska offshore areas within a three-year period. In addition, exploration was renewed in U.S. Naval Petroleum Reserve No. 4 (now National Petroleum Reserve, Alaska) west of Prudhoe Bay on the North Slope, an area that may itself contain as much oil as or more than Prudhoe Bay's 10 billion barrels.

Petroleum development, like the larger growth cycle it has set in motion, is also self-reinforcing. Prudhoe Bay and the pipeline have "opened up" the North Slope, the adjacent seas, and lands along the pipeline corridor to new Federal, State, and Native Corporation leasing and exploration activity. NPR-Alaska activities are similarly likely to encourage further developments on northwestern and western Alaska lands and seas, since it is generally easier and cheaper to extend development from existing areas, and to share or expand transportation facilities than to open new and isolated areas. And the geologically promising oil lands of Alaska are widespread.

For fiscal reasons, Alaska's State Government added its own push to the growth momentum. The State operating and capital budgets expanded rapidly after the \$900 million sale of Prudhoe Bay leases in 1969. The budget doubled a year later and then kept climbing, requiring the State

to draw down on the "investment" fund established with the Prudhoe Bay money. While the fund was emptying, higher plateaus of State expenditures were being created. The result was that a fiscal gap was opened for the two-year period before the Prudhoe Bay oil, and the revenues from it, would begin to flow in late 1977. In response, State officials had to examine additional sources of revenue, including a tax on oil reserves and the leasing of additional areas for oil exploration.

But even if State officials had been more determined to make the \$900 million last a while longer, pressures for ever increasing expenditures could not have been easily resisted. Prudhoe Bay, the Settlement Act, the trans-Alaska pipeline, and the national energy crisis set off boom conditions in Alaska--a rapid increase in employment opportunities, the prospect of higher incomes, expansion of trade and service enterprises, and heavy migration into Alaska. As a result, demands on public services and facilities grew, while the costs of government and everything else in the over-heated economy continued upward. Furthermore, this was on top of a long contained backlog of public facility and service needs in the new and still underdeveloped State.

Emerging Policy Issues

The central issues for public policy in Alaska is not whether the State should grow or should remain as it is. It is inevitable that Alaska will grow. Events already underway, most notably the developments at Prudhoe Bay, are sufficient to guarantee a high rate of growth for at least the next ten to twenty years. The crucial policy issue is how and

to what extent should Alaska's growth be moderated and directed to be most closely aligned with social objectives.

Alaska is undoubtedly going to be called upon to contribute a large share of the energy resources required to meet national policy goals. But Alaskans (as well as other U.S. citizens) also place high values on wilderness, open lands, subsistence life-styles, and protection of wildlife. Programs of land and transportation planning, resource conservation, and environmental protection will be required in the face of pressures for a rapid rate of resource exploitation and increasing demands on air, water, and land resources. The need for adequate fish and wildlife and other environmental protection is particularly critical because of the limited biological carrying capacity of Alaska's arctic and sub-arctic climes.

Rapid exhaustion of the State's petroleum resources and wealth is possible within the period of a single generation. To what extent can or should State policy makers attempt to slow the rate of non-renewable resource exploitation? How much of the public revenue generated by that exploitation should be invested to promote the development of renewable resource industries, such as fisheries, forestry, and agriculture? How much revenue should be saved and invested for use by future generations?

The needs and interests of both current and new inhabitants of the State have to be accommodated. As employment opportunities and incomes increase, larger numbers of migrants are attracted to the State. The result is that economic benefits are spread thinner, the average individual realizes

a smaller gain, and some people experience many of the costs of growth and few of the benefits. Long-time (before pipeline) Alaskans may resent the newcomers' intrusion and fear the passing of the familiar community and life-styles.

Demands for public goods and services grow with the population, causing State and local government expenditures to increase. As governments and their budgets expand, so do the revenues available to spend. And government expenditures add their own push to Alaska's growth as they enter the economy. They create new jobs, attract additional migrants, and result in further demands for public services and facilities. How, then, can the increasing size and complexity of government be checked?

Oil Wealth

The State's oil wealth provides both the major source of growth in Alaska and the means for effective State Government responses to growth problems. The people of Alaska are the owners of the oil and gas and, through their State Government, they authorize private industry to locate and produce it. The industry's reward for finding and producing the oil and gas is their right to keep and sell most of it at a profit in the marketplace. However, the State holds on to a portion of the oil and gas produced (royalty oil and gas) and has the choice of keeping and using or otherwise selling it, or immediately selling it to the producing companies and taking payments for it (royalty payments). In addition, oil companies pay severance, property, income and other taxes and fees to the State for the opportunity they have to produce, process, and sell the oil and gas for profit.

Thus, the people, through the State Government, can either make use of their royalty oil and gas within the State, or sell it and take payments for it. Such royalty payments, together with the tax revenues and other income from oil and gas development, will represent enormous sums of money that can, in turn, be used for a variety of beneficial purposes.

The general question is: How can these resources and wealth be used in the best short- and long-run interests of the people of Alaska? A number of more specific policy questions dealing with two major sets of oil wealth issues: the establishment and uses of a "permanent fund" to which some portion of oil and gas revenues would be committed as savings and investments, and the possible uses of royalty oil and gas within the State to foster petroleum-related industrial development.

- * Should permanent fund money be used primarily for investments in Alaska (to build up fishing and timber industries, small business, housing, etc.) even though the financial returns to the State on these investments may be limited, or should the money be used primarily for financial investments outside the State that would yield the highest rates of return?
- * Should permanent fund investments within Alaska give priority to building up renewable resource industries (fishing, timber, agriculture)? public works? small business? industrial development? housing? human development (e.g., expanded educational loans)?
- * Should earnings of the permanent fund be reinvested in the fund to build up more earnings, or should they be transferred to the general fund for current spending? used to lower personal taxes? distributed in cash payments to Alaska residents? distributed to local governments?

- * Should increasing amounts of non-renewable resource revenues (mainly oil and gas income) be put in the permanent fund in order to keep State current expenditures down and to save larger amounts for use by future generations?
- * Should permanent fund investments be limited to conservative investments which minimize risks and returns, or should investments be unrestricted in allowable risks, i.e., should high risk "gambles" for potentially high returns be allowed?
- * Should the State attempt to keep its budgets and spending down by restricting the sale (or leasing) of its oil and gas resources?
- * Should leaving the oil and gas in the ground be considered one alternative to selling the oil and gas and investing revenues received from the sales?
- * Should the State use its oil and other wealth to build the Devil Canyon-Susitna hydroelectric dam project in order to provide electric power to the railbelt and nearby areas?
- * Should the State encourage the use of oil and gas for industrial development--for petrochemical plants, refineries, power generation, etc.--in order to create new jobs and income?
- * Should the State sell its royalty oil and gas below market value to encourage the establishment of a processing or industrial facility in the State based on oil and gas resources?

AK Growth Policy Council

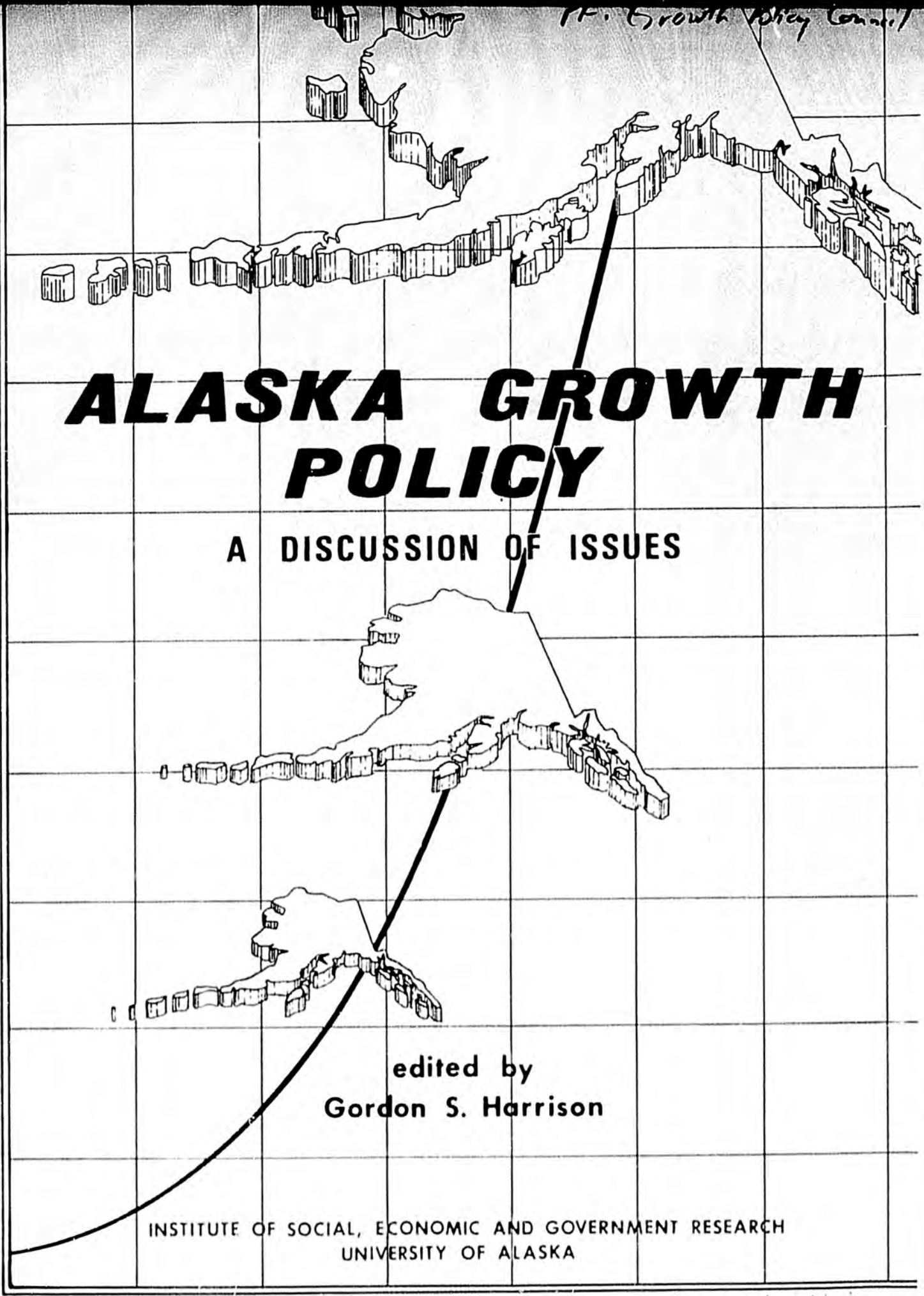
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ALASKA GROWTH POLICY

A DISCUSSION OF ISSUES

edited by
Gordon S. Harrison

INSTITUTE OF SOCIAL, ECONOMIC AND GOVERNMENT RESEARCH
UNIVERSITY OF ALASKA



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Alaska Growth Policy

A DISCUSSION OF ISSUES

EDITED BY
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INSTITUTE OF SOCIAL, ECONOMIC AND GOVERNMENT RESEARCH
UNIVERSITY OF ALASKA

PREFACE

A three-day symposium on the subject of a growth policy for Alaska was held at the University of Alaska, Fairbanks, December 3-5, 1974. Sponsored by the University's Institute of Social, Economic and Government Research with support from the Alaska Humanities Forum, this symposium reflected the continuing but recently heightened concern of Alaskans about the future of their state. Traditionally, the concern in Alaska about growth has been that there wasn't enough of it. Since the discovery of oil on the North Slope in 1968, however, this concern has begun to focus on the possibility that Alaska will get too much growth, too fast, in the wrong places.

Some participants doubtless arrived at the symposium wondering if the signs of a frantic oil boom all around them didn't signify that the opportunity to control growth, if it ever existed, was surely lost now. Even those most optimistic about the ability of the state to intercede effectively in the growth process could not deny that very powerful forces of social and economic change in Alaska were already off the leash, and that the pace of events was quickening daily.

In my letter to symposium participants, I wrote:

The Symposium is designed to help achieve a clear formulation of growth policy issues and growth management methods available to Alaska. Toward this end, the symposium will synthesize historical perceptions of Alaska's development and trends, growth projections and policy alternatives, growth policy experiences of other states, and public values emerging with respect to Alaska's future. Attention will be given to the full gamut of public policy issues related to Alaska's future, including economic growth, land and resource use, revenue generation and investment, distribution of benefits and costs, immigration and settlement, community growth, environmental quality and other factors. Underlying these issues are the basic questions related to Alaska life styles, the future character of the state's communities and regions, and the need to develop

processes through which an Alaskan approach to challenges of growth can emerge.

Discussion at the symposium was as broad as this statement invited it to be. As anticipated, a consensus on the scope and design of a growth policy did not emerge from the conference, and because the participants came from around the state and represented various points of view, I think it is safe to assume that the basis of a consensus on this subject does not now exist in Alaska. However, the symposium did move a measurable distance toward identifying and clarifying many of the issues that are raised by the subject of a growth policy.

To provide a point of departure for future discussions of Alaska growth policy, I asked Gordon Harrison, one of the symposium participants, to prepare a brief publication that attempts to capture the main issues and unanswered (unanswerable?) questions of a growth policy for Alaska. Included is an essay by Gordon prepared after the conference; a paper presented at the conference by Ken Rainey, a Fellow of the Academy for Contemporary Problems; excerpts from two other papers presented at the conference; and a sampling of extemporaneous comments and observations by symposium participants.

Victor Fischer, Director
Institute of Social, Economic
and Government Research
June, 1975

GROWTH IN ALASKA

By Gordon S. Harrison

Alaskans face the prospect of major growth in their state over the next several years. As Alaska's senior economist George Rogers remarked to the symposium participants, Alaska's growth has never been smooth and gradual but rather marked by periodic "quantum jumps" of development. Alaska is currently in the midst of one such quantum jump. There are now some 350,000 residents of Alaska. A recent population projection shows 510,000 residents in 1980 and almost 550,000 in 1983.¹ David T. Kresge, a University economist who has developed a computer model of Alaska's economic reaction to various levels of petroleum development, projects that the state's population will exceed 600,000 by the year 1990, even if no major oil development occurs in addition to that of Prudhoe Bay. These estimates of population growth may well be low, for development in addition to that associated with Prudhoe Bay now seems likely.

Oil and gas development is the prime mover of current growth in Alaska. The trans-Alaska oil pipeline now under construction will permit commercial production of Prudhoe Bay fields some time in 1977. This project may be just the beginning of a sustained oil boom in Alaska. Within a few years of completion of the oil pipeline, a pipeline for North Slope natural gas must also be built, either across the northeast corner of Alaska to Canada or to a tidewater port in southcentral Alaska. Congress has authorized further exploration of Naval Petroleum Reserve No. 4, and there is serious talk of allowing commercial development of this federal reserve. Also, the federal government is preparing to lease oil tracts on the outer continental shelf (OCS) in the Beaufort Sea, Bering Sea, and Gulf of Alaska, and the state government is considering additional leases of state land in lower Cook Inlet, Beaufort Sea, and Prudhoe Bay. Meanwhile, Native corporations created by the

¹Human Resources Planning Institute, *A Forecast of Industrial and Occupational Employment in Alaska* (Fairbanks: Institute of Social, Economic and Government Research, 1974), p. 58. See also, Alaska Department of Labor, Research and Analysis Section, *Annual Population and Employment Projection 1961-1980*, March 1974.

Alaska Native Claims Settlement Act of 1971 are selecting lands with oil potential, and six corporations have already signed exploration agreements with major oil companies.

From the beginning of exploration to the beginning of commercial production of oil and gas, the petroleum industry creates a great deal of employment and makes many purchases of goods and services within the state. Most of this employment and business activity results from the construction of transportation and processing facilities: pipelines, oil and gas separation plants, marine terminals, refineries, liquefaction plants, and even petrochemical plants. During the 1960's, for example, there was a major oil boom on the Kenai Peninsula when offshore exploration was underway along with construction of two refineries, an ammonia-urea plant, a gas liquefaction plant, and three docks.

After all required processing and transportation facilities are in place and commercial production of oil and gas begins, the petroleum industry ceases to create much employment or make many local purchases. During the operational periods, however, the industry provides an indirect stimulus to the economy through payments to the state government — royalties (if the wells are located on state land), severance taxes, property taxes, state corporation taxes, and personal income taxes.² The state government in turn spends this money on salaries of public employees, capital improvements, and various state programs.

Additional spending in Alaska, whether by the oil industry or by the state and federal governments, causes population growth by creating more jobs, and these jobs attract more immigrants to Alaska. During the post-World War II defense spending boom in Alaska (1946-1953), for example, total population increased from an estimated 99,000 to 212,000. Net in-migration accounted for about 83 per cent of this increase.

Spending that increases statewide income and employment is not the only cause of population growth. Population growth also occurs from natural causes — i.e., excess of births over deaths. During the fourteen-year period between 1953 and 1967, for example, the total net out-migration was 20,000, the growth of total population from 212,000 to 278,000 being accounted for by the offsetting natural increase of 86,000. Since 1967 there has been a progressive increase in net in-migration, and the current surge of petroleum-related construction and economic expansion promises to swell the state's population in the next decade much more dramatically than natural increase.

It has been suggested that new settlers will be attracted to Alaska even if there is no further economic development. According to this argument, ever greater numbers of people will seek refuge from the pace and style of life in the other states, and Alaska's relatively undeveloped condition will draw them north like a magnet. Any effort to limit development in Alaska as a means of limiting growth would therefore be counterproductive

I saw a study of transients who migrated to Valdez looking for work last summer. It said that 50 per cent of those who arrived between May and September said that they had been told in the states where they originated that there was no work in Alaska, but they came anyway. One of the impacts of a possible worldwide depression may be that people will decide that things couldn't be any worse in Alaska than in their own state and that they may as well migrate
Chuck Konigsberg

²In addition, 90 per cent of the federal revenue from onshore wells on federal land in Alaska now goes to the State of Alaska.

and doomed to failure.

There is a good deal of anecdotal evidence from states such as Vermont and Oregon to suggest that large numbers of people are indeed trying to "get away from it all" by moving to less urbanized areas. However, the prospect of significant immigration to Alaska in an inverse relationship to economic development here seems very slight. The cost of living is very high in Alaska, and subsistence living is not a practical lifestyle for many people. Nothing in Alaska's development history suggests that the ebb and flow of civilian migration is caused by anything but the fluctuation of real and perceived economic opportunity.

Attitudes Toward Growth and Growth Policy

Participants at the symposium expressed different attitudes toward growth in Alaska. Some thought that growth represented social progress and was unambiguously good for Alaska; others viewed growth as a mixed blessing but considered moderate growth in Alaska to be acceptable; and still others regarded all growth in Alaska to be undesirable.

Different attitudes toward growth naturally led to different opinions about the main objective of a state growth policy. Those who welcomed all growth thought that state policy should promote growth and smooth its path. Those who welcomed only moderate growth thought that state policy should attempt to enforce standards and guidelines for growth which selectively permit and prohibit certain types, patterns, levels, and location of growth. Those opposed to further growth in Alaska thought that the objective of state policy should be to minimize to the greatest possible extent future population increase and economic development.

The critically important distinction between these opinions is the degree to which state policy should restrict, or limit, growth. However, differences of opinion about the limitation of growth in Alaska were in large measure obscured by repeated use of the phrase "controlling growth" and the word "planning." Everyone acknowledged that growth should be controlled, and that planning is necessary to cope with future growth, but these terms had very different meanings to different people. To maximum growth advocates, the planning process is one that encourages, assists, and accommodates growth. In this frame of reference, controlling growth means shaping and guiding it to maximize its social and economic benefits and minimize its social and economic costs.

To moderate growth advocates, the planning process should also smooth the path of growth (for example, by assuring that necessary land, utilities, and public services will be available for a growing urban population), but it should also identify especially costly types and patterns of growth and devise methods of preventing this undesirable expansion. In this frame of reference, controlling growth means enforcing social, economic, and environmental standards that limit growth to some extent by selectively restricting certain types of development.

In spite of public concern, in spite of good intentions, in spite of this symposium and others that take place, my thinking is that we are headed down the same road to destruction of land and resources as the rest of the states are. . . . The point is that in spite of planning, it boils down to the rough and tumble of politics and survival and numbers.

Emil Notti

To minimize growth advocates, the planning process serves essentially the same process it does for moderate growth advocates, but standards are much more severe and more growth is stymied. In this frame of reference, controlling growth means restricting the aggregate magnitude of growth as much as possible.

Behind the rhetoric of controlling growth and planning are fundamentally dissimilar opinions about the degree to which state growth policy should *limit* growth. The range of opinion can be expressed as a continuum from no limitation and maximum growth to maximum limitation and minimum growth.

Thus, the principal controversy in Alaska about growth policy is not controversy about the need for planning and growth management efforts by government *per se*, rather it is about the extent to which they should limit the magnitude of growth. There seems to be no consensus about either the desirability or the possibility of limiting growth. Indeed, these seem to be the two central questions of the growth policy issue: *should* public policy attempt to curb aggregate growth in Alaska, and if so, *can* it effectively do so?

Growth Limitation: Is It Desirable?

One reason why I think that controlling growth may be a germane part of a human development policy comes perhaps from my background as a biologist and deals with what I perceive as some of the realities of living in Alaska. The sun doesn't shine very effectively for very long during the year in Alaska. As a result, the land doesn't produce very much in the way of vegetation or animals. Agriculture in the North is a losing battle in the traditional economic sense of the word, and subsistence lifestyle can support only a limited number of people. . . . If we ask how many people who enjoy hunting can survive in Alaska at a given quality of hunting experience, then the limitation of sunlight has a great deal to do with the carrying capacity of the environment for these sorts of human activities.

Bob Weeden

Support for growth limitation, at least among non-Natives, stems mainly from the pervasive sentiment that up to now, Alaska has offered a very high quality of life for its citizens which is attributable to a small population and non-industrial economy. The essence of this "quality of life" case for growth limitation is that Alaska should not and need not develop in a pattern similar to that of the other states; that there should be one state that is not dominated by the style and pace of industrial and urban America; that the wilderness and unspoiled land of Alaska should not be encroached upon any further, for this land is the last of its kind in the world. Behind this attitude is an impulse to stave off the advance of industry, highways, and tract houses. However difficult it may be to precisely define "quality of life" in Alaska, the term generally implies close ties to nature and community, ties that are inevitably loosened as the size and complexity of society increases.

It is argued further that North Slope oil revenues assure Alaskans that their state government will survive and their basic public service needs will be met. Moreover, passage of the Alaska Native Claims Settlement Act of 1971 assures the Native population of the state a major role in the political and economic development of Alaska. Thus, the argument is that Alaska does not need growth beyond that which is immediately foreseeable, and that public policy should attempt to curb all unnecessary and avoidable growth.

Growth limitation is also thought by some to be a necessary defense of Alaska's wilderness and wildlife. Recreational pressure on Alaska's big game and freshwater sport fish is intense, and the quality of hunting and sport fishing is in decline everywhere in Alaska. Contrary to popular belief, Alaska's land and fresh water

are not highly productive, especially in the interior and northern regions of the state where the winters are long and cold. Native villagers are alarmed by the threat to their subsistence resources from well-equipped, highly mobile recreational hunters.

Although discussion of growth limitation often implies that it would be a blanket policy applied statewide, advocates of the idea recognize that antigrowth policies may be selective, especially as to region. An obvious candidate for a regional policy of growth limitation is the Anchorage area in southcentral Alaska, which has been expanding and prospering for years. While efforts to limit growth and development may be appropriate there,³ they may not be appropriate for some other regions of the state. For example, development would seem appropriate in Southeast Alaska where the fishing industry is in decline, the timber industry is in a prolonged recession, and the state government and public administration industry may be withdrawn; it would also seem appropriate in the predominantly Native regions of southwest and northwest Alaska, which are the poorest in the state.

Growth limitation in Anchorage has a special appeal to some people as a means of redressing the present imbalance of political and economic power in the state. If current growth trends continue unchecked, Anchorage will soon elect a majority of the state legislature, and its emerging economic hegemony will become permanently fixed and unassailable.

Opponents of any type of growth limitation in Alaska are wont to argue in the first instance that Alaska is so large and the population so small that growth can continue for decades before urban expansion and natural resource development make serious inroads into the natural beauty of the state. Furthermore, opponents of growth limitation argue that population concentration can be managed so that it does not mean congestion, social anomie, and crime. Urban growth can result in more and better health care, diversified school curricula and expanded educational opportunities, symphony orchestras, fine restaurants, and other amenities of urban life.

Actually, the longest-standing argument for accelerated growth in Alaska has been economic rather than social. Statistically, the state of Alaska has high unemployment and low per capita real income, for which economic development has been touted as the remedy. This conventional rationale for growth has been undermined by evidence that high unemployment rates in Alaska are basically due to the highly seasonal nature of much basic industry and are not relieved by economic expansion. Furthermore, economic expansion lures more workers to the state in search of jobs than there are jobs available, and increases in gross income generated by this economic expansion are spread among a greater number of people, resulting in less than proportionate rises in per capita income. There is increasing, if reluctant, acceptance of the argument that, in the aggregate, development does not ameliorate unemployment or greatly raise

One thing that seems to be clear about optimum size is that it is virtually impossible for any community to control its own growth — certainly impossible for Anchorage, the key metropolitan area in Alaska. I project some 55 per cent of the people of Alaska being in Anchorage in 1990. If you include the Kenai Peninsula and the Palmer areas, you bring the total population of the Anchorage region up to two-thirds of the total population of the state. . . . And the growth of Anchorage is not going to be dependent on Anchorage decisions, it is going to be dependent on statewide policy affecting total growth. . . . The factor of growth is larger for Anchorage in terms of percentage than for the state as a whole. The more the state grows, the faster yet Anchorage will grow. . . . The effect will be on the quality of life and livability of Anchorage itself.

Vic Fischer

³A contrary opinion is that Anchorage has already been spoiled by excessive, unmanaged development, and that future growth should be channeled there to prevent it from affecting the relatively undisturbed areas of Alaska.

Every time you create a job, a new person moves in. When you keep adding jobs in order to cure the unemployment problem, people come in as fast as you add these jobs. I'm always taken a little aback when people say that we need to employ Alaskans. Well, who exactly is an Alaskan? It seems to me that the U.S. Constitution makes it very clear that it is anyone who crosses the border.

David Kresge

personal incomes.

However, development does benefit many Alaskans in a real and direct manner. Too, a deceleration of economic growth might cause direct and real harm to many Alaskans (most of whom would presumably be unskilled, low income, and Native). Furthermore, real per capita income is not a full measure of the social benefits of economic development. For example, if more public roads, buildings, and other facilities are built, and if more public services are provided, society has gained even if the average real per capita income of residents has not increased in the process.

Growth Limitation: Is It Possible?

If one decides that some measure of growth limitation is a desirable objective of public policy, he must also determine if such limitation is practical and realistic. For political, constitutional, and other reasons, it is not clear that policymakers could effectively limit growth in contemporary Alaska if they wanted to.

Is any measure of growth limitation in Alaska politically feasible? Some say "yes." Symposium participants frequently commented that Alaskans' attitudes toward growth are changing; they are increasingly skeptical of the need for, and benefits of, more economic development and population growth. Cited among other manifestations of this attitudinal trend was the 1974 gubernatorial election, in which Jay Hammond campaigned on a "go slow" growth platform. Most symposium participants acknowledged that popular attitudes toward development have changed in recent years and that a primary reason for this change

The following is an excerpt from "Alaska's Growth to 1990: Policies and Projections," a paper presented by David T. Kresge, Professor of Economics, Institute of Social, Economic and Government Research, University of Alaska, Fairbanks, Alaska.

* * *

Over the foreseeable future, state expenditures from petroleum revenues will be the primary driving force in the Alaska economy. Policy decisions governing the pace of oil development and state fiscal policies will have major impacts on Alaska's rate of expansion. Growth will be substantial under almost any conceivable set of policy actions and world oil prices. However, the future growth rates are not likely to be outside the range of recent experience and in many cases may be somewhat lower.

With regard to the broad policy actions considered here, the range of policy impact is much wider in the upward direction than in the downward. The state has the ability to accelerate development substantially, but given the ongoing developments on the North Slope, there are no realistic policy options that can significantly curtail Alaska's growth. If the state chooses to increase its growth rate, policies to promote rapid development of Alaska's petroleum resources and/or expansionary fiscal policies will sharply accelerate growth in output, employment, and

population.

Alaska's growth will be heavily concentrated in those sectors which are either directly influenced by oil revenue, such as state and local government, or indirectly influenced through the induced growth in personal income. The support sector industries, and particularly the trade and service industries, vary strongly with changes in personal income and can be expected to grow rapidly. It is likely that at least three-fourths of the future growth in employment will be in trade, services, and state and local government. Any policy action or other event which raises personal income will further increase the growth in the support sectors and, through them, the growth in the economy as a whole.

Renewable resource industries can be expected to play only a minor role in Alaska's future economic growth. In fisheries and forest products, the limited supply of natural resources will constrain the amount of expansion that is feasible. Agriculture in Alaska may well expand output severalfold, but because agriculture is so small in absolute terms, this will have slight impact on the state economy. The renewable resource industries will continue to be an important part of the Alaska scene, both in terms of economics and on the basis of broader considerations, but their contributions to economic growth will necessarily be quite limited.

is the opinion that Alaska is on the verge of becoming a very rich state and can now afford to forego development that carries high social and environment costs. This pervasive view, plus the fact that many people have begun to experience negative impacts of pipeline construction, is causing some to think that the underlying political support for growth limitation policies now exists and can be mobilized by executive or legislative leadership.

Are policy tools available to intervene in the growth process? Again, some say "yes." Advocates of growth limitation argue that all of the traditional tools of planning and growth management can be used to limit growth in a fashion and to a degree that policymakers choose. For example, by increasing the scope of their application and their severity, the same techniques of land classification, transportation planning, business licensing, and fiscal policies that are used to manage the effects of growth can be used to limit the magnitude of growth as well. In addition, a wide variety of new regulatory devices and economic inducements are now being developed and perfected by a number of states to influence specific environmental, social, and economic aspects of growth and development. These utilize such mechanisms as air and water quality standards, revenue sharing, and regulatory boards and commissions.

The state government can also influence growth by saving North Slope oil revenues. If spent, these revenues will allow the state government to expand its annual budget, and this incremental budgetary expansion will be growth inductive. Certain expenditures may produce less growth than other expenditures. For example, the income and employment multiplier effects of one industry may be less than the income and employment multiplier effects of another industry, so that state subsidy of the

I'm somewhat astounded by the illusion of grandeur the morning's speakers have expressed about the ability of the state to control its growth. I think that all of the forces of growth in Alaska are outside the state. The only way we are going to control our growth in the state of Alaska is to make it unattractive to people, not attractive. And I'm not advocating that we should make it unattractive. Alaska is just not going to have any real influence in stopping growth. Rather than stop it or slow it down — whether it be rapid or moderate — let's direct it. We can direct it and should direct it well.

Chuck Evans

The federal government sector will also remain an important component of Alaska's economy, but rather than contributing to growth, it is most likely to decline in the future. As the state becomes more self-reliant and as the Native Claims Settlement Act is implemented, federal civilian employment can be expected to diminish gradually. The number of military personnel stationed in Alaska is not likely to increase, and there may be further reductions in the future. Clearly, the importance of the federal sector will be greatly diminished relative to the other economic activity in Alaska.

Changes in the price of oil can have substantial impact on the Alaska economy, and they do introduce a major element of uncertainty into the planning process. But, within the likely range of variation, changes in oil prices will not alter the basic pattern of growth in Alaska. Nor will they have such large effects as to overwhelm the influence of government policies. In fact, government policies can, if necessary, be adjusted to offset the destabilizing effects of fluctuations in oil prices.

There are two areas where policy decisions can have massive impact on the course of development. The first are petroleum development policies. If we concentrate on those aspects of petroleum development subject to state control, the key item is how much leasing is undertaken by the state. The rock bottom level is full North Slope

development — gas and oil. A second alternative is some limited additional leasing. A third is rapid petroleum development with annual lease sales every year from 1980 on, with several major new fields opened up.

The second set of policies are fiscal policies, and here we concentrate solely on the spending versus saving decision. State spending is what causes the system to grow either more rapidly or less rapidly, strongly influencing gross product, employment, and population. Public policies are by no means trivial instruments in their effect on the economy and population.

Designing effective policy instruments means focusing on what we want to accomplish. For example, if the objective of Alaska public policy is to increase the personal income of its residents, it is apparent that the aggregative policies are ill-suited to that purpose. Broad policies which cause output and income to increase also cause population to grow. The result is an increase in the size of the Alaska economy but virtually no change in real per capita income. For similar reasons, aggregative policies are not effective in reducing Alaska's unemployment rate. Thus, if the goals of public policy include raising per capita income or lowering the unemployment rate, then policies will have to be designed to achieve those specific goals; aggregative policies alone will not do the job.

I have an intuitive sense that within the next decade or so we are going to have some major constitutional crisis regarding the relationship between the national interests and state interests in the areas of environment, energy, and raw materials. . . . To a certain extent, the energy frontier areas of the United States — areas to which the nation as a whole is looking in its quest for self-sufficiency in primary fuel because of their strip mineable coal or their oil reserves — these areas are becoming reluctant to play the role of energy providers for the nation.

Should these states have a veto power over the use of federal resources within them, or should the federal government have the authority to override the states' environmental land-use, and economic policies with respect to the development of energy resources? . . . I think that the way in which this constitutional problem is resolved will have an enormous effect on Alaska.

Arlon Tussing

former is less growth inducive than state subsidy of the latter. However, these differential effects of state spending will probably be minor. Critically important for the magnitude of long-term growth is the *amount* of money spent versus the amount of money saved. Saving will not produce growth, and it may therefore become a growth-restrictive public policy.

Another important policy lever that the state could possibly use to influence future growth is the leasing of state land for exploration and development of oil and gas. If we assume that lands leased by the state require equivalent exploration and development efforts, and have roughly equivalent producing potential, it would be possible to manipulate the distributive effects of growth induced by oil development through the timing and location of lease offerings. More importantly, it would be possible to manipulate the aggregate growth impact by varying the amount of acreage offered for lease. Thus, a decision to withhold state land from oil and gas leasing would be growth restrictive, just as a decision to save a portion of new oil revenues would be growth restrictive.

The weight of the foregoing optimism about the state's ability to influence the rate of growth in Alaska is seemingly balanced by an equal and opposite weight of pessimism, which is founded in two main arguments: (1) the state government could never mount a coherent and effective policy offensive on the rate of growth, because support for specific development projects could always overcome general political commitment to growth limitation; and (2) the forces of growth in Alaska are already in motion; they are removed from the state's sphere of action; and they are so strong that they cannot be resisted, neutralized, or deflected to any appreciable extent.

During the symposium it was argued that the public skepticism of development which has appeared in recent years is still too germinal, too abstract, and too nebulous to be a threat to specific development proposals. According to this "political realism" argument, it is one thing to ask a man what he thinks about development, and it is another to ask him what he thinks about a proposal to build a new industry in his hometown. If he is like most people, he will respond to the second question only after consulting his own interests and deciding if on balance he wins or loses from the project. Usually, only the people who are directly and immediately affected by a project identify themselves as winners or losers, and only they become relevant to those making decisions about the project. Further, the history of economic development in Alaska and the rest of the United States suggests that there will probably be more people who expect to be winners than losers, and that the winners will probably be established economic interest groups with longstanding political influence. Thus, in reality it would prove very difficult for elected officials to oppose specific development projects, whatever the general climate of public opinion toward the principle of development.

The political realists also assume that legislators could not resist the temptation to spend the revenue generated by North Slope oil production. Some symposium participants, a legislator or two among them, thought it fatuous to expect that there would be

significant saving of oil revenue, or even that the spending of this revenue could be confined to a planned, coherent budget strategy designed to have predetermined growth impacts. There will be strong pressure from within state government to expand existing programs and launch new ones, as well as strong pressure from outside the government to support and subsidize natural resource development schemes in every region of the state. However uneconomic and inefficient, new resource development will be promoted as the answer to Alaska's unemployment problem and as the guarantee of long-term prosperity through diversification of Alaska's economic base. It is argued that legislative budget allocations in Alaska are made through the process of log rolling among regions and districts, and that the process would only be intensified by the availability of greater and greater amounts of public money.

During the symposium it was argued that growth limitation is in any case a "will 'o the wisp," because the state simply has no real power to resist contemporary forces of growth and development. How realistic is it to assume, for example, that Alaskans can successfully resist development of their oil and gas resources when the nation is experiencing an acute energy shortage? The oil industry by itself seems at times to have a forward momentum that sweeps all men and events with it. Now, the industry has been joined by the U.S. Department of the Interior in promoting more oil exploration and development, especially on the federally-owned lands of the outer continental shelf (OCS). The coastal states, Alaska among them, have apparently already abandoned hope of resisting OCS leasing and are negotiating with Congress for a share of federal revenue from OCS bonuses and production to at least compensate for onshore social and environmental impacts.

Moreover, OCS leasing along Alaska's coastline will probably pressure the state government into accelerating its own leasing program. Whatever the state administration may think about the desirability of more oil development in the near future, it may be forced into offering more leases to realize significant bonus income before the market is spoiled by a glut of federal lease offers, and so that it can secure royalty and taxation revenue from production of oil that might otherwise be drained by wells drilled from immediately adjacent federal leases.

In the matter of leasing land for petroleum exploration, the state is also in a competitive position with the Native regional corporations, which are "for profit" organizations. Many Native land selections under the Alaska Native Claims Settlement Act of 1971 were made with a view to oil and gas potential, with the result that Native corporations will soon have mineral rights to many promising petroleum structures in Alaska. These corporations are under pressure to hasten oil and other natural resource development, both from their stockholders and from the other regional corporations (which by terms of the Native Claims Settlement Act are entitled to 70 per cent of natural resource revenues). OCS development will assist oil development on Native lands to the extent that it results in new ports, offshore loading facilities, and cross-country oil and gas pipelines. Thus, with so

A really critical feature of the Land Claims Settlement Act is the requirement that each region must share 70 per cent of its natural resource revenue with the other regions, and that each region is required to share its revenues vertically, that is, with the villages of the region. It seems to me that this requirement places on the boards of directors of each regional corporation a tremendous burden in favor of the extraction of the region's natural resources. It may even be that a corporation which refused to permit that type of activity could face legal threats from the boards of directors of other corporations, which would claim a right and an interest, a vested interest, in that kind of development.

Joe Josephson

After we gave them some economic data, we let the villages select the lands they wanted. The majority of the lands that they selected were for subsistence life-style.

Sam Kito

What we're trying to do, in order to promote the resources on Native lands and make them relative to our people is to keep the transportation corridors, the roads and stream easements off our land so that we can develop it as it relates to our own needs. And I think the state can do somewhat the same thing. I don't care how much land the federal government has, or anybody else in Alaska; if you look at where the state is going to have its lands and where the Natives are going to have their lands, we can very well provide self-planning for the development of resources, providing we do it together.

Roger Lang

much of Alaska's potentially valuable oil land in Native or federal ownership, it is not easy to imagine how the state government could effectively limit oil development by withholding leases on its own land. Such a policy would merely shift oil development elsewhere and result in nothing more than a loss of royalty and bonus income to the state.

Another reason the state is said to have little or no control over growth patterns within its borders is the fundamental dependence of its natural resource industries on conditions and events external to Alaska. For example, the condition of the timber industry in southeast Alaska, the mining industry in interior Alaska, the fishing industry along the coasts, all depend upon such uncontrollable factors as prices and demands in national and world markets, technological developments, comparative rates of inflation, federal environmental standards, and federal resource development policies.

Skeptics of growth limitation also point out that the past record of bureaucratic attempts to manipulate human behavior on a large scale, is not a very impressive one. Ambitious social policies (of which growth limitation in Alaska would surely be one) are often ineffective or, worse yet, counterproductive. Contemporary society is so complex and individual motivation so mysterious that all the major consequences of new social policies are seldom foreseen. So far, growth limitation is *terra incognita* to politicians and policy planners around the nation.

Where Are We? Where Do We Go From Here?

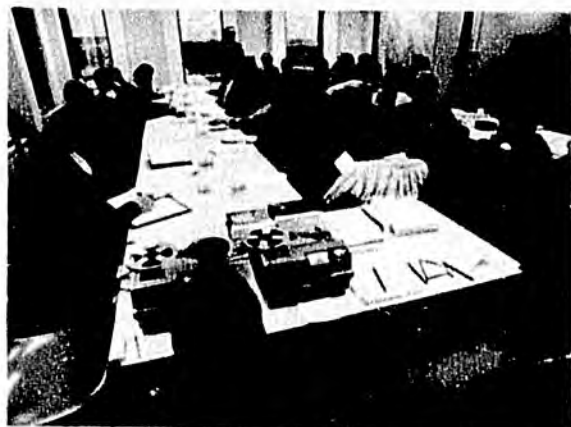
Many people in Alaska are doubtless ambivalent about the desirability of growth limitation here. Most of us like nice restaurants, shops, and a fine symphony orchestra, along with wilderness at our doorstep. However, if a poll were taken today on public attitudes toward different growth rates, a very large percentage of people would indicate a preference for selective and moderate growth to maximum or minimum growth alternatives. That is, as an abstract proposition, most would acknowledge the desirability of limiting growth to some degree. Among these people, however, there is probably a good deal of skepticism about the ability of government to design and carry out an effective regulatory effort. Like reducing state budgets, limiting growth seems possible but not probable.

If Alaskans are to ever agree upon a growth policy that actively regulates the magnitude of growth, a great deal more public discussion of the issue seems necessary. This effort may be most productive if it begins with an examination of specific development projects and proposals in the state, such as the proposals to build roads to Cordova and Nome; to develop oil resources of the outer continental shelf; to build a trans-Alaska gas pipeline; to begin flourite mining on the Seward Peninsula; and to explore Native corporation lands for oil and gas, commercial timber, and metallic minerals. What are the growth implications of each project? Are these desirable? Is the public interest served by stopping or delaying the development? Does the state or local

government have the authority, political support, and policy tools to stop or delay the project if it is deemed to be within the public interest to do so? Only in the context of specific developments will the issues of a growth policy for Alaska acquire sharp definition and tangible meaning, and the range of feasible policy action become fully evident.

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STATE GROWTH POLICY

By Kenneth D. Rainey

Growth policy and growth itself are very popular these days. Growth and growth management are being studied by states all across the nation. The President must submit a biannual growth report to Congress. Communities are considering a new question — whether or not they want growth. Some are even looking at ways to severely limit influx of new population.

The growth policy field is full of semantic misunderstandings and value conflicts. So in the course of this talk, I would like to cover several things. First, my understanding of what a state growth policy should attempt to do; second, some of the distinctions I see between Alaska and the "Lower 48"; third, a review of what some of the other states are doing, including a rough classification of their problems and problem-solving techniques. Finally, I would like to suggest the essential elements of a state growth management program which I believe are applicable here in Alaska as well as in other states.

State Growth Policy: What Is It?

We need to clarify these words before this discussion can have much meaning. First, what does "growth" bring to mind? Do you remember the glorious period of seeking urban-rural balance? Public officials, government reports, and lobbyists all spoke for the need for "urban-rural balance." It was a beautiful thing. It was very harmonizing. But no one knew what it was. Rural people thought it meant moving back to the country. Urban people certainly did not think it meant limiting metropolitan area growth. As a result, urban-rural balance, was always a spongy policy concept. Certainly no states ever got down to the cutting edge of saying, "If we want urban-rural balance, it means not building something here, and building new facilities there."

The word "policy" too, has been cheapened. It has come to mean almost any statement of advocacy made by mayors, governors, presidents, or anybody else. People do not believe that governmental policy statements by themselves have much wallop.

A strong chief executive can provide the sense of coherence and consistence that planners talk about; he can provide it more realistically than a comprehensive synoptic vision moving major policymakers to change the nature of the way the system works.

Tom Morehouse

The bureaucracy has more control over what is happening than the governor. The executive branch is set up around a number of line organizations; they don't need to plan because the legislature tells them what to do in the statutes. There is an enormous grip on the future which is the existing fabric of both state and federal law.

John Havelock

They are right — they don't. We are being fed a steady diet of policy statements which sound suspiciously like TV ads: our policy is to give you the best service in town. What does that mean? Do they fix your car the first time you take it in to the shop? We have been bombarded with federal urban and rural policy statements that have meant nothing in terms of the day-to-day actions of federal agencies who allocate funds. If growth policy is to mean anything, it must get beyond bland statements and vague definitions such as "we do not want our cities to get too big" or "we do not want the rural areas to be too small." It must be geared to action. It must impose constraints on operating agencies. It must be the determinant of what funds are spent where.

Finally, we must clarify what we mean by "state" in talking about growth policy. It has been common to confuse the state as a geographic territory with the state as a government body. As a result, when a governor announces a state policy, it is often what he thinks someone else should do (locate your business in the state) rather than a statement of what the government will do. In the United States, state governments are far from all-powerful institutions. Indeed, they are very limited institutions. Traditionally, they have been fiscal conduits between the federal and local government. Comprehensive, independent programming, particularly on development, has been rare. State growth policy should mean policy announced by the governor, the legislature, or both, concerning how and where the state should grow.

However, at the same time we recognize that how and where a state grows are not completely in the hands of the state government. They are a reflection of millions of private decisions. And yet, state policies are frequently announced with little forethought as to how these policies might be implemented or how the goals they pronounce might be realized. State growth policy then, if not to be meaningless, must also carry with it clear and concise plans of how the tools and powers of state governments are to be used to achieve the goals set forth in the policy statement.

At a minimum, state growth policy should call for consistent action on the part of state agencies towards some explicit goal or goals. They may be in numbers of people, location, or quality of life. The purposes of state growth policy and state planning should be to improve the quality of life of the people in the state through managed growth. This means avoiding the unanticipated consequences of action. Federal spending had a tremendous impact on the way this country grew in the post-war period. In light of the crunches this caused, we have to believe that some of these consequences were unanticipated. A good growth policy will avoid or reduce the number of surprises:

- Interstate and Defense Highway System is almost finished. Surprise, no gas!
- Technological advances in agriculture have enabled us to control production to insure stable supplies of food and reasonable farm profits. Surprise, there is not enough food