

**Title: Thursday, February 5, 2004 Heritage Savings Trust Fund Committee**

Date: 04/02/05

[Mr. Hutton in the chair]

**The Chair:** Good afternoon, everybody, and welcome to the Standing Committee on the Alberta Heritage Savings Trust Fund. I haven't seen some of you since 2003, so happy 2004. I hope it goes well for you. I would like to start the meeting off by just going around the room, and if you wouldn't mind introducing yourselves so that we know who everybody is. We'll start with Karen.

**Mrs. Sawchuk:** Karen Sawchuk, committee clerk.

[The following members introduced themselves: Mr. Bonner, Ms Carlson, Mr. Knight, Mr. Lougheed, and Mr. Marz]

**Mr. Melchin:** Greg Melchin, Calgary-North West. Welcome.

[The following staff of Alberta Revenue introduced themselves: Ms Forbes, Ms Housdorff, Mr. Orcheson, Mr. Parihar, and Mr. Stratton]

[The following staff of Alberta Finance introduced themselves: Mr. Pappas and Ms Simard]

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn, Mr. Hug, and Ms Ludwig]

**Miss Sorensen:** Rhonda Sorensen with the Clerk's office.

**The Chair:** You've all received an agenda. I would like a motion, please, unless there are any changes or adjustments. Could I have somebody move it?

**Mr. Knight:** So moved.

**The Chair:** Mel Knight.

You also have in your packages the minutes of the September 15 meeting of the committee. I know that you've all reviewed them and read them, so could I have a motion that the minutes of the September 15 meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as circulated? Bill Bonner. Thank you.

I'm going to move to item 4, Communications: Committee Support from the Legislative Assembly Office. Rhonda Sorensen introduced herself at the beginning and is sitting down at the end. She is now the communications co-ordinator for the office of House services, Legislative Assembly Office. Now we have in-house capability in providing full service to the all-party committees in the area of communications, including advertising, design, news releases, all those kinds of things. For the purposes of this committee this will mean a reduction in costs relating to the design and production of newspaper ads, brochures, posters, and communication tools as outlined in our communications plan.

However, this does not preclude us having our good friends from Revenue. They will rely on them for the content of the various documents for the MLA columns and data relating to the fund and the Alberta heritage savings trust fund web site. Cathy Housdorff and Tammy Forbes from Revenue, communications, have met with Rhonda, and they are working together to help this group work with this committee. So it's all good. Welcome, Rhonda, and we look forward to working with you.

Now item 5. We will now turn this over to the minister. Do we not?

**Mrs. Sawchuk:** There are our budget estimates.

**The Chair:** Oh, our budget estimates first. Right. Yeah. That's why you're here, Karen.

You have your budget estimates in tab 5. Take a look at it. It's for information only. There's no action required.

So we will now move on to number 6, Second Quarter Update 2003-2004 Quarterly Report. I will now turn it over to the Hon. Greg Melchin and his officials to address that.

**Mr. Melchin:** Thank you, Mr. Chairman. Delighted, as always, to be back here, and I hope that we can keep this roll going that every quarter is going to be another good quarter. The second quarter was an outstanding quarter. As you would know, the marketplaces have been strong in the third quarter too, so it's always wonderful to be taking this year's as opposed to last year's announcements.

So I would like to just highlight a few things. Last year there were substantial declines, and this year just in six months – and this is just the second quarter – the fair value of the fund had increased by about \$1.2 billion. Now, that's including income it earned, which is then transferred to GRF. But that's the size and the rapid increase in the equity markets, clearly, in Canada, the U.S., and the world as compared to what happened in the decline in the previous year. So we have seen a substantial recovery of our fair market value in this year, and the third quarter, as I mentioned earlier, will also be another excellent quarter to report on.

The income for the six months was reported still at \$386 million. At that stage, going back to that time, we felt it still prudent not to get too aggressive on trying to guess where markets would go in the next six months even though we knew that there might be some upside, but that income will probably be a better number yet when we report the third quarter. The good news is that we are starting to get a good return on this fund again. Hopefully, that will help reinforce our long-term diversified strategy that it's literally impossible to invest if you want to also minimize some risks. If you want to minimize risk completely, then maybe you don't get into the equity market.

Knowing that the Alberta heritage savings trust fund is a long-term asset and its mandate really is to maximize its return over the long run, we should be, I would say, still supportive of an asset mix policy that would see a diversification into not just fixed income but into the public equities, and we also know that we've had some into the private equities as a change in asset allocation and also into absolute return strategies.

These will help us with two things. We are really trying to still maximize that return while diversifying it to offset the risks and the volatility in one instrument versus another, and it shows the patience that's required just in this year when things do go well. When you really get challenged is in the tough years like last year, and if we had abandoned our strategy last year, we would have lost the upside and the turnaround of this year. So you really do have to be prepared: can you look long term? That is the mandate of this fund, that this fund will be here for the long term. I'd be happy to answer specific questions that you have on anything with regard to the second quarter.

One other comment. I know this is brought up most every time. Clearly, it is a requirement of the fund when we get into issues like inflation-proofing. The legislation will require the government to inflation-proof it once the debt is retired. So our debt is not yet retired. We still have a little over \$4 billion of our debt that's remaining to retire. In many respects, whether you increase assets or retire debt, both are increasing the balance sheet. I would like to emphasize that. Despite what choice is made, both increase the net worth of the government on its balance sheet. Both are very positive moves for us.

The other thing that I would say in support of, maybe, the inflation-proofing: this year alone we have increased our net savings, just the savings of Albertans, by 2 and a half billion dollars in a sustainability fund. I appreciate that that's not the heritage fund, but it is a savings account in which savings of Albertans have been enriched by 2 and a half billion dollars. I think that all of those things are important to put in perspective when we talk about the mandate of one fund in particular as opposed to the overall picture of the government on its balance sheet.

With those comments, I'd be happy to entertain any questions that the committee would have on the second quarter.

1:40

**The Chair:** Thank you very much, Mr. Minister.

I've got a list started. Mel Knight.

**Mr. Knight:** Well, thank you, Mr. Chairman. I've got a number of questions, Minister, if you don't mind. First of all, we have, of course, a value in the fund in the U.S. dollar equity investment, and I understand, if I'm not too far mistaken, that it's about 16 per cent of the total invested in the fund. My question is: in the 16 per cent area would the devaluation of the American dollar relate or correlate to an equal negative impact on the fair value that you report? That would actually, I'm assuming, negatively impact the fair value.

**Mr. Melchin:** I'm not sure who would like to respond in more specifics, but the answer is yes. As the Canadian dollar appreciates or the U.S. dollar depreciates, whichever is happening, all of our U.S. denominated assets are worth less in Canadian dollars. That's very true. Fortunately the U.S. market has been strong, too, this year, so despite the decline in the U.S. dollar, we've made enough income to offset that even in those markets. We would have had, obviously, stronger returns had the dollar stayed equivalent.

**Mr. Knight:** On page 3 in the asset mix policy, per cent of fair value, there are targets set, and we're not at those targets, so I have two questions relative to that. As we're moving in the third quarter and beyond, are we closing in on those targets? Supplementary to that, Mr. Minister, on page 8 we have benchmarks established for all of the investment areas, and in almost every case – there are some exceptions – we're exceeding the benchmarks using the investment targets that we have now. So my questions are, first of all, are we closing in on targets, and, secondly, is it necessary for us to continue with that target approach given the fact that the benchmarks are being exceeded?

**Mr. Melchin:** I think I will have someone expand more. In particular, we're trying to increase, on page 3, private equities and absolute return strategies to, as you see, the policy targets, 5 per cent each. We are not there yet. We still have some way to go. Both of them are more difficult funds to place than just the public equity markets. You have to choose in many respects, especially when you get into something like absolute return strategies. It is very critical to get the right external fund managers that we're using for some of the expertise that will place it so that you've got a good enough opportunity to maximize your returns in these strategies. So we're going to be patient, taking some time to ensure that we've got the right investment rather than being pushed to have to invest that in any one quarter.

So the strategy is that over the next two to three years we are going to move towards those targets. As we find the right opportunities, we'll invest some funds but not be panicked or rushed to have to do that just to meet a target. The reason why you still want to diversify is that we are looking at trying to complement both the maximization of returns while also minimizing risk, both sides

of it: preservation of assets as well as growth. That's why we are getting into much more sophisticated investment strategies in our diversification. I don't know if there are any more comments that, Jai, you might want to offer them.

**Mr. Parihar:** Mr. Chairman, if I can supplement. Like the minister pointed out, these policy targets are long-term targets so three years out. We are moving towards those targets.

The other thing is that as the equity markets do well, our allocation for equity goes up till we rebalance the portfolio. We have a disciplined rebalancing strategy when the actual portfolio moves a certain per cent beyond the policy benchmark. As you know, over the year the markets have been going up, so we keep rebalancing, but the market keeps going up. So we will balance it when we reach our trigger there.

**The Chair:** Thank you. Before we move to the next question, I just want to introduce Dave Broda from Redwater, who has arrived, and Robert Bhatia, the Deputy Minister of Revenue.

Debby Carlson.

**Ms Carlson:** Thank you, Mr. Chair. My question is on page 6 on the real estate investments, Mr. Minister. Could you refresh my memory on why the benchmark was changed?

**Mr. Melchin:** Certainly. Which one did you say, again?

**Ms Carlson:** The real estate investments on page 6.

Also, while I see that the benchmark for this current quarter was exceeded by 30 basis points, it still seems very low to me. Are you going to review that at any time?

**Mr. Melchin:** I think I'm going to turn this to Jai to give you the more specific response to it.

**Mr. Parihar:** Mr. Chairman, first, the question on the real estate benchmark. The benchmark we used to have was the Russell Canadian Property Index. That benchmark, first of all, is discontinued. There is a replacement for that benchmark, and that benchmark is not a very good representation of the type of investments we do. So what we did was to look at longer term perspectives on real estate. Real estate is supposed to be an inflation hedge and real estate values do move with inflation, so we felt that the real estate benchmark ought to have some relation to the consumer price index. So we have the benchmark to be CPI plus 5 per cent. As you know, the long-term objective of the fund is also to generate a 5 per cent real rate of return for the fund.

**Ms Carlson:** Okay. I guess that's it at this time. Thanks.

**The Chair:** Thank you. Okay. Bill, please.

**Mr. Bonner:** On policy more than anything, Mr. Chairman – and I've shared this information with the minister prior to this – it deals again with unethical investments. The *Multinational Monitor* is a monthly publication which is based in Washington, D.C., that tracks corporate activity. Each year the *Multinational Monitor* publishes a 10 worst corporations list. During April 1, 2002, to March 31, 2003, the Alberta heritage savings trust fund had over \$95 million invested in six of the top 10 worst corporations of 2002 according to the *Multinational Monitor*. Their activities included polluting the environment, enabling human rights abuses, encouraging youth smoking, et cetera. During that same time the heritage fund also had investments in six of the 10 corporations which were recently named the worst corporations of 2003. For example, at fiscal year-end the

heritage fund held over \$5 million in Lockheed Martin Corp., a weapons manufacturer and distributor.

So my question to the minister would be: will we be developing a policy within the Alberta Heritage Savings Trust Fund Committee to investigate, develop, and implement a strategy to deal with the ethical investment of funds of the heritage savings trust fund?

1:50

**The Chair:** Boy, and I thought we were having a fun start to the year.

**Mr. Bonner:** It's a good question, Mr. Chairman.

**The Chair:** I turn that one over to the minister.

**Mr. Melchin:** Well, those are excellent questions. You know, I've got to say that as a policy we say that we're going to invest in the indices. Part of the funds, anyway, you'll invest broadly in Canadian publicly traded stocks. You'll invest broadly in the U.S. and Europe and around the world. So it is true that we'd probably hold stocks of various ratings by people with whatever criteria they may use. Probably we're going to hold a lot of stocks of some of the 10 best and maybe in someone's categorization some of the 10 worst, because we do broadly invest in the marketplace.

So when you get down to ethical investing, I've got to say that we do support – clearly, not so much the heritage fund but part of the work of our ministry is working on a securities regulation, how you ensure that you have appropriate regulation to see that investors are protected, that there is good corporate governance. Those things are important to ensure that there is public confidence in the equity markets.

When you talk about ethics, clearly you want all the corporations to be ethical in their behaviours. They ought to comply with all the laws and rules and regulations that are there. There is a lot of vetting of all of those publicly listed stocks to ensure that they are compliant. And when they're not, then all the enforcement measures ought to come forward to see that clearly they are punished if there is any wrongdoing.

But it's hard to predict, and no rules can prevent sometimes personal unethical behaviour. So if we develop a policy – and we have debated this quite a bit internally. We've had discussions at this committee. We've had discussions internally in our department. We have an endowment fund policy committee also that we've recently structured when you get into topics such as this.

My suggestion would still be, though, that it gets very subjective and very difficult and even more complex and expensive to start selecting whose definition of what is ethical. For example, a weapons manufacturer: is it unethical to invest in a weapons manufacturer? I would say it's horrifying to see the history of mankind continuing to engage in war. It's really sad. So do you support – but you've also got to support the ability to defend one's life. We value life so highly that you ought to have the ability to defend your life. Therefore, I would support that we have the mechanisms and the ability to see that our citizens of this country are safe and secure from oppression in all forms around the world. That therefore translates, unfortunately, into weapons.

We could have debates about it. This would be a personal view, but when you get into now establishing an Alberta government view, it's not about my views at all. It is about supporting that the corporations act ethically, honestly, and abide by the laws of the land. If we think the laws of the land should be changed because the voice of the people supports that there ought to be standards that are different in law, I think that would be the better structure. If it were viewed that it would be illegal to smoke, then maybe tobacco ought to be an illegal substance. Those are the kinds of debates that really

we face as legislators, as we all know, not putting that onto the marketplace, to have to subjectively choose an individual's preference over maybe a whole bunch of other Albertans' other preferences. The heritage fund is not meant to be the selection of the political domain of debate. It is meant to invest in companies that clearly go through a lot of vetting, through a lot of regulation to see that they comply. So I wouldn't support, then, with the complexity of trying to categorize what is ethical investing, the ability to target more of the money to a narrower range of options of investing, which will also start increasing your risk, risk return, or rates of return because you have a narrow range of how you can diversify and invest.

So we have debated it. I would say that we still agree to follow the policies that are present in our heritage fund policy today. We support ethical standards, but we actually view that our policies are literally that: they do support an ethical investing strategy. It is supported by the laws of the land and the values that we support in society to preserve the capital and investments of people and see that they're secure.

**Mr. Bonner:** Thank you.

**The Chair:** Thank you, Minister.

This is the time when we would like to, as a committee, receive the second-quarter report. Could somebody move that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the second-quarter update 2003-2004 quarterly report as distributed? Richard Marz. Thank you, Richard.

Now we move on to item 7, and we kick it back to you, Mr. Minister.

**Mr. Melchin:** Thank you, Mr. Chair. Now we're getting into the business plan as proposed for the Alberta heritage savings trust fund for the next three years. Clearly, it has in here policies, investment strategies that we need to review.

I thought I would just for our committee's purposes highlight some of the investment objectives that we've been establishing and, first, highlight the establishment this last year of an endowment fund policy committee. We used to have the investment operations committee, one committee that saw to the oversight of the operations of our investment management division plus also gave policy advice. That committee was structured, really, by some outside third-party experts more to bring an advisory role to the department.

We felt it important that we would separate two functions. One is policy advice on the endowment funds: the heritage fund, the medical research, the scholarship, and the ingenuity funds. So all the endowment funds would have some specific outside expertise involved in vetting from very professional individuals on that committee. We also have one of our members of this committee specifically chosen to have some overlap between the two committees. Mel Knight is a member of the endowment fund policy committee, and Mark Hlady is actually the other member. So we have two members on that committee.

Its role is to do more detailed work on policy advice. We have a number of people from the private sector that are on that committee as well, somewhat acting as a little bit of board governance oversight on policy advice for them. They will provide advice, but clearly it still comes here to this committee for acceptance, and I don't want to undermine that in any fashion. After having done a lot of homework, it's critical for this committee to have that public oversight as to what it is that we approve as strategy.

I am pleased to say that we have been giving increased attention to those policy strategies and work with diligence in the department to ensure that we get both the organizational structures, because we have another committee looking at the organizational structure. The

investment management division serves not just the heritage fund, but it serves all the public sector, a number of the public-sector pension funds, too, that are invested, a portfolio of about \$38 billion.

With that said, the proposed business plan has narrowed the allowable ranges around the policy that the actual asset mix is allowed to deviate. So that's part of the issue: what is the range of deviation from the asset mix?

We've changed the benchmark for U.S. equities from the S & P 500 to the S & P 1500, and that's to better reflect a broader U.S. equity market. The S & P 1500 covers approximately 90 per cent of the U.S. equities and includes smaller capitalization stocks, whereas the S & P 500 wouldn't. So that would be one benchmark change that should be highlighted.

2:00

The heritage fund's performance will continue to be measured against benchmarks like it has in the past, and we still consider that that ought to be the focus. It will no longer be compared, though, as a benchmark to other large endowment funds. Certainly, we have met with a number of other endowment funds, public and/or private sector. Each of them has differing objectives, so comparisons are not really comparing apples to apples. One might have a fully different objective and might have assumed that they have a higher risk tolerance for a variety of needs and therefore choose to have a substantially higher equity rating. Others might choose to have a different strategy, maybe more short term or otherwise, and have a substantially higher fixed-income asset allocation.

So when you compare the two, you're mixing objectives of funds which are not the same to investment returns, and year to year that could be very distorting. We felt that rather than a comparison to what other endowment funds would be doing which have different objectives, we ought to be measuring ourselves against what it is that we expect to realize from these returns. We've measured things such as CPI plus 4 and a half per cent to determine if the capital market returns are meeting expectations, so we're looking at a return objective as really the long-term specific requirement of the legislation.

Alberta Revenue will also seek to add 50 basis points of value over the policy benchmark. That will be over the five-year horizon. That's a difficult thing to do over any one quarter and especially in any one year, but over a five-year horizon we should be held to account to try and add value. That is the reason for which our organization would actively manage the fund: to see that we could add value rather than just as a passive approach to investment.

There are some updated management expense forecasts, which were provided, reflecting transition to more expensive, nontraditional asset classes. So when you do look into the plan, you'll see that our costs are increasing as a percentage of the asset mix. We're still very low cost in comparison, very competitively priced as compared to other fund managers, but it's our view that investing in more sophisticated strategies like private equities and absolute return strategies will improve the risk and return profile of the fund despite these increased costs. There are some updated income forecasts provided in the heritage fund to reflect current asset values and asset mix as well.

The absolute return strategies in the out-year. I'm looking at page 5 of the business plan, table 2, so people could reference it. You'll see the asset mix as it changes from year to year. On the bottom line, absolute return strategies, we have 5 per cent, and in the out-year we're actually proposing to go to 7 and a half per cent to increase the investment in that. You'll see where it is decreasing. Canadian equities are going to come down over time to 15 per cent; presently the actual is at 22 and a half per cent. The U.S. and non North American public equities are going to remain in the same area, about 15 per cent, but the total public equities are going to reduce to about

45 per cent over that time as we increase into real estate and absolute return strategies. In absolute return strategies much of that could be into public equities as well, but it's invested with a whole different strategy.

So I'll conclude my remarks there, and I'm happy to entertain any questions.

**The Chair:** Debby.

**Ms Carlson:** Thank you. When I look at page 10 and income forecasts and underlying assumptions, I see that even by the year 2006-07 the forecast fair value of the fund is still only going to be \$12.1 billion, which is lower than what we have seen in previous years. So I go back to my standard question because probably one of the most disappointing parts of this past 10 years is the loss of value. When are we going to be inflation-proofing this fund?

**Mr. Melchin:** Excellent question. If I had the answer, I could give it. When it gets beyond even this committee, it goes into, clearly, the allocation of priorities. Specifically, once, as I've said, the debt is repaid, it will be required. If we continue on a pace of accelerated debt repayment, it will come sooner as a requirement. Rather than by choice, it will come sooner by requirement. So I do support that, and I continue to raise the question in other meetings, be it at Treasury Board and/or at cabinet and caucus. These are questions. I know that our chair, too, does specifically talk quite a bit about inflation-proofing these funds.

I would like to highlight one of the goals on page 4: "Preserve the real value of assets over a long-term horizon (20 years)." So we are specifically by policy even getting more explicit that that is an objective that needs to be met. The real start of that, I would say, probably won't be that long in the future, but I have no announcements or agreements to start that this year.

**The Chair:** We continue to be encouraged that we'll eventually get there. I would like to see it as well as, I know, my colleague from Whitecourt-St. Anne.

No further questions?

**Mr. Lougheed:** With respect to preserving the value of the assets – and I'm not sure whether this is the right place to ask this question; maybe another time might be better. With respect to Prince Rupert and the discussions that have been going around about the Hardisty hub versus the Fort Saskatchewan hub for exports of northern oil or Syncrude oil or whatever you call it, as that discussion takes place, is your department ever involved in that, talking about the value of the one asset versus other assets? I'm talking about the value-added aspect of having a different kind of distribution hub for that oil and the value that might accrue in our Prince Rupert asset.

**Mr. Melchin:** With respect to the oil in particular, as to another hub for the oil, the export?

**Mr. Lougheed:** Yeah. Exporting as opposed to value adding.

**Mr. Melchin:** We have not been involved, I would say, specifically with regard to that question. We are very heavily involved with respect to the Ridley Grain terminal in Prince Rupert and managing that asset with the owners. But with respect to the broader, no more than, I would say, generally from some of our caucus and SPCs. We haven't specifically as a ministry been involved in that though.

**The Chair:** Bill.

**Mr. Bonner:** Thank you, Mr. Chairman. I'm referring to both table

3 and table 4. In table 3, heritage fund income forecasts and underlying assumptions, our private equities are forecast to increase by 2 per cent from 2003-2004 to 2006-2007. Our absolute return strategies are forecast to increase 3.5 per cent between the same time periods. When I look at table 4, heritage fund expense forecasts, I see that expenses for externally managed investment pools are 6.4 per cent and internally managed investment pools are only 4.1 per cent. So it seems that when we are getting only a 3.5 per cent increase in returns from the absolute return strategies and a 2 per cent increase over that time period in private equities, the expenses are increasing at 6.4 per cent. There seems to be a disparity here even though it is more costly to manage absolute return strategies and private equities. Could you give us any reasons for this, please?

2:10

**Mr. Melchin:** I actually missed capturing some of the numbers. I'm looking in table 3. When we specifically talk about absolute return strategies, are we referring to number 5 there, where it says, "Portfolio Asset Mix," where it goes 4, 5, 5, and then 7 and a half per cent?

**Mr. Bonner:** Right. Yes.

**Mr. Melchin:** Now, those aren't returns on investment. That's the percentage of the fund put into that asset class.

**Mr. Bonner:** Yes. That was my mistake.

**Mr. Melchin:** Now, with respect to the return, though, it is true that we are looking at these returns after the costs. You know, we are looking for these to be returns after the costs of management. We acknowledge that externally managed investment pools are more expensive than us doing it in-house. However, to set up the infrastructure of people and expertise to get into absolute return strategies is a significant and complex area. You need people; you need systems; you need the right research. That would be a very expensive undertaking, and whether or not we could even gain the expertise in-house is part of it.

So we've actually gone to very specialized firms, groups, many of which take these as their sole focus. Therefore, it does come with a higher cost structure because of the research and the more complex investment strategies, but our expectation is that we will realize these rates of return after their costs.

**Mr. Bonner:** Thank you.

**The Chair:** Seeing no further questions, I'd like to thank the minister for his updates.

At this point I'd like to have a draft motion to approve the business plan.

**Mr. Broda:** So moved.

**The Chair:** Thank you, Dave.

We are now moving on to number 8 on the agenda, and that is Business Arising from the Minutes of Previous Meeting. At this time on behalf of the committee as chair I'd like to thank Mel Knight, the host MLA for this year's annual public meeting, held in Grande Prairie, and his colleague Gord Graydon as well because Gord was helpful in the tours. Mel, along with Marie from his constituency office, arranged the tours which members participated in and assisted in the arrangements of the public meeting.

Grande Prairie Regional College, where the public meeting was held, worked very well, and the president and the staff of the college were most accommodating. The meeting itself went very well, with

attendance pegged at, depending on who you ask, between 50 and 75 people. If you ask VanderBurg, it was 50; if you ask Mel, it was 75.

I'd like to also extend thanks from the committee to the minister and his staff from the Department of Revenue for their assistance and participation. The PowerPoint presentation which Revenue put together covered the types of information necessary for this type of proceeding, and the committee values their expertise. It was very well done.

I'll put a bug in the committee's ear now for the location for next year. The committee generally decides on a location in June, so we've got to think who. We'll have to look. Hmm, Redwater. Not that I'm edging towards Redwater or anything.

So thank you, Mel, and everyone else that was involved in that meeting. I just wanted that for the record.

Now we're going to move on to the communications update. The Auditor General and his staff are welcome to stay or, if he so chooses, may exit, as well as the minister, as this is moving on to general knowledge, but the minister may want to stay as this deals with some communications from his department as well. So at this point I'll just let the folks go. Thanks, Fred.

Then I'll turn it over to Tammy and Cathy.

**Ms Housdorff:** Thank you, Mr. Chairman. I guess that with communications for the heritage fund we face the challenge that good news doesn't sell, and actually that's a good challenge to have. We certainly have had good news for the last two quarters.

In the memo that you'll see in your binder, we do outline that for the updates the minister has presented for the last two quarters, the coverage has been very positive. There are some indications that the awareness of the fund is improving and the balance of the reporting itself is improving, which is very good news for the fund. The way we can tell that is, again, we analyzed the coverage, and it was positive. The stories also stood alone, which probably for a number of years they did not. They quite often were tacked on at the end of the fiscal update stories, and at the end of the second quarter they were stand-alone heritage fund stories, which is always very positive.

The messages that the minister used were carried, which were the fact that the markets had improved, that the fund had earned back almost all of the \$1.3 billion that were lost the previous year, and also the fact that over 27 years more than \$25 billion of income has been transferred from the fund into the general revenue fund. That's a very positive message that we can get out to Albertans, and those were carried. Again, it was very positive, and we're hopeful for the third quarter as well. So that's the media coverage.

I have an update on the '03-04 omnibus poll. It was decided by the standing committee that polling would be done of Albertans, again, to monitor the awareness that Albertans have of the fund. We were scheduled to do that in November of 2003, and the questions were drafted and included on the survey, the omnibus survey. However, when they were doing the survey, there was an error in the wording of the first question, so the results that were received were not valid results. Environics brought that to our attention, and the committee was not charged for those questions, and they will do them again.

When we noticed this, it was around December and early January, when the only thing in the media at that time was the second case of mad cow being linked back to Alberta, so if we had asked anything at that point, it would have been lost. What we're proposing now is spring, probably March, given the fact that within the next three weeks the third-quarter results will be released. If we could do something shortly after that, it would be very good follow-up, and we'd probably see an increase in awareness because of that. So that's what we're proposing.

Then the last piece is an update on the people who are going to the heritage fund web site for information. We're seeing a steady

increase in the number of hits, and we do include the heritage fund web address on all of our public information, our public documents. It's not accurate to compare the second quarter of this year to the second quarter the year before because that's when the heritage fund survey was taking place and there were a huge number of hits on the web site at that point. If you do that, you'll see that there's quite a drop in the numbers, but if you compare to the months previous for the rest of '03, as I said, there's a steady increase in the average number of hits. So that's also very positive.

**The Chair:** Thank you very much, Cathy, for those updates. Are there any questions from the committee?

We are now moving on to item 10, which is Other Business. Is there anything else that somebody would like to add or any questions? It's all good. It's a sunny February, and I'd now ask for an adjournment. Oh, Richard. We couldn't get out that easy; could we?

**Mr. Marz:** No.

Since the last number of meetings have been from the north part of the province to the central part, maybe we could encourage somebody from the deep south to host it. We don't have anybody on the committee – Dave has already agreed?

**Mr. Broda:** I am agreeing to have it in my constituency. I'll tell you, Redwater a lot of times does not have a lot of the functions that government provides or hosts as far as information sessions. We've got a lot of things in Redwater so that I can really make a fun day for everybody.

**Mr. Marz:** But having said that, if there was a member that already had his name in, perhaps we could consider the deep south in a subsequent year.

**Mr. Broda:** I'll move that motion.

**The Chair:** I think I hear that in 2004 Redwater is looking pretty good and that we might be looking down south in 2005. How's that?

I now look forward to a motion to adjourn. From Richard.  
Thank you all for attending the meeting.

[The committee adjourned at 2:20 p.m.]