



Legislative Assembly of Alberta

The 27th Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Annual Public Meeting – Edmonton

Thursday, October 16, 2008
7:03 p.m.

Transcript No. 27-1-3

**Legislative Assembly of Alberta
The 27th Legislature
First Session**

**Standing Committee on the
Alberta Heritage Savings Trust Fund**

Forsyth, Heather, Calgary-Fish Creek (PC), Chair
Elniski, Doug, Edmonton-Calder (PC), Deputy Chair

Blakeman, Laurie, Edmonton-Centre (L)
DeLong, Alana, Calgary-Bow (PC)
Denis, Jonathan, Calgary-Egmont (PC)
Hehr, Kent, Calgary-Buffalo (L) *
Johnston, Art, Calgary-Hays (PC)
Kang, Darshan S., Calgary-McCall (L)
Mason, Brian, Edmonton-Highlands-Norwood (NDP) **
Notley, Rachel, Edmonton-Strathcona (NDP)
Olson, Verlyn, QC, Wetaskiwin-Camrose (PC)

* substitution for Darshan Kang

** substitution for Rachel Notley

Department of Finance and Enterprise Participants

Iris Evans	Minister
Aaron Brown	Director, Portfolio Management
Kari-ann Kuperis	Public Affairs Officer
Rod Matheson	Assistant Deputy Minister

Alberta Investment Management Corporation Participants

Gary Smith	Chief Economist
Douglas Stratton	Director, Fund Management

Support Staff

W.J. David McNeil	Clerk
Louise J. Kamuchik	Clerk Assistant/Director of House Services
Micheline S. Gravel	Clerk of <i>Journals</i> /Table Research
Robert H. Reynolds, QC	Senior Parliamentary Counsel
Shannon Dean	Senior Parliamentary Counsel
Corinne Dacyshyn	Committee Clerk
Erin Norton	Committee Clerk
Jody Rempel	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Communications Services
Melanie Friesacher	Communications Consultant
Tracey Sales	Communications Consultant
Philip Massolin	Committee Research Co-ordinator
Stephanie LeBlanc	Legal Research Officer
Diana Staley	Research Officer
Rachel Stein	Research Officer
Liz Sim	Managing Editor of <i>Alberta Hansard</i>

**Standing Committee on the
Alberta Heritage Savings Trust Fund**

Public Participants

Bill Bewick
Roma Fraser-Engler
Manny Kassam
Michael Marlowe
Ryan Perry
Ian Reid
Alexander Romanchuk
Jason Roth
Brady Whittaker
Julian Yanchuk

7:03 p.m.

Thursday, October 16, 2008

[Mrs. Forsyth in the chair]

Mr. Elniski: Good evening, ladies and gentlemen. My name is Doug Elniski. I'm the MLA for the Edmonton-Calder constituency, the fabulous constituency of Edmonton-Calder. I'm honoured to bring to you tonight the 2008 annual public meeting of the Alberta Heritage Savings Trust Fund Committee. I hope you have a lot of questions and comments for us tonight.

Without further ado I'd like to introduce the rest of the committee members in attendance: to my right, Heather Forsyth, the MLA for Calgary-Fish Creek and chair of our committee; down at the end of the table is Laurie Blakeman, the MLA for Edmonton-Centre; beside me is Alana DeLong, MLA for Calgary-Bow; beside her, Mr. Jonathan Denis; Mr. Art Johnston; Mr. Verlyn Olson.

Two of our regular committee members aren't here tonight, so we have provided some substitutes. Substituting for Rachel Notley is Mr. Brian Mason, the MLA for Edmonton-Highlands-Norwood; and substituting for Mr. Darshan Kang is Mr. Kent Hehr, the MLA for Calgary-Buffalo.

We also have a special guest with us tonight. I'm pleased to introduce the Hon. Iris Evans, Minister of Finance and Enterprise.

I'll turn it over to Heather, and we can get going.

The Chair: Thanks, Doug. Welcome to the Alberta Heritage Savings Trust Fund Committee 2008 annual public meeting. There are a few people that I would like to introduce before we get down to business, and that's the staff of the Ministry of Finance and Enterprise: Rod Matheson, the assistant deputy minister, treasury and risk management; Aaron Brown, the director of portfolio management; Kari-ann Kuperis, public affairs officer.

Staff from the Alberta Investment Management Corporation: Doug Stratton, director of fund management; Gary Smith, senior economist.

Staff from the Leg. Assembly Office: Jody Rempel and Corinne Dacyshyn, committee clerks; Tracey Sales of communications services; Janet Schwegel and Joyce Powell, *Alberta Hansard*; Marc Langman, information technology; Wayne Konner and Pat Morphy, security; and Bart Johnson, the minister's communication director.

The meeting is being recorded by *Alberta Hansard*. Copies of the transcript from the meeting will be available online at the Assembly website or by calling the committee number listed on the brochures which were handed out this evening.

It may seem like a meeting tonight is very timely given recent market events. However, our presentation will show that the committee is focused on a long-term view of the heritage fund. Tonight's presentation will cover the history, mission, and future of the heritage fund as well as long-term performance. A question-and-answer session will follow.

I'd now like to start the presentation. I'll start with some background. The heritage fund was started in 1976 and has been a unique aspect of Alberta's finances for over 30 years. No other province has such a fund. From 1976 to 1983 the fund grew as 30 per cent of the province's oil and gas revenues went into the fund. From 1984 to '86 the amount saved into the fund was reduced to 15 per cent of oil and gas revenues due to the increasingly difficult fiscal situation facing Alberta. From 1982 onwards all income from the fund had been transferred to the general revenue fund to meet the priorities of our province except for some ad hoc inflation-proofing in '97, 1998, and 2000 totalling \$431 million.

Since 2005 the government has been making its legislated inflation-proofing contributions. As you can see on the slide, the

government has started to put money into the heritage fund again. Between inflation-proofing and new deposits the government deposited \$1.38 billion into the fund in the fiscal year ended March 2008.

The value of the heritage fund depends on the amounts deposited into the fund, the amounts taken out of the fund, and the investment earnings of the fund each year. Beginning in 1986 we started using the fund's income to meet spending priorities, leaving the fund's value fairly flat until recently. However, the heritage fund is now at its highest-ever value due to the over \$5 billion in deposits over the past three years.

I'll let Doug continue.

Mr. Elniski: Thanks. On average the heritage fund has earned almost \$1 billion per year since it was set up in 1976. By law all realized investment income from the fund less the amount retained for inflation-proofing is transferred to general revenue to be used to pay for health care, education, social programs, infrastructure, and other capital expenditures.

When the Alberta economy struggled, income from the heritage fund has allowed the government to avoid deep cuts to important social programs and raising taxes any more than necessary. Also, the heritage fund has played a large role in helping the province remain debt free. Income from the fund is for the present generation of Albertans; the capital of the fund is for future generations.

I just want to note one little thing here. On the very left-hand side you'll see that it says millions. That's actually billions. The markets aren't off quite that much.

The heritage fund has helped put the province into the solid financial position that it is in today. Albertans will continue to benefit from the fund's contributions. All those billions shown over the last slide add up, and during the fund's 30-year history the fund has provided a little over \$30 billion for Albertans' priorities, including debt reduction, health care, education, social programs, infrastructure, and capital expenditures.

In addition to the \$30 billion I just mentioned, the Alberta endowment funds make social and economic contributions to Alberta. Two important endowment funds, which are the medical research fund and the scholarship fund, are funded from the heritage fund.

The Alberta Heritage Foundation for Medical Research endowment fund was started in 1980 with a \$300 million contribution from the heritage fund. The medical fund has been instrumental in funding research and advances in medical science and has also provided a competitive edge in biotechnology research. The medical research endowment fund now has a market value in excess of \$1.5 billion.

The Alberta heritage scholarship fund was established with a hundred million dollars transferred from the Alberta heritage fund in 1981. Each year millions of dollars of income earned from the scholarship fund help to pay for Albertans' postsecondary education. This fund now stands at over \$800 million.

I'll turn it over to Jonathan.

Mr. Denis: Thank you very much, Doug. On average the fund generates about a billion dollars per year in investment income, which is 3 to 4 per cent of government revenues. When the government first began to draw on this income, however, it brought in closer to 13 per cent of government revenues. The relative importance of the heritage fund in paying for Alberta's social programs at this time grew from '76 to '82 as we were growing the fund. The relative importance declined during the years as we were spending the income. The decline shows more the growth of Alberta

than a reduction in investment income. The percentage contribution will grow if we save money in the heritage fund faster than the overall size of government increases.

7:10

Part of the reason for the recent growth in the heritage fund was the creation of the access to the future endowment, established in 2005. The access to the future endowment was established to provide sustained funding for initiatives designed to enhance advanced education. The investment earnings of this portion of the heritage fund provide this funding. One example of how the money is being used is the development of the Lois Hole Campus Alberta digital library. This library will allow postsecondary students and faculty across the province to access the digitized resources and knowledge currently held in the individual libraries of postsecondary institutions.

The access to the future endowment was created as part of the heritage fund rather than as a distinct endowment. One billion dollars – that’s billion, not million – of the deposits made to the fund in the last two years has been directed to this new endowment. It is expected that the endowment will eventually grow to \$3 billion.

I’ll hand this over now to Alana DeLong.

Ms DeLong: Thank you. In the early 1990s Albertans were concerned about the sustainability of investment income. Many Albertans were wondering whether the fund should be sold off to pay down the debt of the province. In 1995 questionnaires were sent to Alberta households asking what to do with the heritage fund. After extensive consultation the government decided that the mission of the fund should be to focus on maximizing financial return to allow current and future generations of Albertans to gain maximum benefit from the fund. The Alberta Heritage Savings Trust Fund Act states that the mission of the fund is “to provide prudent stewardship of the savings from Alberta’s non-renewable resources by providing the greatest financial returns . . . for current and future generations of Albertans.”

Extensive changes were made to focus on this mission. These changes included new legislation for the heritage fund, an improved governance structure, and the sale of investments that had been made for other than financial reasons. Essentially, the fund is now managed on that same basis as an institutional endowment fund.

I’ll discuss the governance in place to achieve this mission. One of the principles of governance for the heritage fund is transparency. A detailed business plan is developed every year and approved by the standing committee. The plan sets out specific investment objectives, goals, and strategies to achieve the heritage fund’s objectives as expressed in the legislation.

The heritage fund annual report is prepared and published within three months of the end of the province’s fiscal year, which is March 31. The annual report provides a comprehensive review of the activities and results of the fund for the year. Every quarter an investment report is prepared for the heritage fund, and the quarterly report provides information about the investments held by the fund, the performance of every investment sector, and an overall review of the fund. These documents are always available on the website, which is www.albertaheritagefund.com, and copies are also available at the back of the room.

My colleague Jonathan will continue.

Mr. Denis: Thanks very much, Alana. Another fundamental principle of the governance structure is accountability. The performance of the fund is reviewed by the standing committee of the Legislative Assembly and by the public at annual general

meetings, such as the one here this evening. The standing committee is required by law to review and approve the business plan, receive and review quarterly reports, approve the annual report, review the performance of the heritage fund, report to the Legislature as to whether the mission of the heritage fund is being fulfilled, and, of course, hold the meetings with Albertans.

The Alberta Heritage Savings Trust Fund Act by law sets out a well-defined standard of care and management of investments: that of a reasonable and prudent person. Clearly defined benchmarks are established to evaluate the performance of the fund’s investments. For example, Standard & Poor’s TSX composite index is used to measure the performance of the fund’s Canadian stocks.

I’ll now hand this over to my colleague Verlyn Olson.

Mr. Olson: Thank you, Jonathan. The legislation governing the heritage fund makes the Minister of Finance and Enterprise responsible for managing the money invested in the fund. This responsibility has three key components: one, establishing investment objectives and policies under which the fund will be invested, and this includes setting out the target asset allocation for the fund; two, implementing the investment policy through day-to-day investment management; and three, evaluation of investment performance, including evaluation of the investment policies and the implementation of those policies.

In January of 2008 the investment division of the ministry of finance became a Crown corporation called the Alberta Investment Management Corporation, or AIMCo. AIMCo is responsible for the day-to-day execution of the investment policies set by the government. The responsibility for investment objectives and performance evaluation belongs to the Minister of Finance and Enterprise, who is supported by a team of professionals from the Department of Finance and Enterprise in meeting this responsibility.

The investment objective of the fund is to maximize long-term financial returns subject to an acceptable level of risk. The fund has a long-term view and tries to look past short-term market turmoil. Strategies are targeted that can generate return on a consistent, repeatable basis. Meeting the investment objectives of the heritage fund requires a global outlook. Accordingly, the fund’s assets are invested around the world in a diversified portfolio of investments, which includes stocks, bonds, and real estate. The widely diversified portfolio helps reduce risk but also enables the fund to earn higher returns than it otherwise would.

Cost is an important issue for the fund. The heritage fund’s investments are pooled with other AIMCo clients’ to provide investment efficiencies. As a result of having over \$70 billion under management, AIMCo has a clear competitive advantage, resulting in lower investment management costs and higher net investment returns for taxpayers.

This pie chart illustrates the policy asset mix of the fund. This is the asset mix shown in the heritage fund’s business plan. The policy asset mix guides the investment of the fund. Ranges are established for each asset class. This ensures that the fund will maintain exposure to each major asset class but allows the manager the freedom to take advantage of their expertise. If market action results in the breach of any of these limits, then a rebalancing procedure is initiated to bring actual weights more in line with the long-term asset mix policy. The fund has significant investments in equities, including foreign equities such as U.S. and non North American. It’s broadly diversified by country, industry sector, and company and has a significant component that is managed externally. The fund also has an important allocation to real estate as well as allocations to absolute return strategies and private investments.

I’ll now ask Art Johnston to review the fund’s performance.

Mr. Johnston: Thank you, Verlyn. Overall the fund had negative performance for the year, posting a negative 0.7 per cent for the year ending March 31, 2008. The Canadian dollar continued to strengthen against world currencies such as the euro, the yen, the pound, and the U.S. dollar. This hurt the performance of our investments that are held in those currencies.

The struggles in the U.S. market are well publicized. In fiscal 2008 the S&P 1500, which tracks the performance of the 1,500 largest companies in the U.S., declined 5.4 per cent. When translated into the appreciating Canadian dollar, this decline increases to 15.7 per cent. It was a similar story in overseas markets, where the most common overseas stock index fell by 13.2 per cent in Canadian dollar terms.

The good news in the portfolio came from our real estate holdings, which, we saw, make up 10 per cent of the heritage fund. Our real estate posted a strong 14.5 per cent return, which helped offset some of the losses from non-Canadian equities.

Of course, we want to focus on the long-term performance of the heritage fund. This chart outlines a historical performance of the fund over the last five years. During this period the fund generated an annualized return of 11.1 per cent. The heritage fund is expected to generate a return of 4.5 per cent above inflation at an acceptable level of risk over a moving five-year period. Over the last five years inflation averaged 2.3 per cent. As you can see, over the period the heritage fund returns were better than the long-term target.

Now, back to our chair, Heather Forsyth.

7:20

The Chair: It is critical that the fund grow with inflation to retain its ability to be a sustainable source of revenue. Starting in 2005, the fund kept enough investment income to offset inflation. Only investment income in excess of inflation was transferred to the province's main operating fund, the general revenue fund. In the past two years we have retained \$466 million and \$283 million, respectively, to protect the fund against inflation. Inflation-proofing will continue in the future as it is required by law now that the accumulated debt has been repaid. In the future, income from the heritage fund will depend on capital market returns and the amount of money invested in the heritage fund.

The Premier has tasked the Hon. Iris Evans, Minister of Finance and Enterprise, with implementing a renewed savings policy for the province. The committee members are looking forward to seeing this policy, as I am sure all Albertans are, as the heritage fund is a key component of Alberta's savings. Department of Finance and Enterprise officials continue to work with AIMCo to ensure that the heritage fund is being invested the best it can be. An extensive asset mix review is nearing completion, and work is under way to draft a new investment policy statement for the fund for the minister's review.

Since the government published the heritage fund's June 30, 2008, results, there has been turmoil in global financial markets that has not been seen in decades. The committee members are happy to have officials from the Alberta Investment Management Corporation here to talk to you about the markets and what it means for the funds.

Dr. Smith: Thank you, Madam Chair. Good evening, ladies and gentlemen. My name is Gary Smith. I'm with AIMCo. I'd like to talk to you tonight about recent stock market performance, provide an economic backdrop to the markets, and then discuss the benefits to the heritage fund of taking a long-term approach and of diversification.

The chart on the screen shows how various stock markets have performed from January 1 of this year through October 14, just a

couple of days ago. Canadian markets have dropped almost 30 per cent through that time period; U.S. markets about 20 per cent; and the Europe, Australasian, and Far East, otherwise known as EAFE, markets are down about 35 per cent; with emerging markets down nearly 50 per cent. Emerging markets are made up predominantly of Brazil, Russia, India, China, and other places. This sharp negative performance in global stock markets impacts the performance of the heritage fund as about 45 per cent of the assets have been allocated to Canadian, U.S., and EAFE stock markets.

In the next few slides we're going to look at the economic backdrop to the global economy. We're going to review unemployment data, U.S. household wealth and get a sense of the confidence or, more precisely, the lack of confidence in the lending markets today. That lack of confidence is at the root of some of the problems we're seeing in the markets these days.

I tried to find in one slide one chart that sort of summarizes the health of the real economies in Canada and the U.S. We're focusing on the unemployment rate, and it's hoped that this will give you a little bit of colour of what's going on. We're looking at unemployment rates over the last 10 years, and you see that the Canadian unemployment rate is the yellow line at the top of the chart. We've seen how that has descended down from about 8 per cent to about 6 per cent, where we sit today. The U.S. unemployment, on the other hand, has run below Canada's almost uniformly but in recent months has ticked up and has gone towards almost exactly equal to where Canada's unemployment rate is at around 6 per cent. You see two economies trending in different directions here. This is but one sign of weakness in the U.S. economy right now and a sign of relative strength in Canada. The slide also supports the idea that Canada is better positioned economically now than it was in the year 2000, just as we were heading into the last U.S. recession.

What we've got on the screen now is a slide of the U.S. household sector's net worth, and it's in billions of U.S. dollars. The wealth includes such things as houses, stock market holdings, and other things. What you see here is a remarkable rise from about 2003 through mid-2007 where household net worth increased steadily, but you'll notice that turn at the end of the chart, where from about mid-'07 to date we've seen a decrease in household net worth. Keep in mind that the data here ends in June of this year, so we've seen things happen since then that suggest that that chart might be tipping down even lower. The sources of the decline are highly publicized. Real estate values, specifically residential real estate values, and stock market values have been under considerable strain over the last 12 months. Indeed, further declines in wealth are expected to be experienced in the U.S.

The importance of this stems from the importance of the U.S. consumer and what a decrease in wealth does to a consumer. As wealth falls, confidence falls; as confidence falls, spending falls and, thus, economic growth falls. As we've already noted, the U.S. unemployment rate has also increased while this has been going on. We're painting not a particularly pretty picture of the economic state in the United States right now.

Why I am focusing on the consumer is that the consumer represents about 70 per cent of the U.S. economy, and the U.S. economy is very, very large in the globe, to state the obvious. The U.S. consumer represents about 20 per cent of the global economy, so it's pretty clear that the U.S. consumer is important to the overall state of the economy and to the overall state of the financial markets.

I'm about to delve into something here that's a little more obscure, but I'll explain, so please bear with me. We're going to look back at the financial markets. I hinted earlier about lack of confidence in the markets, and I wanted to give you an indicator that shows fairly clearly what I'm talking about when I say a lack of confidence in the

markets. This indicator is called the TED spread. What it is, really, to avoid all technicalities, is a measure of the confidence financial market participants have in each other at present. What it does measure, specifically, is the difference in the interest rate that one will lend to a bank versus the interest rate that they'll lend to the government. The government, of course, will pay you back, and I'm speaking of the U.S. government and U.S. banks here. The global measure of confidence is a U.S. dollar denominated thing. The difference, this spread, is a measure of how nervous or how comfortable one is with lending to a bank rather than lending to the government. Higher values of this spread indicate greater nervousness.

As you can see in this chart, which goes back over the last five years or so, the TED spread was in a pretty tight range and fairly low and stable from 2003 through mid-2007. What that does is suggest, with a little bit of wiggling there, that lenders had confidence in lending to banks. Since August of 2007 this has changed. In 2003 the spread was about a quarter of a per cent. Last week it was four and a half per cent. This reflects, very simply, a lack of trust in lending to banks. When spreads are wider, banks are less able to borrow. When they're less able to borrow, they're less able to lend. When they're less able to lend, households and businesses are less able to borrow to invest and to consume. In recent months the efforts we've been seeing from various levels of national governments around the world have been directed at trying to restore this confidence.

What I've got on the slide here is a very small sample of some of the actions that various federal governments and central banks have taken to try to restore this confidence. It's not just the developed markets that are involved. You'll note on the slide that we have Russia listed. We note also that there have been co-ordinated actions by central banks around the world. On October 8, just last week, six central banks eased their main lending rates by 50 basis points. This shows how widespread the economic fallout reaches. This is now a global issue; it is not a U.S. issue alone.

One comforting notion throughout all the market upheaval has been a recent news release by the World Economic Forum where they stated that Canada has the world's strongest banking system. Although Canada is not immune to recent events, our sound banking system does provide some comfort in this time of worry.

There is no doubt that stock markets around the globe have performed poorly in the past year. This slide illustrates the returns for U.S. stocks as seen in the first row and represented by the Standard & Poor's 500 index, Canadian stocks as represented by the S&P/TSX composite index, and EAFE stocks. We've got one-year, five-year, and 30-year annualized returns listed for the period ending September 30. The first green column demonstrates the poor performance that Canada, the U.S., and EAFE stock markets have shown over the past year. Five-year returns can be seen in white. Clearly, returns over the five-year period have been more favourable than the past year for all regions, although they've been quite modest in the EAFE markets and Canadian market.

7:30

Finally, the last column displays the returns for the 30-year period ending September 30. This is where we want to draw your attention. This is where, when considering a fund such as the heritage fund, we should be focusing. It's difficult to keep the long term in mind when the media is concentrating on short-term returns, but the heritage fund is invested for the long run. There's no question that short-term fluctuations are concerning, but by maintaining discipline and focusing on the long term, we help keep our direction in these times.

This final slide shows returns from different asset classes, how they performed from January 1 of this year through October 14 of this year. The first chart shows how stock markets have performed

globally. The stock market returns to date have been about minus 35 per cent; that's a world-wide index we're looking at. The second column represents bonds. Here the returns have been better but still a modest 1 per cent. The final column illustrates real estate returns over the same period, which have been hanging in at about 6 per cent.

We're showing these three different returns to highlight some of the benefits of diversifying across different assets. By not holding all our eggs in one basket, or rather by not holding everything in stocks, we're able to even out the return suffered by the heritage fund stock portfolio with gains in fixed income and real estate. Generally the long-term focus of the heritage fund has been to reduce its emphasis on stocks by diversifying into other assets. However, while the heritage fund is diversified, it's still not immune to market shock, which we've recently experienced.

Now I'd like to turn it back to the chair.

The Chair: That concludes the formal presentation. I would like to take a couple of minutes to thank a few people before I open the floor for questions. On behalf of the committee I'd like to thank Doug Elniski for hosting us this evening. Thanks to Gary from AIMCo for providing the market update. Thanks also to the staff from Alberta Finance and Enterprise for providing all of the necessary information regarding the heritage fund and for completing this evening's slide presentation, and thanks to the staff from the Leg. Assembly Office who provide administrative support to the committee. My last thanks is to my assistant, Brock Mulligan, and all of you who have attended here tonight.

For the Q and A portion of the evening I'm going to turn the meeting over to our host, Doug.

Mr. Elniski: Thank you very much, Heather. I would be remiss at this moment, ladies and gentlemen, if I didn't acknowledge someone else in the crowd tonight. You're of course aware that we had a federal election on Tuesday, and if he would stand up, I would like to introduce Mr. Brent Rathgeber, the MP-elect for the Edmonton-St. Albert riding. For many of you I'm sure that Brent will be no stranger, having served previously as the MLA for Edmonton-Calder. I'm told that Brent will be a staunch advocate for the interests of Alberta when he gets down to Ottawa.

We do have a question-and-answer portion that we'd like to do tonight. There is a microphone for you on the floor back there. We are being recorded in *Hansard*. What that means is that the question that you ask will in fact be recorded in the government archives for all posterity, so if you would please state your name before you start and then go over to the lovely young lady in the black skirt there, Jody – Hi, Jody – she will record your name so that, in fact, your name is spelled correctly for all posterity. Now, at the end of the event if you'd like to get a copy of the *Hansard* for tonight, if you'll see the fellow standing over here with the camera, my constituency assistant, Bill Bewick, he'll be more than happy to get your information and mail one out to you.

We will take questions from the floor. I'd just ask that you address your questions to the chair. And don't be shy. You have some fantastic financial professionals here tonight.

Mr. Romanchuk: Good evening, committee members, hon. minister. My name is Al Romanchuk. I'm 72 years young. I'm a constituent of Edmonton-Decore, former alderman and mayor of the city of Grande Prairie, retired. I've been a political animal for over 57 years. Mr. Chairman, you've indicated that you're open for questions.

Mr. Elniski: Yes.

Mr. Romanchuk: Do you want me to phrase my proposals in the form of questions, or would you like me to simply present mine to you as proposals?

Mr. Elniski: Well, I guess the best way to answer your question, Al, would be: do you want an answer? We have the AIMCo professional staff here and the minister. Is it something that they'll be able to answer?

Mr. Romanchuk: I don't have any questions directed to them because I've only just received your annual report, so I'm not familiar with the details. Although I understand that not only do we have \$17 billion in the heritage savings trust fund; you have over \$70 billion in assets that you're managing. Is that correct?

Dr. Smith: That's correct. Yes.

Mr. Romanchuk: According to my arithmetic, that's about \$87 billion that you have for us Albertans under management.

Dr. Smith: Sorry. The \$70 billion includes the \$17 billion of the heritage fund.

Mr. Romanchuk: All right, \$70 billion.

I come back again to my question. Can I present my proposals to you now, get it over with, and give you at least one of them in writing? How do you want me to do it?

Mr. Elniski: I'll tell you what. You go ahead, start, and if it's something that doesn't relate specifically to the committee, I will . . .

Mr. Romanchuk: You'll cut me off.

Mr. Elniski: No, I won't shut you down. That's too easy. What we'll do is I will endeavour to respond to you on behalf of Edmonton-Decore. Go for it.

Mr. Romanchuk: Well, all right. What I'll do . . .

Mr. Elniski: You have to remember that while you're walking up here, they can't hear you. There'll be a big gap in the sentence. Thank you very much.

Mr. Romanchuk: Albertans own the resources of our province, and I think Albertans should be able to invest in those resources. My proposal to you this evening is to consider seriously the construction and ownership by Albertans with the provincial government of a bitumen refinery in the Industrial Heartland of Alberta. My proposal sets forth that approximately \$1 billion would be allocated to that investment, 51 per cent of which would be owned by the provincial government and 49 per cent of which would be given to Albertans to purchase in the form of shares. Various types of shares can be allocated for this purpose, whether they're voting or nonvoting shares. What would this provide for Albertans? Many jobs, and we would have the ability to refine our own bitumen right here in the province of Alberta; we won't have to send that to the United States for refining. Mr. Chairman, what I've given to you is my draft proposal for the committee's serious consideration.

The second proposal that I would like to present to you is that you seriously consider investing in state-of-the-art greenhouses in particular parts of Alberta, and I'm suggesting four areas: the north, the east, the west, and the south. So we would reduce our requirement for the importation of foreign vegetables and fruit. We have

the ability to do that with entrepreneurs in the province of Alberta, and I think it's safe enough for me to say that, in my humble opinion, I believe Albertans and the provincial treasury would gain because of the income that would be generated. We would be able to supply our markets and, indeed, perhaps markets in other parts of Canada.

There are my two propositions. Thank you for not cutting me off.

7:40

Mr. Elniski: Oh, that's okay, Al. Thanks very much. You know, we've had folks come to us before and talk to us about investment in joint ownership, but I have to admit that the proposal for the greenhouses, I don't think we've heard that since Sprung in Calgary. That's kind of a new one. We'd certainly like to see that one as well. Thank you very much.

Any other questions?

Dr. Reid: Not exactly a question either.

Mr. Elniski: I'm sorry. Your name, please, sir.

Dr. Reid: Ian Reid. I had the distinction of chairing this committee way back, a long time ago.

Mr. Elniski: Did you really? Wow.

Dr. Reid: I was in Calgary in I think it was 1974 or '75 when we had the extra income coming in and the party decided that we should set up a savings fund. At that time the excess income was nothing like what it is nowadays. Then I think it was in 1976 when the fund was formally set up as the AHSTF. It was set up then with the concept of it being a savings fund for the generations that were to come once the income from this nonrenewable resources ran out.

It didn't all go to savings. We had the capital expenditure for things like the heritage medical research foundation and Kananaskis Country, so current Albertans did get some benefit from the savings fund. The concept was that it would be a rainy-day fund. Indeed, Don Getty used it as that when he took the income when we went into deficit due to the price of oil going down, believe it or not, to \$10 a barrel. The concept was always that that would be repaid in the future out of future income. Sad to say, that has not happened. I applaud the recent increase in deposits into the heritage fund, but we have not yet made up what was taken out in the 1980s, what was not deposited later on under Ralph Klein, and the interest thereon. This fund should be a lot larger than it currently is.

I'd like to ask the committee – this is a question: are you prepared to recommend to the Legislature and the government that out of the current large excesses of income the heritage fund be made whole again by repaying into it what was taken out, what has not been deposited, and the interest thereon? I want to be able to look my grandchildren in the face and say that we were not greedy, that we left some of this enormous income to future generations. We have done it in the last couple of years, but there's a large back-lying deficit that should be repaid. Now, I'm looking right at Ms Evans when I'm saying this.

Ms Evans: Dr. Reid, it's a great pleasure to see you here. I've admired the work you did while you were an MLA and minister of the Crown. Your comments are well spoken.

I have been charged with the mandate from the Premier to deliver an investment and savings strategy. We have been looking seriously at something that I know Ms Blakeman also favours, which is in fact not using the funds from the heritage fund to supplement other streams. In the last three decades we have spent some \$30 billion in

support of other activities, primarily in health and education, to support the people of Alberta. If we were to retain the earnings within the fund, it would be a strategy. I'm not saying that the government is committed to that, but it is something that we're seriously looking at.

In the past, since the payment of the debt we have been using our surplus policy, which is two-thirds towards capital and functional obsolescence, if you will, and one-third towards savings. When we announced a projected surplus at the end of August, we announced that with the inflation-proofing of over \$500 million there would be about \$3 billion in savings. We did not identify the account it would go into. We saw some of the volatility on the horizon and wanted to be sure that we could put in place something that would be workable for Albertans in the future. I think the intent of the investment and savings strategy is to focus on what you're suggesting, and that is a strategy that would enable us to save more in the future.

If I can make one additional comment. One of the great challenges of this year, as you can appreciate – and if you were to ask every one of our finance officials and the people in the global financial markets, they would tell you this – is that we've never had such a year of volatility, not only with the American markets but with the slide in the energy prices. This storm, if you will, has created confusion that only a fool would predict. I'm going to just simply say this: we are working. That's a very important strategy. And I must say that Mr. Romanchuk's strategy of how Albertans could invest in commodities within Alberta is also something that we have been talking about. I'm very grateful you were here tonight to express it.

Dr. Reid: I'd like to also ask another question. Are you prepared to say that with the other funds that have been set up under Mr. Klein and more recently there is not the same public involvement or control, in inverted commas, that there is with the heritage savings trust fund, that there is not a legislative requirement? It might be wiser to roll those funds into the heritage fund as part of the repayment I suggested.

Ms Evans: There was a suggestion to do that. I'm not sure how the Legislature will view that. One of the concerns about having one large fund is that it's sort of like everybody thinks, even this evening: "Okay; you're investing. AIMCo is investing \$75 billion." It makes us look inordinately wealthy to every other part of Canada. In truth, a great portion of that fund is managed on behalf of the pension boards with defined benefits and benefactors getting the bulk of it. It's not Albertans' money, but it is invested on behalf of those Albertans through AIMCo and through AIMCo's management.

When it comes right down to it, with the funds that we have there – the cancer fund, the access to the future, the scholarships, the heritage fund – we will be looking at some of the strategies around that. Whether it's coalescing it or not I can't say, but some of those funds have been more productive than others and better managed than others. So we will be looking at some of the strategy you're suggesting. The only way I can express it here is a little deferral on perhaps putting them all together so that we don't become a bit of a bigger target. It is a suggestion that's come up a number of times.

Dr. Reid: Yeah. I'm looking at the concept of the Heritage Foundation for Medical Research, which really still comes under the AHSTF but is a separate entity for a separate purpose.

Ms Evans: Right. Well, thank you very much.

Dr. Reid: Thank you.

Mr. Elniski: Anybody else? Good evening, sir.

Mr. Kassam: Good evening. My name is Manny Kassam, and I'm a resident of Edmonton, of course, downtown. Hon. Minister and Members of the Legislative Assembly, it's my pleasure and I really appreciate the opportunity to be able to stand up and speak to you. I would just like to reinforce what has been mentioned by the previous speaker in that I think it would be prudent and wise for Albertans to pump as much money into the heritage trust fund as we can for our future generations. Times are getting difficult for many people, and to be able to invest now for future needs, for a rainy day would be much appreciated. I'm speaking here just as an ordinary citizen.

Mr. Elniski: That's what this meeting is for.

Mr. Kassam: Of course, I do not have an appreciation of the various avenues where government funds are allocated and budgeted, but it's my utmost request to the experts and to you people who represent us to put as much money as you can into the fund.

Secondly, there is always room for continued improvement. My other suggestion is that there should be improvement in the management of the fund as much as possible so that we get the best returns. Of course, I know that right now there's so much volatility in the markets.

This is my two bits' worth of information that I wanted to share with you.

7:50

Mr. Elniski: Thank you very much.

Anybody else? Good evening.

Mr. Marlowe: Madam Chairman and MLAs, I've got to give you credit – you had a busy day in the Legislative Assembly – for coming down to spend some time with us to listen to some of our complaints, our gripes, our suggestions, or what have you.

Anyway, I'm an 84-year-young senior. I have been retired from the government since 1980, one of those fortunate ones that are blessed with government employment most of my life. I'm here today not to mention anything about seniors' issues because each one of you did receive a four-page brief from the association of Seniors Helping Seniors involving seniors' concerns. I'm concerned with one thing, and I've had several of my senior friends come and say: Mike, get up there and tell them.

Mr. Elniski: Excuse me, Mike. Could we get you to state your name, please?

Mr. Marlowe: I'm sorry. My name is Michael Marlowe, by the way. I'm a resident of the Edmonton-Castle Downs constituency.

Anyway, the seniors that did get in touch with me the last four days indicated: please suggest to them that they should go ahead and get back to what Peter Lougheed said when he introduced this fund back in 1976, that a certain percentage of all the revenues coming in from resources had to go into the fund so our children and grandchildren wouldn't be faced with the taxes that we are. The suggestion that they asked me to put forward to your committee is that government stop siphoning the interest generated from the fund because it was never intended that that should take place. You people have been spending money quite freely for quite a while now, you know. I can realize why you've done that, but that's the suggestion they've asked me to present to you, and I've indicated that I'll keep my word. Two things: one, bring back 30 per cent of revenues from

resources and put it in the fund, don't spend it; and any interest that is generated in the fund, keep in the fund. Don't turn it over to general revenues.

Thank you.

Mr. Elniski: Thank you.

The Chair: Well, Mr. Marlowe, I certainly know where your grandson gets his energy now. His grandson actually lived in my constituency in Calgary.

Mr. Elniski: Go ahead, sir.

Mr. Roth: Hi there. My name is Jason Roth. I am a constituent of Sherwood Park.

Mr. Elniski: Welcome to Edmonton-Caldor.

Mr. Roth: Well, I have two questions. One of them is along the line of Mr. Marlowe's question. Is there any interest in bringing back the idea of a certain percentage of nonrenewable resource revenue going into the fund? I ask that question because it does state in the mission statement of the fund that it's to provide prudent stewardship of the savings from Alberta's nonrenewable resources by providing the greatest financial returns on those savings for current and future generations of Albertans. I would think that part of Alberta's nonrenewable resource revenue would go into that fund based on that mission statement, although I would respectfully disagree with Mr. Marlowe. I think that the point is to take some of the investment revenue from the fund and spend it because it does say current and future generations of Albertans, so benefiting now and tomorrow.

Mr. Elniski: Thank you. Would you like the minister to answer that one first?

Mr. Roth: Please.

Ms Evans: Is it Jason Roth?

Mr. Roth: Yes.

Ms Evans: Jason, your father wasn't Ron, was he?

Mr. Roth: No.

Ms Evans: Okay. Because I know many of the Roths out in the Park.

A third of the funds today that are generated as surplus are identified for savings. In the August announcement of the first quarter we identified that the projected savings might be roughly \$3 billion, but we didn't allocate any particular account for them, either the heritage fund or whether any portion would go to the access to the future fund. We didn't make that allocation. But under the surplus policy roughly one-third of the surpluses are anticipated to go into savings.

Now, having said that, this time people would point out to you that instead of taking the other two-thirds and putting one-half of that towards capital and the other half towards refurbishment of capital, our Premier identified for the federal government CCS, carbon capture and storage, as well as Green TRIP a total of \$4 billion and another billion dollars towards capital. Some have said: "Well, all right. You're not looking at the surplus policy the same way." Today roughly a third of what is generated, predominantly nonrenewable resource revenue, is identified for savings.

I think that when you've gone through a period like last month and very volatile markets, the very real concern is whether or not that is the best way to formulate a savings policy. Most people want savings in some form, but they don't necessarily put that ahead of health or education and, in some cases, infrastructure in their area. If we wait to see the nonrenewable resource surplus amounts go into savings, it's conceivable with production and commodity prices that we would have a year when that was flatlined and we wouldn't bother to save at all and would just spend. So I think that the savings policy has to look at something, like Mr. Marlowe suggested, relative to the portion of perhaps keeping the interest within the heritage fund, not spending it. The other portion of it is looking at some carve-out from the surplus.

I should just remind you that the challenge this year is a little tougher because this year as of January 1 there will be roughly a billion dollars, I think \$969 million estimated, that Albertans won't pay for health care premiums. That revenue will be lost to us, and as the revenues are shrinking a bit with the reduced oil prices, then we're going to have to monitor this carefully. It's one of the reasons to date, quite frankly, that I haven't reconciled the savings policy yet: because we're just looking at too many variables at this time.

I think that every idea that we get tonight – even if people don't share their ideas, you can spend time to write to the chair later – we'll certainly be pleased to take under advisement.

Mr. Roth: Okay.

Mr. Elniski: Did you have another one?

Mr. Roth: Yeah, I had another one. It's not quite as big a question. It's really just for my own information. The access to the future fund, that endowment: is there a legislative amount that is supposed to go in there yearly? I know that there's a cap of \$3 billion at the top, but is that optional?

Ms Evans: That's part of the budget process, if I may, Jason. One billion dollars has been put in. There's another projected \$2 billion there. One of the difficulties that we're faced with is that many people make contributions to the postsecondary institutions, and it's difficult to identify whether or not the interest accrued to that fund would sufficiently match those private-sector donations. So we're looking at that. I know that the minister of advanced education has been representing a very strong enthusiasm for us to top up that fund with the other \$2 billion, but we're looking at that in the context of how we best match the contributions from the public so that it works well.

I believe that this last year we topped up the interest, some 90 million dollars over and above the \$35 million that was in the interest accrual, so that there was sufficient to make this year's budget work, but for next year we're looking at some other strategies.

Mr. Roth: Right. But the yield from that endowment goes directly into the general revenue of Advanced Education and Technology?

Ms Evans: The interest accrual currently goes, but we're having to currently supplement that interest accrual. So maybe it's better just to look at a grant of \$200 million or \$150 million rather than leave the variable of interest because what is tending to happen is that that doesn't always give some surety to the kind of program delivery that can happen at the postsecondary institution with the amounts going up and down. I think that's one of the other comments that we've had behind the scenes that I'm looking at.

Mr. Roth: Okay. Very good. Thank you.

Mr. Elniski: Thank you very much.

8:00

Dr. Perry: Good evening, hon. minister and Members of the Legislative Assembly. My name is Ryan Perry. I have directly benefited from the heritage fund as a medical scientist, and I would suggest that you would not want to lose that arm of the heritage, the AHFMR, because it is a huge attractor to bring top-notch researchers to this province. I suggest that the return on your investment in medical research to Albertans is improved health care, improved technologies, and improved overall population health.

Still being part of the health services, I think the biggest missing piece was the lack of investment in the fund during the '90s and the early 2000s. I think it's not an issue to current Albertans of not using funds or monies to invest. I think we need to look at contributing consistently to that fund so that when we do invest in Alberta today, we are also investing in the fund at the same time.

Mr. Elniski: Thank you very much.
Who's up next?

Mr. Bewick: My name is Bill Bewick. I have a question that might seem a little odd, and it has to do with making the fund much smaller. I was wondering if the committee has ever considered putting serious amounts of money into endowments for the universities. Most of the great universities in the world have pretty serious endowments, and I know that a common problem with our universities is that they don't have anything to borrow against, and they can't sort of have long-term planning. Not that they haven't been receiving good funding, but I think sometimes they wish they had something that they could borrow money against. I was wondering if there has been any thought given into making our great universities even greater and putting in a serious endowment for them to have.

Mr. Elniski: Thank you.

Ms Evans: That hasn't been raised before to me. It may have been raised to other committee members. Certainly, an investment in education is an investment that's never lost, in my view. There have been proposals. I know there's one, I think, that's coming out of the Dick Haskayne School of Business to expand that capacity there in the business faculty to make a centre of excellence. Many of those would be looked at.

Frankly, there are so many ideas. For example, if I can just toss one out, some people have commented that we should really look at making every student able to go to university or postsecondary institutions by being able to secure a loan for that purpose because today's family isn't always able to backstop that. The splits in families have often created an unwieldy situation for income, so there are a number of different proposals that I have personally received relative to how we can funnel more money into education. And your comment is: should we spend more on building more capacity at the universities?

Mr. Bewick: No, give them \$2 billion or \$3 billion each as permanent endowments for them to have forever.

Ms Evans: Okay. Well, I think the minister of advanced education would want a thought on that, but here is one of the thoughts that I will tell you that I also get. We need to be assured that if we're

giving institutions money, there is accountability for that money so that it's spent in the way we would hope it would be spent. The freedom and the autonomy of postsecondary institutions often make it less available for us to be prescriptive about the kinds of things you want, so you would have to have, I think, a development of some kind of charter with postsecondary institutions so that you could reach mutual objectives and then follow through. That might be something that would be a way to go.

Mr. Bewick: Thank you.

Mr. Elniski: Thank you.
Anybody else? Hi.

Mrs. Fraser-Engler: Hello. My name is Mrs. Fraser-Engler. I'm the daughter of a military veteran of the Second World War, a very famous group of commandos that sacrificed their lives on behalf of Canada. What I really do not understand is why these military veterans and their families living here in Alberta are hidden away like a dirty secret. These people have a lot to contribute to the security of this province. They can be retrained. They can be employed. Members of their families should be given opportunities. The military veterans themselves should be given the first opportunity to employment education; if there are impediments, assistance in having those impediments removed. We do not see this happening. This is happening in the United States, one big plus. That's issue number one. It's inexcusable. They have a lot of experience that they can share with the government, with all sectors of the community.

Number two is that we see the cost of education climbing up and up and up. Some people who sit on boards on colleges fear it's going to be as high as it is in the United States and that there will be a certain group at the top that'll have an education and there'll be a certain group at the bottom that do not. I see nothing admirable in the cost of education rising to the same level as in the United States. We're Canadians. We chart our own course. We chart our own path. We make our own decisions on behalf of ourselves.

Thank you.

Mr. Elniski: Okay. Thank you. I would like to just briefly respond. I realize it's not an agenda item, Mrs. Fraser-Engler, but just with regard to military veterans and their families, the Edmonton-Calder constituency in this its first year selects one local organization to support, and our decision earlier this year was to support Kipnes. We have a number of military folks who reside in the constituency, of course, because of Griesbach and because of our proximity to the base, and we're very, very, very concerned as well about the conditions of our returning veterans, so I would thank you very much for your comments in that regard.

Mrs. Fraser-Engler: I mean, you're all sitting here because of these people.

Mr. Elniski: You betcha we are. And if you ever get the opportunity to meet a young gentleman by the name of Paul Franklin, who was a soldier that lost both his legs in Afghanistan, give him a hug for me.

Mrs. Fraser-Engler: I will.

Mr. Elniski: He's in our const. A wonderful guy.

Anybody else? You see, this is question number 10. It was important to me to get in the double digits.

Mr. Yanchuk: My name is Julian Yanchuk. I came here to the meeting, and I look around. There's not very many young people here today. It would be nice to somehow get young people to come out because this fund is supposed to be for them. Actually, it's for everybody because I've got grandkids already, and it's supposed to be for grandkids. So it would be nice if somehow we could get young people to come out to the meetings. They're going to have to take your place someday, so it would be nice to somehow figure that out.

Thank you.

Mr. Elniski: Yes. Thank you very much.

Mr. Whittaker: That cues me. I'm young. Brady Whittaker. I do have a question with respect to accountability of Gary and his group. How frequently do we review their accountability and their growth, our expectations from their group? A simple question.

Ms Evans: On January 1 of this year AIM, as it was known then, was still under the department, and I would assure you that the assistant deputy minister sitting beside me, Rod Matheson, because of the investment portion of it probably had a daily contact with most of the staff there. Recently, although they're still physically co-located, at the end of June there was a transfer of staff formally to the Alberta Investment Management Corporation, or AIM, as it's often still discussed, AIMCo as the proper title is. Leo de Bever has been in Canada, did the Ontario pension plan, was in Adelaide, Australia. He has been retained as the CEO. Dr. de Bever has, I think, got tremendous credentials.

There is a formal process of reporting and interacting not only with the deputy minister, who has arrived – he was at another meeting this evening – Robert Bhatia, at the far end of the hall, but there is an informal process of being required to alert the government when there are changes that would obviously impact the fund either upwards or downwards. That just goes without saying.

The interaction has been much more than frequent. I'd have to tell you that on a daily and an hourly basis we are hearing and interacting, the staff still being in close proximity but the interest still being very high because, of course, this is just like everybody is, like you are, with your fund manager. You want to know what your fund manager has done with your funds. You're afraid to find out. Quite frankly, if you're like me, you're hoping you don't have to use them for another few years because you're hoping that the markets will go up.

8:10

Well, clearly there's policy for covering all parts of how the funds are managed, but in terms of communication, that's regular. The Heritage Savings Trust Fund Committee gets reports as required. I think that for your meetings they are always available. Reporting is done to the chair, Madam Chairman here, as required. Also, that's a responsibility I have, too, to respond to the legislative committee when they have questions. So I think they're very frequent.

I don't know, Gary, what you think of when you think about how often you have to report. I get daily e-mail from this man, and they are very comprehensive. I would love to have the world see them because they are so thoroughly done.

Dr. Smith: Thank you for that, by the way. The contact is frequent, a lot of informal contact, as the minister suggested, but a considerable amount of formal contact as well. There's quarterly reporting at a minimum and also on an ad hoc basis when a situation warrants. I was joking earlier in the year with Rod Matheson here that I was

thinking that when I walked into my pantry one night and opened it up, I half expected to see Rod standing in there because I'm seeing Rod in so many different contexts. Rod is on a number of our client boards. Rod is a member on some of the pension boards. So we have a very extensive mechanism for interacting with our clients, as we call them. Individual pension boards would be what we'd refer to as clients, pension and endowments and whatnot, and obviously straight up the government with its extensive funds is our single largest client with a number of different funds.

Ms Evans: I should also add that Robert Bhatia, the deputy, sits as a member of the board of directors of AIMCo as well. So that's available and along with the other membership it's – with the pension boards, they interface with AIMCo, and there's considerable interface there as well with the individual boards, the board members. They define risk, and that's how they respond.

Dr. Smith: And if I might say, my colleague Doug Stratton is here. He runs a fund called the fund management group, but his job is to stay in touch with our clients on a regular basis.

Mr. Whittaker: Thank you. I don't question at all the transparency. That wasn't my question. The question was accountability. Are there expectations, like any business plan, for Gary and his team?

Ms Evans: Yes. If you look at the Alberta government business plan, there is a section of that. I can't remember if I can cite the goal number. Do you know the goal number that cites that?

Mr. Matheson: Sorry. I don't know the number.

Ms Evans: I would be very happy to identify that for you or just give you even the e-mail contact. What's the e-mail contact, so he could look it up?

Mr. Whittaker: I can get it after, Iris.

Ms Evans: If you'll leave that, Brady, we'll make sure that you get that contact. But it's part of the goal, the strategy, and there are targets identified. In the business plan of the heritage trust fund there's also an expectation, a risk tolerance built in there, and there's a process that identifies that both AIMCo and the deputy minister have to bring forward recommendations for policy change. So both are similarly accounted for.

Mr. Whittaker: Thank you so much. I truly appreciate it.

Ms Evans: Rod wants to add something here, too.

Mr. Matheson: If I could just add one more piece to the accountability discussion that's taken place. As the minister says, there is a stated expectation for the value-added performance from AIMCo in the government business plan and in the heritage fund business plan. As far as accountability after the fact the performance of AIMCo is recorded in things like the heritage fund's annual report. There is actual measurement and disclosure of what their value-added performance was for the heritage fund and the other government funds.

Mr. Whittaker: Fair. Thank you.

Now that I'm on the mike, tell me about the real estate. Where is this real estate that you're getting 15 per cent on? Certainly not the U.S. Is that a global market?

Dr. Smith: No. It's predominantly Canadian commercial real estate.

Mr. Whittaker: Oh, it is.

Dr. Smith: Yes.

Mr. Whittaker: Thank you.

Mr. Elniski: I thought you were going to ask about forests and woodlands.

Mr. Whittaker: Now you understand the issues that forestry is going through. Everybody's starving. Thanks, again.

Mr. Elniski: Anyone else? Wonderful.

I would just give a little closing comment. I want to leave you with a thought, ladies and gentlemen, when we talk about the presence of young people here. One of the things that I think we often get confused with is the number of zeroes that we're dealing with. We toss around the word billion like it's just a million with an M on the front, but I'll put it in perspective for you. If you were able to spend a dollar a second, you could burn through a million dollars in 14 days. It would take you 32 years to spend a billion at a dollar a second.

The Chair: Let me have it, okay? I'll try.

Mr. Elniski: Yeah, I know. Everybody wants to try, I know.

That's the significance of the numbers that we're talking about. If you want to put that in perspective for yourself, a billion dollars

is a huge amount of money. You virtually couldn't shovel it out of the truck fast enough.

Thank you very much. I'll turn it over to Madam Chairman.

The Chair: I just want to thank everybody again for coming. I truly appreciate your taking the time to come out. I'm a little disappointed with the crowd, obviously, and the comments from the floor in regard to the young people. We'll work on that again next year. Jody and her group did an awesome job trying to figure it out with ads going into the university and the community newsletters. It just shows you the times, how busy people are. I reflect on myself, if I have an evening that I can spend at home with my spouse, I'd be there.

Thanks to everybody, anyhow. Jody and your group, you've done a great job. Brock, thanks for coming and helping me out, and *Hansard*, and Finance, and Gary, and the minister especially, and members of the opposition for taking the time.

Mr. Elniski: Again, ladies and gentlemen, if you'd like a copy of the transcript of tonight, just get hold of Bill in the back of the room there. He's the fellow with his hand in the air. He'd be more than happy to get your contact information, and we will be more than happy to send that out to you.

The Chair: Thank you.

Mr. Elniski: Thank you very much. Good night.

[The committee adjourned at 8:18 p.m.]

