

Title: Thursday, September 22, 2005s Trust Fund Committee

Date: 05/09/22

Time: 10:01

[Mr. Rogers in the chair]

The Deputy Chair: Good morning, everyone. It's shortly after 10. My name is George Rogers. I'm the Member for Leduc-Beaumont-Devon. I'm officially the vice-chair of this committee, but our chair, Ron Liepert, sends his apologies. He was unable to be here today, so I will be your acting chair.

I'll call the meeting to order. I would ask that we introduce ourselves, starting with our members' staff in the far corner, and we'll work this way.

Ms Sorensen: Rhonda Sorensen, communications co-ordinator with the office of the Clerk.

[The following members introduced themselves: Mr. Goudreau, Mr. MacDonald, and Mr. Snelgrove]

[The following staff of the Auditor General's office introduced themselves: Mr. Arklie and Mr. Dunn]

[The following departmental support staff introduced themselves: Mr. Alder, Ms Armitage, Mr. Berezowsky, Mr. Pappas, Mr. Parihar, and Ms Simard]

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Deputy Chair: Thank you.

I'd just like to mention that the meeting packages were delivered to your offices last Friday, and of course additional materials were e-mailed on the 20th.

At this point I'd look for a motion to approve the agenda.

Mr. Snelgrove: So moved.

The Deputy Chair: Moved by Mr. Snelgrove. All in favour? Agreed.

I'd like to welcome Mr. Cao and Mr. Pham. Maybe just remind us who you are and where you're from.

Mr. Cao: Wayne Cao, MLA for Calgary-Fort.

Mr. Pham: Hung Pham, MLA for Calgary-Montrose.

The Deputy Chair: Thank you, gentlemen, and welcome. We've just approved the agenda. The motion to approve the agenda was moved by Mr. Snelgrove, and that's carried.

We'll move to the approval of the minutes. The minutes of the last meeting, held June 14, were circulated. They were e-mailed to members on Tuesday, September 20. Are there any errors or omissions from the minutes?

Mr. MacDonald: Mr. Chairman, I have a question in regard to the minutes. Reviewing the minutes from the last meeting, at this time I would like to express my gratitude to the administrators of the heritage trust fund for providing information in regard to two of the questions I had from the last meeting. Certainly, this is an interesting table regarding the investments we have in the Alberta Social Housing Corporation debentures. Also, I appreciate – and I'm sure Albertans appreciate – the information that was provided on the calculation for inflation protecting our heritage fund. I'm very grateful for that information. I find it very, very interesting.

However, there was another item that Alberta Finance was going to provide action on, Mr. Chairman, and that is on page 3 of the minutes. I would just like an update on where that action request is. The chair of this committee acknowledged my comments and had asked that the minister, in this case the hon. Shirley McClellan, provide a brief overview of the general advice being obtained from these outside advisory committees. I would appreciate an update on where that information is and when it is going to be provided to members of this committee. This is in regard to that advisory committee that's made up of three Members of the Legislative Assembly who are not on this committee, and it is referred to in previous reports.

Mr. Goudreau: Mr. Chair, should we not approve the minutes first and then go on to business arising from the minutes before entertaining the discussion?

The Deputy Chair: Yes. I think we could do that. Mr. MacDonald?

Mr. MacDonald: If you would prefer that, sure.

Mr. Goudreau: It seems that that would be the natural order.

Mr. MacDonald: Sure. Yes. But . . .

The Deputy Chair: Before we approve the minutes, you just wanted to make sure that that matter was addressed?

Mr. MacDonald: Exactly, Mr. Chairman.

The Deputy Chair: Okay. Well, I believe that the intent of the chair was that the minister would speak to that matter at the beginning of this meeting. Now, I understand that the minister is on her way and should be here shortly.

Did you have a comment, Mr. Parihar?

Mr. Parihar: No, Mr. Chairman. I was going to comment that I believe the minister said that the endowment policy committee is an advisory committee; therefore, they provide advice to the minister. My understanding was that, if anything, the minister was going to comment verbally but there was nothing to be provided in writing.

Mrs. Sawchuk: Yes.

Mr. Parihar: It's an advisory committee. It's advisory to the minister.

Mr. MacDonald: Okay, Mr. Chairman. Through the chair: so am I to conclude, then, that these minutes are inaccurate?

The Deputy Chair: No, I wouldn't . . .

Mr. MacDonald: Or the comments of the chair?

The Deputy Chair: Maybe I can get Mrs. Sawchuk to comment as well.

Mrs. Sawchuk: Okay. What I understood – and it can be verified through the *Hansard* transcript – is that your comments with respect to these committees, the department committees, were acknowledged by the chair; however, there was no action directed by the chair. He just asked that the minister be prepared to provide an update each

meeting on how these committees were working. I stand to be corrected, Mr. Chairman, but I believe he meant a verbal kind of update at the beginning of each meeting.

Mr. MacDonald: Well, if you go back to the previous page where there's action to be provided by Alberta Finance, certainly we were provided that information through the Social Housing Corporation debentures and the calculation for inflation-proofing the fund. If action was initiated on those two matters, why, then, is it not at this time initiated in regard to the general advice that is provided by this outside committee to the Minister of Finance, and why can't that advice be provided to this committee?

The Deputy Chair: Mr. MacDonald, if I may. Mrs. Sawchuk is going to grab the *Hansard* transcript just to make sure we've got it correct.

Mr. MacDonald: Sure.

The Deputy Chair: I would undertake as well that when the minister gets here, I would have her address that point specifically. If we request a further written submission at the next meeting or prior to the next meeting, then we can deal with that as well in the conversation with the minister.

Mr. MacDonald: That's fine.

The Deputy Chair: I would beg your indulgence on that and then look for any other questions or comments about the minutes, and then we'll go on to business arising from the minutes. Are there any others?

A motion to approve the minutes? Mr. Goudreau.

Mr. Goudreau: I so move.

The Deputy Chair: Thank you. Discussion? All in favour? That's carried. Thank you.

We'll move, then, to business arising from the minutes. We've dealt with that one item partially, Mr. MacDonald. We have two items, item (a) Investments in Alberta Social Housing Corporation Debentures and item (b) Inflation-protected Heritage Fund Equity, and a written response has been attached. I was just wondering: were you planning to speak to that?

Mr. Parihar: No. I believe that if I'm hearing Mr. MacDonald right, he's satisfied with the response we have provided. If there are any questions, we can answer those questions on these two items.

Mr. MacDonald: In regard to agenda item 4?

The Deputy Chair: Four (a).

10:10

Mr. MacDonald: Four (a). Well, Mr. Chairman, in light of the information that's been provided and the fact that we are collecting \$16 million in interest payments from Alberta Social Housing Corporation – and it seems to me that it's one part of the government to another – it strikes me as quite odd. Whenever you look at the mandate of the Alberta Social Housing Corporation, which is outlined in their annual report here, they have a lot of things to do, but the corporation's primary purpose is to facilitate the provision of affordable housing options through housing providers to low-income families and individual seniors and those with special needs. When

you look at the annual report – now, I have the draft one here – for the fiscal year ending March 31, 2004, debt servicing costs for the Alberta Social Housing Corporation were \$45 million. That's a significant amount of money.

Certainly, I think the committee, through the Heritage Savings Trust Fund Act, section 6, has the right to direct through the Legislative Assembly certain actions. I think we should have a brief discussion at this time, Mr. Chairman, on whether or not it would be advisable to ask the minister in due time to see if something can be done to negotiate a lower interest rate on these four debentures and use the money that is saved to provide affordable, accessible housing for those that are in need in this province.

I think we could look at, for instance, two things in this debate. In a previous election in the recent history of this province, well after this trust fund was initiated, the Progressive Conservative government of the time used a shielding program to protect Albertans from the effects of high interest rates on residential mortgages. That program was well received at the time, in 1982, by the public. Also, earlier in the spring, before we had all this money to give away, the current Minister of Infrastructure and Transportation, Dr. Oberg, was looking at borrowing money. There was talk of even borrowing money from the heritage savings trust fund at an interest rate of between four and a quarter per cent and four and three-quarters per cent. That would be sort of the per cent I would have in mind for these debentures.

I guess at this time my first question would be to all hon. members of this committee: do you think that is prudent?

The Deputy Chair: I would go to Mr. Parihar just to give us a response on some of your specific points, Mr. MacDonald.

Mr. Parihar: Yes. Mr. Chair, the issue about writing down the debentures for the Social Housing Corporation is, in my opinion, out of scope for this committee. This committee is responsible for the heritage fund. As you can see from the table, the book value of these debentures is \$88 million roughly, and the market value is \$132 million. If these debentures were to be netted out with the social housing, on a consolidated basis there is no effect, but for the heritage fund there would be an effect of about \$44 million. As long as we are talking about a heritage fund, then the heritage fund will have to take that loss there. I don't know if that's the right thing to do for the heritage fund. In terms of netting out on a global basis for the total government, that's a policy issue, and I can't really comment on that.

The Deputy Chair: I appreciate that. Thank you very much.
Mr. Pham.

Mr. Pham: Yeah. That is exactly what I was going to say. If the hon. member would like to discuss the operation of social housing, then he would have ample opportunity to address that issue during the budget debate. He can certainly bring up all these points to the minister responsible for social housing. The question that he raised, the issue he raised, even though it's interesting, certainly is out of the scope of the committee.

The Deputy Chair: Thank you.

Mr. Snelgrove: Well, I find myself in the peculiar situation of agreeing with the hon. Member for Edmonton-Gold Bar that if it's on paper presented to us, we should be allowed to inquire as to what effect we might have. If the answer from the staff is that it isn't in the purview of this committee, that's certainly one thing, but if, in

fact, we are charging 17 or 18 or 16 per cent through corporations in Alberta managed by this committee to social housing, then I think that's wrong too. So whoever we talk to from this committee – I mean, we can be buried in who does, who doesn't. I don't think it's right either.

The Deputy Chair: I'll go back to Mr. MacDonald. Try not to debate the point. Just if you have a further point. Thank you.

Mr. MacDonald: Sure. My further point would be that under the Alberta Heritage Savings Trust Fund Act the section that deals with the standing committee, which we're all members of, section 6(4)(d), outlines one of the functions of the standing committee, and that is, Mr. Chairman, "To review after each fiscal year . . . the performance of the Heritage Fund and report to the Legislature as to whether the mission of the Heritage Fund is being fulfilled." I can understand where the managers are coming from whenever we look at the mission of the Heritage Savings Trust Fund, which is to provide "the greatest financial returns on those savings for current and future generations of Albertans." Well, right now, at the current time, I think that if we were to try to negotiate between two government parties a lower interest rate, the money that's saved could be used for Albertans who are currently without affordable, accessible housing.

At this time I would like to present to the assembly a motion to recommend to the Minister of Finance that we try to renegotiate the interest rate on these debentures and use the money, if any, that is saved to construct affordable and accessible housing for low-income Albertans.

The Deputy Chair: Again, Mr. MacDonald, while I may agree that you make some valid points, I think I have to go back to Mr. Parihar's comments. I don't believe that it's the mandate of this committee that we would be trying to effect broader government policy. I'm at a loss, again, like my colleague Mr. Snelgrove, but I'm not sure that that's not going beyond the mandate of this committee.

I think we've heard from the staff. I'll go to Mr. Cao and then Mr. Goudreau.

Mr. Cao: Well, thank you, Mr. Chair. I have a feeling here. First of all, this is the heritage savings trust fund and its committee. It's not a government committee. Our committee is a Legislature committee, and our objective is to get the maximum return for the fund. The spending of the return from that is the government's operation, so I have difficulty when you try to combine, while we're sitting here as part of the Legislature, investment of that fund. To me we just focus on how we can get the best return for the fund, and then the money out of that will be decided by government policy and the operational part of it. That's my perspective. So any motion, anything regarding how to spend the money, is not of this committee.

10:20

The Deputy Chair: Thank you, Mr. Cao.

Mr. Goudreau: Well, Mr. Chairman, I too am very, very sympathetic to what the hon. member raises. Certainly, it's a social issue, and it needs to be addressed but in a different form. Inasmuch as the member quotes the trust fund act, I need to point out as well that under section 3(2) it says, "Investments made under the endowment portfolio must be made with the objective of maximizing long-term financial returns." You know, certainly, I think our role is to look at that aspect, and certainly other government departments need to look at the social issues within that.

The Deputy Chair: Thank you, Mr. Goudreau.

Maybe just a comment as well under section 6(4)(a), just to remind the members that we do approve the business plan as this committee. That's one of our roles, and that's something that we do in the new year and, again, as we are charged. We had the opportunity earlier this year, and we will be again next year looking at the business plan and recommending approval of that. So if we want to look at some, I guess, change in direction beyond some of the comments made earlier relative to the policy, the larger policy direction, I think we'll have an opportunity at that time.

Mr. Snelgrove: A question, then, Mr. Chairman, if I could. I'm not disagreeing with what it says about our heritage fund.

The Deputy Chair: I'll come back to Mr. MacDonald and then to you, Mr. Snelgrove. I'll go to Hugh first.

Mr. MacDonald: No. Go ahead.

The Deputy Chair: Okay. Carry on. We've only got one opposition member.

Mr. Snelgrove: I would be curious for the staff to inform us who from Alberta Social Housing signed up a loan for 18 per cent, because if the sole purpose of the heritage fund is to get the most interest, then we should be running credit cards. But to loan to our own agency at 18 per cent – I find it strange. I don't support the motion from the point of view that I think this can be worked out through different channels than telling them how to fix this, but I would be curious: in whose social housing interest was it to sign up for these loans?

Mr. Parihar: These loans were made to the Social Housing Corporation in the 1980s, when interest rates were very high, so they were made at the market rate at the time. It's not that the heritage fund got a higher return for their debentures than the market rate. Basically, these debentures were issued to the heritage fund from the Social Housing Corporation at the market rate at the time, and like any other investment the rates can subsequently decline. But still the obligation is there, and that's the obligation of the Social Housing Corporation.

If you recall, Mr. Chair, the heritage fund also invested in debentures of other provinces in the 1980s, and those debentures also had higher interest rates. They all matured, and therefore they're no longer on the books here, but the fact is that those debentures were also issued at the market rate at the time.

The Deputy Chair: Thank you, Mr. Parihar.

I'd like to welcome the minister, the Hon. Shirley McClellan. I don't think she needs any further introduction. Madam Minister, we're into the agenda. We're on item 4, discussing business arising from the minutes, and in particular we're discussing the response that you and your staff presented relative to the investments in the Alberta Social Housing Corporation debentures and inflation-protected heritage fund equity.

There was a question from Mr. MacDonald from the minutes, page 3. I don't know if you have those handy. Oh, okay. You wouldn't have those; these are our minutes. Maybe I'll just read that "the Chair acknowledged Mr. MacDonald's comments and asked that the Minister provide a brief overview." Of course, the overview we've discussed. I believe Mr. MacDonald was looking for some clarification, and maybe I'd give you the opportunity now, Mr. MacDonald. I don't think we're going to try to recreate the discussion that we had

earlier, but I think you made a specific point that you were hoping the minister would address.

Mr. MacDonald: Yes. Good morning, Madam Minister. From Alberta Finance I was expecting a written response in regard to my request at the last meeting on what recommendations, when, and why were given by this committee. I'm not going to call it – where is it here? – a private-sector advisory committee, because there are three Members of the Legislative Assembly who are not members of this committee on that. There is a concern among many public policy commentators that more and more government funds are being administered outside the scope of the public. I would just like as a member of this committee and as a taxpayer to see what recommendations this committee is presenting to the department and its officials, and I was left with the impression we were going to get that. Now, the officials have – and I appreciate that – provided information in regard to Alberta Social Housing and also inflation-proofing the heritage savings trust fund up to and including this fiscal year. We had a little discussion on that previously. If you could provide some clarification on that, I would be grateful.

Mrs. McClellan: Your concern is noted. I'll write you a response.

Mr. MacDonald: With the recommendations?

Mrs. McClellan: Well, this is an advisory committee.

Mr. MacDonald: What advice do they provide?

Mrs. McClellan: Well, I'll provide you a written response.

The Deputy Chair: Thank you. Madam Minister, we'll look forward to that at the next meeting.

Mrs. McClellan: Right. Now, I am assuming that you would want that response to come to the committee, not to the individual.

The Deputy Chair: Absolutely. Thank you.

We will then move on to item 5, First Quarter Update 2005-06 Quarterly Report.

Mr. MacDonald: Point of order.

The Deputy Chair: Sorry. Yes. We had a motion to approve the minutes.

Mr. MacDonald: We dealt with that, but I had a motion before the committee that I believe, Mr. Chairman, we have not dealt with, nor have we dealt with 4(b) as well.

The Deputy Chair: Mrs. Sawchuk was trying to get that. Do you have that in writing? We can deal with it. I gave you my opinion on it, but certainly we have the ability to vote as a committee, and we can do that.

Mr. MacDonald: Yes. I would really appreciate that, Mr. Chairman.

The Deputy Chair: Could you read that motion again for the record?

Mr. MacDonald: My motion was to have this committee recommend to the Minister of Finance that we renegotiate the four debentures that we have with Alberta Social Housing Corporation to

see if we can reduce the interest rates to between 4 and a quarter and 4 and three-quarters per cent and have the savings from those reduced interest rate payments used to provide affordable and accessible housing for low-income Albertans.

The Deputy Chair: Okay. My initial comment was that I thought that that motion was beyond the scope of this committee. I believe we got some input from the staff to that effect as well. I could do two things. I could rule it out of order, or we can have a vote.

Mr. Pham: Mr. Chair, to be fair to all committee members, you should rule that motion out of order. Otherwise, every member can raise motions that have to do with social issues, apple pie, and it is not in the scope of this committee to deal with it. Like I said before, if we want to deal with social policy, there is ample opportunity for the members to debate that during budget debate. You should put that question straight to the minister responsible for social housing and then have the minister deal with it in the correct format. That's all I have to say, Mr. Chair.

The Deputy Chair: Thank you, Mr. Pham. I agree, and I am going to rule that motion out of order, Mr. MacDonald.

10:30

Mr. MacDonald: Well, I'm very disappointed, Mr. Chair. We have a role as members of any standing committee of the Legislative Assembly. We have a wide role, and I'm disappointed in this ruling. When we look at this savings trust fund, mistakes have been made. It has been a great return for the citizens, but there have been some mistakes. We had an investment in Enron that soured. This government, for instance, gave \$220 million in loan relief to Millar Western, that we're going to dismiss. I'm asking for a motion to recommend that we try to do something about this, and you're ruling this motion out of order. I think that is inappropriate, I think it is undemocratic, and quite frankly I'm disappointed.

The Deputy Chair: I've made a decision in my role as the chair, Mr. MacDonald. Your point is taken and a lot of sympathy expressed around the room to your point. Certainly, I believe that there is another forum for that discussion, and I've made a decision.

Mr. MacDonald: But in order to talk about this, we would have to increase the amount of time we have to debate budget estimates in the Assembly, and if Mr. Pham is willing to work with us on that, that would be great. But hardly 90 minutes to discuss the budget of Community Development publicly is considered inadequate. Perhaps if we had a longer time in the Assembly to discuss these issues, we wouldn't have to bring them forward here.

The Deputy Chair: Point taken, Mr. MacDonald.

Mr. Pham: Mr. Chair, once again, the member has now wandered even further from the topic. He's now discussing the issue of, you know, debating time of the budget. That's an issue for the Standing Orders committee to deal with.

Mr. MacDonald: You were the one that brought it up, not me.

The Deputy Chair: Order.

Mr. MacDonald: Sorry.

The Deputy Chair: We're going to move on with the agenda. We're moving to item 5, the first-quarter update.

Mr. MacDonald: Excuse me, Mr. Chairman. What about item 4(b)?

The Deputy Chair: I believe those two items were combined in the response. Am I missing something?

Mr. MacDonald: I thought we were dealing specifically with item 4(a), and now we have to deal with 4(b).

The Deputy Chair: Okay. That was 4(a). On 4(b) the response was provided. Do you have a question on that specific response, Mr. MacDonald?

Mr. MacDonald: Yes, I do, for the hon. minister.

Mrs. McClellan: It would help if I knew what 4(b) was. I don't have your minutes.

Mr. MacDonald: Oh, dear. I'll give you my copy.

The Deputy Chair: That's the memo that was sent from your department, Madam Minister.

Mrs. McClellan: That's 4(b)?

The Deputy Chair: Yes.

Mrs. McClellan: I do have the memo. I just didn't know what you were talking about. Sorry. We don't get the minutes.

The Deputy Chair: My apologies. As chair I should provide more clarity.

Your response, Madam Minister?

Mrs. McClellan: Well, I don't know what the question is.

Mr. MacDonald: We should have added \$6.7 billion to bring the heritage savings trust fund up to an amount, if it was to be properly inflation-proofed, of \$19.3 billion. In essence we've reduced its real value by over one-third by spending the money in the general revenue fund. Now, we have the mandate. It's in the business plan of the heritage savings trust fund. You'll have to excuse me while I find this.

The business plan indicates that one of the top goals is to "preserve the real value of assets over a long-term horizon (20 years)." This would be on page 5 of the draft 2005 report of the select standing committee. Right?

Mrs. McClellan: Right.

Mr. MacDonald: And in a recent news release from your department you recognized and stated, I believe, that we're going to put \$667 million over three years into the fund. That's 220 million odd dollars a year, right?

Mrs. McClellan: Right.

Mr. MacDonald: I don't think that's good enough. We have, certainly, a surplus policy, and I think that instead . . .

Mr. Snelgrove: Mr. Chairman, a point of order. The hon. member asked the minister to present a hypothetical answer to him based on what he might have seen with the heritage fund. The committee didn't recommend that; he did. He's got the information now. At no

time did we suggest that we would revisit his priorities to do with the heritage investment or not. He's got the information he asked for from the minister. He said that the department provided it. So at what point, then, are we going to revisit what may have or didn't happen 10 years ago, Hughie? What's the point?

The Deputy Chair: To try to get this moving – the member asked a question; the minister and her staff provided the response – if we could ask the minister to give us a little clarification.

I realize, Mr. MacDonald, that you're raising a number of points, but I think it's reasonable, to keep this moving, that we would ask the minister to provide you with some clarification of what was provided. Would that suffice?

Mrs. McClellan: What was provided was exactly what was asked for as completely as we could. The issue of inflation-proofing the heritage fund is a matter of legislation, and it does read – and I'm sorry; I don't have it in front of me – that when the debt is paid, we will begin to inflation-proof the fund, and that is precisely what we've done. Now, you can debate here, if the chairman allows, or you can debate in the House when these estimates come forward our policy and the legislation, but that is the way it is.

I think what you're saying is that you should take what the real value could have been and bring it to that through your inflation-proofing. That's not, indeed, what the legislation suggests or what our policy is. It's up to the chairman as to whether this is the place that you debate that policy, and I myself would think not.

The Deputy Chair: No. I agree, Madam Minister. This is not a place for policy. We've asked for a specific set of answers relative to your point. They've been clarified. Obviously, Mr. MacDonald, if you felt that you didn't get enough information, we could ask the minister to provide some further, but certainly it's been discussed, and whether you agree with me or not, this is not the committee to discuss policy.

Just to be clear, I believe Mr. Snelgrove made a motion to accept the minutes.

Mr. Goudreau: I had.

The Deputy Chair: Mr. Goudreau. I'm not sure if we voted or not, so at this point I'm going to call for the vote to accept the minutes and that we would move forward. All in favour? Opposed? That's carried. Thank you.

We'll now move on to item 5, the first-quarter '05-06 report, and that's attached. I don't know if anyone from the department or the minister intended to speak to this, and then I would accept questions thereafter.

Mrs. McClellan: I don't want to take a lot of time speaking to them, but this is the first-quarter update for the fund. It covers from April 1 to June 30. It was released on August 29. I could review the numbers if you want, but I am assuming that all of your members have spent hours looking at this.

Suffice to say that I think we had a strong first quarter, especially in the Canadian stock market. The information and the breakdown are on page 2 of the report on that. The rate of return was 3.4 per cent. The forecast for the year is \$934 million. That's an increase from our original budget estimate, obviously, due to the strength of the first quarter.

Of course, we are now inflation-proofing the fund, as we've just talked about, so that will be done on each year. We estimate at \$226 million per year. We've also included a transfer of \$250 million into

the fund for the access to the future fund supporting advanced education. That will be recorded in the fund as soon as it's transferred.

I think it's better to use the time on questions on the first quarter.

The Deputy Chair: Thank you.

Questions? I'll start with Mr. Snelgrove.

Mr. Snelgrove: Madam Minister, not necessarily on the first quarter, but do we have an indication of our involvement with regard to what liabilities or what effect the tremendous insurance payouts or costs will be with the southern state markets? Are we involved with insurance companies, or can we see a possible hit from that?

10:40

Mrs. McClellan: I would have to give that to Jai.

Mr. Parihar: Yes, there are some investments we have there through our private equity and private income fund, but my understanding is that all of those business interruption costs are covered by the insurance.

Mr. Snelgrove: So we don't have exposure through the insurance companies themselves?

Mr. Parihar: To the extent that we invest in some insurance companies, obviously we have exposure there like any other company. But for the investments we have, the physical investments we have in that part of the United States, the business interruption for those operations is covered by the insurance.

The Deputy Chair: Mr. MacDonald.

Mr. MacDonald: Yes, Mr. Chairman. I have a question for the hon. minister. I think that instead of talking about where we will spend the surplus this quarter, we really need to think about what we're going to do in the next quarter century. Do you think that \$226 million added to the heritage savings trust fund annually is adequate for inflation-proofing?

Mrs. McClellan: That's our estimate. Now, it will be adjusted as required. This \$226 million is not a figure that's written in stone.

Mr. MacDonald: I hope not.

Mrs. McClellan: No. It will be inflation-proofed. If the \$226 million that we've allocated to the fund this year is not the right number at the end of the year, then it's adjusted upward or down, I guess. But the commitment was to inflation-proof the fund. We have some very, very good minds that know how to do that, and we will follow the letter of the legislation.

The Deputy Chair: A supplemental, Mr. MacDonald?

Mr. MacDonald: Yes. There are very able minds. I think it's an anticipated 200 million plus dollars extra, \$226 million that is coming in investments. But have you considered taking, say, 30 per cent of the surplus and using that? Like, that would be an additional \$2 billion that we could put in there and just bring it back up to where it should be, at \$19 billion.

Mrs. McClellan: You're going beyond, I think, the scope of the committee when you're questioning the investment policy of the government.

The Deputy Chair: I would agree, Madam Minister, but if you choose to.

Mrs. McClellan: However, one of the ways in the savings portion of that could involve the heritage savings trust fund. It's my understanding that to add money to the fund, we have to change our legislation or amend our legislation, that we can't just drop money in. But that is certainly a way of savings. Endowments, or the heritage savings trust fund, is a way.

The Deputy Chair: Thank you.

Next, Mr. Cao.

Mr. Cao: Thank you. Minister, my question is more in the global perspective, macroscale. I feel that our heritage fund investment is like a mutual fund. You get different portfolios, and you return it to the fund. So my question is: relative to the investment of funds out there where are we putting it? Are we at the top 10 or the bottom half?

Mrs. McClellan: I'll let Jai take a swing at this. Are you questioning the mix of the portfolio and the performance of the mix?

Mr. Cao: No. The return, the performance of the mix.

Mr. Parihar: Mr. Chair, the way we look at the return of this fund is based on its objective and the asset mix of this fund. So to compare it with other funds which might have a different objective and a different asset mix is not correct. Just to give you an example, the Norwegian petroleum fund. They have a different objective. They do not invest money in Norway. They invest every penny outside of Norway because they feel that investing money in Norway is double jeopardy. They feel that if something were to happen to the Norway economy, obviously the economy is going to suffer, government revenue is going to suffer, and the fund, if it had invested in Norway, would also suffer. Therefore, they invest outside of Norway. So to answer your question directly, it depends on the objective of the fund, and you can't really compare the two funds that way.

If you look at the asset class level, what we have invested in, say, Canadian equity compared with some other funds, we are very competitive. Our returns are comparable to other funds.

Mr. Cao: Okay. Thank you.

The Deputy Chair: Thank you.

Mr. Pham.

Mr. Pham: Thank you. My question to the minister deals directly with the inflation-proofing aspect of the fund. In some years like 2002-2003, for example, the fund lost \$894 million because of the fluctuation of the market. Most of our investment is now in the equity. If we have a bad year like that next year, for example, and if we lose \$800 million in the value of the fund, are we then required by law to take \$800 million from the GRF to put back into the fund to ensure that it is inflation-proof?

Mrs. McClellan: No. It's inflation-proofing.

Mr. Parihar: My understanding, Mr. Chair, is that if the fund loses money, which it did a couple of years ago, then no money gets transferred to the GRF, or there's no provision for money to move from the GRF into the fund. That loss which you are talking about

is not a result of inflation; that's a loss due to market. The fund is protected from inflation going forward.

Mr. Pham: Yeah, because this is very much an issue raised by my constituents at a recent town hall meeting. They say that for whatever year – if the inflation rate is 2 per cent next year, for example, then from what I understand, the value of the fund should be increased by 2 per cent to meet the inflation-proofing terms because they say that inflation still took place during that year. The fact that we lost money that year in the heritage savings trust fund has nothing to do with the inflation-proofing aspect of it. Therefore, they demand that if that ever happens, then we have to keep the value of the fund at a certain value plus the inflation rate.

Mr. Parihar: That's a good question. Like I said, I think that it . . .

Mrs. McClellan: You've got very astute, questioning constituents, don't you?

The Deputy Chair: Again, I might suggest that that might be a good policy discussion question somewhere down the road as we look at the future of the fund and how we might serve to protect it or enhance it for the future, but certainly a valid point.

Mr. Cao: Mr. Chair, on this point.

The Deputy Chair: Sorry, Mr. Cao.
Mr. MacDonald, to carry on this point?

Mr. MacDonald: If he wants to go ahead.

The Deputy Chair: Okay. Thank you.

Mr. Cao: I think we all need inflation-proofing to put the money in after we pay down the debt. During past years we haven't paid off the debt, so there's still the legislation there – right? – ruling it.

The Deputy Chair: Thank you.

Mr. MacDonald: Well, Mr. Chairman, for the information of the hon. members of this Assembly that are present today, certainly section 11 of the Heritage Savings Trust Fund Act deals specifically with inflation-proofing, and the hon. Member for Calgary-Montrose is absolutely right to bring this up at this committee. If we can't discuss this at this standing committee, I don't know what we can discuss.

Since the fiscal year ending 1999-2000 there have been statutory obligations through the act made to the Provincial Treasurer to deal with inflation-proofing this fund. If we can't discuss the adequacy of that obligation here, Mr. Chairman, then there's something wrong, particularly with democracy as we know it in this province, because our constituents and the other Members of the Legislative Assembly surely would expect us to discuss this.

10:50

In light of the fact that the information provided to all members of this committee indicates that over the course of time, over the last 20 years because we have not inflation-proofed this fund, it has essentially lost in today's real dollars 30 per cent of its value, it's an important public issue. We should be discussing it thoroughly and coming up with recommendations to ensure that this fund is going to be adequate for future generations.

If it was a big fund, \$20 billion, \$25 billion, \$30 billion, then

maybe we could get some tax cuts from this government for all citizens.

The Deputy Chair: Twelve billion is certainly not a small fund, Mr. MacDonald.

Mr. MacDonald: Well, it's not a small fund, but it's been stagnating.

I think, Mr. Chairman, and Albertans certainly have told me, that they would like to see the fund grow substantially in size. The resource revenue that we are collecting now not only belongs to the current generation of Albertans but future generations as well. Maybe whenever the hon. minister's granddaughter is Minister of Finance, she can draw money off to provide public health care and public education from a fund that is perhaps \$40 billion, \$50 billion in size.

The Deputy Chair: Thank you.
A response, Madam Minister?

Mrs. McClellan: Can I just suggest that if you want to have that discussion at this committee level, it be an agenda item rather than part of the first-quarter update discussion?

We follow the legislation. We follow policy. Policy was accepted. I have no problem if you want to have a discussion, but I don't find just making statements, putting them on the table sort of like 20-minute speeches in the Legislature, as helpful as a discussion would be in that area.

The Deputy Chair: Are you suggesting, Madam Minister, that we be better prepared?

Mrs. McClellan: Well, if it's appropriate for this committee to have those discussions, and it's within this committee's mandate, then I would just ask very respectfully that it be an agenda item.

The Deputy Chair: I might suggest, Madam Minister, it might be a very appropriate discussion around the time of discussing the next business plan, and we could certainly accommodate that. Thank you.

Mr. Cao.

Mr. Cao: Yes. I have just a couple of points here. One is that our heritage savings fund has generated billions of dollars a year that is spent on education, health care, social programs, so we should not forget about it.

Mr. MacDonald: Twenty-seven billion.

Mr. Cao: Yes. During the past, yes.

Its amazing part is that at the same time we are trying to pay down our debt, the public debt. So the combination of that should not be ignored. We keep paying down the debt, and then we also spend out of the heritage savings trust fund billions of dollars each year on the operating of the government. Now the public debt is paid. Now we're talking about the money. We're going to grow the heritage fund like inflation-proofing, other investments, and other returns. So I think this is a different picture when we're talking about trying to look at something of the past. It's a very good achievement in my perspective.

Thank you.

Mr. MacDonald: Mr. Chairman, I'll be brief. In my perspective

\$226 million is not adequate now that the debt has been paid and we have a large surplus to be using to inflation-proof the heritage savings trust fund.

The Deputy Chair: Thank you, Mr. MacDonald.

I'd ask for a motion to accept the first-quarter heritage savings trust fund update as circulated.

Mr. Cao?

Mr. Cao: So moved.

The Deputy Chair: Discussion on the motion? All in favour? Opposed?

Mr. MacDonald: Opposed.

The Deputy Chair: Thank you very much.

We'll move to item 6, the 2005 Annual Public Meeting. Mrs. Sawchuk, would you speak to this item?

Mrs. Sawchuk: Thank you, Mr. Chairman. The annual public meeting will be held in Calgary this year on, I believe, Tuesday, October 18. It's in the evening from 7 till 8:30 p.m. I'll be meeting next week with the Mount Royal College staff to finalize arrangements for the actual location. I think they've got three different campuses there, so we're going to have a meeting and figure out which one is best suited to the public meeting.

Information packages will be going out to all the members the week of October 10, I'm hoping. We have accepted the Minister of Finance's gracious offer to utilize the government aircraft so that everyone can go down together and return together, and it won't have to be an overnight event. We'll just be able to leave late in the afternoon on the Tuesday and return that evening, probably about 10 p.m.

The Deputy Chair: Mrs. Sawchuk, what time frame do you need to determine who will be attending, to get that information to you?

Mrs. Sawchuk: I had sent out an earlier e-mail, about a month ago, but I understand that it's a little hard to tell then what you might be able to do. I'll be sending out an e-mail next week, and I'm going to give you a few days to respond and let us know whether you'll be attending that.

The Deputy Chair: Wonderful. We'll look forward to that. Thank you.

Any questions on this item? Easy enough. Thank you.

Maybe just a motion to receive that report for information.

Mr. Cao: Sorry. You mean looking at this now?

The Deputy Chair: That's the next item. This is just specific to the public meeting.

Okay. Motion on information.

Mr. Goudreau: I'll make it.

The Deputy Chair: Mr. Goudreau. All in favour? Opposed? That's carried unanimously. Thank you.

Item 7, Communications Issues. We have the draft communications plan for the 2005 meeting and revisions to the 2005 committee communications plan. Rhonda has completed the draft plan for the public meeting. At this time we'll maybe get some opening

comments from Rhonda and then open the floor to discussions from members.

Rhonda.

Ms Sorensen: Thank you, Mr. Chairman. I guess the most important aspect for the communication of the meeting is the advertising, and I'm suggesting that we advertise in the Calgary dailies as well as the weeklies in the surrounding areas. One thing that's not reflected in this plan but that I would also like to look into is actually advertising in the Mount Royal College newspaper or seeing if they have some sort of community event calendar so that we can get this information to the students as well.

We do distribute brochures and statistics cards, of which I have samples included. I'm going to be looking for direction from the committee on whether or not they want to go with black and white or colour. The visual identity does stipulate specific colours. However, I do understand that Finance is under the direction to do their materials in black and white. Both options fall well below the budgeted amount. So whatever the committee would like me to do on that, some direction would be appreciated.

There's also a sample of the ad that I'm proposing we do take into the dailies and the weeklies. I'm suggesting that for the weeklies we maintain a 100-kilometre radius from Calgary. I think that's a reasonable distance to expect people would travel to Calgary to come to the meeting.

That's about it. There'll also be a news release going out on the website. We'll put together a media kit so that media can be directed to go right there to get all of the information.

The Deputy Chair: Rhonda, I do have one question, maybe to yourself or any comments from the department staff as well. I realize that we're holding the meeting in Calgary proper. You're suggesting to advertise in Calgary and area, but I'm just thinking from a larger picture point of view. This is an Alberta fund, and we're assuming that most of the attendees would be from Calgary and area. But is there not an obligation to make sure that the rest of the province knows that this meeting is occurring? Heaven forbid, somebody from High Level would want to attend.

Ms Sorensen: Yeah. Just to speak to that, the news release does go out Alberta-wide, so the people of Alberta are informed that the meeting is taking place. However, for an advertising campaign to go publicly you're looking at about \$18,000.

The Deputy Chair: I appreciate that. I know that it's quite costly. But I just want to be assured that Albertans understand that this meeting is taking place, and should they choose from wherever they may be, they would have some information. If we're satisfied that that is being accommodated in other ways, then so be it.

Any questions?

11:00

Mr. Snelgrove: I just wonder, Rhonda, if you're not overwhelmed at the door by the large group, if you'd poll them and find out exactly how they found out about the meeting so that we can target that avenue, just the same as we do in business promotions or anything else. Let's find out what advertising works, and then we have a little better idea.

Ms Sorensen: I think that's an excellent idea. Perhaps I can draft some sort of an evaluation form that we can hand out to people as they walk in.

Mr. Snelgrove: Thank you.

Mr. Cao: Well, Rhonda, this is a great draft. I'm just thinking. I've done some community events before, a publication like Shaw Cable, community cable. In fact, it's free.

Ms Sorensen: Yeah. Actually, I am going to be approaching the television stations to get their community events.

Mr. Cao: Yeah. A lot of people can watch it, even across the province too. So that's very good.

When you talk about Mount Royal College, what about the university and other colleges, the students?

Ms Sorensen: I think we should look at them as well. I think students are interested in these things.

Mr. Cao: Right. Bulletin boards or something.
Thank you.

Ms Sorensen: We'll also be doing posters to be distributed in the constituencies of Calgary that hopefully will go up at the schools and the colleges and wherever else members think they might get some good play on that.

Mr. Cao: Of course, probably you have the chambers of commerce in mind too.

Ms Sorensen: Of course.

Mr. Cao: Thank you.

The Deputy Chair: Are there any questions or comments?

Mr. MacDonald: I have a comment in regard to the public notice of this meeting. I was going through the Environics poll that was done this year in regard to the heritage savings trust fund, and 30 per cent of Albertans – this has gone up in a year and a half from 25 per cent – are very dissatisfied with the information they receive about the heritage fund. So in light of the fact that, you know, I guess it was \$18,000, that we don't have to at least alert everyone, if necessary, of this meeting, I think it's very important that we broadcast this as often and as much as we can because of the information that Environics has provided to us.

I mean, money doesn't seem to be a bit of a problem in this government. We're spending a hundred grand for two members of Executive Council to travel to South Africa, yet we don't have, in my view, adequate money. This poll tells us that Albertans are somewhat dissatisfied and very dissatisfied with the information they get about the heritage fund, so I think we've got to look at changing that and seeing if we can improve the satisfaction rates. It's their money.

Mrs. McClellan: Mr. Chair, I don't want to interrupt, but I can see that this is not any of my business.

The Deputy Chair: Thank you, Madam Minister. I wish you a good day.

Mrs. McClellan: Thank you for having me.

The Deputy Chair: Rhonda, could you comment on Mr. MacDonald's point?

Ms Sorensen: Yeah. While I think they are certainly valid points,

we do have a specific budget that we do have to operate within and try to come up with strategies to reach as many Albertans as possible. Unfortunately – this may sound harsh – the public isn't going to be as interested in the fund when the fund is doing well. It's just the way that the public seems to work. Fortunately, the fund is doing well, so there's not a whole lot of public interest or a whole lot of people looking into what's going on with the fund.

We did just complete a province-wide campaign using bookmarks in all the public libraries in southern and northern Alberta, and hopefully that will be one part that kind of gains public interest in going to the website. That's specifically to drive people to the website.

I guess those would be my only comments. We're working within what we have.

The Deputy Chair: Thank you very much. It certainly sounds to me that we've got a very good process for ensuring that our public is well informed, and, you know, I'm sure that we will continue to enhance that. I do agree, Mr. MacDonald, that it's very important that we do that, and it sounds like we're striving to do that. Certainly, we can always tweak and improve where appropriate.

At this point, then, I would look for a motion to accept the draft – I guess it's not a draft at this point – to accept the communications plan and to move forward. Mr. Pham. Okay. Further discussion on the motion? All in favour?

Hon. Members: Agreed.

The Deputy Chair: Opposed? That's carried. Thank you very much.

We'll then move on to item (b), the website update on the hits.

Mr. Berezowsky: I think Rhonda had something to add.

Ms Sorensen: I'm sorry. I didn't get a clear direction from the committee as to whether or not they wanted me to go with colour or black and white. There are samples of both in your packages.

The Deputy Chair: Yes. The samples are here. It certainly seemed to me that the black and white was adequate. We've talked about being frugal, so unless somebody has a burning desire to go to colour, which although it's within our budget, I'm sure is more costly . . .

Ms Sorensen: It's a very slight cost difference.

Mr. Pham: How much money are we talking about here?

Ms Sorensen: We're talking about a couple of hundred dollars.

Mr. Pham: Let's go with the colour.

The Deputy Chair: Colour. That's just the consensus. Do we need a motion on that? I don't think we need a motion. A consensus, Mr. MacDonald? Then it would be in colour.

Ms Sorensen: Thank you very much.

The Deputy Chair: Okay.

So the next item, then, would be Mr. Berezowsky on the website hits, item (b).

Mr. Berezowsky: I don't think that there's anything I need to say on

this. It's pretty self-explanatory, and I've been providing this information.

The Deputy Chair: So we'll just look for any questions, then, on the memo. None? A motion to receive that for information? Mr. Goudreau. Further discussion? All in favour? Agreed? That's carried. Thank you very much.

Move to item 8, the draft 2004-05 committee report. The committee must report annually to the Legislature. This report will be tabled in the Legislature by the chair during the next session. The draft report was included in members' meeting packages, and again I would ask for any comments at this time on the draft report as prepared.

Seeing none, I guess we need a motion to submit the report as drafted.

Mr. Cao: Is it in colour or black and white?

The Deputy Chair: I think it's safe that this will be black and white. We're not sure. It'll be good ink on paper.

Mr. Cao moves. All in favour?

Hon. Members: Agreed.

The Deputy Chair: That's carried unanimously. I thank you very much.

Other Business. Is there any other additional item that's in the purview of the committee that we might discuss at this time?

Mr. MacDonald: Well, Mr. Chairman, I hope these are both in the purview of the committee. The first item that I would request, please, is that for the fiscal year ending March 31, 2005, I would like a copy to be provided of the detailed list of investments of the heritage savings trust fund. I'm wondering if we couldn't leave maybe 10 or 15 of this detailed list of investments at the back of the meeting hall at Mount Royal College or wherever we're going in Calgary to see if anyone has any interest in this and picks them up and takes them away and has a look at them.

The Deputy Chair: Mrs. Sawchuk advises me that we make a habit of bringing a lot of this information with us.

Mr. MacDonald: Okay. So I can receive a detailed list of these investments without delay?

The Deputy Chair: Sure. Through the committee clerk.
Mr. Parihar.

Mr. Parihar: Yeah. We have provided that to the committee in the past, so we can provide that to the committee.

The Deputy Chair: We'll have that circulated forthwith.

Mr. MacDonald: The second item I have, Mr. Chairman, is in regard to the hon. Dr. Oberg and his ideas of raiding the heritage savings trust fund to pay down the infrastructure debt of \$7 billion. I had the privilege of receiving a copy of this proposal that, as I understand it, went before a standing policy committee. I have a copy of this if any hon. members would like it. In this report, that was presented to the standing policy committee by Dr. Oberg, the heritage savings trust fund was looked at as a potential source of revenue for this significant infrastructure debt. What are the financial implications for the heritage savings trust fund if a minister was to borrow money?

11:10

The Deputy Chair: First of all, Mr. MacDonald, again, this item is something that was raised as a hypothetical, potential opportunity.

Mr. MacDonald: It's not hypothetical, Mr. Chairman. The minister went before the standing policy committee with this document.

The Deputy Chair: But it's a document before a government committee that has not yet been or may be – we don't know – accepted. So I guess that if you're asking a hypothetical question to the staff in terms of what might it look like if the government proposes to remove monies from the fund, I suspect that that's something that would have to be done through legislation.

Mr. Parihar, could you comment?

Mr. Parihar: That is correct. The mandate of the heritage fund, as you know, is to earn the highest return possible, so it will have to be done at the market return. To me it's a policy question, the investment in the heritage fund. As you know, the return for the last quarter was 3.4 per cent, and obviously for the year it's going to be higher. The government can borrow money much cheaper than that if they were to invest money in the infrastructure. So, again, for the province to borrow money from the heritage fund to pay for infrastructure, it will be a policy decision, but in my view there are alternatives which are cheaper than that.

The Deputy Chair: Satisfied, Mr. MacDonald?

Mr. MacDonald: No, I'm not. I think my privileges as a member of this standing committee were violated. This committee should have been informed of any investigations that were going on to take this money and use it for another purpose. Whatever investigations are going on by Alberta Finance should have been shared with all members of this committee. We are charged with looking after this, and for all this to be going on behind closed doors I think is wrong, Mr. Chairman.

The Deputy Chair: Mr. MacDonald, with all due respect, government looks at various opportunities, options from time to time. To suggest that anything that's thought of should come before this committee by way of policy I think, frankly, is unrealistic. Mr. Parihar has explained what the process would be if that actually became a reality, and I think that's the answer that he just provided you. I understand and I hear you in terms of your thoughts or your opposition if this were to actually occur, but these are just thoughts, even if they're put on paper, and we all have various thoughts. So I don't know.

Mr. Parihar, I'll ask you to give us just one more quick point on this, and I think we'll move on.

Mr. Parihar: No, Mr. Chairman, I do not have anything to add to what you just said. These were the discussions. They happened. We have not been given any direction to do the analysis on this.

The Deputy Chair: Thank you.

Any other business to be brought up before we leave today?

The next meeting will be at the call of the chair and most likely sometime in January or February. That'll be, of course, beyond the public meeting.

At this time I'd look for a motion to adjourn. Moved by Mr. Pham. All in favour? We're adjourned. Thank you very much.

[The committee adjourned at 11:14 a.m.]