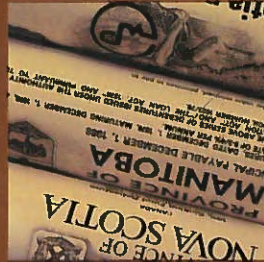
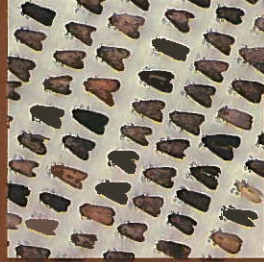
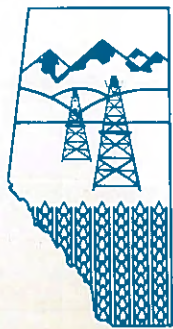


Alberta Heritage Savings Trust Fund 1978-79 Annual Report





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Hon. Lou Hyndman
Provincial Treasurer
A.F. Collins
Deputy Provincial Treasurer

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Savings Trust Fund may be obtained
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Heritage Fund Reports
434 Terrace Building,
Edmonton, Alberta
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Provincial Treasurer's Report



It is my honour to present to the people of Alberta the third annual report of the Alberta Heritage Savings Trust Fund (the "Heritage Fund") for the year ending March 31, 1979. The Heritage Fund continued to grow at a rapid pace during the year with total assets increasing by \$1,331 million to reach \$4,705 million at March 31, 1979, including deemed assets of \$255 million. The main source of funds consisted of 30 per cent of non-renewable resource revenue received by the Province which amounted to \$1,059 million. Net income from investments was \$294 million.

Investment in projects approved by the Legislature for the Capital Projects Division amounted to \$132 million during the year. These Heritage Fund investments financed a wide variety of projects. Among these were: health care and applied health research, irrigation, renewable resources, oil sands technology, recreational facilities, transportation facilities, Canadian educational resources, and agricultural research. Albertans will benefit in terms of social and economic enhancement both now and in decades to come from these many areas of investment.

I am pleased to report that three new investments, in principal amounts totalling \$175 million, were made under the Canada Investment Division during the year. Loans were made to the Province of Manitoba, the Province of Nova Scotia, and the Nova Scotia Power Corporation. These investments provide a good financial return to the Heritage Fund. At the same time they are beneficial from a national perspective since they reduce pressure on public markets and may reduce foreign borrowing thereby improving Canada's future balance of payments position.

Under the Alberta Investment Division, \$559 million was invested during the year to bring the total to \$1,614 million. New investments were made in the Alberta Agricultural Development Corporation and the Alberta Opportunity Company. Investments in the debentures of the two corporations of \$160 million and \$90 million, respectively, were approved. A total of \$210 million was drawn by the end of the year. These corporations provide financing for farmers, agriculture based industry, and small business in Alberta. Through their activities, the Heritage Fund is making an important contribution to the growth and diversification of the Alberta economy while assisting individual Albertans to participate in that growth. Investments continued to be made in the Syncrude Project, and in Alberta Home Mortgage Corporation and Alberta Housing Corporation debentures. The final drawdowns were made to complete the investment in Gulf Canada Limited and Canada-Cities Service Ltd. convertible debentures, also related to the Syncrude Project.

Those funds not required for making investments forming the three investment divisions were invested in deposits, marketable securities, and long term investments. The investment income earned during the year on these investments amounted to \$191 million. The total investment in deposits, marketable securities, and long term portfolio investments was \$2,443 million at a weighted average annual yield to the Heritage Fund of 9.6 per cent at year end. The yield on short term marketable securities was 10.6 per cent at year end.

Further details of the financial operations of the Heritage Fund for the 1978-79 fiscal year are provided in the remainder of this report and in the accompanying audited financial statements. A number of changes in presentation and one accounting policy change have been made to the financial statements this year. They are intended to clarify the financial presentation and to reflect more accurately certain investment policies of the Heritage Fund.

The investment of the Heritage Fund for the benefit of Albertans now and in the future will continue to be the priority for 1979-80. The estimate of proposed outlays for projects forming the Capital Projects Division is \$230 million based on legislative approval granted in the fall of 1978. A further \$300 million disbursement will be proposed to the Legislature this fall in connection with the previously announced intention to establish the unique Heritage Foundation for Medical Research. These investments will become deemed assets of the Heritage Fund. It is expected that another \$184 million will be required for investments forming the Alberta Investment Division which have already been approved.



Hon. Lou Hyndman
Provincial Treasurer
July 1979

Overview and Highlights

What is the Alberta Heritage Savings Trust Fund?

- The Heritage Fund was created to invest a portion of the Province's non-renewable resource revenue to provide economic and social benefits to Albertans now and in the future.
- The Fund was made possible by the increase in the Government's oil- and gas-related revenue as the prices of Alberta oil and gas rose.
- The Alberta Heritage Savings Trust Fund was established in 1976 by an Act of the Alberta Legislature.

Where does the money come from?

- The primary sources of revenue for the Heritage Fund are royalties collected on the production of crude oil and natural gas in the Province and the proceeds from sales of Crown leases to firms exploring for, or producing, oil and gas on Crown lands.
- Each year 30 per cent of the Province's revenue from these sources is transferred to the Heritage Fund upon approval by the Alberta Legislature. In 1978-79, \$1,059 million was transferred to the Fund.
- The remaining 70 per cent of non-renewable resource revenue is used, with other tax revenues, to provide government services to Albertans under the annual Provincial budget.
- The Heritage Fund also retains interest and other income earned on its existing investments. This revenue amounted to \$294 million in 1978-79.

What kinds of investments can the Heritage Fund make?

- The Alberta Heritage Savings Trust Fund Act specifies the kinds of investments that can be made by the Fund.
- The Heritage Fund consists of three divisions, each of which is permitted to make different types of investments.
- The divisions are: the Capital Projects Division, the Canada Investment Division, and the Alberta Investment Division.

What is the Capital Projects Division?

- Projects considered as eligible for the Capital Projects Division are those which will provide long term economic or social benefits to Albertans.
- These projects, by their nature, will not yield a return of capital or income to the Heritage Fund.
- By legislation this division cannot exceed 20 per cent of the total assets of the Heritage Fund.
- Each project in this division must be approved by the Legislature.
- At March 31, 1979 the recorded deemed assets of the Capital Projects Division were \$255 million or 5.4 per cent of total assets.

Under the Capital Projects Division, what new projects were undertaken in 1978-79?

- New projects totalling \$17.5 million were undertaken. These included \$12.1 million for the development of the Kananaskis Country recreation area, \$2.7 million for the Alberta Heritage Learning Resources project, \$0.8 million to upgrade airport terminals at Pincher Creek, Grande Cache, and Edson, and \$1.9 million for agricultural research.

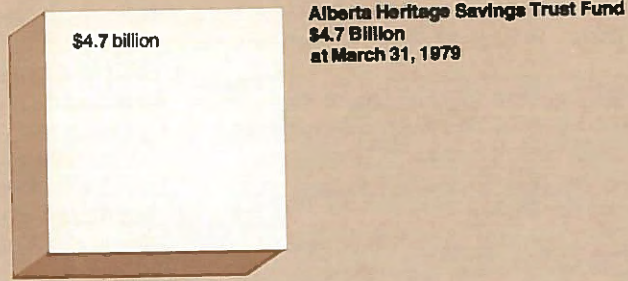
What about projects of the Capital Projects Division started in past years?

- Ongoing projects include: Fish Creek and Capital City Parks in Calgary and Edmonton respectively, cancer and heart disease research, oil sands technology research, construction of health care facilities, and irrigation and land development projects.

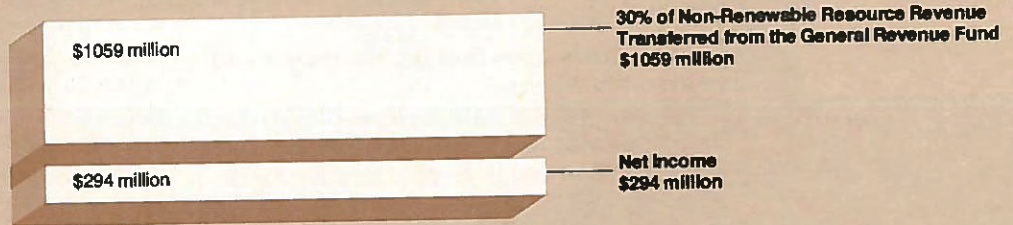
Can the Heritage Fund make loans to other provinces?

- Under the Canada Investment Division the Heritage Fund can make loans to the federal government, other provincial governments, or to any entity whose debt is guaranteed by one of these governments.
- Loans are made at market rates of interest.

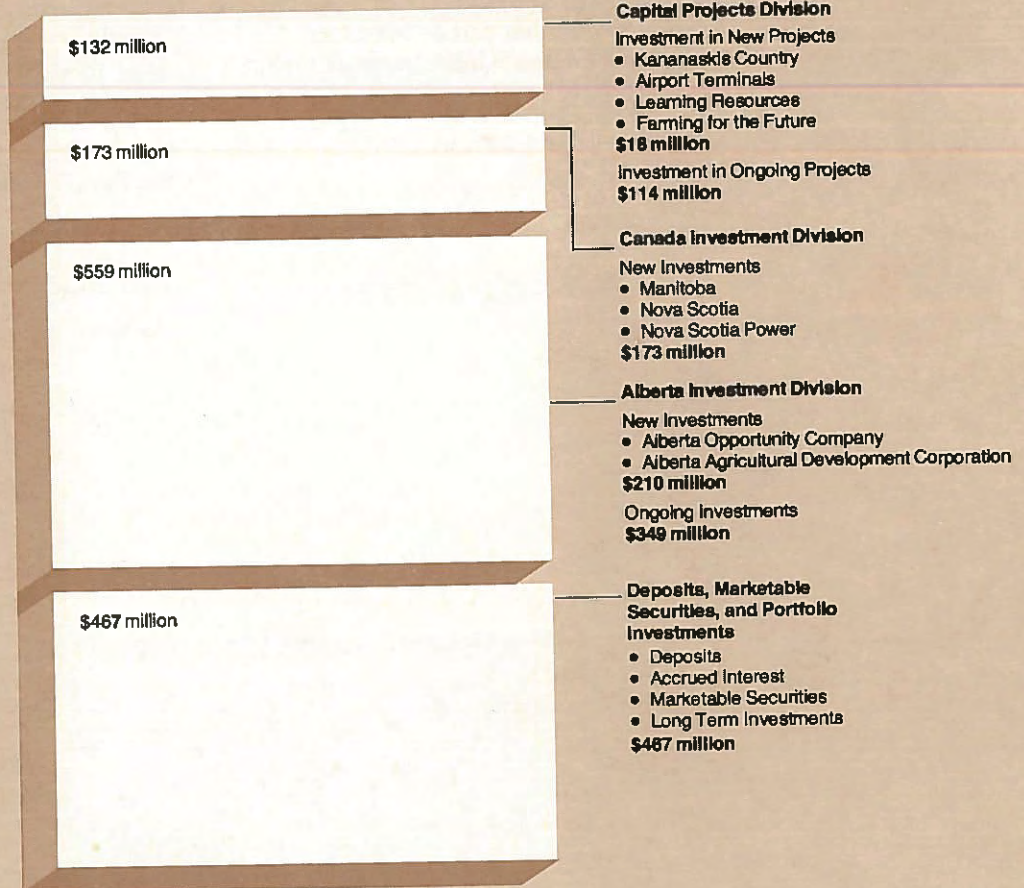
Alberta Heritage Savings Trust Fund Financial Highlights 1978-79



Source of Funds 1978-79



Investments 1978-79



What new investments were made in 1978-79 under the Canada Investment Division?

- Loans were made to the Provinces of Manitoba and Nova Scotia in the principal amounts of \$75 million and \$50 million respectively and to the Nova Scotia Power Corporation for \$50 million.
- Investments in the Canada Investment Division are limited to 15 per cent of the Fund.
- At March 31, 1979 this division held investments of \$270 million or 5.7 per cent of the Fund's total assets.

Are there other ways that the Heritage Fund can invest in Alberta?

- Investments in the Alberta Investment Division are made for the purposes of strengthening and diversifying the Alberta economy and to yield a reasonable financial return to the Heritage Fund.
- Investments may be in the form of equity or debt and may be made in any entity.
- There is no limit to the proportion of the Heritage Fund that can be invested through the Alberta Investment Division.
- At March 31, 1979 investments in this division amounted to \$1,614 million or 34.3 per cent of the Fund.

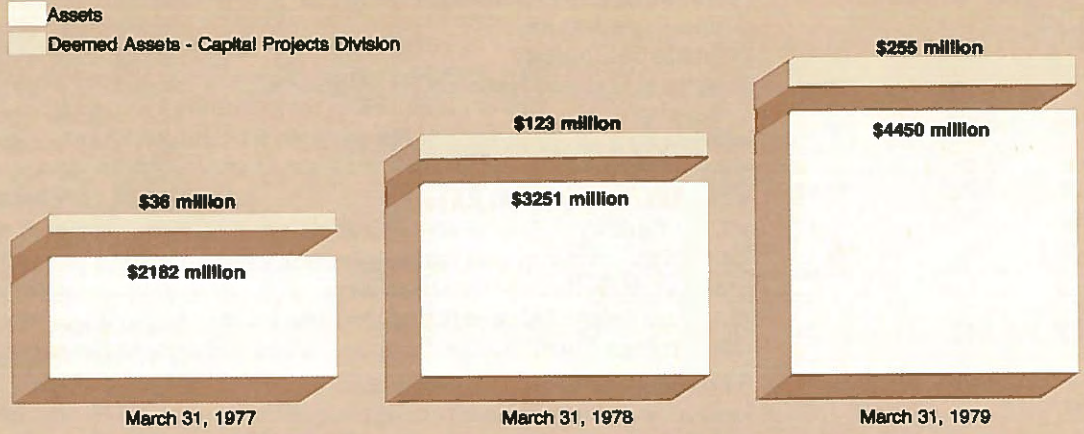
What investments were made in 1978-79 from the Alberta Investment Division?

- The Heritage Fund purchased \$71.5 million in debentures of the Alberta Opportunity Company and \$138 million in debentures of the Alberta Agricultural Development Corporation.
- During the year a further investment in the Syncrude Project of \$46.6 million was made and the final drawdowns on principal for the loans to Gulf Canada Limited and Canada-Cities Service Ltd., two of the other participants in Syncrude, were made totalling \$3.5 million and \$12.9 million, respectively.
- In the 1978-79 fiscal year further investments in the Alberta housing industry were made through the Alberta Housing Corporation and the Alberta Home Mortgage Corporation of \$62 million and \$207 million, respectively.

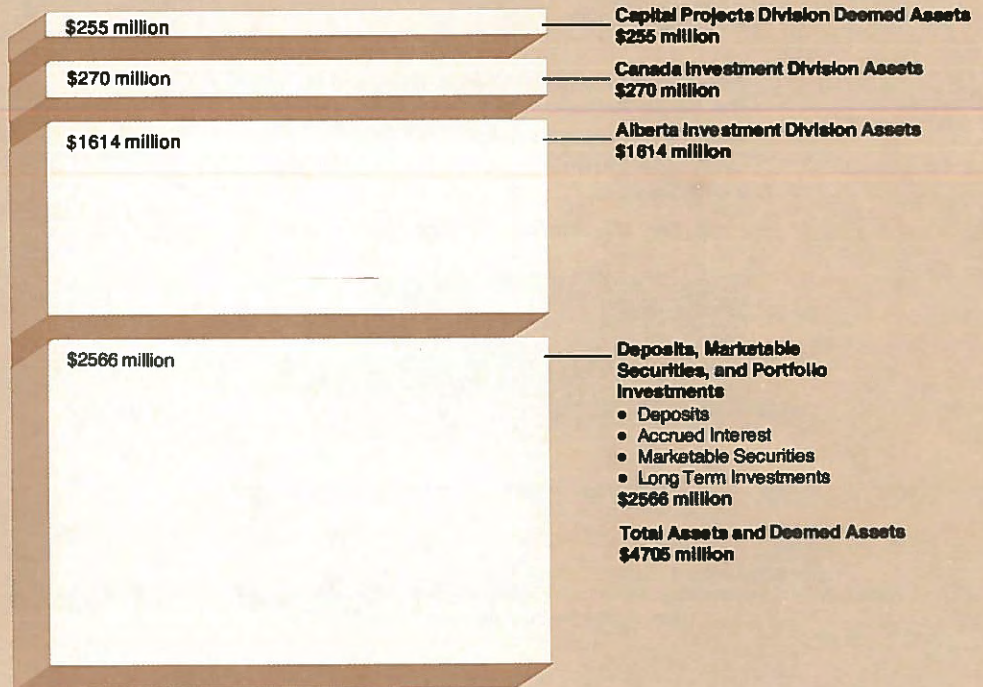
What happens to money not invested in one of the three divisions?

- As revenues are transferred to the Heritage Fund they are invested in government and high quality corporate bonds, treasury bills, and other marketable securities.
- At March 31, 1979 these investments totalled \$2,443 million or 51.9 per cent of the Fund's total assets.

**Assets and Deemed Assets
of the Alberta Heritage Savings Trust Fund
1977-1979**



**Composition of the
Alberta Heritage Savings Trust Fund
at March 31, 1979**



Sources of Funds

Non-Renewable Resource Revenue

The non-renewable resource revenue received by the Province includes the following revenues:

- Crude Oil Royalty
- Natural Gas and Natural Gas By-Products Royalty
- Bonuses and Sales of Crown Leases
- Rentals and Fees
- Synthetic Crude Oil Royalty
- Coal Royalty

Certain exploratory and drilling incentive credits are deducted from the above revenues before calculation of the transfer to the Heritage Fund.

The Heritage Fund's 30 per cent share of non-renewable resource revenue received amounted to \$1,059 million in 1978-79. The relative contributions of the major non-renewable resource revenue categories are illustrated in an accompanying chart.

Investment Income

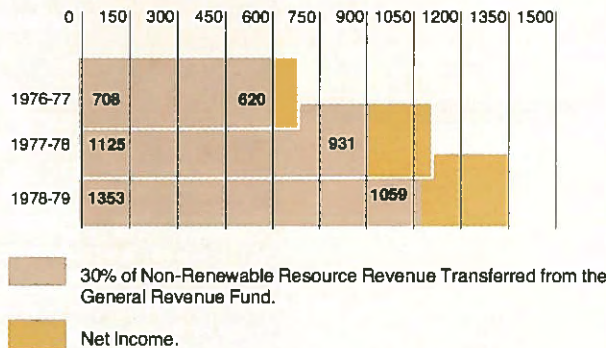
Investment income of \$294.4 million was earned on the Heritage Fund's interest earning investments during 1978-79. In accordance with the accounting policies adopted for the Heritage Fund, a charge of \$12 million was made against income for a provision to adjust the valuation of the marketable securities portfolio from cost to aggregate market value at the end of the year. The provision reflects the effect of higher interest rates and the resulting lower market values of medium and longer term securities.

Interest earned on the Alberta Investment Division interest bearing investments was \$88.6 million. The debentures held at March 31, 1979 provide an average yield of 9.3 per cent per annum to maturity. An additional \$14.7 million was earned on Canada Investment Division investments. These debentures provide a 10 per cent annual average yield to maturity.

The major portion of investment income, \$191.1 million, was earned on deposits, marketable securities, and long term investments held under Section 9 of the Alberta Heritage Savings Trust Fund Act. The weighted average yield on these investments is 9.6 per cent per annum to maturity on book value.

Net Income Earned and Non-Renewable Resource Revenue Received by the Alberta Heritage Savings Trust Fund, 1976-77 to 1978-79

(millions of dollars)



Note: Does not include initial transfer of \$1,500 million from the General Revenue Fund made on August 30, 1976.

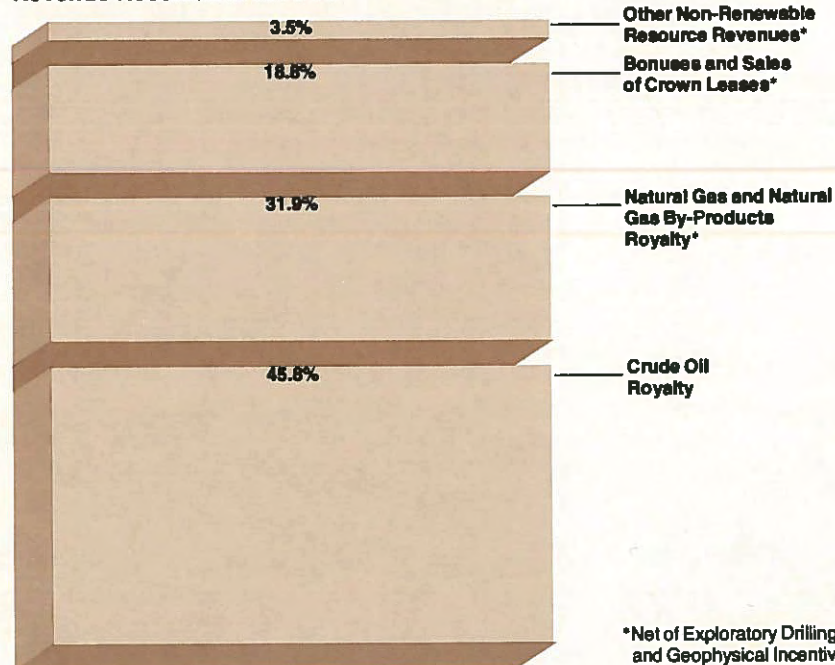
The costs of administration are charged to the Heritage Fund and are subtracted from investment income. Administrative expenses incurred solely for the Heritage Fund during the year were paid directly from the Fund and amounted to \$76,863. In addition, a reimbursement of \$619,200 to the General Revenue Fund is to be made for general administration costs respecting the Heritage Fund.

No income was received on the Heritage Fund's equity interest in the Alberta Energy Company Ltd. or the Syncrude Project. For accounting purposes, the Syncrude Project was treated as being in the pre-production phase during 1978-79.

Yields and Income on Interest Earning Investments

	1978-79 Income	Weighted Average Yield to Maturity
	(millions of dollars)	(%)
Alberta Investment Division		
Provincial corporation debentures	70.7	9.6
Syncrude associated debentures	17.9	8.3
Total	88.6	9.3
Canada Investment Division		
Deposits, Marketable Securities, and Long Term Investments	14.7	10.0
TOTAL	294.4	9.5

Composition of Non-Renewable Resource Revenue Received in 1978-79



Capital Projects Division



Above:
Wildlife enhancement is an important part of the Kananaskis Country development.

Opposite:
A panoramic view of the Upper and Lower Kananaskis Lakes typifies the beauty to be found in Kananaskis Country.

Introduction

During 1978-79, investments under the Capital Projects Division covered a broad range of activities in the areas of health care, applied health research, agriculture, the environment, recreation, education, transportation, and natural resources.

A total of \$132 million was invested in new and ongoing projects during 1978-79. At March 31, 1979 total investment in the Capital Projects Division was \$255 million which represented 5.4 per cent of the Heritage Fund. These investments do not provide a return to the Heritage Fund and are recorded as deemed assets, at cost, in the financial statements of the Heritage Fund.

NEW PROJECTS

Kananaskis Country Recreation Development

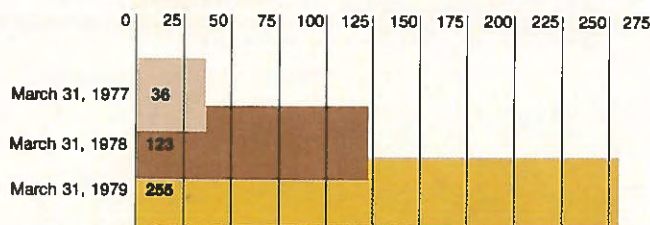
One of Alberta's most exciting recreational developments is occurring west of Calgary. Kananaskis Country is approximately 3,200 square kilometres in size and encompasses mountains, valleys, and flats carved out by the Spray, Kananaskis, Jumpingpound, Elbow, Sheep, and Highwood Rivers.

Kananaskis Country is scheduled for completion in 1982. During 1978-79, \$12.1 million was expended on the project. When completed, Kananaskis Country will offer all Albertans a wide range of recreational opportunities in an area where environmental quality will be maintained and enhanced and wildlife will be protected.

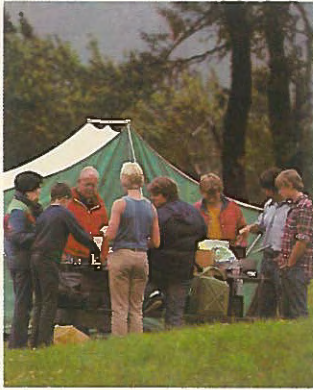
Wildlife enhancement will play an important role in the future plans for Kananaskis Country. Projects planned include the reintroduction of Peregrine Falcons and Fisher and River Otters to the area. Also planned are improvements to the wildlife habitats and increased fishing opportunities.

Three major areas are envisioned for Kananaskis Country's recreational development. Firstly, approximately 1,000 kilometres of trails will be established. During 1978-79, more than 40 kilometres of hiking trails were completed for public use and a 2.4 kilometre self-guided trail leading to a viewing platform overlooking the Upper and Lower Kananaskis Lakes was completed. Horseback riding trails will be developed in the central and eastern foothills area together with loading ramps, staging areas, and corral facilities. As well, approximately 250 kilometres of surfaced bicycle trails will be established — a unique feature to mountain parks in Canada. Cross-country ski trails and 210 kilometres of restricted snowmobile trails will be developed in hand with winterized camp sites and warm-up shelters. At March 31, 1979, construction of snowmobile trails was 75 per cent complete.

Capital Projects Division
Total Deemed Assets 1977-1979
(millions of dollars)







Above:
Camping, as well as hiking,
horseback riding, bicycling,
golfing, cross-country skiing,
and snowmobiling are all
part of the Kananaskis
Country recreation
development.

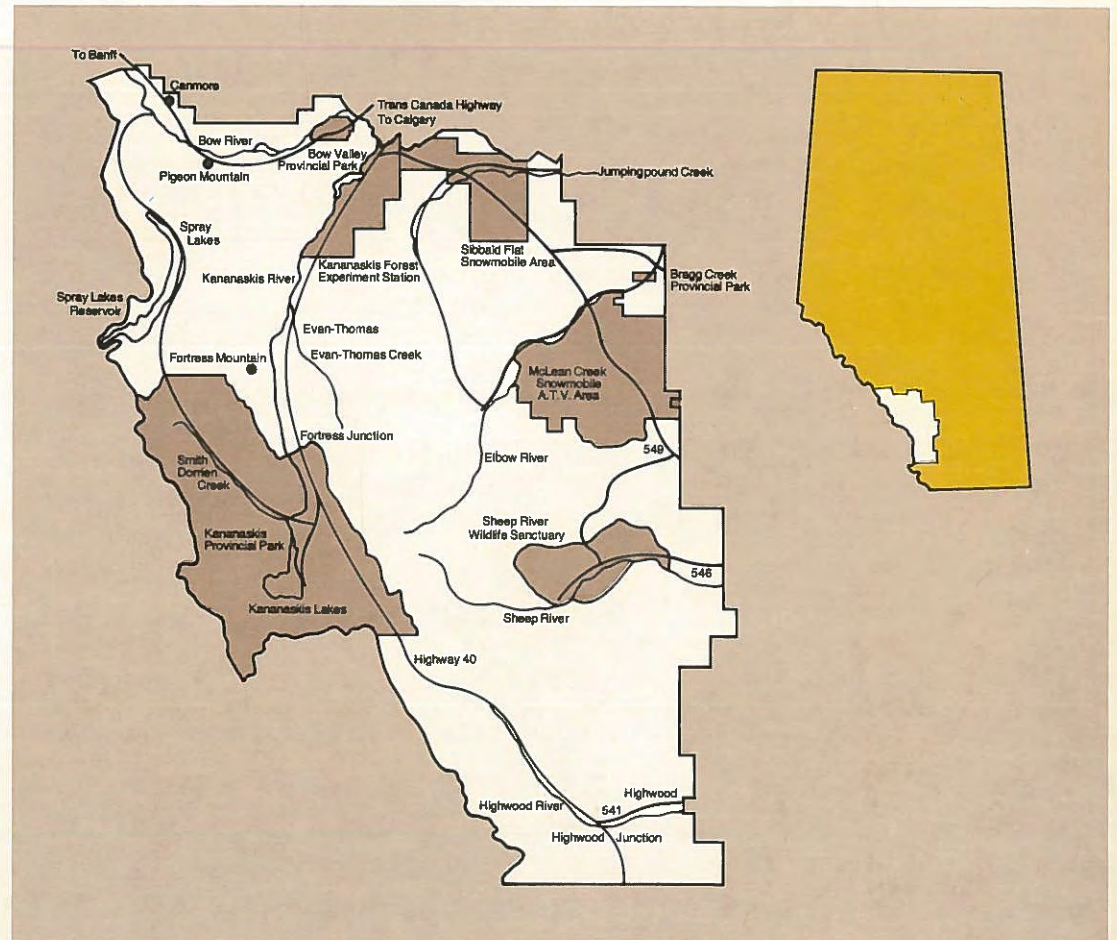
The second type of recreational development involves campground construction. Existing campgrounds in Kananaskis Country will be upgraded and increased from 858 sites to over 3000 sites and at the same time the densities of these campgrounds will be limited to two or three campsites per acre in order to retain the natural character of the area. Three over-night campgrounds and three day use campgrounds are expected to open in the summer of 1979 and will provide more than 250 campsite locations.

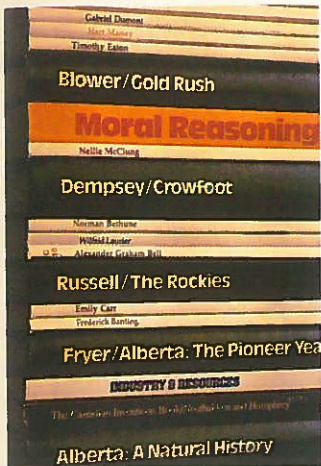
Another unique feature of Kananaskis Country and the third type of recreational development is the Alpine Village concept, which is an attempt to avoid the evolution of a concentrated urban area within Kananaskis Country. At present, three Alpine Villages are planned. The size of each village will depend on the availability of developable land. Generally, a village will include: chalets, a swimming pool, tennis courts,

handball/squash courts, dining and lounge facilities, picnicking facilities, and play areas. At the mouth of the Evan-Thomas valley a tournament calibre golf course will be established. Construction of the course began in 1978-79 and play is scheduled for the 1982 summer season.

Although no new roads are planned for Kananaskis Country, existing roads will be upgraded and surfaced to ensure adequate access to the numerous facilities and spectacular scenery. All motor vehicles will be confined to designated roads to protect the environment. During 1978-79, approximately 40 kilometres of road were surfaced and ten kilometres of road were rough-graded. To further minimize the impact of development on the environment, water supplies will be from ground water sources and from wells and a sewage treatment and disposal system will be established.

Kananaskis Country





Above:
These are a sample of the books being published under the Alberta Heritage Learning Resources project to provide additional Canadian content learning resources in Alberta schools.

Alberta Heritage Learning Resources

This two year project will provide supplementary Canadian content learning resources for the language arts, social studies, and science curricula of Alberta schools. Indirectly, the project will provide a creative outlet for the talents of Alberta authors, illustrators, graphic artists, and editors and will utilize Alberta and other Canadian publishing capabilities. The total cost of the project is estimated to be \$8.4 million and during 1978-79, \$2.7 million was expended.

The Alberta Heritage Learning Resources project is composed of four major project areas. The first area is the Alberta Heritage Books for Young Readers and involves a total of \$1.5 million, \$0.2 million of which was expended in 1978-79. The intent of this project is to provide Alberta students attending Grades 4, 5, and 6 with a collection of 12 high quality reference books about the history, geography, and natural environment of their province, their region, and their country. A class set, consisting of 30 of each reference book, will be distributed to all elementary schools in Alberta by 1980. During 1978-79, the research and development stages were completed and manuscripts for the first books had been completed. The second group of books is now in the final editing stage and the final group of books is in the initial draft manuscript stage.

Western Canadian Literature for Youth is the second major project area with an estimated total cost of \$1.7 million, \$0.3 million of which was expended in 1978-79. Grades 7 to 12 students in Alberta will have access to a collection of selected literary works relating to Western Canada including stories, poems, and plays written by Canadians about Alberta and Western Canada reflecting the history, geography, and ethno-cultural diversity of Western Canada. Each anthology will be presented to junior and senior high schools in Alberta and sets of two additional books, one in French and one in Ukrainian, will be presented to selected schools.

The third project area, Alberta Literature for Senior Students and Adults, involves a total estimated cost of \$1.1 million. This project will provide a 30 volume collection of literature on the history, geography, and people of Alberta for distribution to: senior high school libraries and Government libraries, public libraries, post-secondary institutions, senior citizen homes, senior citizen drop-in centres, correctional institutions, hospitals, auxiliary hospitals, and nursing homes. Two additional books, one in the French language and one in Ukrainian, are to be selected. Currently published novels and short stories concerning Alberta and its relation to Canada will be collected and bound. At March 31, 1979, \$0.4 million had been expended on this project. During the year literature was selected, reviewed, and approved, and tenders were let for the printing and binding of the material.



Above:
Various teaching aids are produced and packaged into Alberta Heritage Learning Resource Kits. The film, tape recording, and music sheet are from the Kanata Kit 2 and the map from the Junior Atlas and Relief Map of Alberta.

Opposite:
With the use of a reader from the Kanata Kit 2 this teacher aids a student to develop an understanding of Alberta and Canada.

Area four of the Alberta Heritage Learning Resources Project, called the Alberta Heritage Learning Resource Kits, is divided into three activities. The first activity involves a total of \$2.1 million for Alberta Heritage Learning Resource Kits for Canadian Studies. The objective is to produce learning resource kits applicable to the social studies area which will aid students from Grades 1 to 12 to develop an understanding of Alberta, Western Canada, and Canada. At March 31, 1979, 85 per cent of the Kanata Kits had been developed, and 35 per cent produced. During the year, \$0.8 million was expended on this activity. The Junior Atlas and Relief Map of Alberta is the second activity which will cost a total of \$1.4 million and involves the production of an atlas which will depict the history and geography of Alberta and the living patterns of Albertans. This atlas will be distributed to Grade 4, 5, and 6 classrooms in Alberta. During 1978-79, \$0.1 million was expended and the development stage of this activity was completed and production began. As well, a large relief model of Alberta

accompanied by maps and topographical sheets will be produced and distributed to schools and to other public buildings in Alberta. \$0.2 million had been spent on this activity as of March 31, 1979. The final activity is the production and distribution of the Alberta Flora and Fauna Kit. Each elementary and junior high school in Alberta will be provided with print and non-print materials relating to the flora and fauna of Alberta. These Flora and Fauna Kits will consist of slides depicting various plant and animal subject areas, teachers' guides, and study prints. Both English and French editions are available. During 1978-79, \$0.5 million was expended to produce Flora and Fauna Kits which were distributed to schools with registered classes of Grades 1 to 7.





Above:
A seeding machine, designed and built at Lacombe, Alberta, is being used to seed forage crops as part of a research programme funded by Farming for the Future at the Lacombe Research Station.

Opposite:
To help understand the effects of climate on livestock, Farming for the Future funds research on sheep metabolism at the University of Alberta farm at Edmonton.

Farming For The Future

The Farming for the Future programme is designed to promote agricultural research in Alberta. The total cost of the programme over its five year term is estimated to be \$10 million. During the 1978-79 fiscal year, approximately \$1.9 million was provided in grants to more than 50 selected research projects.

The objectives of Farming for the Future are to assure the long term viability of agriculture in Alberta and to improve net farm income.

The Agricultural Research Council of Alberta (ARCA) administers the programme. The ARCA consists of the Minister of Agriculture, who acts as a council chairman, the Deputy Minister of Agriculture, a representative of the Legislative Assembly, six active producers from various sectors of Alberta's agricultural community, and four representatives from the agricultural research community.

The ARCA has identified eight distinct areas for which Farming for the Future will provide funding:

1. apiculture (beekeeping) and entomology (the study of insects),
2. beef and dairy cattle,
3. cereals and oilseeds,
4. forage crops,
5. land use and soils,
6. transportation, processing, and marketing,
7. poultry, swine, and sheep, and
8. special crops.

In 1978-79, crop and livestock research received top priority from the ARCA. Emphasis was also placed on projects related to northern agriculture.

Descriptions of some of the research projects approved for Farming for the Future funding during 1978-79 follow:

1. Improving Sow Productivity — to produce information by which Alberta producers can reduce piglet mortality and increase both the efficiency and profitability of current practices in sow and weaner pig production.
2. Cattle Adaptability — to measure the effects that Alberta's severe climate has on cattle and their resulting carcass value.
3. Forage Preservation — to investigate the use of sulphur dioxide and other preservatives in order to make forage production more reliable and to reduce the extent of nutrient breakdown and loss in the forage.
4. Diseases of Rapeseed and Mustard in Alberta — to study the diseases of rapeseed and mustard paying particular attention to the effects Alberta's climate and soils have on these two crops.
5. Diseases of Greenhouse Crops — to study four diseases common to greenhouse crops in an attempt to determine the causes of and the control measures for these diseases.
6. Farm Management Field Laboratory — to improve the communication between farmers and the Faculty of Agriculture at the University of Alberta so that faculty research programmes become more sensitive to the needs of farmers.
7. Alberta Beebreeding Programme — to breed bees with superior docility, honey production, wintering ability, and disease resistance in order to enhance Alberta's competitive position in honey production.





Above:
The construction of three new airport terminals during 1978-79 is the initial stage of a programme established to improve Alberta's transportation facilities.

Opposite:
A total of \$25 million will be expended over a five year period to provide airport facilities like this in a number of Alberta centres.

Airport Terminal Buildings

A total of \$25 million over a five year period will be expended to upgrade airport terminal facilities within the Province. During 1978-79, \$0.8 million was expended on project activity at Grande Cache, Edson, and Pincher Creek. At Red Deer negotiations with the federal government on the transfer of the airport to the Province took place together with planning for airport improvement and a terminal facility.

The site of the new airport and terminal for Grande Cache was chosen nine miles east of the town and in the spring of 1978 the design and construction of the terminal building and maintenance garage began. Land clearing and runway grading were completed in 1978 and paving will occur in 1979. When completed the terminal building will house an airline ticket office, baggage facilities, a public waiting area, and an airport manager's office.

The new airport terminal at Edson will service increased air activity associated with the coal development and oil and gas activity in the area. Construction of the new terminal at the site of the existing terminal was completed in December 1978 with the exception of exterior painting. The completed terminal consists of a public waiting area, an airline ticket office, baggage facilities, an airport manager's office, and a 24 hour weather information service.

Because of increasing demands for a permanent air terminal facility at Pincher Creek, a fully serviced terminal building was designed, constructed, and occupied by January 1979. The completed airport terminal contains baggage handling facilities, air carrier offices, a public waiting area, an airport manager's office, and a 24 hour weather information service.



EDSON
AIRPORT

ONGOING PROJECTS

Alberta Children's Provincial General Hospital

The Heritage Fund will be investing an estimated total of \$28 million to construct and equip a child health centre in Calgary called the Alberta Children's Provincial General Hospital. In addition to the Heritage Fund investment, the Alberta Children's Hospital Foundation is contributing \$1.8 million toward this new hospital facility. The federal Health Resources Fund will reimburse the Province an estimated \$3.5 million for this project.

Phase One of the project, completed in 1977-78 at a cost of \$2.2 million, provided a school whose full range of educational services are required by children with severe learning disabilities.

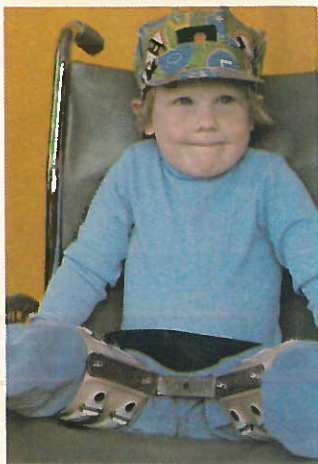
Phase Two, the construction of the hospital, commenced in January 1978. When completed, the Alberta Children's Provincial General Hospital will provide in-patient and out-patient services, and other services such as laboratory, x-ray, surgical, diagnostic, dietary, and support services. During 1978-79, \$10.9 million was expended and at March 31, 1979 construction of this phase was 55 per cent complete. The project is expected to be completed in June 1980.

Alberta Health Sciences Centre

Heritage Fund money is being used to construct and equip Phase One of the Health Sciences Centre in Edmonton. The Health Sciences Centre was officially named the Walter C. MacKenzie Health Sciences Centre in April 1979 and will replace parts of the existing University of Alberta Hospital. When completed, the Centre will provide patient care, health research, and health education functions.

Phase One of the project is expected to be completed in 1982 at a total cost of \$114 million (1978 dollars). Phase One will include the diagnostic and treatment services of the Centre, specifically: surgery, radiology, clinical laboratories, emergency department, greatly expanded out-patient clinics, a comprehensive health sciences library, and associated teaching facilities.

The Centre also will accommodate the Provincial Laboratory of Public Health, medical research, and underground parking facilities. At March 31, 1979, Phase One of the project was 30 per cent complete and \$25.3 million was expended during the year.



Upper:
Construction workers study blue prints at the Alberta Children's Provincial General Hospital site in Calgary. Construction of the hospital started in January, 1978.

Lower:
This boy, at the existing portion of the Children's Hospital in Calgary, represents the many Alberta children who will benefit from the new Alberta Children's Provincial General Hospital.

Opposite:
Workers take down concrete forms at the Alberta Children's Provincial General Hospital construction site. The project is expected to be completed in June, 1980.



Southern Alberta Cancer Centre and Specialty Services Facility

The Heritage Fund will be investing an estimated \$64.4 million (1977 dollars) to construct and equip a major addition to the Foothills Hospital in Calgary. This new facility is expected to be completed and to be phased into operation by the spring of 1981. When completed the new facility will include:

1. The Southern Alberta Cancer Centre, which replaces the Calgary Cancer Clinic, will have available 45 beds for cancer patient admissions. The Centre will become the major treatment and referral agency for cancer care and, there, the most current diagnostic and therapeutic resources will be available.
2. A 188 bed auxiliary hospital.
3. A 45 bed Hostel Unit will provide accommodation for individuals involved in any patient care programme at the Foothills Hospital.
4. A Day Services Centre will provide programmes that will encourage and support patients in caring for themselves outside of the hospital environment.
5. The Provincial Laboratory of Public Health will relocate to this new facility and will continue to offer comprehensive microbiological services to doctors and other health care authorities and to play a vital role in the control and reduction of communicable diseases.

During 1978-79, \$8.9 million was expended on this new facility and work progress included the construction of the utilities tunnel and the completion of related excavation and site work. The building structure was 50 per cent complete at March 31, 1979 and it is expected that the structure will be completed and enclosed by the fall of 1979.

Applied Health Research

The Heritage Fund is making a substantial contribution toward applied cancer and heart disease research in Alberta. During 1978-79, the Heritage Fund investment in cancer and heart disease research was \$4.5 million.

Cancer Research Projects

Cancer research proposals are reviewed by the Provincial Cancer Hospitals Board Research Committee and, whenever necessary, the committee seeks advice from national and international cancer experts. During 1978-79, eight ongoing cancer research projects were funded and additional projects, as described below, were approved for funding.

1. **Breast Disease in Alberta**
Past and current breast disease cases are being studied in Edmonton and the methods of treating these diseases will be evaluated with particular attention being given to risk factors and the rate of survival of treated patients.
2. **Study of Immune Complexes**
The objective of this study is to determine the changes and the frequency of changes in immune complexes and immune suppressor cells in the blood of breast cancer patients and patients with malignant melanoma.
3. **Assay of Alpha-Fetoprotein Messenger**
Research is being conducted at the University of Alberta which is attempting to quantitatively measure alpha-fetoprotein to determine if the degree of presence of alpha-fetoprotein can indicate normal or cancerous cells.
4. **Epidemiology**
This Edmonton research study will attempt to determine whether there are relationships among the incidence of cancer and environmental and other causal factors.
5. **Monitored Immunotherapy**
The objective of this Calgary study is to determine the relevance of anti-tumor immune parameters in a larger number of cancer patients. Thirty factors concerning the patients will be measured and analyzed.

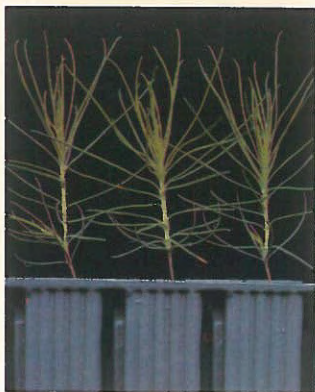
In addition, funding was provided for two evaluation projects in support of applied research at each of the Universities of Alberta and Calgary.

Heart Disease Research Projects

The Ad Hoc Comprehensive Cardiac Care Advisory Committee reviewed and recommended heart research proposals for funding. During 1978-79, thirteen research projects were approved under the following categories.

1. Development of a method of evaluating heart disease research proposals so as to ensure effective allocation of Heritage Fund money.
2. Establishment of cardiac catheterization laboratories at the University of Alberta and Royal Alexandra Hospitals in Edmonton, and Holy Cross and Foothills Hospitals in Calgary.
3. Establishment of out-patient cardiac rehabilitation programmes in Edmonton and Calgary.
4. Improvement of cardiovascular surgery units at the University of Alberta and Holy Cross Hospitals.
5. Establishment at the University of Alberta of a Heart Programme directed toward children.
6. Improvement of the coronary care units at the University of Alberta and Misericordia Hospitals and a new unit for the Edmonton General Hospital.

Planning for the Northern Alberta Cardiac Rehabilitation Institute, to be located in Edmonton, continued in 1978-79.



Above:
Container seedlings in compartmental containers at the Pine Ridge Forest Nursery near Smoky Lake, Alberta. The Nursery will develop an expanded capacity to produce seedlings in support of reforestation programmes, facilitating the replacement and maintenance of one of the Province's vital renewable resources.

Opposite:
A worker at the Pine Ridge Forest Nursery thins seedlings after germination. Expected to be completed and operational by the fall of 1979, the Nursery will have the capacity to produce 20 million seedlings annually for reforestation programmes.

Alberta Reforestation Nursery

Pine Ridge Forest Nursery is located near Smoky Lake and is expected to be fully constructed and operational by the fall of 1979. When completed, the nursery will have the capacity to produce ten million bareroot and ten million container seedlings annually which will be used for the reforestation of harvested Crown land, burned-over land, and potentially productive land. The total cost of the nursery is estimated to be \$12.4 million and the seedlings produced at Pine Ridge will meet the seedling requirements of government and industry which cannot be met from existing facilities.

During 1978-79, \$2.7 million was expended on completing and putting into operation the nursery's water system, the maintenance service building and warehouse facilities, and the shade frames used to condition greenhouse-grown seedlings to the outdoors.

The nursery's production complex was completed in August 1978 and a soil mixing, filling, and seedling line developed by the Alberta Forest Service was installed. This line is capable of filling and seeding one million container cavities per day.

In December 1978, the seed cold storage building and the tree improvement greenhouse were completed with the latter coming into operation in February 1979.

Fish Creek Provincial Park

Alberta Environment and Alberta Recreation and Parks are working in cooperation with the City of Calgary to develop Fish Creek Provincial Park in south Calgary. When completed, Fish Creek Park will consist of 2,920 acres of land complete with recreational facilities and will provide city dwellers with a year round natural retreat.

Fish Creek Park is expected to be completed in 1982. During 1978-79, \$2 million was expended on the purchase of land and \$2.3 million was spent on recreational development with progress being made on the following: Sikome Lake was completed and officially opened in the summer of 1978 and the Bow Valley Ranch Interpretive Centre and exhibits related to the Centre were completed by March 31, 1979. The construction of picnic facilities, washrooms, access roads, and parking areas west of the Macleod Trail was commenced.





Above:
This small spillway located east of Taber, Alberta is part of the irrigation system vital to the agricultural industry in Alberta. Funds are being provided in order to increase Alberta's capacity to produce food and to further diversify its agricultural industry.

Opposite:
A construction crew is upgrading and repairing an existing irrigation spillway near Raymond, Alberta.

Capital City Recreation Park

Capital City Recreation Park is a joint project sponsored by the Province of Alberta and the City of Edmonton and consists of approximately 3,000 acres of scenic river valley land in Edmonton and the County of Strathcona. With the official opening of Capital City Recreation Park on July 9, 1978, the citizens of Edmonton and visitors to the city have been provided with a backyard of wooded trails and picnicking areas neither of which are far away from the North Saskatchewan River. Accessible in winter and summer, Capital City Recreation Park provides the simple beauty of nature to all of its visitors.

During 1978-79, the facilities of Capital City Recreation Park located within the boundaries of the City of Edmonton were completed. Also, the development of the Strathcona Science Park began and at March 31, 1979, the exhibit buildings at the Science Park and the general site development were 85 per cent and 50 per cent complete, respectively. It is anticipated that the official opening of the Strathcona Science Park will take place during the summer of 1980.

A total of \$8.3 million was expended on Capital City Recreation Park during 1978-79 and when completed, the Park will have received a total estimated Heritage Fund contribution of \$41 million.

Irrigation Rehabilitation and Expansion

The purpose of this project is to assist irrigation districts to rehabilitate irrigation systems to ensure efficient distribution of water to irrigation farmers. Minor expansion of irrigation systems will also occur. Total Heritage Fund investment to March 31, 1979 was \$22.6 million.

During 1978-79, \$8.8 million was expended on Irrigation Rehabilitation and Expansion for the financing of 43 new projects and 61 ongoing projects. Generally, two categories of activities are financed by the Heritage Fund: major works and irrigation capital works.

Five irrigation districts had projects in the major works category which included reservoir projects, main canal rehabilitation projects, and major structure replacement projects.

In the area of irrigation capital works activities, 43 new projects were funded in 1978-79 making a total of 86 projects in operation. These projects involved: structure replacements on canals, lateral rehabilitation and seepage control, pipelines, and surface drainage projects.

Irrigation Headworks Improvement

Irrigation Headworks Improvement is a ten year project with total Heritage Fund investment estimated at \$110 million. The objective is to maintain a secure and continuous supply of water to irrigation districts and to other users in southern Alberta.

During 1978-79, \$3.1 million was expended on construction contracts, seepage control, canal bank improvement, and structure replacement on all irrigation headworks systems under provincial jurisdiction.





Above:
One use of the public grazing lands being developed under the Grazing Reserves Development Project is to undertake select breeding to improve livestock quality.

Opposite:
The Grazing Reserves Development Project is developing public grazing lands largely in unutilized grey-wooded soil areas in the Province.

Grazing Reserves Development

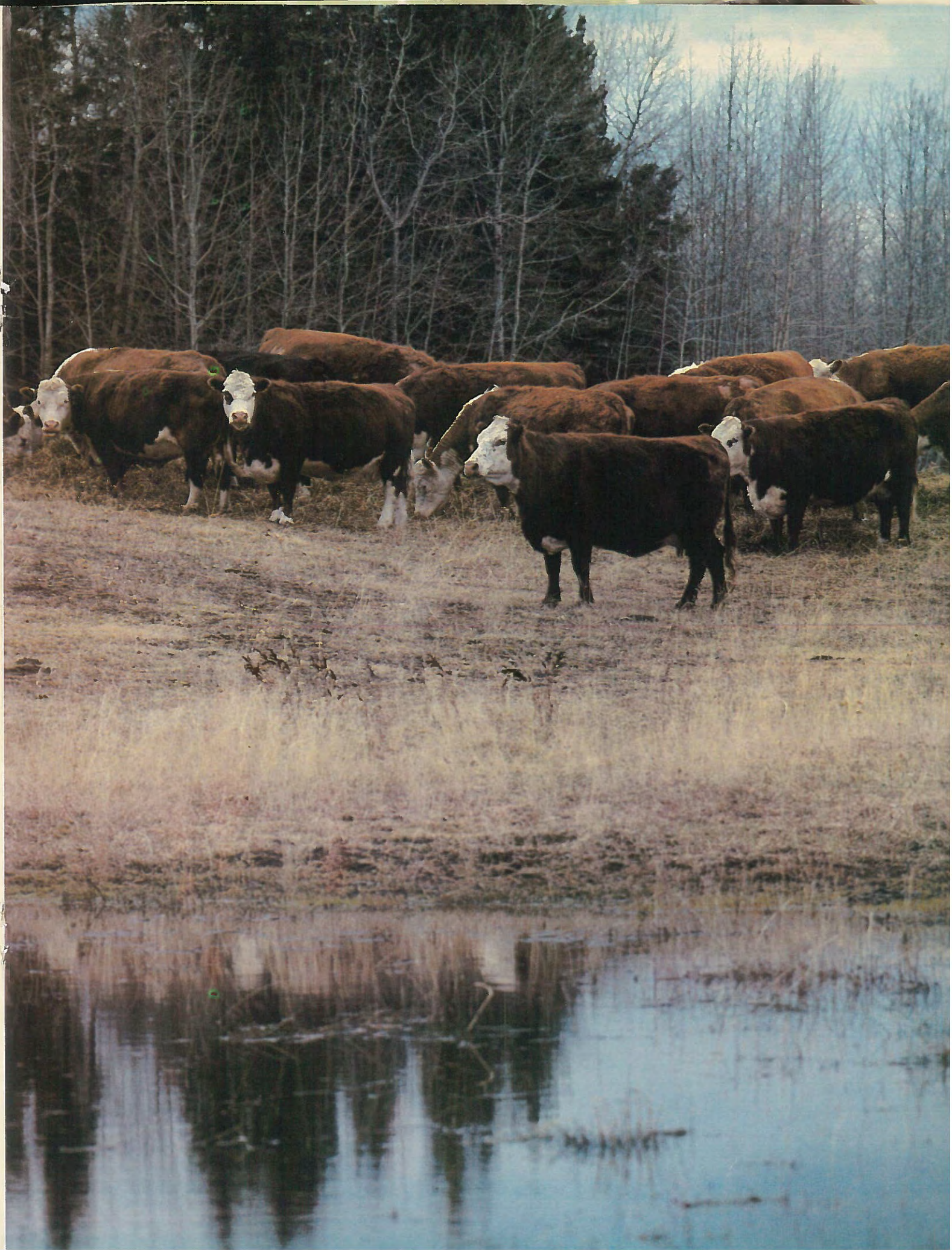
Public grazing reserves in Alberta are being developed with financing from the Heritage Fund. The Grazing Reserves Development Project is additional to the grazing reserves developed as part of the general budgetary programme of the Province and is a ten year programme to develop public grazing lands largely from unutilized grey-wooded soil areas in the Province. The existence of these public grazing reserves frees for other agricultural uses some of the pasture lands owned by the farmer-users. As well, select breeding of cattle occurs on the public grazing reserves which results in improved qualities of livestock. The grazing reserves also provide the land base for recreational opportunities such as hiking and cross-country skiing. Pasture development is planned so that wildlife numbers can be retained and maintained within the pasture area.

In addition to the seven ongoing projects, three grazing reserve proposals were approved and development commenced on two of these reserves during 1978-79. Of the nine public grazing reserves now under development, seven are located in northern Alberta, one is located in east-central Alberta, and two are located in west-central Alberta. Progress among the nine public grazing reserves under development included: the clearing and piling of 16,000 acres, the burning, repiling, and breaking of 16,600 acres, storage shed construction, fencing on two reserves, and the contracting for the construction of three dugouts on one of the public grazing reserves. Total Heritage Fund money expended during 1978-79 on the Grazing Reserves Development Project was \$1.8 million.

Land Reclamation

During 1978-79, \$2.2 million was expended on the Land Reclamation Project. The objective of the Land Reclamation Project is to reclaim abandoned municipal and Crown land throughout Alberta whose surface has been disturbed through industrial land use and to restore the land to its level of productivity prior to disturbance. The long term economic and social goal is to ensure continuing productivity of the land surface. Progress made during 1978-79 entailed the reclamation of 28 sewage lagoons and the reclaiming of abandoned garbage dumps at 29 locations in Alberta, 9 gravel pits, 2 industrial sites, 22 hazardous mine sites, and 4 strip mining sites.

Land reclamation research was also conducted during 1978-79 at a total cost of \$730,000. The major portion was for research to investigate the influence of various scales of mining operations, types of mining equipment, and wet and dry tailings on the various levels of land reclamation in oil sands surface mining operations. Eight other research projects funded related the development of improved reclamation procedures to the establishment of vegetation on disturbed areas.





Above:
In-situ production is one aspect of oil sands research being funded by AOSTRA. This laboratory bottle contains oil and water produced from in-situ tests.

Opposite:
AOSTRA supports university research on oil sands technology. At this University of Calgary laboratory, researchers are distilling solvent off bitumen using a hot oil bath.

The Alberta Oil Sands Technology and Research Authority

During 1978-79, the Heritage Fund continued to provide funds to the Alberta Oil Sands Technology and Research Fund which is administered by the Alberta Oil Sands Technology and Research Authority (AOSTRA). AOSTRA is a provincial Crown corporation responsible for the development of new technology for Alberta's oil sands and for the promotion of research in oil sand and heavy oil recovery.

A major goal of AOSTRA is to develop the technology necessary for the establishment of commercial in-situ bitumen recovery projects. At March 31, 1979 a total of six AOSTRA-supported in-situ field pilot projects were in the construction, operating, or data analysis phase—one in the carbonate reservoir, four in the oil sand deposits in Athabasca, Peace River, and Cold Lake, and one in a heavy oil reservoir near Lloydminster.

The major new commitments of AOSTRA in 1978-79 were to join Pacific Petroleum Ltd. and Union Oil Ltd. in two new field pilots. The Pacific pilot, south-west of Lloydminster, is expected to cost approximately \$11.8 million. It will be used to evaluate the suitability of both combustion and steam for exploiting thin heavy oil sands. The Union pilot is a \$6.6 million field test to investigate the applicability of steam injection and combustion processes for recovering a portion of the huge volumes of bitumen which are present in the "carbonate triangle" of northern Alberta.

In 1978-79, AOSTRA continued to make scholarships, fellowships, and professorships available for Canadian university students and staff. Three new university research contracts were awarded during the year. As well, AOSTRA continued to support a number of oil sand programmes at the Alberta Research Council.

AOSTRA has committed to make all technology arising from AOSTRA-supported projects available to interested parties on an appropriate cost-sharing basis. A technology catalogue was issued in late 1978 describing the technology currently available.

During 1978-79, AOSTRA provided \$33.9 million in research financing and at March 31, 1979, the Heritage Fund investment in AOSTRA totalled \$63 million.



Canada Investment Division



Above:
Total Heritage Fund investment in Canada Investment Division at March 31, 1979 was \$270 million.

Opposite:
Three new investments, amounting to \$175 million, were made under the Canada Investment Division during the year. Loans were made to the Province of Manitoba, the Province of Nova Scotia, and the Nova Scotia Power Corporation.

During the past year the Heritage Savings Trust Fund Investment Committee approved three new loans to be included in the Canada Investment Division — loans to the Provinces of Manitoba and Nova Scotia and to the Nova Scotia Power Corporation.

The Province of Manitoba 10 year debentures in the principal amount of \$75 million bear interest at 9.75 per cent, per annum. They were purchased at a discount and will yield the Heritage Fund 9.85 per cent annually to maturity.

Debentures with a 20 year term were purchased from the Province of Nova Scotia in the principal amount of \$50 million. These debentures carry an interest rate of 10 per cent and yield 10.17 per cent annually to maturity.

The Nova Scotia Power Corporation debentures in the principal amount of \$50 million carry the same terms as the Province of Nova Scotia debentures and are fully guaranteed by the Province of Nova Scotia.

The yields on the above new debentures reflect the rates in the Canadian bond market for debentures with similar terms at the time the loans were made.

Previous loans to the Province of Newfoundland for \$50 million in 1976-77 and to the Province of New Brunswick for \$47 million in 1977-78, together with the new loans, bring the total investments forming the Canada Investment Division to \$270 million at March 31, 1979. This total represents 5.7 per cent of the total assets of the Heritage Fund at March 31, 1979.

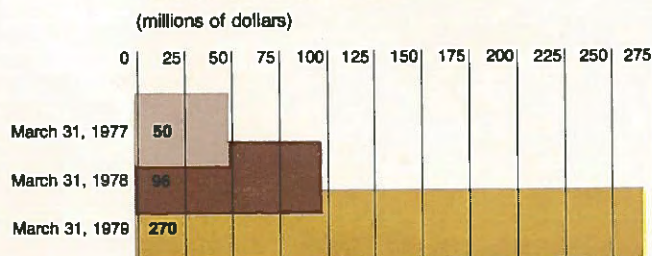
Canada Investment Division Summary of Investment Transactions For the Year Ended March 31, 1979


	Cost at March 31, 1978 ^a	Purchases	Cost at March 31, 1979 ^a
(millions of dollars)			
Province of Newfoundland 10% debentures	49.5	—	49.5
Province of New Brunswick 9.5% debenture	46.8	—	46.8
Province of Manitoba ^b 9.75% debentures	—	74.6	74.6
Province of Nova Scotia ^b 10% debentures	—	49.3	49.3
Nova Scotia Power Corporation ^b 10% debentures	—	49.3	49.3
Total	96.3	173.2	269.5

a) Includes amortization of discount to this date.

b) Pursuant to approval given by the Heritage Savings Trust Fund Investment Committee in 1978-79.

Canada Investment Division Total Assets 1977-1979





PROVINCE OF
NOVA SCOT

CANADA

**10% Sinking Fund Debenture
Due December 21, 1998**

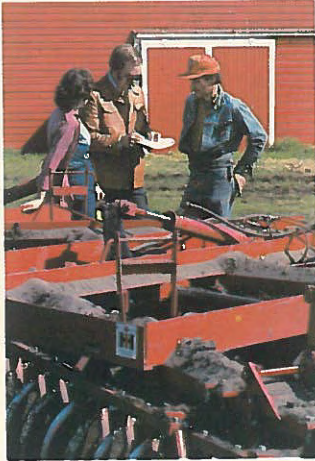
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ISSUE OF DEBENTURES AMOUNTING IN THE WHOLE TO THE SUM OF
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CANADA

PROVINCE OF
MANITOB

Alberta Investment Division



Above:
The Heritage Fund provides financing for agriculture through the Agricultural Development Corporation. Pictured is an ADC consultant on location with a family involved in mixed farming in the Red Deer area.

Opposite:
Activities of ADC involve direct and guaranteed loans for primary producers and agricultural processing and service industries in Alberta.

Introduction

In keeping with the objective of strengthening and diversifying the economy of Alberta, the Heritage Fund added two new investments in 1978-79 to the Alberta Investment Division by purchasing debentures issued by the Alberta Agricultural Development Corporation (ADC) and the Alberta Opportunity Company (AOC). The Investment Committee of the Heritage Fund approved total investments of \$160 million and \$90 million in debentures of ADC and AOC, respectively. By March 31, 1979, ADC had borrowed \$138 million and AOC, \$71.5 million. The Heritage Fund loans to ADC and AOC are used by the corporations to finance their capital lending and guaranteed loan activities.

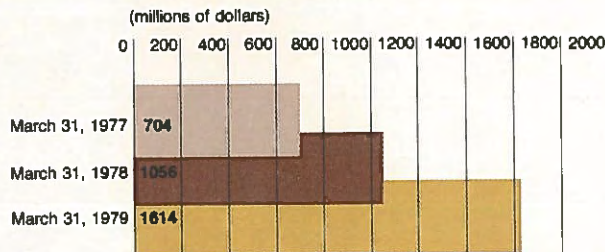
A total investment of \$558.5 million was made for new and ongoing investments during 1978-79. At March 31, 1979, total investment in the Alberta Investment Division was \$1,614 million, representing 34.3 per cent of the Heritage Fund.

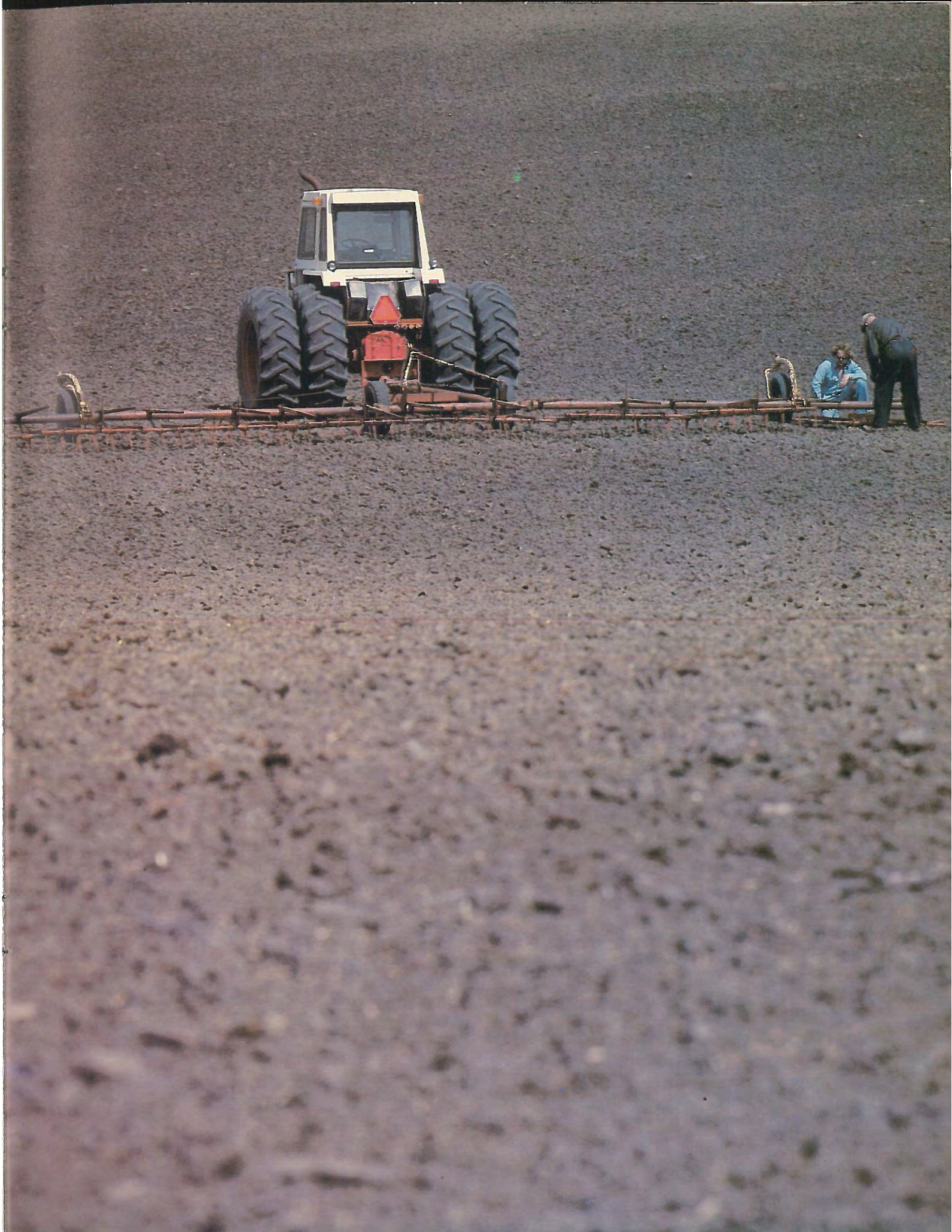
Alberta Agricultural Development Corporation

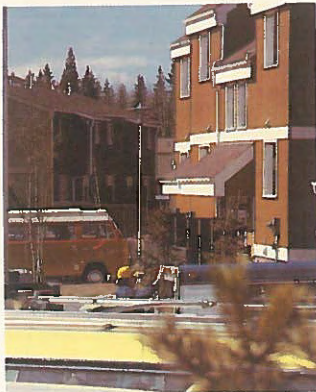
Established in 1972, the Alberta Agricultural Development Corporation (ADC) is a Provincial corporation which serves as a lender of last resort to the agricultural community in Alberta. The principal activities of ADC involve direct lending and guaranteeing loans for primary producers of agricultural products and agricultural industries.

During 1978-79, ADC issued approximately \$30.3 million in direct loans and guaranteed loans totalling \$75.9 million. Generally, direct loans made or loans guaranteed by ADC are secured for: the purchase of farm land, the construction of farm buildings, the renovation of farm buildings, the initial establishment of a viable farm, the replacement of farm structures destroyed by natural disasters, aid in the development of viable dairy farm operations, the improvement of the quality of agricultural land, and the establishment or expansion of agribusinesses and agriculture related service industries in Alberta. The terms and conditions of ADC loans vary among ADC's lending programmes. Grants and other incentives which ADC may also provide to borrowers vary among these lending programmes as well.

Alberta Investment Division Total Assets 1977-1979







Above:
The Heritage Fund, through the Alberta Home Mortgage Corporation, stimulates the construction of affordable rental and owner-occupied housing, and provides mortgages to low and middle income families for home ownership.

Opposite:
The Alberta Housing Corporation provides financing for land development and assembly to ensure adequate family housing is available, particularly in the more rapidly growing smaller centres in Alberta.

Alberta Opportunity Company

The Alberta Opportunity Company (AOC) is a Provincial corporation created in 1972 to promote the development of industrial resources and to promote the general growth and diversification of the Alberta economy. To achieve its purpose, AOC provides financing assistance to Alberta business enterprises. During 1978-79, approximately \$27.2 million in direct loans was issued by AOC.

AOC gives priority to business enterprises which are owned and operated by Albertans who are not able to borrow from conventional lending institutions and whose activities will result in the creation of economic opportunities for smaller population centres in Alberta.

Housing Investments

The Heritage Fund is the major source of financing for the mortgage and housing programme activities of the Alberta Home Mortgage Corporation (AHMC) and the Alberta Housing Corporation (AHC). Debentures issued by AHMC and AHC and purchased by the Heritage Fund in 1978-79 amounted to \$269.7 million.

The primary objectives of AHMC are to provide mortgages to low and middle income families for home ownership and to stimulate the construction of affordable

rental and ownership accommodation for low and middle income families and senior citizens. In 1978-79, AHMC committed approximately \$120 million in mortgages to provide home ownership for Albertans and \$47 million in loans for the construction of modest rental accommodation units. During 1978-79, the Heritage Fund purchased \$207.5 million in AHMC debentures. At March 31, 1979, the Heritage Fund had invested a total of \$555.2 million in AHMC.

AHC provides social housing, at rents geared to income, for senior citizens and families whose incomes are not sufficient to secure adequate family housing of a reasonable standard. AHC also provided financing for land development and assembly, particularly in Fort McMurray as a result of the level of activity generated by the Syncrude Project. During 1978-79, \$62.2 million of AHC debentures was purchased by the Heritage Fund. AHC committed approximately \$58 million for the construction of 1,398 housing units, \$24 million for residential land banking and development and the development of industrial land, and \$6 million for the development of residential land in Fort McMurray. At March 31, 1979, the total Heritage Fund investment in AHC debentures was \$311.9 million.

Housing 1978-79 Capital Programmes

	Millions of Dollars	Number of Units
Alberta Home Mortgage Corporation		
Home Ownership Programme	120.3	2,740
Rental Accommodation	47.2	1,746
Mobile Home Parks	1.8	243 (stalls)
Residential Land Development	1.5	235 (lots)
Total Commitments	170.8	4,964
Alberta Housing Corporation		
Staff Housing	2.3	36
Rural and Native Housing	5.7	114
Community Housing	8.1	174
Senior Citizen Lodges	4.3	134
Senior Citizen Self-Contained	37.4	928
Transitional Housing	0.7	12
Land Banking and Development	19.6	—
Fort McMurray Development	6.1	—
Industrial Land Programme	4.3	—
Total Commitments	88.5	1,398





Above:
At the heart of the upgrading facilities at the Syncrude Plant are the fluid cokers. Tar-like bitumen is fed through these vessels in the first of two steps to upgrade the bitumen to synthetic crude oil.

Opposite:
In the Syncrude Extraction Plant, bitumen is being separated from hot water and sands in this primary separation vessel. The bitumen is then processed further to yield synthetic crude oil.

Alberta Syncrude Equity

The Syncrude Project, located at Mildred Lake, 40 kilometres north of Fort McMurray, is a joint venture to produce and deliver synthetic crude oil. There are six participants in the Syncrude Project and the Province of Alberta through the Heritage Fund holds ten per cent of the equity. During 1978-79, the Heritage Fund contributed \$46.6 million toward maintaining its equity interest in the Syncrude Project, bringing the total Heritage Fund equity investment to \$225.9 million at March 31, 1979.

During the 1978-79 fiscal year, many milestones were reached in the progress of the Syncrude Project. The plant construction phase drew to a close in 1978 and operations began. It is expected that the plant will ultimately produce 129,400 barrels per day of synthetic crude oil. The first synthetic crude produced by the plant entered the Alberta Oil Sands Pipeline Ltd. pipeline on July 30, 1978 and reached Edmonton on August 19, 1978. Total synthetic crude oil production in the 1978-79 fiscal year was 6.9 million barrels. In the same period, the four draglines operating at the Project mined 12.7 million bank cubic metres of oil sand and the four bucketwheel reclaimers reclaimed 23.8 million tonnes of oil sand resulting in 10.9 million barrels of bitumen being extracted from this oil sand by March 1979.

At March 31, 1979, Syncrude had a total staff of 3,753, 52 per cent of whom were from Alberta and 45 per cent from other parts of Canada.

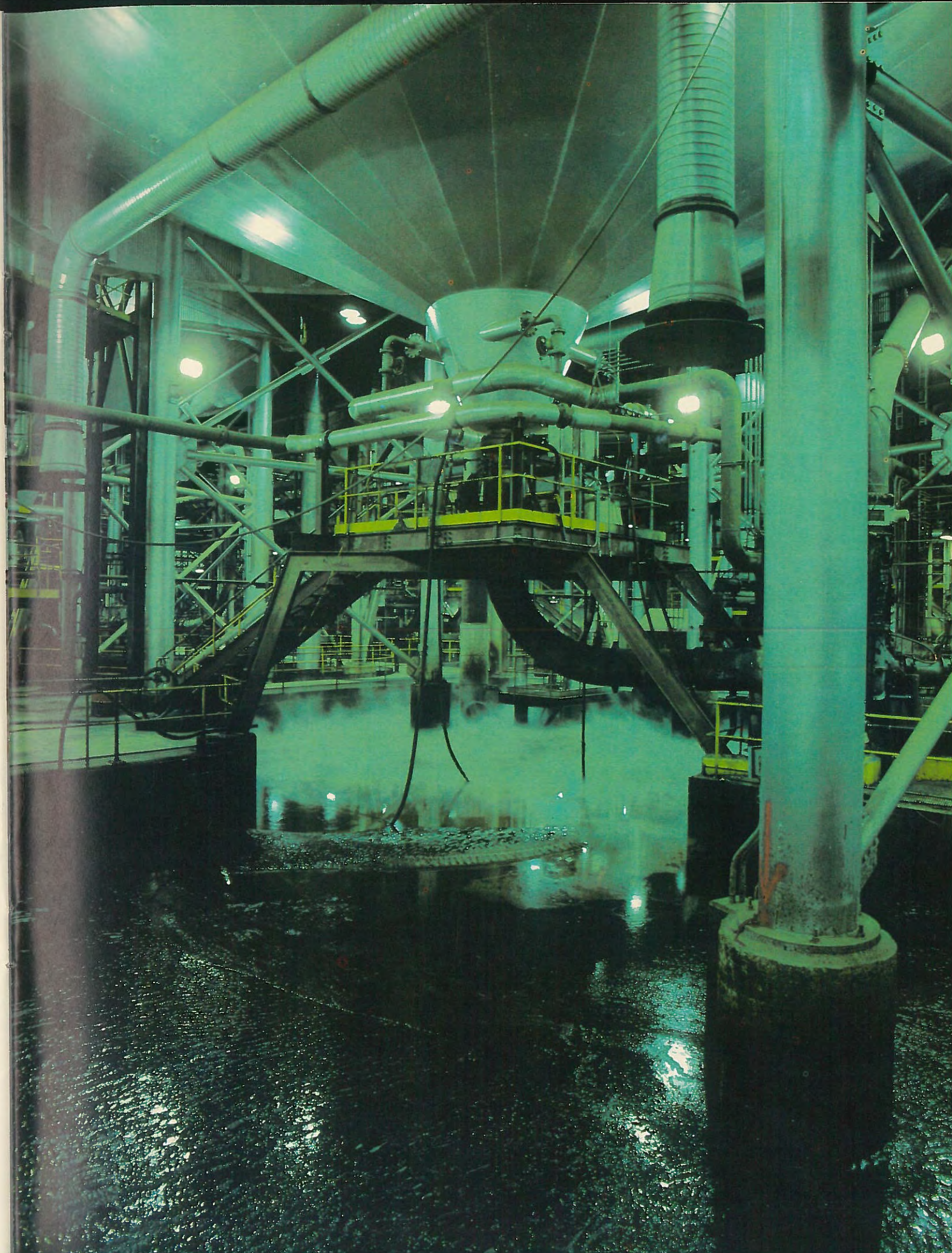
The official opening of the Syncrude Project was held on September 15, 1978.

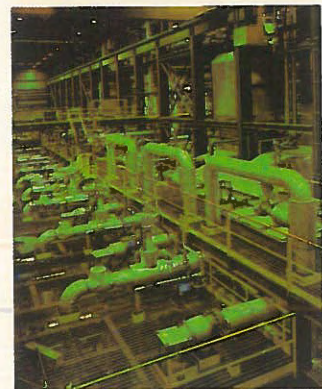
On February 9, 1979, the five millionth barrel of synthetic crude oil was shipped thus making March 1, 1979 the Date of Start of Production for the Alberta Crown Agreement, which spells out the royalty arrangement between the Alberta Government and the Syncrude participants.

For accounting purposes, the Heritage Fund's equity investment in the Syncrude Project has been treated on the basis that the project was in the pre-production phase for the 1978-79 year. Barring unforeseen circumstances, it is anticipated that April 1, 1979 will be chosen as the date of start of commercial production for accounting purposes, being the first day of the quarter following the official start of production for royalty purposes. Income statements for the Heritage Fund's ten per cent interest in the project would then be produced commencing on that date.

Convertible Debentures

As well, March 1, 1979 marks the date from which the Alberta Government has five years to exercise its option to convert the debentures purchased from Gulf Canada Limited and Canada-Cities Service Ltd. into a percentage equity interest in the Syncrude Project. As of March 31, 1979, both Gulf Canada Limited and Canada-Cities Service Ltd. had drawn down the full amount, \$100 million each, on the convertible debentures purchased by the Heritage Fund. Accrued interest on these debentures that has been capitalized by the Heritage Fund amounted to \$36.1 million at March 31, 1979.





Upper:
AEC Power's Utility Plant provides electric power, steam and processing water required to operate the Syncrude Project.

Lower:
These generators at AEC Power's Utility Plant produce enough electricity to supply a city of over one-quarter of a million people. This investment has already begun to contribute cash flow to AEC.

Alberta Energy Company

In 1978, the Alberta Energy Company Ltd. (AEC) continued to show a pattern of steady growth reflected by an increase of 26 per cent in net income. Retained earnings at December 31, 1978 were \$45.8 million compared to the 1977 year end total of \$27.1 million.

The Heritage Fund's equity position in AEC, based on the cost of the Province of Alberta's 50 per cent ownership plus 50 per cent of AEC's retained earnings, increased from \$89.2 million at December 31, 1977 to \$98.7 million at December 31, 1978. A 30 cent per share dividend was paid in June, 1979 and these dividends, amounting to about \$2.25 million, will form part of the Heritage Fund's income in 1979-80.

AEC's principal investments involve a wide range of activity. A significant asset is the oil and gas rights to the Suffield Military Block near Medicine Hat, an area of 2,560 square kilometres with 991 gas and oil wells drilled by December 31, 1978. This is the largest petroleum development area under one operating management in the Canadian oil and gas industry.

AEC's most recent investment in oil and gas has been the acquisition of petroleum and natural gas rights underlying another large block of military acreage in Alberta. The Primrose block is a bombing and gunnery range which straddles the Alberta-Saskatchewan border, north of Cold Lake, Alberta. Evaluation of this military block has commenced and initial results have been encouraging, with some gas finds and indications of heavy oil potential being encountered in the first few wells.

AEC's investments related to the Syncrude Project include the Utilities Plant and the Alberta Oil Sands Pipeline. AEC Power's Utility Plant, now operational, provides the steam, electric power, and processing water required to operate the Syncrude mining, extraction, and upgrading facilities. The Alberta Oil Sands Pipeline is carrying synthetic crude oil produced by the Syncrude plant to Edmonton.

Additional investment activities of AEC include steel, marketing of natural gas, and joint venture interests in coal, forestry projects, and an ethane gathering system.

Alberta Energy Company Ltd. Investments

	At December 31, 1978
	(millions of dollars)
Net Investment in Property, Plant and Equipment	
Gas and oil	159.9
Pipelines	92.2
Coal	26.7
Forestry	10.3
Other	1.6
	290.8
Investment in Affiliated Companies, at equity	
AEC Power Ltd.	20.4
Steel Alberta Ltd.	9.8
Pan-Alberta Gas Ltd.	2.6
	32.9
Total	323.6

Note: Totals may not add due to rounding.
Source: 1978 Annual Report of AEC.

**Alberta Investment Division Summary of Investment Transactions
For the Year Ended March 31, 1979**

	Cost March 31, 1978	Purchases	Repayments	Capitalized Interest	Cost March 31, 1979
(millions of dollars)					
Alberta Housing Corporation debentures					
Investment at cost March 31, 1978	249.7	—	1.8	—	247.9
Investments made during 1978-79					
9.40% February 1, 2008	—	12.0	—	—	12.0
9.75% June 1, 2008	—	15.0	—	—	15.0
9.80% September 15, 2008	—	10.0	—	—	10.0
9.70% December 1, 2008	—	25.0	—	—	25.0
10.15% February 15, 2009	—	2.0	—	—	2.0
	249.7	64.0	1.8	—	311.9
Alberta Home Mortgage Corporation debentures					
Investment at cost March 31, 1978	347.7	—	2.5	—	345.2
Investments made during 1978-79					
9.40% January 15, 2008	—	20.0	—	—	20.0
9.05% April 15, 1988	—	25.0	—	—	25.0
9.05% June 1, 1988	—	25.0	—	—	25.0
9.45% August 1, 1988	—	25.0	—	—	25.0
9.45% September 15, 1988	—	35.0	—	—	35.0
9.40% November 1, 1988	—	25.0	—	—	25.0
9.40% December 1, 1988	—	25.0	—	—	25.0
9.90% January 15, 1989	—	25.0	—	—	25.0
9.90% March 1, 1989	—	5.0	—	—	5.0
	347.7	210.0	2.5	—	555.2
Alberta Agricultural Development Corporation debentures					
Investments made during 1978-79					
10.15% March 31, 2004	—	13.0	—	—	13.0
9.63% March 31, 2004	—	75.0	—	—	75.0
10.15% March 31, 2004	—	50.0	—	—	50.0
	—	138.0	—	—	138.0
Alberta Opportunity Company debentures					
Investments made during 1978-79					
9.44% March 31, 1984	—	21.5	—	—	21.5
9.90% March 31, 1989	—	50.0	—	—	50.0
	—	71.5	—	—	71.5
Alberta Energy Company Ltd. shares	75.8	0.1	—	—	75.8
Equity in Syncrude Project	179.3	46.6	—	—	225.9
Gulf Canada Limited 8½% convertible debenture					
Principal	100.6	3.5	—	14.4	118.5
Accrued interest to be capitalized	6.2	—	—	(6.2)	—
Canada-CRies Service Ltd. 8½% convertible debenture					
Principal	90.6	12.9	—	14.1	117.6
Accrued interest to be capitalized	6.0	—	—	(6.0)	—
Total	1,055.8	546.6	4.3	16.3	1,614.3

Note: Totals may not add due to rounding.

Deposits, Marketable Securities, and Portfolio Investments

Investment Environment

The relationships among economic activity, government action, and investment decision-making create a dynamic environment. The past year was no exception with sharp fluctuations in international currency exchange rates, continuing inflation, and abnormal interest rate differentials. The Canadian dollar declined in value by a further 3.5 per cent relative to the U.S. dollar; the Bank Rate was raised six times from 8 per cent to 11¼ per cent, and the Consumer Price Index rose 9.2 per cent from March 1978 to March 1979. Credit demands in the capital markets were largely those of governments with little corporate borrowing activity. This resulted in a limited supply of high grade corporate debentures and at the same time caused interest rate spreads to narrow among the various categories of borrowers.

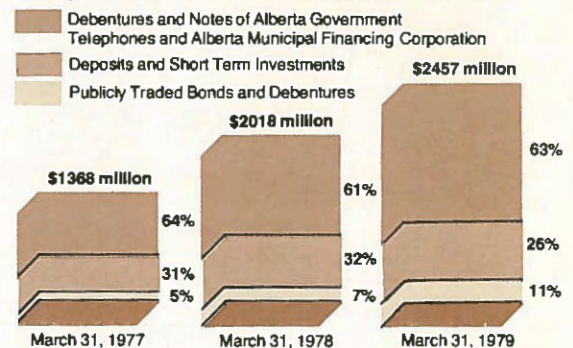
Investment Activity

The marketable securities and long term portfolio investments of the Heritage Fund represent those funds not committed under the three investment divisions. These funds are invested under the provisions of Section 9 of the Alberta Heritage Savings Trust Fund Act. Management of the portfolio is concerned with the quality, term, yield, risk, and liquidity of the investments as well as basic portfolio diversification. In 1978-79, a policy of gradually extending the average term of the marketable securities portfolio was initiated through the purchase of additional long term bonds. At the same time, the average term of short term investments was decreased to take advantage of rising short term interest rates.

In addition, debentures of the Alberta Municipal Financing Corporation and the Alberta Government Telephones Commission were purchased to be held as long term investments of the Fund or until such time as liquidity is required. The terms and conditions of such debentures reflect those applicable to similar securities in the marketplace at the date of issue. Alberta Government Telephones debentures totalling \$135 million and \$199 million of Alberta Municipal Financing Corporation debentures were placed under Section 9 during the 1978-79 fiscal year. Total holdings of these debentures amounted to \$1,553 million at March 31, 1979.

The composition of the portfolio investments may be summarized as: 11 per cent in publicly traded bonds and debentures, 63 per cent in Alberta Municipal Financing Corporation and Alberta Government Telephones debentures, and 26 per cent in short term investments, including deposits. The accompanying illustration depicts the portfolio composition during the past three years.

Composition of Portfolio Investments 1977-79



Short term investments (including deposits in the Consolidated Cash Investment Trust Fund of the Province) at March 31, 1979 totalled \$641 million, a decrease of \$11 million from March 31, 1978. Demand pressures for funds within the Canadian money market have been such that Canadian chartered bank securities often have been the highest yielding instruments available. Accordingly, some 79 per cent of the portfolio's short term investment was in chartered bank deposit notes and receipts at year end.

Borrowing requirements of the federal government have dominated the Canadian bond market for most of the past year, creating an opportunity to invest portfolio funds in ever higher yielding long term bonds. A further \$117 million of long term bonds was purchased, with the latest acquisitions yielding in excess of 10.3 per cent. As incremental purchases were added to the portfolio, the overall yield of the bond section continued to increase.

The overall yield on the securities held under the deposits, marketable securities, and long term investments portfolio increased significantly from 8.6 per cent at March 31, 1978 to 9.6 per cent at March 31, 1979. The most dramatic change was in the yield on short term investments, which increased almost three percentage points, from 7.7 per cent at March 31, 1978 to 10.6 per cent at March 31, 1979.

Average Term and Yield for Deposits, Marketable Securities, and Long Term Investments

	Average Term	Average Yield (%)
Deposits in the CCITF	demand	9.9
Marketable Securities:		
Short Term Investments	67 days	10.6
Debentures and Notes:		
Government of Canada Direct and Guaranteed	18.6 years	9.2
Provincial Direct and Guaranteed	15.8 years	9.0
Corporate	12.2 years	10.0
Long Term Investments:		
Alberta Government Telephones Commission	7.9 years	9.1
Alberta Municipal Financing Corporation	13.3 years	9.3
Weighted Average	8.4 years	9.6

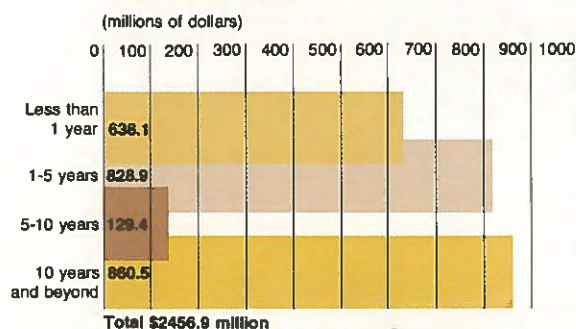
Deposits, Marketable Securities, and Long Term Investments Summary of Investment Transactions For the Year Ended March 31, 1979

	Cost March 31, 1978	Purchases	Sales and Redemp- tions at Cost	Amortization of Discount or (Premium)	Cost March 31, 1979	Market Value March 31, 1979
(millions of dollars)						
Deposit with the Province of Alberta (CCITF)	182.8	—	153.5 ^a	—	29.3	29.3
Marketable Securities:						
Short Term Investments	468.6	1,322.3	1,179.6	—	611.3	611.3
Debentures and Notes:						
Government of Canada bonds direct and guaranteed	51.4	274.3	172.2	—	153.5	145.2
Province of Alberta guaranteed securities:						
Alberta Government Telephones Commission debentures	9.4	—	—	—	9.4	8.7
Other provinces, direct and guaranteed securities	65.9	64.8	48.3	(0.1)	82.4	77.9
Corporate bonds	20.0	—	1.8	—	18.2	17.9
	615.1	1,661.4	1,401.9	(0.1)	874.8	861.1
Long Term Investments:						
Alberta Government Telephones Commission:						
Notes	10.0	—	—	—	10.0	10.0
Debentures	664.0	134.6	—	0.2	798.6	798.6
Alberta Municipal Financing Corporation debentures	545.8	199.4	1.0	0.1	744.2	744.2
	1,219.8	334.0	1.0	0.3	1,552.8	1,552.8
Total	2,017.9	1,995.4	1,556.4	(0.2)	2,456.9	2,443.2

a) Net withdrawals.

Note: Totals may not add due to rounding.

Maturity of Deposits, Marketable Securities, and Long Term Investments Held by the Alberta Heritage Savings Trust Fund at March 31, 1979



Alberta Heritage Savings Trust Fund
Financial Statements
March 31, 1979

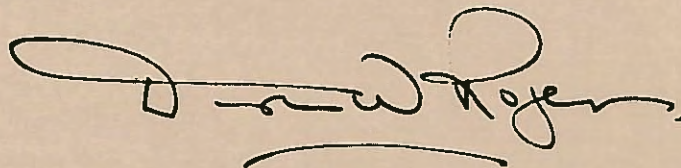
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**Alberta Heritage Savings Trust Fund
Auditor's Report**

To the Provincial Treasurer

I have examined the balance sheet of the Alberta Heritage Savings Trust Fund as at March 31, 1979 and the statements of income, expenditure, transfers and fund equity, changes in financial position and Capital Projects Division statement of amounts expended for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Trust Fund as at March 31, 1979 and the results of its operations, the changes in its financial position and the amounts expended within the Capital Projects Division for the year then ended in accordance with the disclosed basis of accounting described in Note 2 to the financial statements applied, after giving retroactive effect to the change in classification of certain investments referred to in Note 3 to the financial statements, on a basis consistent with that of the preceding year.



C.A.
Auditor General

Edmonton, Alberta
June 22, 1979

Alberta Heritage Savings Trust Fund

Balance Sheet

As At March 31, 1979

(thousands of dollars)

ASSETS

	1979	1978
Assets:		
Deposit in the Consolidated Cash Investment Trust Fund of the Province of Alberta	\$ 29,253	\$ 182,790
Accrued interest receivable	123,280	83,185
Marketable securities, at aggregate cost or market value, whichever is lower (Note 4)	861,054	613,405
Long term investments, at cost (Note 3)	1,552,870	1,219,837
Canada Investment Division investments, at cost (Schedule 1)	269,519	96,295
Alberta Investment Division investments, at cost including interest capitalized (Schedule 2 and Note 2)	<u>1,614,347</u>	<u>1,055,799</u>
	4,450,323	3,251,311
Deemed Assets:		
Capital Projects Division investments, at cost (Schedule 3 and Note 2)	<u>255,089</u>	<u>122,797</u>
	\$4,705,412	\$3,374,108

The accompanying notes are part of these financial statements.

LIABILITIES AND FUND EQUITY

	1979	1978
Liabilities:		
Accounts payable	\$ 18,547	\$ 15,078
Due to the General Revenue Fund of the Province of Alberta, net	<u>1,661</u>	<u>26,522</u>
	20,208	41,600
Fund Equity:		
Represented by net assets (Statement B)	<u>4,430,115</u>	<u>3,209,711</u>
	4,450,323	3,251,311
Represented by deemed assets (Statement B)	<u>255,089</u>	<u>122,797</u>
	<u>\$4,705,412</u>	<u>\$3,374,108</u>

Alberta Heritage Savings Trust Fund
**Statement of Income, Expenditure,
 Transfers and Fund Equity**
 For the Year Ended March 31, 1979
 (thousands of dollars)

Statement B

	1979	1978
Income and Retained Earnings:		
Interest earned	<u>\$ 309,346</u>	<u>\$ 195,622</u>
Deduct:		
Net loss (gain) on sale of investments	2,926	(225)
Provision for decline in value of marketable securities (Note 3)	<u>12,030</u>	<u>1,729</u>
	<u>14,956</u>	<u>1,504</u>
Investment income	294,390	194,118
Administrative expenses (Note 6)	<u>696</u>	<u>524</u>
Net income for the year	293,694	193,594
Retained earnings at beginning of year, as adjusted (Note 3)	<u>281,283</u>	<u>87,689</u>
Retained earnings at end of year	<u>574,977</u>	<u>281,283</u>
Transfers from the General Revenue Fund of the Province of Alberta:		
Non-renewable resource revenue transfer for the year (Note 5)	1,059,002	931,043
Cumulative transfers at beginning of year	<u>3,051,225</u>	<u>2,120,182</u>
Cumulative transfers at end of year	<u>4,110,227</u>	<u>3,051,225</u>
Fund equity at end of year	<u>\$4,685,204</u>	<u>\$3,332,508</u>
Represented by:		
Net assets	<u>\$4,430,115</u>	<u>\$3,209,711</u>
Deemed assets	<u>255,089</u>	<u>122,797</u>
	<u>\$4,685,204</u>	<u>\$3,332,508</u>

Alberta Heritage Savings Trust Fund
Statement of Changes in Financial Position
 For the Year Ended March 31, 1979
 (thousands of dollars)

Statement C

	1979	1978
Funds were provided from:		
Net income for the year	\$ 293,694	\$ 193,594
Deduct (add) non-cash items:		
Increase in accrued interest receivable	40,095	26,501
Amortization of discount/premium on investments, net	336	222
Provision for decline in value of marketable securities	(12,030)	(1,729)
	28,401	24,994
Funds provided from operations	265,293	168,600
Non-renewable resource revenue transfer	1,059,002	931,043
Decrease in deposit in the Consolidated Cash Investment Trust Fund	153,537	19,099
Repayments and redemptions:		
Long term investments	1,042	165,951
Alberta Investment Division investments	4,348	2,715
	\$1,483,222	\$1,287,408
Funds were applied to:		
Purchases of investments:		
Marketable securities, net	\$ 259,679	\$ 303,187
Long term investments	333,813	531,280
Canada Investment Division investments	173,150	46,765
Alberta Investment Division investments	562,896	354,883
Capital Projects Division investments	132,292	86,835
Decrease (increase) in accounts payable, net	21,392	(35,542)
	\$1,483,222	\$1,287,408

Alberta Heritage Savings Trust Fund
Capital Projects Division
Statement of Amounts Expended
For the Year Ended March 31, 1979
(thousands of dollars)

Statement D

	<u>Legislative Appropriation</u>	<u>Amounts Expended</u>	<u>Lapsed Appropriation</u>
Health Care Facilities and Applied			
Health Research:			
New Health Care Facilities:			
Southern Alberta Children's Hospital	\$ 11,608	\$ 10,856	\$ 752
Alberta Health Sciences Centre	35,033	25,340	9,693
Southern Alberta Cancer Centre	22,000	8,941	13,059
Applied Health Research:			
Cancer and heart disease research:			
Cancer research	3,180	1,450	1,730
Heart disease research	10,420	3,028	7,392
Irrigation Rehabilitation and Expansion:			
Irrigation rehabilitation and expansion	9,000	8,839	161
Irrigation headworks improvement	6,650	3,118	3,532
Renewable Resources Improvement:			
Alberta reforestation nursery	3,740	2,734	1,006
Grazing reserves development	3,958	1,759	2,199
Land reclamation	5,000	2,243	2,757
Development of Oil Sands Technology:			
The Alberta Oil Sands Technology and Research Authority	40,600	33,850	6,750
Establishing and Improving Recreational Facilities:			
Capital City Park	11,028	8,329	2,699
Fish Creek Park (Department of Environment)	2,000	1,990	10
Fish Creek Park (Department of Recreation, Parks and Wildlife)	2,520	2,314	206
Kananaskis Country Recreation Development	15,000	12,071	2,929
Development and Improvement of Alberta's Transportation Facilities:			
Airport Terminal Buildings	6,000	780	5,220
Developing and Producing Canadian Content Educational Resources:			
Alberta Heritage Learning Resources	4,500	2,668	1,832
Farming for the Future	2,000	1,918	82
Preservation of Historic Sites:			
Government House South	3,000	64	2,936
	<u>\$197,237</u>	<u>\$132,292</u>	<u>\$64,945</u>

Amounts expended were authorized under The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1977 and The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Supplementary Act, 1978.

Alberta Heritage Savings Trust Fund
Notes to the Financial Statements
March 31, 1979

Note 1 **Authority**

The Alberta Heritage Savings Trust Fund operates under the authority of The Alberta Heritage Savings Trust Fund Act, Chapter 2, Statutes of Alberta 1976.

Note 2 **Significant Accounting Policies and Reporting Practices**

These financial statements have been prepared in accordance with generally accepted accounting principles except that:

- (i) The item shown on the balance sheet as "Capital Projects Division investments" represents the aggregate amount expended from November 4, 1976 to March 31, 1979 under the authority of "Appropriation Acts" passed pursuant to Section 6 (2) (a) of The Alberta Heritage Savings Trust Fund Act. The "Capital Projects Division investments" do not represent assets owned by the Alberta Heritage Savings Trust Fund. These investments are deemed to be assets of the Trust Fund with a value equal to the amounts expended, pursuant to Section 6 (5) (a) of The Alberta Heritage Savings Trust Fund Act.
- (ii) The investment in the Alberta Energy Company Ltd. (included in the Alberta Investment Division) which represents 50% of the outstanding voting shares of the Company has not been adjusted for the Fund's share of retained earnings. The Company reported earnings for the year ended December 31, 1978 of \$18,786,000 (1977 - \$14,857,000) and retained earnings at December 31, 1978 of \$45,842,000 (1977 - \$27,056,000).

Note 3 **Change in Accounting Policy**

Long term investments, shown on the balance sheet at \$1,552,870,000 (1978 - \$1,219,837,000) consist of debentures and notes of Alberta Government Telephones Commission and debentures of Alberta Municipal Financing Corporation issued directly to the Provincial Treasurer. These investments were classified as "marketable securities" in prior years. The change in classification reflects the intention to hold these investments as long term assets. As a result of the change, the previously reported retained earnings at March 31, 1978 of \$274,236,000 have been restated to show a retroactive increase of \$7,047,000 representing a reduction in the provision for decline in value of marketable securities for the year ended March 31, 1978. If the change had not been made, net income for the year would have been \$243,784,000 instead of \$293,694,000.

Note 4 **Marketable Securities**

Marketable securities at March 31, 1979 are summarized hereunder:

	<u>Par Value</u>	<u>Amortized Cost</u>	<u>Market Value</u>
Government of Canada bonds, direct and guaranteed	\$154,610,000	\$153,500,000	\$145,231,000
Province of Alberta guaranteed securities:			
Alberta Government Telephones Commission debentures	9,840,000	9,433,000	8,729,000
Other Provinces, direct and guaranteed securities	83,300,000	82,397,000	77,932,000
Corporate bonds	18,350,000	18,223,000	17,902,000
	<u>\$266,100,000</u>	<u>263,553,000</u>	<u>249,794,000</u>
Short term securities		611,260,000	611,260,000
		<u>\$874,813,000</u>	<u>\$861,054,000</u>
1978 for comparison		<u>\$615,134,000</u>	<u>\$613,405,000</u>

Note 5 **Transfer from the General Revenue Fund**

30% of the non-renewable resource revenue received by the Province during the year ended March 31, 1979 has been transferred to the Alberta Heritage Savings Trust Fund pursuant to The Alberta Heritage Savings Trust Fund Special Appropriation Act, 1978-79.

Note 6 **Administrative Expenses**

Costs directly attributable to the administration of the Fund have been charged thereto. Other costs and expenses in connection with the administration of the Fund, paid out of the General Revenue Fund, have been estimated at \$619,000 for the year ended March 31, 1979 and charged to the Fund pursuant to Section 10 (2) of The Alberta Heritage Savings Trust Fund Act.

Note 7 **Capital Projects Division Commitments**

The Legislative Assembly has authorized the expenditure of \$229,671,000 for Capital Projects Division investments during the period April 1, 1979 to March 31, 1980 pursuant to The Appropriation (Alberta Heritage Savings Trust Fund, Capital Projects Division) Act, 1978.

Note 8 **Contingencies**

Claims received and possible claims pending at March 31, 1979 in respect of Capital Projects Division land acquisitions exceed amounts expended by approximately \$46,000,000. The actual liability cannot be determined until expropriation proceedings are completed.

Note 9 **Comparative Figures**

The 1978 figures have been restated where necessary to conform to 1979 presentation.

Note 10 **Approval of Financial Statements**

These financial statements were approved by management on June 22, 1979.

Alberta Heritage Savings Trust Fund
Canada Investment Division Investments
 As at March 31, 1979
 (thousands of dollars)

Schedule 1

<u>Debenture Issued by</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Par Value</u>	<u>Amortized Cost</u>	
				<u>1979</u>	<u>1978</u>
Province of Manitoba	9.75%	Dec. 1, 1988	\$ 75,000	\$ 74,565	\$ —
Province of New Brunswick	9.50%	Dec. 15, 1997	47,000	46,781	46,769
Province of Newfoundland	10.00%	Mar. 15, 1998	50,000	49,549	49,526
Province of Nova Scotia	10.00%	Dec. 21, 1998	50,000	49,312	—
Nova Scotia Power Corporation	10.00%	Dec. 21, 1998	50,000	49,312	—
			<u>\$272,000</u>	<u>\$269,519</u>	<u>\$ 96,295</u>

Alberta Investment Division Investments

As at March 31, 1979

(thousands of dollars)

	1979	1978
Provincial corporation debentures, at cost (a):		
Alberta Agricultural Development Corporation:		
10.15% March 31, 2004	\$ 13,000	\$ —
9.63% March 31, 2004	75,000	—
10.15% March 31, 2004	<u>50,000</u>	<u>—</u>
	<u>138,000</u>	<u>—</u>
Alberta Home Mortgage Corporation (b):		
9.57% April 1, 2006	135,420	136,371
10.17% August 30, 2006	29,646	29,832
9.90% December 1, 2006	24,689	24,852
9.10% January 15, 2007	49,275	49,654
9.35% July 15, 2007	24,835	25,000
9.35% September 1, 2007	49,670	50,000
9.40% January 15, 2008	51,660	32,000
9.05% April 15, 1988	25,000	—
9.05% June 1, 1988	25,000	—
9.45% August 1, 1988	25,000	—
9.45% September 15, 1988	35,000	—
9.40% November 1, 1988	25,000	—
9.40% December 1, 1988	25,000	—
9.90% January 15, 1989	25,000	—
9.90% March 1, 1989	5,000	—
	<u>555,195</u>	<u>347,709</u>
Alberta Housing Corporation:		
9.45% April 1, 2006	110,496	111,291
10.14% August 30, 2006	9,881	9,944
9.90% December 1, 2006	9,876	9,941
9.10% January 15, 2007	49,275	49,653
9.35% August 15, 2007	14,901	15,000
9.30% November 1, 2007	10,828	10,900
9.30% December 15, 2007	29,800	30,000
9.40% February 1, 2008	24,837	13,000
9.75% June 1, 2008	15,000	—
9.80% September 15, 2008	10,000	—
9.70% December 1, 2008	25,000	—
10.15% February 15, 2009	2,000	—
	<u>311,894</u>	<u>249,729</u>
Alberta Opportunity Company:		
9.44% March 31, 1984	21,500	—
9.90% March 31, 1989	<u>50,000</u>	<u>—</u>
	71,500	—
Alberta Energy Company Ltd. common shares, at cost (c)	75,762	75,650
Equity in Syncrude Project, at cost (d)	225,857	179,301
Gulf Canada Limited (e):		
8½% convertible debenture, at cost	\$100,000	
Interest capitalized	<u>18,537</u>	106,847
Canada-Cities Service Ltd. (e):		
8% convertible debenture, at cost	100,000	
Interest capitalized	<u>17,602</u>	96,563
	<u>117,602</u>	<u>96,563</u>
	<u>\$1,614,347</u>	<u>\$1,055,799</u>

- (a) Authorization has been given to purchase additional debentures of Provincial corporations as follows:
- | | |
|--|--------------|
| Alberta Agricultural Development Corporation | \$22,000,000 |
| Alberta Home Mortgage Corporation | 70,000,000 |
| Alberta Housing Corporation | 73,000,000 |
| Alberta Opportunity Company | 18,500,000 |
- (b) Interest rates on Alberta Home Mortgage Corporation debentures issued after December 1, 1976 will be adjusted on the fifth anniversary and every five years thereafter until maturity, according to rates prevailing on the adjustment dates.
- (c) Pursuant to Section 19 (1) of The Alberta Energy Company Act, the aggregate amount that the Province may have invested in the Company at any time, or be committed to invest, in common shares shall not exceed \$250 million as the purchase price thereof. Authorization has been given to purchase and dispose of shares of the Company to maintain the percentage of voting shares held by the Fund at any time at 50% of the total number of issued and outstanding voting shares of the Company.
- (d) Authorization has been given to pay from the Fund the Province's 10% share of the construction and operating costs incurred under the Syncrude Project-Ownership and Management Agreement. As a 10% equity participant in the joint venture, the Fund is, as lessee, entitled to 10% of all substances produced from the Syncrude Project subject to the liabilities to the Province of Alberta, as lessor, in accordance with the Alberta Crown Agreement. For accounting purposes, the Syncrude Project is regarded to be in the pre-production stage at March 31, 1979 and accordingly, receipts from the sale of the Province's share of synthetic crude have been deducted from disbursements to March 31, 1979 as follows:
- | | |
|--|----------------------|
| Total disbursements | \$235,646,000 |
| Deduct receipts from sale of synthetic crude | 9,789,000 |
| Net disbursements, March 31, 1979 | <u>\$225,857,000</u> |
- (e) Interest under loan agreements with Gulf Canada Limited and Gulf Canada Resources, Inc., and Cities Service Company and Canada-Cities Service Ltd., accrued from the dates the funds were advanced to March 1, 1979 (the Conversion Computation Date) has been capitalized. Beginning March 1, 1979, interest on the principal outstanding including capitalized interest is receivable semi-annually. The Province of Alberta has the option at any time prior to March 1, 1984 to convert the whole or any part of each debenture, amounting to at least \$20 million excluding capitalized interest, into a percentage equity interest in the Syncrude Project. In the event that the conversion option is not exercised, the principal together with capitalized interest is to be repaid to the Fund in 10 equal annual payments beginning on March 1, 1985 subject to the right of the borrowers to redeem earlier, in whole or in part, after March 1, 1984.

Alberta Heritage Savings Trust Fund
Capital Projects Division Investments
 As at March 31, 1979
 (thousands of dollars)

Schedule 3

	1979	1978
Health Care Facilities and Applied		
Health Research:		
New Health Care Facilities:		
Southern Alberta Children's Hospital	\$ 15,460	\$ 4,604
Alberta Health Sciences Centre	38,271	12,931
Southern Alberta Cancer Centre	13,922	4,981
Applied Health Research:		
Cancer and heart disease research:		
Cancer research	3,274	1,824
Heart disease research	3,043	15
Irrigation Rehabilitation and Expansion:		
Irrigation rehabilitation and expansion	22,634	13,795
Irrigation headworks improvement	6,128	3,010
Renewable Resources Improvement:		
Alberta reforestation nursery	11,543	8,809
Grazing reserves development	2,445	686
Land reclamation	3,506	1,263
Development of Oil Sands Technology:		
The Alberta Oil Sands Technology and Research Authority	62,949	29,099
Establishing and Improving Recreational Facilities:		
Capital City Park	33,434	25,105
Fish Creek Park (Department of Environment)	14,914	12,924
Fish Creek Park (Department of Recreation, Parks and Wildlife)	6,065	3,751
Kananaskis Country Recreation Development	12,071	—
Development and Improvement of Alberta's Transportation Facilities:		
Airport Terminal Buildings	780	—
Developing and Producing Canadian Content Educational Resources:		
Alberta Heritage Learning Resources	2,668	—
Farming for the Future	1,918	—
Preservation of Historic Sites:		
Government House South	64	—
	<u>\$255,089</u>	<u>\$122,797</u>

