

[Mr. Hutton in the chair]

THE CHAIR: Good morning, everyone. I'd like to call this meeting to order now. This is our Standing Committee on the Alberta Heritage Savings Trust Fund, and before we ask for approval of the agenda, I'd like to just go around the room and if everybody would please introduce themselves and just why you're here.

[Mr. Bhatia, Mr. Boisson, Mr. Bonner, Mr. Broda, Ms Carlson, Mr. Dunn, Mr. Hutton, Mr. Knight, Mr. Lougheed, Mr. Marz, Mr. Melchin, Mr. Orcheson, Mr. Pappas, Mr. Parihar, Mr. Shepherd, Ms Simard, and Mr. Vincent introduced themselves]

THE CHAIR: Welcome, everyone, on a beautiful June day with actually green leaves. I will now ask for approval of the agenda.

MR. MARZ: I'll move.

THE CHAIR: Richard. Do we need all approved here? I think we're okay.

Approval of minutes from the February 13 meeting. Could you please take a look at them, and could I have a motion first and then approval?

MR. BRODA: I'll move.

THE CHAIR: Okay, Dave. Approved? [interjection] Dave wasn't there. Sorry, Dave. You're out. Sorry, buddy.

Rob.

MR. LOUGHEED: So moved.

THE CHAIR: All approved? Opposed? Okay.

We then are moving to the third-quarter update. Mr. Minister, if you please.

MR. MELCHIN: Thank you, Mr. Chairman. Thank you for the opportunity. I thought that rather than just confining my remarks to the third quarter, maybe I'll take the opportunity to speak to both the third quarter and the draft annual report all at once – the draft annual report obviously encompasses everything that's happened through the third quarter – but would be more than happy to answer any members' questions as we finish our remarks with regard to both.

THE CHAIR: Is everybody comfortable with the minister covering both at the same time?

HON. MEMBERS: Agreed.

THE CHAIR: Agreed. Thank you.

MR. MELCHIN: Unless we would like a more lengthy dissertation, you know, two or three hours on each of them. We could do that, too, if you'd like.

THE CHAIR: Did you bring pictures of your kids too?

MR. MELCHIN: I've got lots of pictures of my kids. I think the committee will enjoy them. Could we get the slide show going?

Thank you, Mr. Chairman. As introductions were already made around the table, it's a pleasure to welcome Fred Dunn, our Auditor

General. I'm delighted to welcome him here with us and look forward to working with him and his office over his term of work here. I'm delighted to see that we have the chance to meet with our newly appointed Auditor General. Robert Bhatia is Deputy Minister of Revenue. Jai Parihar is our acting manager for the investment management division. As many may be aware, Paul Pugh is actually leaving the organization. We've been very fortunate to have some very strong, capable expertise inside the Department of Revenue, specifically with the investment management division, so we're fortunate to have that type of expertise. Peter Orcheson is on the other side. So we've got lots of people here that would be more than happy to answer any specific questions you might have of their organization and specifically of the Alberta heritage savings trust fund.

We last reviewed the fund on February 13, as you pointed out in your minutes, and the performance of the fund through to the second quarter, so at this stage I'll confine my remarks to the third quarter, the update, and the draft annual report as of March 31. I'd like to point out a couple of areas just as far as financial results of the heritage fund. The second quarter, going back that far, really was one of the low points in the markets. Through the third and fourth quarters we've seen quite a bit of a rebound in performance of the equity markets, though if you were to extrapolate that, even today there continues to be volatility in that marketplace, but over the last six-month period the fund's investment income was \$287 million, bringing the total income for the year to \$206 million. This compares to last year's investment income of \$706 million over 12 months for the same period. The fair value of the fund has increased to \$12.4 billion, an increase from \$12.1 billion a year earlier. So a rebound in the fair value of the fund has happened from the first six months of the year.

Equity markets over that six-month period. I mentioned the sharp weakness after September 11. Both the Canadian and U.S. markets rose, the Canadian by 15.7 percent and the U.S. equity markets by 10.9 percent. The European and Far East markets were up 8.6 percent. Bond returns for the period were more muted at about 1 percent. So the combined heritage fund return was 6.8 percent over the third and fourth quarters and a 4.2 percent return over a one-year period on a market value basis.

I thought I might have you turn a little bit to the draft annual report itself, page 3, just a couple of comments with respect to the benchmarks, the Investment Objectives and Strategy. You'll see on page 3 that the policy benchmark for the Alberta heritage savings trust fund has been to move towards 35 percent in fixed income and 65 percent in equities and real estate. If I take you to page 6 of the same report, Investment Asset Mix, you'll see in the combined heritage fund, fair value for 2002, that the fixed-income securities at March 31 were 43 percent of the portfolio and 57 percent being in equities – Canadian, U.S., and European/Far East – and real estate.

You can see the transition of our portfolio on page 6, how that's continued to transition from being a predominately or almost exclusively fixed-income investment strategy to a balanced portfolio of income and fixed income to maximize returns over the long run. We are getting closer to that point, where the benchmark has obtained that balance. I might point out that during the third and fourth quarters, \$1.8 billion was transferred from the transition portfolio to the endowment portfolio, bringing the total transfers for the year to \$3.6 billion. So substantially all of the assets that were held in the transition portfolio have been transferred to the endowment portfolio, and that will have been completed by June 30 of this year.

So the transition portfolio will no longer have to be part of the discussion or mix of the Alberta heritage savings trust fund. We can

talk about it in much more simple terms, that you have an Alberta heritage savings trust fund, and speak more applicably to the benchmark asset mix allocation as being the question of policy decision; i.e., what weighting should you have in fixed income? Our policy benchmark is 35 percent into equities and real estate being 65 percent. So the discussion gets simpler by only now having one portfolio. The transition portfolio at March 31 is not quite completed but almost. Next year that will have been finalized, and we'll no longer have to make reference to both the transition and endowment portfolios but just to the Alberta heritage savings trust fund.

I would say that our business plan was presented earlier at the February meeting as well that talked about the strategies that are employed by it. If there are questions that come from that, we'd be happy to go back and talk about asset allocation, benchmarks, strategies and policy decisions of these, but for today in particular we're looking for approval of the draft annual report so that we might have permission to release that later in the month and then, secondly, for approval by the committee of the third-quarter report, which already has been released but needs to be completed by approval of this committee.

I'll conclude my remarks there, Mr. Chairman, and I look forward to entertaining any questions that the committee members would have.

**10:14**

**THE CHAIR:** Thank you very much, Mr. Minister. You are much more polite than I am. I apologize to the Auditor General for not introducing him when he arrived, and as chair I welcome you to this committee and to your new role.

I also would like to introduce and welcome Dave Broda. Dave is a new member of the Alberta heritage trust fund committee.

Any questions from anyone? Go ahead, Deb.

**MS CARLSON:** Thanks, Mr. Chairman and Mr. Minister, for your remarks. I would like to ask I think as my first question – when I take a look at the draft annual report, I see that not all of the revenue that was generated by the fund was transferred into the general revenue fund this year. We've always asked for the heritage savings trust fund to be inflation-proof, so it's really a combined question. Why didn't you transfer all of the funds out last year, and do you have any plans for inflation-proofing now or in the future? Are you going to be developing a policy with regard to that?

**MR. MELCHIN:** You know, the question of inflation-proofing the heritage fund is a very good point of policy that this committee will have to continue to be clear on its objectives. The priority has been, as you know, for years that the debt repayment has taken priority so that the income transfer literally has come from the fund itself. All of the income has been, well, primarily other than a couple of years, transferred completely to the general revenues of the government. In that respect, that's going to be the same case for this year, being March 31 of 2002, so that we continue the priority of repayment of the debt.

Now, I would say in that respect that the balance sheet of the overall entity of the provincial government is equivalent on that basis, though the heritage fund, in particular, as an individual asset – you're correct – is not inflation-proofed or growing in that respect. As to the balance sheet, we are reducing debt rather than increasing in our investment and also thereby reducing the applicable interest expenses. So there's a very significant and beneficial, I would say, financial trade-off by doing that as well, especially in light of a tough year like last year. Though over the long run we would expect that we could outperform even in the heritage fund and then

potentially the cost of that debt.

That said, our debt question is becoming far more manageable at this stage. Part of what we have been doing in the Department of Revenue is going back and have had throughout this year a whole discussion of why it is that we should be saving. Let's clarify the reasons has been a key initiative of the Department of Revenue. We want to make sure that we've understood even in that respect, as it applies to the Alberta heritage savings trust fund, what would be the primary focus and purpose of that fund. That would help us assess how large it ought to be. So before we just inflation-proof for the sake of inflation-proofing, we give far more clearness and preciseness about what that fund ought to accomplish, which will then help define the size and scope that it ought to be. Much work has been done through Future Summit consultations and much work continues to be done through the Department of Revenue, including the Financial Management Commission, that's ongoing at this stage. It's too early to come back with any recommendations of changes, if any, to the committee at this stage, though I do anticipate that through this year we'll be able to bring that discussion more for our policy discussion at this table.

**MS CARLSON:** Thank you.

**THE CHAIR:** Any other questions?

**MR. LOUGHEED:** I was interested in your last little comment there, Greg, the last part about the commission. I was about to ask what perceptions you are having from perhaps the public with respect to the connection or the discussion between that commission and I guess the heritage fund. Are you having any initial information or feel about how that discussion is going that you'd be able to share with us at this time?

**MR. MELCHIN:** We haven't yet. A submission has or is about to be going to the Financial Management Commission with regard to some savings options that we've been working on in the Department of Revenue. They may or may not apply to the Alberta heritage savings trust fund. You may use different vehicles for different purposes. You don't necessarily have to use the heritage fund to accomplish if there's a specific savings objective, and that's part of the question too.

We will be meeting with them in the next week or so; I forget the specific date. I don't have anything to tell you at this stage about any conclusions that they would be drawing. Part of their review of the mandate does look at the Alberta heritage savings trust fund, although I would say to this committee as well, as I have said to the Financial Management Commission, that while we might entertain various options for its use and design and purpose and reasons for savings, any significant change to the Alberta heritage savings trust fund would have to go through the appropriate approval processes and then ultimately also have to be, if it were any significant change – and I say "if" because we may not. I don't want to preconceive that there are significant changes to it, but if there were, we've promised significant public consultations and that Albertans would have a say in the matter, so it won't be decided just on the outcome of the commission. There would be more work to be done after that.

**MR. LOUGHEED:** Just to follow up a little bit, do you sense perhaps a heightened awareness of the fund? It's one of the things we've talked about at this table for quite a while, about Albertans not being aware that the fund exists or they think it's disappeared. In light of all these discussions lately, do you think there's any increase in public awareness of the existence of the heritage fund?

MR. MELCHIN: I don't have specific data to present to you as to the awareness questions – i.e., with some measure of validity to assess that it's improved or not – other than anecdotal evidence, and it would come in this fashion. As many of us would know, as we went through the last election I heard many comments from people saying: "The heritage fund? Oh, does that fund still exist? Is it worth anything? What's in it? Wasn't it loaned away to other provinces?" So the awareness level I would say is not as great as it ought to be, and we still have much work to do to improve Albertans' understanding of the real value of this fund. It's 12 and a half billion dollars of real value, real fair market value. This is not a fund that's sitting in speculative – I mean, in a sense there are risks in every kind of investment, but it's soundly and prudently invested and has an opportunity of returning a very substantial return to all Albertans over its future.

That said, because of last year – i.e., the equity markets having had the troubles they've had – bad news sometimes creates a little more awareness for story and media, so we've had a lot more of that. Last year when we announced the report, we had a lot of media over the annual report, and I'd say that's positive. We need to report to Albertans positively or negatively the performance of the fund, so I'm glad to see that that has brought awareness. It has engendered discussions, and there's been more discussion in the media. I'd say to this committee that when we announced the third-quarter reports, we had good attention by all media in reporting it, various opinions as to what it ought to be used for, and that's healthy. I think that's very healthy discussion. As to how far that's gone, to have some data to say that the awareness levels have improved 5 or 10 percent, I don't have that specific information.

MR. LOUGHEED: Thanks.

MS CARLSON: As a follow-up on this we don't generally discuss how the communication plan is going to be delivered with you present, but I would like to have some of that discussion now. Certainly the communication budget for this committee is very low, and awareness has been an ongoing issue. We've generally done a little bit on the Internet, some newspaper advertising, but it's minimal at best. Do you see any kind of commitment from yourself and the department in terms of helping bring up the awareness of the fund, linking it to web sites, doing more advertising? In that kind of a capacity has that been any part of any discussions? Would you entertain it as a discussion item?

MR. MELCHIN: I would say that I would entertain that there's need for us to look at, in communications, how we improve awareness of the fund so that Albertans are far more informed about the fund: its mandate, its purpose, and its value. As to the methodologies one of the things we're first doing and that has been more of our key initiative is to assess and go back and look at the mandates for the savings and purpose and clarify its mandate. Now that we've about completed also the transition to the endowment portfolios, if we can add on, then, making sure that we're clear on the mandate, I would say that it would be important for us to look at how we go about making that better and more understood.

We are and will use various groups to do some surveying. On the savings review we are actually doing some of that presently, in general terms about savings and in specific about the Alberta heritage savings trust fund, and we'd be happy to bring that back after more results are known about it. We're just starting on some of that work. Last year we had one meeting in Whitecourt that was an excellent meeting. I think for that one community it was an

excellent meeting, but there's more that could be done for us to look at how we get the message out.

My preference would be that we first focus on and clarify its mandate and role and then go out with a stronger communication strategy. If that mandate were different, then there'll be a massive public consultation, which will be kind of the communication strategy. That way it will be the method of getting the word out and engaging Albertans in the discussion and asking for their opinions on its future objectives.

10:24

MS CARLSON: And a follow-up on that?

THE CHAIR: Sure.

MS CARLSON: So then would you see the committee as a part of that dog and pony show if it goes out for whatever purpose?

MR. MELCHIN: I don't know the answer to that because we haven't gone that far, as to saying what the methodology is, but clearly this committee has a role. So in some fashion this committee has a role in that communication, yes.

MS CARLSON: Thanks.

THE CHAIR: Mel.

MR. KNIGHT: Thank you, Mr. Chairman. Mr. Minister, I have a couple of questions and a comment with respect I guess to the conversation that you just concluded, but my questions have to do with the portfolio and the investments. I was interested, when I went through the thing, to see the kind of striking difference between the results in the third quarter with respect to some of these percentages and the reasons, of course, why they are what they are. When you look at Europe, Australasia, and the Far East . . . [interjection] It's in the third-quarter report on page 5. Then if you go to the annual report, it resurfaces of course on page 9. Over the year we had a negative 5.8 percent in that particular section, but in the third quarter it was a positive 7.4 percent. So my question is simply – we're talking about a volatility there that is 13 to 14 percent difference in a quarter. I don't understand quite what would have happened there.

MR. MELCHIN: I'll actually have Peter respond to that question.

MR. ORCHESON: Sure. Thank you, Mr. Minister and Mr. Chairman. We all recall the events of September 11 and the precipitous decline in markets. Well, we did get certainly a significant recovery after the October period. In fact, markets are now back to at least where they were prior to September 11. It's difficult to say. I mean, markets do overreact from time to time, and I would attribute it to that. Yes, in the third quarter we did get the recovery, and since that time prospects on corporate earnings really haven't changed that much, so we've had fairly modest movement since that time. But I would just call it an overreaction to September 11 and the subsequent recovery.

MR. KNIGHT: Thank you. Further to that, when we look at the Canadian property index, again on page 10 in the annual report, I need a little explanation on the benchmark. I'm assuming now that we're using the benchmark of the Russell Canadian property index. That's their benchmark and not yours, I'm presuming, the 9.8 percent?

MR. ORCHESON: That's correct; 9.8 percent is the Russell Canadian property index.

MR. KNIGHT: The reason we don't perform at that level is given in there as capital expenditures, interest expense, transaction costs, et cetera. It would occur to me that, you know, 2 and a half percent is a huge amount of difference if that's the only reason for the difference.

MR. MELCHIN: I'd like to say one thing on that. We've debated about this index as a good benchmark or not quite a bit. Even in preparation of this draft report, I have some real hesitancy personally about how this is presented. We're not comparing completely apples to apples here. Our actual return includes various costs that are deducted out of this versus the Russell index. You might go into more detail as to what the differences are. Because it was in the business plan last year, we need to report on it because that was the benchmark. In going forward, I hope that we can work at finding either how to extrapolate the Russell Canadian property index, extrapolating the costs that would then bring it down to be more comparable to ours or not, or finding a different index because they aren't.

Peter, maybe I'll have you supplement that.

MR. ORCHESON: Sure. We're always evaluating the benchmarks because as investment managers that's how we're evaluated. The Russell Canadian property index as it's published we don't feel is an entirely appropriate index, so we do try to make adjustments, and they're highlighted in there.

MR. KNIGHT: Okay.

A comment then, please, Mr. Chairman. Perhaps if that is the case, you know, for lack of a better thing to say, for public consumption it may not be in our best interest to publish that kind of information, because in fact it appears as though we're heading for 30 percent below what would have been an industry benchmark. So just a comment.

MR. MELCHIN: I might want to supplement actually. In the business plan we did change – and I'm glad to be reminded of this – our benchmark for next year. The real estate is going to be CPI plus 5 percent. That way at least if we've got a benchmark, we know how to calculate it, and then we can assess whether we did actually outperform that one or not.

We will continue to look at the other index as a benchmark for comparison. It gives us: are we within the same range? In the third quarter – in fact, I'm just looking for this in the draft annual report. On page 10 it has the benchmark for the Russell Canadian property index, but for the third quarter on page 9 at least there's a bullet below it that says that the benchmark performance excludes various capital and operating expenses which are deducted in the determination of the actual return. Now, that doesn't tell you how much to compare them, but at least it gives an explanatory note as to why they're not directly comparable.

MR. KNIGHT: Mr. Chairman, one more question?

THE CHAIR: Sure.

MR. KNIGHT: On page 12 under Administrative Expenses in our externally managed investment pools the expense for 2002 would be about \$8.3 million compared to 2001 of approximately \$5.4 million. I understand the reason for the change. My question is this. When

you go down to the expenses as a percent of the net asset fair value, should we look for .1 percent, give or take, on an ongoing basis now compared to what it was previously, at .07? Is that added expense a continuation?

MR. ORCHESON: I would say that as we've transitioned into the endowment asset mix, I think there's going to be definitely a stabilization in the amount of expense. As you're aware, we employ more active external management in the endowment fund because there are more equities there, so I think you're going to see something in the neighbourhood of .1 percent. Now, that being said, within the business plan we've highlighted that we're moving towards alternate investments. So there is still some transitioning there to go, but I think we've seen the bulk of the increase in fund administrative expense.

MR. KNIGHT: Thank you.

MR. MELCHIN: You might also note that at the bottom of that page here before that table it does say, "The average investment expense paid by other institutional investors is 0.25% of total market value." So we continue to be a very cost-effective organization. In that respect, you're adding just on that basis 15 basis points to your return. But, yeah, with the complexity and the greater weighting of equity then you have to have the expertise and sufficient expertise to manage that to get the returns.

10:34

THE CHAIR: Mr. Bonner.

MR. BONNER: Thank you, Mr. Chairman. I have a question in regards to the business plan. As we have moved into the endowment portfolio, our goal here is to maximize our investments, which are long term, yet we seem to be transferring moneys every year into the general revenue fund. Has any thought been given to allowing these investments to maximize and making our transfers, for example, every five years or perhaps every 10?

MR. MELCHIN: It's an interesting thought as to I guess the timing of how you hold it. Not so much by policy but by practice and priority decision of the government, it's been this way for quite a few years of the fund, that the income is all transferred to general revenue funds of the same year, other than for a couple of years that we retained some amounts for inflation-proofing. I would say that that kind of goes back a little bit to a previous question. We want to wait until we've completed more of the work on the mandates and purpose, of the reasons of savings, and clarify the objectives and mandate of the Alberta heritage savings trust fund so that we can understand how large that fund ought to be – and I would say that that's within this current year's time line; we want to make this sooner versus later – before we start making the decision to retain some for, say, a year or two or three or four or five years before transferring. I think that that would have to come into the broader picture to make sure that we're clear about the direction and size and scope of the fund. If we could put that in and then entertain that as far as the use of the income, that would be part of that question.

THE CHAIR: No further questions?

Ms Carlson.

MS CARLSON: Thank you. I have a couple more. External managers: can you talk about the criteria you use to select external managers and how you evaluate their performances?

MR. MELCHIN: Well, I'll let Peter answer that question as well.

MR. ORCHESON: Sure. There are a variety of ways in which we select external managers. Clearly one would be historic performance. We also visit the manager and kick the tires pretty well. We certainly like to get a sense of who the people are, what their qualifications are. We select also based on the particular manager's style. For example, we don't like to employ an entire group of, say, growth managers. We like to have some balance, and we like to have some balance obviously across the world because it is a diversified fund. Within that we would certainly have regular updates. We like to make sure that the performance is still staying where it should be, and we certainly don't like to see them drift from their style too much. I mean, it is a regular and ongoing process, and we have a group in IMD that is responsible for that. The numbers have been quite good.

MR. MELCHIN: I might have Jai supplement as well.

MR. PARIHAR: Yeah. The one other thing which we look at is the investment process. When we look at the short list of external managers, we look at the people who manage the investments, we look at the process, we look at the technology they employ, and we look at their performance. So there are a number of things we look at. Then we go and actually do the site visits, and then we make the decision.

MS CARLSON: Thanks. One follow-up. Could we get an update on Nortel and what you're doing to limit our exposure there?

MR. MELCHIN: Peter, I'll have you respond with respect to the specifics of Nortel.

MR. ORCHESON: Sure. In terms of our actual holdings, the heritage fund is currently underweighted with Nortel. With respect to the actual company itself, they are in the process of trying to shore up their balance sheet to make it through what looks like a pretty tough period in telecommunications equipment. You know, it remains a significant portion of the Canadian index, and as such the heritage fund is exposed to the name, but at this point in time we are underweighted and have benefited from that.

THE CHAIR: Any further questions?

MR. KNIGHT: Mr. Chairman, are you entertaining questions now with respect to the rest of the communications and so on? I see from our agenda that the only other thing we're really going to discuss is the budget. Is that correct?

THE CHAIR: Yeah. With regards to this, right now we're dealing with points 4 and 5, and we'll move to communications and budget afterwards.

MR. KNIGHT: Okay. Thank you.

THE CHAIR: As there are no further questions, I'd like to have two motions. The first motion is that

the Standing Committee on the Alberta Heritage Savings Trust Fund receive the third-quarter investment report as distributed.

Could I have a motion?

MS CARLSON: So moved.

THE CHAIR: All in favour? Opposed? So moved.

Then I would like to have a motion that the standing committee – well, first of all a precursor. This is a draft report for 2002 for the annual report of the heritage trust fund. The minister, if we approve the draft today, will go public with this document later on in the month. So this is a draft document that will go public at the end of the month. I would like a motion that

the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2002 Alberta heritage savings trust fund annual report.

MR. BRODA: So moved.

THE CHAIR: All in favour? Opposed? So moved.

At this point I'd like to thank the minister and staff and everyone for coming today and answering the questions and for their presentation. It was nice to see the Auditor General here today. You're welcome to stay, but we'll move on to the other agenda items. I know you have busy schedules, so feel free to exit.

MR. MELCHIN: Thank you. We'd be happy to entertain questions from anybody at any time. Just give us a call.

10:44

THE CHAIR: Thank you, Mr. Minister.

Okay. If we could move on to the other agenda items, I would appreciate it. We're going to move on to the communication plan, and I would ask Gord Vincent to walk through the plan for us, if you wouldn't mind, Gordon.

MR. VINCENT: Thank you, Mr. Chair. We've got this discussion rolling a little bit with the minister's comments in respect to the member's statement about additional budget. If you've had a chance to go through the draft that I've prepared in advance of this meeting, one of the key components of that is measuring awareness levels through polling. Now, we did some baseline research last year through Environics West, as I've mentioned. The awareness level of the heritage fund – accurate awareness I guess would probably be the way to describe it – was woefully low. A lot of the questions that came back, not surprisingly, were: "Do you still have money loaned out to provinces? What about the bad loans? What remains on the books? Yes, I think it's in the \$2 million or \$3 million range, or maybe it's \$2 billion or \$3 billion; I'm not sure." Albertans, generally speaking, didn't have a very good sense of the realistic picture.

To further answer the question "do we at Alberta Revenue communications think that the awareness level of the Alberta heritage savings trust fund has increased over this year?" I would say unequivocally yes, and I point to a number of reasons for that. Certainly, as Peter Orcheson and others talked about, with the equity market – I don't want to say crash – near disaster in the third week of September, following up on September 11, yes, awareness was raised significantly about the endowment and transition portfolios. Also, because in the 18 open-ended questions it asked a specific question about savings and about the heritage savings trust fund, the Future Summit public consultation, with 4,300 responses, helped to garner more awareness. Certainly after the Future Summit itself, on February 4 and 5, there were two or three days of pretty intense media across the province on potential plans for the heritage savings trust fund as it related to a recommendation by the Chartered Accountants of Alberta, which made a submission to the Future Summit, as did a number of other financial-sector management organizations and individuals. So there was scrutiny, there was discussion, and there was speculation at that time that the heritage

fund was under review. In fact, as the minister has said, that review has been ongoing.

Adding to that, there were a number of discussions at the municipal level on infrastructure and transportation issues that circulated around: as the budgeting process goes on, how does Alberta increase its expenditures on infrastructure and transportation? There was speculation, musings, publicly and otherwise, about the role of the heritage fund going forward in capital projects too. So all of these issues I think combined to raise awareness. To get a sense of where that is different from next year, I'm recommending that this committee go back to the methodology used last year by Alberta Revenue and hence talk about an expenditure for understanding where that change is. I would ballpark it in the \$7,500 range for the same questions.

I will entertain any questions that you may have on the draft plan that I can answer here. You know, the public meeting is still a legislative requirement. I have a budget for communications in my shop that basically is for manpower, so I'm offering manpower to the committee, as last year. In fact, I'm recruiting a new staff member now in place of Elaine Chance, who was support to this committee last year. She's gone on to communications at Community Development. I'll certainly keep in mind in that recruiting process a senior communicator who would serve this committee well on a day-to-day basis. I'll certainly be involved as well.

You know, we have the web site, which can certainly always stand more updates. In the age of technology it may be something that the committee wants to consider: a public meeting held in a teleconference or a video stream of the meeting being provided electronically on the web site after the meeting. It can be done pretty cost-effectively, although there might be a day or two delay. Active video streaming is quite expensive. I explored it this year for a number of projects related to the Future Summit, and it really was prohibitive, but certainly digital videotaping of the meeting and then posting it on the web would be a good way. Then it gives you something to market and draw people's attention to and again raise the awareness.

THE CHAIR: Before I turn the questioning over to the members, I just want a point of clarification and information from my side. Last year our budget for communications was \$41,000, of which we used \$32,000. You mentioned the \$7,500 to do some benchmarking. Is that correct, Gordon?

MR. VINCENT: Well, we did the benchmarking out of my budget at Alberta Revenue communications last year.

THE CHAIR: Oh, you did it out of yours. Okay. Are you intending to do it again this year?

MR. VINCENT: I have no budget for it. I'm suggesting that this committee discuss it.

THE CHAIR: Okay.

Secondly, I guess I'd just put in a caveat – and this goes with Deb's comments to the minister earlier on – with regard to the role of this committee. Once we get into the discussion, there may be a shift and other discussions with regard to where this committee fits in with communicating and moving around the province with the heritage trust fund. What I'm saying here is that with the knowledge we have today, we'll be proceeding with the communication plan as is, but should there be a shift, then we would be looking at . . .

10:54

MR. VINCENT: Absolutely. I heard the minister's commitment to that form of consultation.

THE CHAIR: Yeah. I just wanted to put that on record before we go to questions of other members. Okay? Thank you.

MS CARLSON: Thank you, Mr. Chairman. That was my understanding, too, in terms of what I heard.

In this draft that we see before us, have you built in or considered advertising on other web sites?

MR. VINCENT: It does not consider it, other than the standard links that we have with the government of Alberta home page and the Department of Revenue home page as a natural link, thinking that those would be portals people would logically go to, but certainly it's a good idea. Can you give me a sense of it? Are you talking about other jurisdictions or other financial organizations?

MS CARLSON: I hadn't really thought it through that far. Originally I thought of municipalities, but I didn't really give it much thought. I just think it's an interesting way to piggyback and get the message out to an audience who may be interested in hearing it.

THE CHAIR: Richard.

MR. MARZ: Thanks, Mr. Chair. I'd agree that the awareness of the heritage fund was increased dramatically last year. I don't know if you'd agree with the reasons for that, but in my thinking it's largely due to the Future Summit and all the public meetings that were held across the province. At pretty much all of them there were discussions about that, so I think that really helped to increase awareness above and beyond any other types of mechanisms that we used in the past.

Continuing to support the web site is perhaps a good idea, but I was just wondering what percentage of Albertans actually access the web site. We're in an electronic age, but I'm not too sure how many are connected, and even for those who are, compared to getting a brochure and having a quick thumb through it, the brochure is probably in my mind a more effective education tool than to have to sit down at a computer and go through the work of accessing the web site myself. It takes longer than just, say, with a quick brochure: go to the meat of the brochure, see what type of money is in it and where it's going. So could you comment on comparative effectiveness of those different tools?

MR. VINCENT: Last year 41 percent of Albertans who were interested in finding out more information about government programs and services did so through the web site. Eighty-five percent of Albertans have access to the web, the highest percentage in Canada. While it is growing in terms of effectiveness as a communications tool, I agree with you wholeheartedly that print media advertising, as I've mentioned here, brochures, which we've costed out in the \$3,500 range and which have been effective handouts, should continue to be part of the mix. So it's a balance between the effectiveness of the tool, the widespread reach, and obviously the budget.

MR. LOUGHEED: On this point.

THE CHAIR: On this point, Rob? Okay.

MR. LOUGHEED: You'd mentioned that 41 percent of those interested in finding out information about government policy or something used the web. Can you give me an indication of what percentage of Albertans would fall into that category? I'd be interested in finding out more information about that. It's sort of a little credibility check here with my own constituency. I mean, I have some perception of that, but do you have any kind of numbers?

MR. VINCENT: I can find it for you.

MR. LOUGHEED: I'd appreciate that.

MR. VINCENT: Those numbers came from a presentation that we received at the management table at the Public Affairs Bureau, so I'm sure there's detail and a methodology behind that detail, which I will get for you.

MR. LOUGHEED: I'd like to find the number that that relates to, whether it's 60 percent of Albertans or 10 percent of Albertans.

MR. VINCENT: It's obviously been done by survey, so at first blush I know there would be a random survey sample of 1,004 usually, but I'll find out what the detail is and get that to you.

MR. LOUGHEED: If you could, that would be great.

MS CARLSON: For all of us please, Gordon, to the extent that you can, if that's possible.

MR. VINCENT: Through the chair I'll provide it to the secretary.

THE CHAIR: Thank you, Gordon.  
Dave, then Deb, then Mel.

MR. BRODA: Thank you. I think the web site is probably a good way to go, but also, Debby, you mentioned about municipalities, and I was going to bring that up too. I know I attend a lot of my meetings with town councils, and that is a question. When we get information on the heritage trust fund, we get what the balance is, but the point you made is: how much is loaned out to other provinces? What's coming back is not clear, or a lot of times you don't have that information. I was just wondering if you could do a little brochure that you could stick in your pocket, and each MLA would have one. When you visit your towns, villages, and municipalities, that often is the question, and a lot of times you don't have it at your fingertips. So if we could have something like that, it would be beneficial as well.

MR. VINCENT: You have it.

MR. BRODA: I know we have, but bring it more up to date.

MR. VINCENT: Sure. It does talk about, for example, the loans to provinces being paid in full as of December 2000, and that kind of information is valuable.

MR. BRODA: Exactly. It is valuable. I know we have the brochures, but I'm thinking of an update or bringing them up to today's standard or whatever.

MR. VINCENT: Absolutely. It needs to be current.

MR. BRODA: Right.

MR. VINCENT: As the minister was talking about, there is a natural time here, with this transition to an endowment portfolio in the full sense of an endowment portfolio, to really publicize the fact that this is a fund with this mandate, but there will also be potentially, whether it's in the next two months or in 10, more information on the mandate, I would think, through the FMC.

MS CARLSON: When I look at the handout we have on the communications plan and the strategic recommendation you made, I like what you're saying here. We have some background behind that on the following pages, but what I don't see, if we were to adopt this strategic recommendation, is an actual dollar cost. What can we do this for realistically? Can you make a recommendation for us?

MR. VINCENT: I'm working under the assumption that the \$41,000 communication budget is the budget now. If that is a different number, then certainly we can build a different plan.

MS CARLSON: So you're saying that for \$41,000 we can do the polling and pretty much everything that's laid out in this background?

MR. VINCENT: Again, that's based on the manpower commitment of my branch.

MS CARLSON: Yes. Thank you.

THE CHAIR: Thanks, Deb.  
Mel.

MR. KNIGHT: Well, thank you, Mr. Chairman. I had a couple of questions to continue with Dave's and of course Debby's suggestions about the municipalities. I was wondering if these reports, particularly the year-end, the annual report, now go to every municipal council in the province. Rurally I know that that would be an interesting thing if the council received the report directly, sent either to the reeve or CAO of the council. I know we get it in our offices, but who picks it up there? Do you know what I mean?

MR. VINCENT: I don't have the distribution list at my fingertips. I think there is in the order of 3,500 recipients of the quarterlies and the annual report, somewhere in that ballpark. Whether or not that includes municipal councils I'll find out for you, or I'll make the commitment to do it.

MR. KNIGHT: Okay. As a municipal councillor previously I can't remember having received one. That's why the question. The other thing is that I think that as individual MLAs, certainly on the committee, perhaps we can do a little bit more. Again rurally – and I don't know how it works in the cities, but you'd be able to help me out – we have access to an MLA column in weekly newspapers. If we want to – and I've done it – you can take information from the heritage trust fund and use it in a column. All we do is just give them what you give us, the facts and figures about the thing, and have it published in the weekly newspaper. I don't know if you can do that here with community league papers and so on that you have access to. So that was a couple of the comments.

The other thing is that when we go to the public meeting area here, I'm wondering if it's appropriate at this point in time to discuss where we should do it as part of this communications program. It's not too early to do that, I don't think; is it?

11:04

THE CHAIR: No, but you caught me a little off guard. That was something I was going to look at over the summer, but do we want to have that discussion right now? I'm prepared to do it.

MR. KNIGHT: I'm just asking.

THE CHAIR: I opened that up. But on this point first of all, Dave, and then we'll come back to that, Mel. Okay?

MR. BRODA: Mel, when you indicated a number of municipalities, towns, villages, I know that what I tried to do is – you indicated: who picks them up? I think that maybe it's our responsibility to mail them out to our own towns and villages, which would save on the cost if you're going to blanket the province. So maybe that's something that each MLA could take upon himself, to deliver to each municipality.

MR. VINCENT: Well, if I may, Mr. Chair, the added value for this committee is the work that's done at Alberta Revenue for the quarterlies and annual reporting process. Each report is preceded before its public release by a technical briefing with media, ministerial availability during the release of the report, and widespread dissemination of a news release and backgrounder and the report across all media in Alberta. So at those quarterly reporting periods hopefully Albertans are finding out more about the fund through the traditional lines of media.

THE CHAIR: Rob is next.

MR. LOUGHEED: It wasn't on this point. I just wanted to be on the list.

THE CHAIR: I want to just finish up with the communication plan. Then we'll move to location. I think we can have that discussion today, but let's complete our discussion on communication and then move to location if that's all right, or do you want to talk about location right now? Okay.

MR. LOUGHEED: With respect to your recommendations here, I'm pleased to see speaking notes for the standing committee, Chair. I think that over the last three or four years we've talked about having speaking notes much the same way as Mel just talked about newspaper notes. We're invited to Rotary clubs or, you know, all sorts of little different odds and ends. Sometimes they want us to be there and talk about something. So I encourage you to get those out to all of us. You know, it's handy to have those little notes rather than us ferreting through the documents and making them up ourselves, and a little 10-minute talk sometimes can help get that information out to 20 or 30 people.

MR. VINCENT: Certainly.

THE CHAIR: Thanks. That's a good point, Rob. I know I've been to Grant MacEwan, and speaking notes are beneficial. Gord, if you can provide that to us, then we'll distribute it to the group. Thank you.

I want to move now to talk about the \$41,000. The real change here with regard to the \$41,000 is adding the \$7,500 benchmark. I also want to thank the Department of Revenue for the human resource component. Are we satisfied that we want to move forward with the \$7,500 to go to the Members' Services Committee? I mean, last year we didn't spend \$41,000; we spent \$32,000. So it really does fit in the parameters right now. Are we in favour of that?

MS CARLSON: Yes.

THE CHAIR: Okay.

Then the next thing is: let's have a discussion on location. Are you offering, Mel?

MR. KNIGHT: Actually, my comment was going to be that I think we probably should try to do it in southern Alberta. You know, we've had a whack at it in the northwest. We should go to southern Alberta.

THE CHAIR: Now, Richard, would you be interested?

MR. MARZ: Sure. We could do it at Olds College and have it at the Alumni Centre.

THE CHAIR: Okay. You so move?

MR. MARZ: Sure.

THE CHAIR: Then we can look at the budget and a date. We'll probably be looking pre-session, and it would be around October. Is that all right with the group?

MS CARLSON: That would be great.

MR. MARZ: Sure. I'd welcome you all down there.

THE CHAIR: That's super. Thanks, Richard.

MR. LOUGHEED: Just on this point. Of course, we have a standard to meet, and I think Richard should be made aware of that.

THE CHAIR: Yes. Clearly. We're going to be counting heads.

MR. LOUGHEED: Yes. There's been a bit of a contest. We've increased over the last three years each year, and there would definitely be repercussions if the numbers were to fall off.

MR. BONNER: Well, I think they're doing some very interesting things at Olds College.

THE CHAIR: Mr. Bonner raises a good point. George made the offer last year – I don't want to pressure Richard, but I'm going to – that if this committee is having an evening meeting and there's anything within the area that may be of interest to us as members, we'd get an opportunity to come down and take a look.

MR. MARZ: Sure. I could take you on a tour of some CFOs.

THE CHAIR: Thank you very much.

I thank you, Gordon, and I look forward to meeting your new staff member at the appropriate time. I appreciate your time today.

MR. VINCENT: Thank you.

THE CHAIR: We'll now move to the actual summary of budget estimates. Really there's not any great change or magic to this. We had agreed at a previous meeting that during the fiscal realities we weren't going to leap around and add a whole bunch more money to this. If there's discussion, let's have it now. If not, I would suggest that we move it.

MS CARLSON: Question.



THE CHAIR: You want the question? Okay. Someone to move that we accept the estimates as laid out in section 7.

Dave. All in favour?

HON. MEMBERS: Agreed.

THE CHAIR: Opposed? Well, thank you very much.

I will let you know when the next meeting is. It's at the call of the chair. I now invite a motion for adjournment.

MR. LOUGHEED: So moved.

THE CHAIR: Rob, thank you. All in favour? Opposed? Thank you all very much.

[The committee adjourned at 11:12 a.m.]

