

10:32 a.m.

Wednesday, June 16, 2004

[Mr. Hutton in the chair]

The Chair: Good morning, everyone. It's good to be here. It's good to be anywhere. I'd like to call this meeting to order.

We traditionally start by going around the room and everybody introducing themselves so that we know if there are any new bodies that are here and the huge public component, individuals from the general public, that are here, which aren't. Let's start at the back with young Shepherd and move up the left side.

Mr. Shepherd: I'm Glenn Shepherd from the hon. Mr. Melchin's office.

Ms Ludwig: I'm Cathy Ludwig from the Auditor General's office. Fred Dunn will also be joining us. He's just coming from another meeting.

Mr. Melchin: I'm Greg Melchin, the MLA for Calgary-North West.

[The following department support staff introduced themselves: Mr. Bhatia, Ms Forbes, Ms Housdorff, Mr. Orcheson, Mr. Pappas, Mr. Parihar, Ms Simard, and Mr. Stratton]

[The following members introduced themselves: Mr. Bonner, Mr. Broda, Mr. Hutton, Mr. Lougheed, Mr. Marz, and Mr. VanderBurg]

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

Ms Sorensen: Rhonda Sorensen, Clerk's office, communications.

The Chair: *Hansard* is at the back, and Bob Baker is there to abuse me.

I would now ask you to look at the agenda. If I could have a motion to approve the agenda or if there are any additions or deletions.

I had a request to have a brief discussion under Other Business to just talk about inflation-proofing again, Minister, from the hon. Member for Whitecourt-St. Anne. If we could just have a brief discussion about that under Other Business. Thank you. So as modified, moved by Richard.

Approval of the minutes of the February 5, 2004, meeting.

Mr. Broda: So moved.

The Chair: Dave Broda. All in favour? Seeing no one opposing, we will move forward to the third-quarter update and the draft 2004 Alberta heritage savings trust fund annual report.

Minister Melchin and your group, you can handle it any which way you would like, whether you'd like to separate them, combine them, or Gatling-gun them. Go ahead, Minister.

Mr. Melchin: Thank you, Mr. Chairman, for the flexibility in treatment of these items. I'd actually propose that we deal with all the questions at once. I'll have some remarks on the third quarter. What you have in front of you is the draft form of the 2004 return. It has not been released publicly. This is in draft at this stage, certainly, for approval of the committee before it's released by the end of this month. I thought I would mention also that since it is in draft, comments of this nature certainly should be I think held

internally with respect to the annual return until it is released publicly.

The results relating to the third quarter are reflected in the year-end, so I'll talk more about the year-end with respect to the overall performance of the heritage fund in the draft annual report. The third quarter has been out since the end of February, so this information was really publicly released at that stage. I thought I'd focus more just on going towards the draft annual report when we talk about the numbers since the third quarter is obviously incorporated in the annual return.

I want to highlight one of the very significant things that happened annually. It's great to finally be here and have a year-end where we can announce exceptional returns versus where we've had a couple of years with very disappointing returns. Not unique; the marketplace itself has had some very volatile years, both down and now up, a very high and almost volatile upward swing.

It was the single largest annual rise in fair value in its 28-year history as the fair value of the fund's investment portfolio increased \$2.45 billion, a very significant rise. Now, that's including both the income that was transferred to GRF and the retaining of fair value increases inside of the fund itself, one more indication that if we are to maintain a policy where we have a diversified portfolio into equities, especially into equities, we ought to have a long-term focus. Just as things were looking the bleakest is really the time that you ought not to panic, and anybody that chose to get out of the marketplace a year ago is, I'm certain, really regretting it at this stage. We would not have had an opportunity to recover the losses incurred in the equity markets years before had we not been patient enough to stay to a long-term investment strategy.

It is that, again, that I want to emphasize: this heritage fund is here for the long term, and its investment policies ought to reflect that. In that respect, that's why we do have investment into equities and an increasing emphasis on other forms of asset participation.

If I go to page 6 of the draft annual report, our long-term policy targets again – and we're not fully invested there. It takes time to get these policies invested even after they've been approved. Our policy target, fixed income, is 35 per cent, and we're close to that target. Our equities, Canadian, U.S., and non North American, are going to be reduced to 45 per cent where right now we're at 54 per cent at year-end. The real estate objective is to increase to 10 per cent by policy. We're at 7.6 per cent invested in real estate. Absolute return strategies: a policy target at 5 per cent. We're at 4 per cent right now. Private equities are at 5 per cent, the long-term target, and we're at 1.1 per cent.

To properly invest in these, you have to take time. You have to ensure that you've invested in the right opportunities, not just because we've said that we're going to allocate a higher proportion to those areas. We want to ensure that we've made the right investments and that we have the right expertise and resources in our own group to actually administer and manage those types of investments.

That said, we are making progress on all of those fronts, and we will continue to modify those asset mix questions over time as we refine the best investment strategies that we can find for them, never relying upon that what we have is what ought to continue to happen for the future. We will be responding to that continuously.

10:40

I thought I would also come back, though, and just highlight again that the \$2.45 billion increase in fair value was a 22.5 per cent return for this year alone. In that respect, our managers, both internally and

externally, have done well in meeting and exceeding their benchmarks, continuing to put a higher threshold on our organization, to add value as part of their requirement, and that's what the benchmarks reflect.

Just focusing in on the transfers to GRF, I might say that there was a transfer. Some of this is highlighted throughout the pages. I know that page 6 talks about the transfer of \$1.13 billion to the general revenue fund. Most of that is really a response to the increase, as we've mentioned, in the high equity returns. The fixed income earned was \$304 million, the equity was \$737 million, the real estate was \$54 million, and the absolute return strategies were \$38 million. That was the breakdown of that transfer to the GRF.

The question that I know is going to be part of the agenda that was modified for today is to talk about inflation-proofing, and one of the things I will mention up front is that it has still been chosen that the priority of the government is to repay the debt. The repayment of the debt is close at hand. While that doesn't allow for the building up of an asset, it does allow for the elimination of a debt. So the net worth of the government – and I want to emphasize: the net worth – the financial position of the government, remains stable in that sense. In isolation, yes, it doesn't look as strong for the heritage fund, but the balance sheet of the government, our balance sheet, is improving commensurately by paying down the debt as opposed to potentially building up savings.

Those are questions of priority. Do you pay off your mortgage, or do you build up your savings account for the future? Obviously, if you're expecting a normalized market, we'd probably earn better returns by putting some money toward our savings account, but in volatile down markets we obviously were better off by paying off debt. So with no one really knowing how to foresee the future, it still has been a priority of Albertans and, therefore, this government to pay off the debt.

Our interest payments maxed at \$1.7 billion in the government's debt-servicing costs, and those are soon to be a thing of the past. While the heritage fund hasn't seen that, the one thing that comes back into focus now with the heritage fund that will be very timely is that there is a requirement by legislation that the heritage fund is inflation-proofed once debt is repaid. So that requirement comes into focus very soon. It is a matter of government policy that it's inflation-proofed once debt is repaid, and because that timeline is probably shorter on the horizon versus longer, the heritage fund is now going to have a requirement of retaining, and we will bring back further questions.

I think one thing that was deferred in light of the debt repayment was a spending rule for the heritage fund. I think it would still be a way that we should consider in managing the heritage fund. There are the other endowment funds, like the medical research fund. We've got science and engineering. They're on spending rules. In other words, one option is to spend a maximum 4 and a half per cent of the market value of the fund, expecting that you would usually get closer to a 7 and a half to 8 per cent return. That means that if you allow for spending of 4 and a half per cent, you're retaining the inflation amount inside the fund, but you're also being able to predictably allow for the spending on, in this case, medical research.

Therefore, you could also preserve that there would be a predictable income stream that could flow through to the government for GRF, allow the volatility to handle inside the market value of the fund but allow for a predictable stream that over time inflation-proofs it. I would suggest that it would be one of the better ways to manage the inflation-proofing of the fund. That said, that'll be a policy that we'll bring forward. It is a requirement by one mecha-

nism or another to inflation-proof it once the debt is repaid.

I'm pleased to report, though, in summary, the results. We're really very fortunate that we've had the return in income on the value of the fund in such a short period of time. That will only mean, though – these markets are not flatlined. They don't increase by predictable year-in year-out returns. They will be up and down, and we have to be patient through that.

I thank the committee here for their support in weathering the storms and still giving support to those policies. This committee ought to be very much congratulated for that kind of support in ensuring that we took a longer term view of how we invested this fund. So thank you, Mr. Chair, and to the committee members.

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

I've started a list, but before I proceed to it, I'd like to thank the Auditor General for coming in. Do you have any comments that you would like to make at this time?

Mr. Dunn: No comments other than that we will be rendering our audit opinion in the annual report. The audit opinion should be an unqualified opinion at that time. It's in here on page 17. We just have yet to sign that opinion and issue it.

The Chair: Thank you.

First, Dave Broda.

Mr. Broda: Thank you, Mr. Chair. Just looking at your non North American investments, Mr. Minister, just out of curiosity, when we look at page 32, the value of dollars that we put in there, how is the Asian market doing today? The reason I'm questioning this is because I met with a fellow from British Columbia here a couple of weeks ago, and he is looking at investing here in Alberta with Chinese money. He says there's lots of money coming out; he's looking at a hundred million dollars to invest in Alberta. He's an investor in British Columbia, but he looks at the environment, the climate that we have here on the investment side, and he feels more confident in investing here than in British Columbia. So he has met with several ministers within government here, as well. A very exciting proposal if it materializes.

His indication is that China is really on the verge of great things happening and that there's a lot of money there. So I'm just wondering how we're doing. Do we have investments in China other than in Hong Kong?

Mr. Melchin: We do have equities throughout the Asian markets. I'm not certain if Jai wants to take that.

Mr. Parihar: Yes, I can answer that question, Mr. Chairman. We have investments in Asia: in Japan, of course, as a developed country; the other countries are developing countries. We have investments in almost all the emerging market countries. In China, in particular, we invest through Hong Kong. There are indirect investments in China that way.

Mr. Broda: If I may, Mr. Chair. The reason I brought that up is that I think that there's a potential, and I think that by investing dollars throughout a good portfolio, it's good to see that we could probably anticipate some pretty good returns if things turn out as this individual has indicated.

Thank you.

Mr. Louheed: Mr. Minister, can you comment on any initiatives in Prince Rupert, specifically with respect to LNGs and anything

that's been happening there?

Mr. Melchin: Prince Rupert and LNGs?

Mr. Lougheed: The development of that port and our assets there.

Mr. Melchin: I'm not up to speed well enough with respect to Prince Rupert and LNGs. In our investment, though, we have had a number of discussions with the owners in Prince Rupert. We were out, actually, in January again and met with the owners and operators in Prince Rupert.

The Chair: Excuse me, Mr. Minister. Clarification for some members: what's an LNG?

Mr. Melchin: Liquefied natural gas. More acronyms.

The Chair: On occasion I don't know what they are.

10:50

Mr. Melchin: We might even speak potentially to an evaluation I think recently prepared on our investment in Prince Rupert. We have chosen to retain the values on our books as they are in Prince Rupert as a result of that evaluation.

This past year their volume of grain – I think they were even talking about 3 million tonnes being reached this year. For Prince Rupert that would allow us to get our interest, which would be nice to see. In the past we haven't always been successful in getting interest payments. The longer this goes – 2015 I believe is the year that our loans mature, when we would have some ability to actually exercise probably ownership, if that's the true exercise. But you'd have some ability to call that loan in 2015, so the closer it gets to that, the more strength we're going to have in our investment there.

This port is becoming a more viable port. We were out there and met with the B.C. cabinet a few weeks ago. They are very interested in that as being a major container port. So they view the transfer of goods from northern Alberta, the highway connection, potentially the rail – there are agreements being solidified for that port. That port has been strengthened by their cruise ships. They had their first large cruise ship come in there at some time, and they've got about 30 of them coming over the year. So Prince Rupert is actually starting to look up as a port and as a destination. They acknowledge that over time and with the growth of the Asian markets, once again the Vancouver port has begun to come under increasing pressure of being able to contain and manage all that needs to go out of Canada through Vancouver.

So Prince Rupert is in the early stage of it but is very much on a lot more optimistic track right now. You can see it on the leading edges of market values. Where there were vacancies in homes and everything, now the prices are starting to escalate. So there's a lot more optimism in Prince Rupert just this past year.

Now, the long-term outlook: grain is a different market. We have an investment in a grain terminal specifically. Despite what happens in Prince Rupert, our grain terminal is a function of the volume of grain exports. There's overcapacity in the system, Vancouver and Prince Rupert, to handle the volume of grain that's exported. We actually don't export as much grain as we used to in years gone by. More value-added kinds of things are happening right here in Canada; we're using some of the grain for our own purposes and other needs. And there are other grain-producing countries. So although Prince Rupert still is one of the more efficient and better capacity terminals in relation to the other terminals in Vancouver, the owners do view it as being a long-term picture for them. If they

were to consolidate, it would probably be a consolidation of some of the Vancouver facilities and not Prince Rupert.

So I'd say that our facility is still very viable. It's been as viable, looking now, as it ever has been in recent years.

The Chair: Bill.

Mr. Bonner: Thank you very much, Drew. On page 4 of the third-quarter update you look at public equities. You know, public equity investments have had a huge increase in market value, according to the report, relative to other investments. So our long-term policy target is 45 per cent. The actual as of December '03 was 56.4 per cent. What is going to be done to try and return to the target of 45 per cent?

Mr. Melchin: That's part of our long-term objectives: to reduce our share of public equities in all of the markets. Primarily, the target is being reduced from the Canadian in particular. We've had a higher emphasis in Canadian equities, but that's being reallocated to private equities absolute return strategies in real estate. So as we have the capacity, i.e. the right investments in those other categories, we will reduce the amount of exposure in public equities, but that will only occur as we have the right options, the right transactions, the right investments. We're not going to compel that to happen just to force the policy.

Mr. Bonner: Okay. Thank you.

Also, on page 8 you indicate on the top of the page that "administrative expenses include investment management, cash management, custodial and other expenses." Can the administrative expenses in future quarterly reports be broken down into these subcategories?

Mr. Melchin: Do you want to repeat: which subcategories, again?

Mr. Bonner: The ones at the top left on page 8 of the third quarter.

Mr. Melchin: Investment management, cash management, and custodial.

Mr. Bonner: And others. Yes, please.

Mr. Melchin: Does someone want to comment on that?

Mr. Parihar: Well, in the table we have broken down the expenses of internally managed investment pools and externally managed investment pools.

Mr. Bonner: Correct.

Mr. Parihar: The direct expenses are usually the overhead type of expenses. The pool expenses are already included in the pools, so the externally managed assets, any expense related to that, will be covered in the externally managed investment pools. We could split the custodial fee if the committee so desired.

Mr. Bonner: Thank you.

Mr. Melchin: We'll take a look at that. I don't know what that would mean by numbers, if it's something material. If it's a very minor number, I don't know that it would be worthwhile creating separate categories, but we'll take a look and see what that means.

Mr. Bonner: Okay. Good. Thank you.

One last question on page 6 of the draft final report brief.

Mr. Melchin: The draft annual return?

Mr. Bonner: Please. Yes.

Could you give us some more information on the securities that were written down by \$2.6 million this fiscal year? Page 6 of the draft annual report.

Mr. Melchin: Who'd like to comment on that?

Mr. Pappas: The security is written down. There are a number of securities totalling about \$2.6 million during the year, and they include companies like Stelco and a lot of small-cap companies and some companies in Europe. We have a list, if you'd like to see it.

Mr. Bonner: Could you send me a copy of that list, please? Would that be possible?

The Chair: Through the clerk it'll be distributed to the committee.

Mr. Bonner: Thank you. That's all, Drew. Thank you.

The Chair: Thank you very much. Seeing no further questions, I'm going to need two motions. One, that the Standing Committee on the Alberta Heritage Savings Trust Fund receive the third-quarter update, 2003-2004 quarterly report, as distributed.

Mr. VanderBurg: So moved.

The Chair: All approve?

Hon. Members: Agreed.

The Chair: Thank you.

I need a motion that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the draft 2004 Alberta heritage savings trust fund annual report as distributed.

Mr. Bonner: So moved.

The Chair: All agreed?

Hon. Members: Agreed.

The Chair: Now we're going to move to point 5, communication, and there is a modified handout coming to you. So just as that's being done, I will turn it over to the communications people.

You have two documents in front of you. We'll move to the draft 2004-2005 communications plan first. I believe I'm turning it over to Rhonda.

11:00

Ms Sorensen: Thank you, Mr. Chairman. This year's plan was produced in co-operation with Revenue communications with a slight increase to the budget. We're working with a budget of \$42,000 this year, and in order to use that money as effectively as possible, we've outlined some strategic recommendations that we think will enhance the knowledge of the revenue fund for the public.

Basically, the strategic recommendations are the omnibus polling, the public meeting, media relations, a brochure, stat card, the web site, a province-wide advertising campaign, a targeted advertising campaign, speaking modules, and wild card advertising. I'll just

speak a little bit to each one, and then if anybody has any questions, they can go ahead.

We thought that the omnibus polling is working quite effectively to help determine what people know about the heritage fund. It's our recommendation that we continue to do the polling activity to provide comparative stats on the questions that have been posed and that we can pose in this year's polling. The cost estimate for that is approximately \$8,000, or \$1,000 per question. Cathy and/or Tammy will be speaking to the results of the omnibus polling later on.

The public meeting 2004. It's my understanding that it's anticipated to be held in Redwater, so much of the planning will surround media relations surrounding the Redwater area in terms of advertising. The media relations news releases will go out Alberta-wide. We'll continue to distribute news releases for quarterly reports, annual reports, and public meetings, and we felt that we could develop an on-line media kit, which is just a link on the web site that's kind of one-stop shopping for media to go and access whatever they need.

Last year, if you recall, the brochure, that was black and white, was updated to the heritage fund colours. The current brochure does include some statistical information, and we felt that if we removed the statistical information from the brochure and kept it quite generic, then we could increase the number that we have produced and then put the statistical information on an actual stat card, which is the next recommendation, that's essentially just a panel of the brochure that you can insert. That information changes quite frequently, so we don't have to reproduce the brochure every time.

The heritage fund web site. Of course web sites are the quickest way to distribute information to a large audience using minimal resources, so our recommendation is to continue to use the web site to promote the heritage fund.

The province-wide advertising campaign. On some of the previous omnibus polling it was indicated that knowledge of the heritage fund in smaller rural areas isn't as high as in urban areas, so we thought that to try and strengthen the knowledge in those areas, we would do a province-wide ad campaign in the weekly newspapers. There are currently 108 weekly newspapers in the Alberta Weekly Newspapers Association. To take out a small ad, about a 3-by 5-inch ad, very simple, just directing people to the web site, would cost approximately \$13,200.

The target advertising campaign will be specifically for the Redwater meeting or whatever location is chosen. We figured that if we focused on a 100- to 200-kilometre radius for the advertising from Redwater or the chosen location, then it would probably cost approximately \$5,000.

Again, the speaking modules, which I believe have been done in the past: we'll continue to do those on an as-needed basis at no cost to the committee.

Finally, one of the new, kind of fun things we were thinking of, that Cathy had passed along, is called wild card advertising. I'll just show you. What you can do is advertise the heritage fund on a bookmark, and they go to libraries across Alberta. We were thinking in the northern and southern Alberta regions. The individual library information goes on the back of them. It would just basically be to direct people to the heritage fund web site, and I believe that it would cover about 110,000 people.

That, sir, is our plan. Altogether we estimate that it will come to about \$40,200 of the budget.

The Chair: Well, thank you very much.

I have one person with questions.

Mr. VanderBurg: Two questions. One, as calendars do, they fill

quickly, and I'm just wanting to know if we've had any idea of timing of the public meeting of 2004.

Second is the stat cards or the fact cards. I've used them from all the departments, and I make sure to send them out to constituents on a regular basis. Can you just make sure that they fit in a legal-size envelope?

Ms Sorensen: Certainly.

Mr. VanderBurg: You know, they don't always come in general sizes from all the departments, but if they fit without folding them in half and then folding them again, it's a lot easier.

The Chair: With regard to the public meeting, that's item 6, and we will be setting a date here today. Okay?

Ms Sorensen: The stat card was intended to be the exact same size as one panel of the brochure, so it can just fit into the brochure, which will fit into the envelope size that you require.

Mr. VanderBurg: Okay.

The Chair: Thank you very much, Rhonda.

Now, I would like to have a motion that the Standing Committee on the Alberta Heritage Savings Trust Fund approve the 2004-2005 communications plan as distributed.

Mr. Broda: So moved.

The Chair: All approve? Carried.

Now we move to Cathy with regard to the omnibus poll.

Ms Housdorff: Thank you, Mr. Chairman. If you could turn to page 8 of the omnibus research findings, that's where the results start. Just for a bit of background, however, one of the business plan goals is to improve Albertans' understanding of the heritage fund, so polling is an effective way to measure what the public awareness is.

Polling began in 2001. It was repeated in '02, and then, if you'll recall, last November we were set to do the polling. We went out on the omnibus polling, and there was a technical error in the way the questions were asked, so we went back out between March 30 and April 6 of this year. Unfortunately, on the information you have, there's a third column there that was included, and it should not have been because those were the skewed results from November. So we've taken off the number that's associated with that, but if you could please ignore that, I'd appreciate it.

We asked six questions, and the cost was \$6,650, so a little more than \$1,000 a question. Three questions were repeated from the previous years, and three new questions were added. We wanted to find out how satisfied Albertans are with the information they currently receive on the fund, what else they would like to know, and how they would like to receive this information.

Again, if you turn to page 8, what you will see is that there has been an increase in the number of people who do not know the value of the fund, which is unfortunate, obviously. That's not the direction we wanted to see it going, but if you go to page 10, there's confidence in the way the fund is managed, which is certainly good. One of our challenges with the awareness is, as I have said earlier, that good news does not sell. In the quarters when the fund was losing money, there was a much higher awareness of it. So it's unfortunately a catch-22.

The other thing about the fund is that Albertans do not see it as providing a direct value to them. Even though \$26 billion has gone

into the general revenue fund over the years and we do get those messages out, there are a lot of other issues out there right now. We have BSE; health care reform; we're looking at federal politics now as well; education funding. So when the heritage fund is doing well, it's off the radar screen. You know, we have to be careful in what we wish for; right? The bad years are when people know about it.

11:10

Another challenge is that our audience is very large, if we're targeting all Albertans, and very difficult to reach. If you turn to page 12, of the people who are dissatisfied with the information they're receiving about the fund, 24 per cent don't want to know anything else. You know, they're not happy with what they're getting, but "No, we don't want to know anything else." So that's kind of the pulse of the public right now.

We did ask a question about how they would prefer to receive information about the fund. That's on slide 13, and you'll see that 43 per cent have asked to receive it through the mail. When we did the survey a year and a half ago, we did do a direct-mail piece and then directed people to the Internet as well through that. Newspaper was second, then Internet, television, brochures, flyers, and then it dwindled off.

The ones that they're asking for – the mail, the newspaper, and the television – are all very expensive items. The heritage fund survey, the direct-mail piece, was \$350,000, so to do that is cost prohibitive, obviously. We are directing more and more people to the Internet, and as Rhonda just explained, through the communication strategy we will continue to do that. That information is kept up-to-date, and there's a lot of information there for people. So that's good.

I guess just the last thing is, again, that the awareness was disappointing, but this is good information, and as the communications plan outlines, we still have a lot of initiatives. You know, we're not giving up. We're still going to do everything we can to increase the awareness of the fund across the province.

So I don't know if there are any questions on the polling.

The Chair: No. I would like to thank you, Cathy, for that. I also think that – Rhonda mentioned your bookmark – having 110,000 pieces out there with an Internet connection is a good communication tool.

Ms Housdorff: Yeah, I agree.

The Chair: Thank you for that. We'll just take that as information received and then move on now to an update on the web site.

Ms Housdorff: We've got the web site stats beginning in January of '02, just to give you a good background, and what this shows is that the traffic on the web site does remain strong. It's shown steady improvement over the years. You will see that in October and November of '02, you know, the numbers are very high, 10,000 and 21,000. That's when we did the survey, and a lot of people visited the web site. A lot of people responded to the survey through the web site. So that's why that's so high.

You also can see that the dates of the public releases of the quarterly reports and the public meeting correspond to very large hits on the web site as well. So as I said, it continues to remain strong, and it's a cost-effective way to get information to the public. So that's for your information as well.

The Chair: Thank you very much.

We are now going to move to item 6, which is our annual public

meeting. Redwater has agreed to host the annual meeting. We would like to set a date here today so that preparations can move forward. My recommendation as chair is that moving into the fall session – we don't want to muddle that – perhaps if we could move it and have the annual meeting in early October, it might be the best move. What's best for you, Dave?

Mr. Broda: Actually, I don't think there's any specific day, as long as we can locate a location, which I'll work on with you, Karen, and determine.

The Chair: Thanksgiving is on the 11th, and the civic election is on the 18th. I was thinking that we would try to do it prior to, so the week of the 4th we would be securing a venue and then having the meeting held that week. Any tours or whatever that might take place in Redwater that the committee could take advantage of on that day would be ideal.

So could I have a motion?

Mr. Broda: Yes. I'd like to make that motion. I'd like to move that the 2004 annual public meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be held in Redwater, the date to be determined, the week of the 4th of October.

The Chair: It's moved. All in favour?

Hon. Members: Agreed.

The Chair: Thank you. Carried.

Other Business. You touched on it, Mr. Minister, with regard to the inflation-proofing, that it is legislation, but we did want to have a bit of a discussion. Would you like to open it up, George?

Mr. VanderBurg: Well, I think the minister clarified for me what I was trying to get. I did understand that there was a policy on the books. I just didn't know how the policy read. Maybe it would even help if through the clerk you distributed that policy. We could have a look at it. I guess that why I wanted to raise it is because, you know, you do feel that paying off the debt is sooner than later. I just wanted to make sure that that discussion has been happening within the department and that we are aware of the policy on the books.

So it would be helpful to have that policy distributed to the MLAs not only on this committee, I think, but all MLAs, because it's not widely known that that policy is in place.

The Chair: Yeah. I concur with George's comments. Through the clerk would you mind distributing it? Mr. Minister, do you have a problem?

Mr. Melchin: I don't have a problem in actually updating everybody, which I think is an excellent idea, just to reaffirm policy. Jai just pointed out to me in our annual report, 2004, the draft – I look at page 27, note 6, fund equity. I'm not certain that, other than for purposes of informing people, it would be helpful to put out. The policy is actually in our annual report. It says:

Section 11(4) of the Act states that for fiscal years subsequent to 1999 and until the accumulated debt is eliminated in accordance with the Fiscal Responsibility Act, the Minister of Revenue is not required to retain any income in the Heritage Fund to maintain its value, but may retain such amounts as the Minister of Revenue considers advisable.

However, even as I read that, that does not say that it explicitly requires it.

Mr. VanderBurg: No. I probably missed the way it was explained.

The Chair: Also, from the standpoint of questions I get asked by my constituents as chair of the fund, Mr. Minister, that MLAs are made aware that there is a plan to inflation-proof once we are in a debt-free Alberta I think is timely.

Mr. Melchin: I should go back. Actually, if you read the paragraph before that, it says that under section 8(2)

the net income of the Heritage Fund less any amount retained in the Fund to maintain its value shall be transferred to the General Revenue Fund annually in a manner determined by the Minister of Revenue.

In other words, it does say that it is required to retain in the fund to maintain its value. So it's a requirement of the legislation right there.

Section 11(4), that I read, was the exception. Until debt is repaid, then, it's a "may," subject to, but once debt is repaid, then the provision, section 8(2) of the Alberta Heritage Savings Trust Fund Act, is required. So I'll be happy to circulate that for information in updating people.

Also for information, we have been bringing forward for Treasury Board – and certainly there are a couple of items when we've been looking at all the endowment funds, not just the heritage fund but the medical fund, the science and engineering fund, the scholarship funds. We have some recommendations that are coming forward as to what to do with those funds so that their own values are retained on a long-term basis. That'll be information that's going to come out in preparation of planning for post-debt.

11:20

Mr. VanderBurg: In fact, aren't some of those funds inflation-proofed during the management of those funds?

Mr. Melchin: They are, except the scholarship fund, for example. It actually distributes by: whoever gets 80 per cent grades gets scholarships. So its spending is actually higher. We won't be able to retain the value of that fund if that's the amount of scholarships that we're going to put out here. The good thing is that more students are qualifying for scholarships, and we don't want to inhibit that, but that would mean that the fund would need to be topped up to maintain that level of spending.

So it's those kinds of questions that we will bring forward. How do you ensure, even in medical research and the level of spending that they're at, that that fund, its real value, is there for the long term?

Mr. VanderBurg: Good.

The Chair: Thank you very much.

I will now be looking for a motion to adjourn, but before I do that, I'd just like to thank you all for taking the time this morning. I wish you all a sunny summer.

Could I have a motion to adjourn? Rob. Thank you.

[The committee adjourned at 11:21 a.m.]