

The Heritage Savings Trust Fund of Alberta

HOW HAS IT BEEN SPENT?

Feature by Keith Wiley

Everyone in Alberta has ideas and hopes for the Heritage Savings Trust Fund. Few know, however, what has happened so far with the \$4 billion in the fund.

Peter Lougheed admitted Feb. 23 that the government hasn't been doing a good job of explaining the Trust Fund to Albertans.

Most Albertans are unaware that about half the Fund, \$2.2 billion is 'in bank' in marketable securities. Or that over half a billion dollars is, one way or another, tied into the Syncrude oil sands project.

Perusing the Annual Report of the Trust Fund produces these and other interesting facts.

Bank into Syncrude

Although the Fund was set up to strengthen and diversify Alberta's economy, by far its biggest industrial investment is in the Alberta oil sands. Over \$2 billion has been directly invested in the Syncrude project while another \$2 billion has been loaned to Gulf Canada-Cities Services — the two companies, besides Imperial Oil, involved in Syncrude.

Another \$75 million is plugged into the Alberta Energy Company (AEC). AEC's biggest projects are a pipeline to transport synthetic crude from Syncrude project to Imperial Oil and Gulf's refineries in Edmonton, (\$76 million) and the Syncrude power plant (about \$100 million). AEC is half owned by private shareholders. Other AEC investments in coal, forestry and steel total \$40 million.

Development of oil sand technology is the largest single project under the non-profit part of the Trust Fund — the Capital Projects Division. The Alberta Oil Sands Technology and Research Fund (AOSTRA) has been allotted \$44 million. According to the fund's annual report AOSTRA's "major areas of activity is field work in partnership with industry participants."

One of the Trust Fund's priorities is housing. Plainly, then, the Syncrude project. Even the component of the fund allotted to housing in Alberta has put only \$60 million into housing for

Syncrude employees at Fort McMurray.

But Syncrude certainly is not the whole story of the Fund. The Fund is divided into four sections which look like this:

Marketable Securities: (in the bank) \$2,121 million

Alberta Investment: (Syncrude, AEC, housing corporations) \$1,238 million

Capital Projects: (AOSTRA, parks, hospitals) \$172 million

Canada Investment: (Newfoundland, New Brunswick) \$96 million

(Figures from Quarterly Investment Report 2 September 30, 1978)

Only the capital projects division is under the direct control of the Alberta legislature. The Marketable Securities division is managed by the provincial treasurer, Merv Leitch, and the Alberta and Canada Investment division by a select investment committee of the cabinet.

Grant Notley, NDP member of the legislature, has strongly criticized this centralized control in two successive reports to the legislature. "It remains a matter of fundamental principle to our particular version of parliamentary democracy that the legislature controls the purse strings of government."

Notley and others have pointed out that the creation of the Trust Fund has taken control of a huge amount of Alberta's revenue away from the provincial legislature and put it into the hands of the 18 or so cabinet ministers.

And making more money

The government has also come under criticism for putting over half the fund into marketable securities. These investments are aimed at making money to go back into the fund. This money is in the bank until it is required for other projects. The big loans under this division are to Alberta Government Telephones (AGT) — \$750 million; Alberta municipal loans — \$160 million; provincial and federal government loans — \$180 million; and over \$500 million in "short term in-

vestments". The short term investments made only an average interest of 7.7 percent in the 77-78 year. That's less than the rate of inflation.

By far the highest income investments the Fund has made have been in its Canada Investment Division. The Fund is making 10.1 percent on a \$50 million loan Newfoundland and 9.6 percent is the rate on a \$46 million loan to New Brunswick.

These rates are even higher than what the Fund is making on its investments in the Alberta Housing Corporation and the Alberta Home Mortgage Corporation. \$731 million has been sunk into the two corporations whose avowed purpose is "the provision of housing for Albertans." The housing corporations are making a high profit for the Fund, a rate over 9.4 percent.

Even some public projects

The government is making more money on these housing corporations than on its \$111 million loan to Gulf Canada. On that loan it's making only 8.1 percent.

All of the investments from the Fund are supposed to make money except the Capital Projects Division. Besides the oil sands research (AOSTRA) this part of the Fund is directed at hospital facilities, parks, irrigation and other building projects.

Capital City park in Edmonton has been allotted \$29 million from this section of the Fund. Irrigation expansion has received \$22 million and nearly \$13 million has gone to Fish Creek park in Calgary.

The two major medical projects have been the Alberta Health Sciences Centre on the campus at the University of Alberta in Edmonton and the Southern Alberta Cancer Centre in Calgary. These centers have so far received about \$20 million and \$17 million respectively. The final cost of the Health Sciences Center is expected to reach \$103 million by its completion in 1982.

Money is going into the Heritage Trust Fund twice as fast as it is being spent or invested. 30 percent (\$922 million) of the non-renewable resource revenue — mainly oil and gas royalties — was deposited in the Fund in the 77-78 year. The year before, 76-77 the Fund grew by almost \$1.5 billion. Less than half the income from both years was invested in new projects, or any projects, in the Alberta economy.

The relatively small sum of \$171 million went into the non profit division for hospitals parks and oil sands research while the only major industrial

investment — Syncrude — has received nearly \$500 million.

Canada's business newspaper, the *Financial Post*, quotes a businessman saying "If Lougheed is just looking for risk-free investments, we'll never put the Heritage Fund to good use." While the opposition parties in Alberta have clamoured for an economic development strategy Lougheed has made election promises that total more than \$3 billion.

The big promise is to bail the municipal governments out of debt. That will cost \$1 billion. Other election plans include \$750 million for urban transportation, \$500 million for housing and land programs and \$500 million for schools. These election promises still do not constitute a plan for economic development.

Stuffing money in the Trust Fund sock where inflation can eat at it does not build an economy. It will not build a tax base for future financing for the government. The \$4.9 billion projected as the fund total at the end of March will not go far in a provincial budget in 20 years when the oil revenue is scheduled to drop. The government spends more than that in a year now.

Alberta will need other industries when the oil runs out. New industries could provide jobs and continued prosperity for the province. The money to build those industries is there, in the Trust Fund but it remains to be seen if that's what Lougheed is going to do with it.



Statistical information comes from the annual reports of the Alberta Heritage Savings Trust Fund. The reports are available from the Office of the Provincial Treasurer at the Legislative Assembly in Edmonton.

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