Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee
on the
Alberta Heritage Savings Trust Fund

Thursday, September 12, 2019
9 a.m.

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Alberta Heritage Savings Trust Fund

Gotfried, Richard, Calgary-Fish Creek (UCP), Chair
Orr, Ronald, Lacombe-Ponoka (UCP), Deputy Chair

Allard, Tracy L., Grande Prairie (UCP)
Eggen, David, Edmonton-North West (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UCP)
Glasgo, Michaela L., Brooks-Medicine Hat (UCP)
Hanson, David B., Bonnyville-Cold Lake-St. Paul (UCP)*
Irwin, Janis, Edmonton-Highlands-Norwood (NDP)
Jones, Matt, Calgary-South East (UCP)
Nielsen, Christian E., Edmonton-Decore (NDP)
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)**
Sigurdson, R.J., Highwood (UCP)***

* substitution for Michaela Glasgo
** substitution for Matt Jones
*** substitution for Tracy Allard

Office of the Auditor General Participants

W. Doug Wylie	Auditor General
Brad Ireland	Assistant Auditor General
Nelson Robe-From	Principal

Support Staff

Shannon Dean	Clerk
Stephanie LeBlanc	Clerk Assistant and Senior Parliamentary Counsel
Teri Cherkewich	Law Clerk
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Clerk of Committees and Research Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Michael Kulicki	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
Janet Laurie	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of *Alberta Hansard*

Standing Committee on the Alberta Heritage Savings Trust Fund

Participants

Ministry of Treasury Board and Finance
Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

Alberta Investment Management Corporation
Dale MacMaster, Chief Investment Officer
Mark Prefontaine, Chief Client and Stakeholder Relations Officer

9 a.m. Thursday, September 12, 2019

[Mr. Gotfried in the chair]

The Chair: Good morning, everyone. I'd like to call this meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund to order and welcome everyone in attendance.

My name is Richard Gotfried, MLA for Calgary-Fish Creek and chair of the committee. I'd ask that members and those joining the committee at the table introduce themselves for the record, and then I will call on those joining in by teleconference. I will begin to my immediate right with the deputy chair.

Mr. Orr: Good morning. Ron Orr, deputy chair, MLA for Lacombe-Ponoka.

Mr. Rowswell: Garth Rowswell, MLA, Vermilion-Lloydminster-Wainwright.

Mr. Hanson: David Hanson, MLA, Bonnyville-Cold Lake-St. Paul.

Mr. Prefontaine: Mark Prefontaine, Alberta Investment Management Corporation.

Mr. MacMaster: Dale MacMaster, also with AIMCo.

Mr. Epp: Lowell Epp, Treasury Board and Finance.

Mr. Robe-From: Nelson Robe-From with the Auditor General's office.

Mr. Ireland: Brad Ireland with the Auditor General's office.

Member Irwin: Janis Irwin, Edmonton-Highlands-Norwood.

Mr. Eggen: David Eggen, MLA for Edmonton-North West.

Mr. Nielsen: Good morning, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Ms Laurie: Good morning. Janet Laurie with the LAO communications services.

Mr. Koenig: Good morning. I'm Trafton Koenig with the Parliamentary Counsel office.

Dr. Massolin: Good morning. Philip Massolin, clerk of committees and research services.

Mr. Kulicki: Good morning. Michael Kulicki, committee clerk.

The Chair: Great. Thank you, and welcome, everyone.

On the phones I believe we have MLA Sigurdson. Would you like to introduce yourself for the record, sir?

Mr. Sigurdson: Yes. MLA Sigurdson, Highwood.

The Chair: Thank you.

For the record I will note the following substitutions: R.J. Sigurdson for Tracy Allard, David Hanson for Michaela Glasgo, Garth Rowswell for Matt Jones.

MLA Getson, would you please also introduce yourself for the record.

Mr. Getson: Absolutely. MLA Getson, Lac Ste. Anne-Parkland. Thank you.

The Chair: Thank you.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard*. Please set your cellphones and other devices to silent for the duration of the meeting. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. Our adoring fans, I'm sure, are watching right now. The audio- and video streams and transcripts of meetings can be accessed, of course, via the Legislative Assembly website.

First, I'd like to seek approval of the agenda. Are there any changes or additions to the draft of the agenda?

Seeing none, would someone like to make a motion to approve the agenda?

Mr. Getson: I move to approve the agenda.

The Chair: Thank you. Moved by MLA Getson that the agenda for the September 12, 2019, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be adopted as distributed. All in favour? Any opposed? On the phones? Thank you. The motion is carried.

Ladies and gentlemen, next we have the draft minutes of our June 21 meeting. Are there any errors or omissions to note? Seeing none, would a member like to make a motion to approve the minutes? MLA Eggen, I think, had his hand up first. Moved by MLA David Eggen that the minutes of the June 21, 2019, meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund be approved as distributed. All in favour? Any opposed? On the phones? Thank you. The motion is carried unanimously.

The Alberta heritage savings trust fund first-quarter report for 2019-2020 was released on August 27, 2019. Committee members were sent notifications of its release, and the report was posted to the committee's internal website. As mentioned at our last meeting, the Alberta Heritage Savings Trust Fund Act mandates that one of the functions of this committee is to receive and review quarterly reports on the operation and results of the heritage fund. We are pleased to have with us today Dale MacMaster and Mark Prefontaine from AIMCo and Lowell Epp from Treasury Board and Finance to provide us with an overview of the report and answer any questions members may have.

Do we also have Stephen Thompson in the room, Mr. Epp?

Mr. Epp: He is ill today.

The Chair: All right. Thank you, sir.

I'd like to turn the floor over to TBF and to AIMCo for their brief remarks. Thank you.

Mr. Epp: Thank you, Mr. Chair. As always, it's great to be here, and it's great to talk about the heritage fund. Minister Toews sends his greetings. Unfortunately, he is not able to attend today.

My job is to briefly review the results of the first-quarter report and, of course, look at the longer term returns of the heritage fund. As of June 30 the value of the heritage fund was $18.1 billion, and during the first quarter it earned a net income of $480 million. Of that $480 million, $64 million will be retained by the fund for inflation-proofing. The remainder will be transferred eventually to the general revenue fund. I would note that since inflation-proofing was started in 2005-06 after the province's accumulated debt was repaid as per the law at that time, $4 billion has been retained by the fund for inflation-proofing.

As for the quarter, the rate of return during the quarter was 1.4 per cent. The fixed-income class was the best of the three general asset classes that we use, at 2.4 per cent. This was due to the decline in interest rates during the quarter. The inflation-sensitive class, which is real estate and infrastructure, earned a return of 1.4 per cent, and equities returned 1.2 per cent.

Of course, one quarter's returns are not the goal for the heritage fund, but the goal is to maximize the long-term earnings of the fund at a prudent level of risk. Over the past five years, up to June 30, the fund has earned a return of 8.7 per cent, which is 1.2 per cent higher than the passive benchmark that we've set for the fund. Over the past 10 years the fund has had a 10.1 per cent return, which is 1.1 per cent higher than the passive benchmark. The five-year return is 2.7 per cent higher than the target long-term return goal, which is inflation plus 4 and a half per cent. The 10-year return is 4 per cent higher than that long-term goal of inflation plus 4 and a half per cent.

Finally, to conclude my remarks, I would mention the progress of the Alberta growth mandate. At the present time, as of June 30, the heritage fund had committed $417 million to the Alberta growth mandate and holds 33 investments. The growth mandate, of course, was announced in Budget 2015 and allows up to 3 per cent of the heritage fund to be used for investments that contribute to Alberta's growth. Investments made under the growth mandate must meet the same investment criteria as all other investments in the heritage fund; that is, the investment decisions must be made on a commercial basis. As in the past, we will continue to provide the committee clerk with periodic reporting regarding investments made under this mandate.

That concludes my remarks. Thank you, Mr. Chair.

The Chair: Thank you, Mr. Epp.

Now we'll move on to our representatives from AIMCo, please.

Mr. MacMaster: Perhaps I'll make a few comments on performance, and then we can open it up for questions. The heritage fund returned 1.4 per cent for the quarter ending June 2019. This was just below the benchmark return of 1.5 per cent for the quarter. As long-term investors we recognize that short-term returns can be volatile, and therefore the most relevant numbers for your interests are found at the bottom of page 1 in your quarterly report.

From the table you can see that the fund returned 8.7 per cent over five years and 10.1 over the 10 years. AIMCo was also able to add value through active management of the portfolio over the five-year and 10-year periods. The returns exceeded the fund's target of CPI plus 4 and a half per cent over both periods, and you can also see that these returns exceeded the policy benchmark by more than 1 per cent.

At the end of the quarter AIMCo performed mid-year valuations on a cross-section of illiquid assets in the heritage fund portfolio. This was the first occasion that we've done mid-year valuations, and I'm pleased to say that the portfolio received a favourable uplift. While this is not necessarily indicative of future performance, I'm encouraged by the result and hopeful that the trend will continue into year-end, when we'll complete a more fulsome valuation of the entire illiquid portfolio.

As you can see from the report, investment returns have been strong over the last several years, but I do caution that we may experience more modest outcomes in the future. The current expansion of the bull market is the longest in the last 75 years, and while it may continue, there are some clouds on the horizon. When I met with you in June, I mentioned the impact that trade disputes were having on global growth and the repercussions on stock and bond markets. Since that time the China-U.S.A. trade war has emerged as the single biggest driver of investor psychology and the one issue that has markets moving in larger and more unpredictable spasms. The uncertainty on trade has entered the mainstream and has impacted both business and consumer confidence, providing the greatest threat to global growth over the near-term horizon.

9:10

Equity markets have responded to the trade war escalation in typical fashion, with the S&P 500 down 3 per cent on a particularly nasty day recently. Perhaps a more troubling picture is emerging in the world's bond markets. The response to the escalating trade war and the slowdown in global growth has been an abrupt reversal of central bank monetary policy that has seen 10 years' rates fall more than 100 basis points in Canada and the U.S. At this point we have some 16 trillion of the world's bonds now trading at a negative yield.

So how bad could things get? I suppose the good news is that both sides in this trade dispute have a strong incentive to keep the conflict from spiralling out of control. For the Chinese it's not just a matter of losing access to the vast U.S. market. It's also about losing access to vital technology that China needs to further its ambitions in everything from robotics to artificial intelligence. From Trump's perspective, a severe trade war could hurt his re-election chances. If stocks keep falling, many voters with sagging retirement funds will blame Trump.

In conclusion, we remain hopeful that a trade deal can be struck although the timing is uncertain and the path could be a rocky one. In the meantime we as long-term investors are defensively positioned and prepared to take advantage of any dislocations or market turbulence that may come our way.

Thank you.

The Chair: Thank you, Mr. MacMaster. Very helpful and insightful. We truly appreciate all the hard work and diligence of your team in protecting this asset and certainly are very interested in your comments as we move forward.

We'd like to move to some questions from the committee members here today if you will indulge us with that. I am sure there are many, particularly given your references to some clouds and some of the challenges going ahead. First on our list for questions is MLA Eggen.

Mr. Eggen: Thank you, Mr. Chair. I'm certainly very interested in all of your investment choices but particularly in reference to the Alberta growth mandate. I'm just curious to know. It says that our commitment is currently $416 million through 33 different investments in the province of Alberta. I know that Albertans do want to see a strong investment from this government in Alberta generally and then using the heritage fund specifically. My first question is: does the investment through the Alberta growth mandate currently reflect the 3 per cent that the mandate does offer as a guideline of the total of the heritage trust fund?

Mr. MacMaster: We still have room to do more investing. We're not at our maximum weight, so we're not at the 3 per cent.

Mr. Eggen: What percentage do you figure it's at right now?

Mr. Epp: It would be somewhere in the range of 2 and a quarter per cent. Five hundred and forty million is roughly 3 per cent. At $416 million or $417 million, whatever it was, I'm guessing at 2 and a quarter per cent, thereabouts.

Mr. Eggen: Okay. Great.

Do we get a supplemental as well? Okay. Specific to that, if I could ask that the committee could see the heritage trust fund's investment holdings in regard to real estate here in the province of

Alberta specifically. If you have that as an itemized list that you could share with the committee, I would be grateful.

Mr. MacMaster: Sure. We can provide that as a follow-up item.

Mr. Eggen: Thank you.

The Chair: Thank you, MLA Eggen.
Do we have any other questions from our team here as well?

Mr. Getson: You had mentioned potential opportunities. There are all these storm clouds with the China-U.S. trade war. I'm curious: what are you looking at in potential opportunities because of that dispute?

Mr. MacMaster: Well, I think what's happened with the trade dispute is that it's reduced, you know, confidence on the part of business primarily and consumers. For instance, it's having an impact on global growth, so the last couple of months we've seen a meaningful dip in several economic indicators that we look at. Certainly, if we look at surveys of chief financial officers across hundreds of companies, over 80 per cent of them are planning on spending less in their business this year than last year. It's all around the uncertainty about how this is going to play out. We see a reduction in growth. We see stock market volatility. There are a couple of ways we can take advantage of that. If we get a meaningful stock market correction, we have ample liquidity to take advantage and buy attractive assets at excellent valuations. I guess a side benefit of this is that interest rates have tumbled quite a bit, so for the illiquid assets, real estate and infrastructure, there are still, although it's a competitive environment, lots of opportunities for us there. So we'll take full advantage.
As I said in my opening comments, I think we're defensively positioned. We're ready for something like that to happen. Long-term money, like we have with captive clients, allows us to step into the markets when others are panicking or perhaps selling. That would be the plan.

Mr. Getson: Thank you, sir.

The Chair: Did you have a follow-up question, MLA Getson?

Mr. Getson: No. That pretty much satisfies it.
The other thing that was kind of a follow-on from our last discussion was the asset values in Alberta being undervalued. Potentially following on to Mr. Eggen's comments, if there's liquidity, if we look like there are advantages because of that, then, obviously, AIMCo would be in a position to capitalize on it for us. I'm making that assumption, but we're not . . .

Mr. MacMaster: That's quite right. In fact, many of the investments that we've done for the 3 per cent allocation have been in the energy sector. Obviously, with the valuation situation there that you're well aware of, a lot of foreign capital has moved out of the Alberta energy patch and has provided opportunities for us. So we've been active there for the last several years, actually.

Mr. Getson: Perfect. Thank you, sir.

The Chair: MLA Irwin.

Member Irwin: Thank you. I'm just curious about – I mean, you've talked a lot about some of the broader concerns. I know the real estate market is also an issue right now. I'm curious. Does AIMCo have any real estate holdings and tangible in situ assets that they currently hold in the fund?

Mr. MacMaster: Do we have real estate assets in the fund? Well, we have substantial real estate assets both in Canada and globally.

Member Irwin: Where are those reflected in the report?

Mr. Epp: If you turn to page 2, you will see under Inflation Sensitive and Alternatives the real estate holdings. The real estate holdings are $3.8 billion, $3.9 billion.

Member Irwin: Thank you. I'm curious. Is there a sort of an itemized list of what those real estate holdings are?

Mr. MacMaster: Certainly, we have a list of those. If you'd care to see that, I believe we can provide that.

Mr. Prefontaine: At this time we could certainly share some examples; for instance, Edmonton Tower here in the city of Edmonton, Eighth Avenue Place in Calgary, a large StoneGate development that's happening right north of the Calgary airport, et cetera. When we provide the list, you'll see those kinds of examples.

Mr. MacMaster: The town centre. There are numerous assets in Alberta, across Canada, obviously, with close to $4 billion in the heritage fund alone. With AIMCo we have $15 billion in total invested in real estate across the world. We're a fairly substantial investor there. We have been investing for over 25 years in real estate. Mark is quite right, and it crosses all sectors: residential, industrial, commercial, office. Very diversified.

Member Irwin: Thank you.

The Chair: Thank you. If you could provide the details on the real estate allocation to the committee clerk, then we can make sure that all members have access to that.
Next, moving on to MLA Orr.

Mr. Orr: Thank you, and thanks for your information so far. If I may just follow up a little bit on what's been said, then I have a different question. With the Alberta-mandated portfolio are you able to isolate out how the performance on that has been over the last quarter?

Mr. MacMaster: Yeah. Around 17 per cent is the return on that.

Mr. Orr: Okay. Good. My real question, though, is – I think you hit the nail on the head when you said that the bigger issue on the horizon is the issue of central banks and the trend toward negative interest rates. That's a huge issue coming. I'm just wondering how you see that unrolling in North America versus Japan, Germany, E.U. and how you're positioning yourself in light of it.

9:20

Mr. MacMaster: Yeah. That's a great question, and it's top of mind for many of our clients. It is, I guess, a somewhat disturbing development. It's been with us for a few years, primarily out of Europe, where there are some structural issues that have led to this: you know, a far weaker economy in Europe, let's say, than North America; higher unemployment, especially in countries like Italy and Portugal and Greece. Europe really hasn't dealt in the same way with their banking situation coming out of the credit crisis as North America and other countries have in realizing losses and moving on and recapitalizing. There are demographics at work. There's government involvement in business that you don't see in North America. There are a lot of structural differences in the makeup of Europe that have some deflationary aspects to them that have prevented Europe from growing at the same pace as, certainly, China or even the U.S.

It has originated primarily in Europe, but it has extended to other jurisdictions and, as I said, you know, some $17 trillion in bonds. Roughly 33 per cent of the global bond supply now trades below zero and some odd developments with that. For instance, in Denmark there's a bank there, Nordea Bank, which offered a 30-year mortgage at zero, and another bank came out and offered actually a negative 50-basis point mortgage, if you could imagine taking out a mortgage and having someone pay you for that.

Mr. Orr: Takes a mind shift.

Mr. MacMaster: Yeah, it's a mind shift, and we really don't have a playbook for that. I think, you know, it would be different in North America, where the economies are far more open and competitive and there's good immigration and there's a different situation, so I don't expect North America to go negative. In fact, there's quantitative easing that will happen in Europe to help generate some growth. But it's definitely a disturbing trend. What we call radical monetary policy has intervened in the bond market, and it's hard to see value there. When not only are interest rates below inflation, but when they're below zero, it's hard to make a case for buying them. So we're tactically generally staying underweight in bonds and encouraging our clients to have more real estate and infrastructure and other assets in the portfolio that offer better value. That's it.

Mr. Orr: Thank you.

The Chair: Thank you, Mr. Orr.

MLA Nielsen, please.

Mr. Nielsen: Thank you, Mr. Chair. Of course, thanks to our guests here and all the hard work that they do with the heritage fund and the money that you're able to generate for the province. Much appreciated.

I just wanted to quickly – it was mentioned in the opening remarks, too, over on page 1 about that the general revenue fund will be receiving $416 million. Does this mean that that full amount has not been transferred yet? Or has it?

Mr. Epp: It is transferred at the end of the year.

Mr. Nielsen: At the end of this year?

Mr. Epp: It's at the end of the fiscal year.

Mr. Nielsen: Okay. I'm just wondering where that might be reflected in the financials. Would it be under other revenue?

Mr. Epp: It would be under investment income.

Mr. Nielsen: Investment. Okay. Thank you.

Mr. Chair, if I might, just one other follow-up?

The Chair: Yes.

Mr. Nielsen: I can't help but notice that the growth mandate, of course, has made $416 million, and we have a transfer of $416 million. Is that just coincidence with the number, or is there something tied there?

Mr. Epp: Purely coincidental.

Mr. Nielsen: Just coincidence. Okay. Thank you very much. I appreciate that.

Thanks, Mr. Chair.

The Chair: Thank you, MLA Nielsen.

Mr. Rowswell: Back to the fixed-income side. On page 13 you've broken it down: investment grade in debt securities from prime to lower medium grade. I'm wondering: what proportion of these securities are high investment grade, and what proportion is lower? Are you buying more risk, fixed-income assets? Is that what you're doing?

Mr. MacMaster: No. I would say that we're fairly defensively positioned. If you look at what we call the universe pool or investment grade fixed-income pool, we've moved a lot of the long-duration credit, so the riskier credit, into the short end, you know, short-term maturity end, where it's more secure and safer. As I said before, if we get some dislocation, we'll have the opportunity to extend and buy higher risk credit in the portfolio.

I mean, the risk that we have today with rates being so low and investors so enthusiastic, if you will, about buying bonds at 1 per cent for various reasons is that we do get some growth. I mean, you know, central banks are applying monetary policy help here, so in three to six months we think we will see some growth, and that would have a negative reaction on the bond market. That would see interest rates start to move up again and maybe credit spreads widen, so we want to be ready for that. That's one thing we're doing.

In the mortgage portfolio, which accounts for some of the unrated securities you see here, those are really high-grade commercial mortgages with a very conservative loan to value, you know. With those mortgages we're again parked in the short end, in many cases a floating rate of very, very conservative mortgages. We'll continue to add there because they offer attractive spread over these low interest rates.

You know, in each portfolio we're taking small steps to add value where we can, but really there's just no way of getting around interest rates at 1 per cent.

Mr. Rowswell: What's the average duration of your bond portfolio, then?

Mr. MacMaster: That's a good question. Maybe I should get back to you on that rather than say something. I mean, the duration of the mortgage portfolio is probably two and a half, three years. The universe pool, which is the broadest, largest pool, is probably five or six years, I'm going to say. We can get back to you with an exact number if you'll bear with us.

The Chair: Any follow-up question to that, Member Rowswell?

Mr. Rowswell: Nope.

The Chair: Great. Again, thank you. If you could provide those follow-up statistics to the clerk for distribution.

MLA Eggen. Another round here.

Mr. Eggen: Thank you, Mr. Chair. Just further to the question about the heritage fund money being transferred over to general revenue, the $416 million, I'm curious to know if that is reflected as an asset in the quarterly update that Treasury Board just gave us recently, or is it all kind of lumped together at the end of the financial year when the money is transferred from the heritage trust fund to general revenues?

Mr. Epp: It would be reflected in the investment revenue line on the income statement.

Mr. Eggen: Of the quarterly update?

Mr. Epp: Of the quarterly update.

Mr. Eggen: Okay. So it's fully represented as an asset throughout each quarter's financial reporting.

Mr. Epp: Yes.

Mr. Eggen: Okay. Thank you.

The Chair: MLA Orr has another question, sir. Please proceed.

Mr. Orr: Yeah. I think it's pretty well known that the public markets are fairly high at the moment. I've been reading some growing concerns and voices out there that the ETF passive investing side and many forms of derivatives attached to it are essentially creating a bubble that may be in some ways reflective of the 2008 subprime mortgage bubble. Do you share the same concerns? If so, how are you sort of positioning yourself in light of that?

Mr. MacMaster: On the issue of ETFs, you know, broadly speaking, it's probably a logical development in that it gives investors access to markets at very reasonable prices. The alternative would have been mutual funds with fees of 2 or 3 per cent, so you can see why the ETF market has taken off. We're not too concerned about the massive growth there. It's really been a shift from mutual funds into ETFs, but there are the odd cases of negative things happening. More esoteric ETFs that might have derivatives or a lot of leverage built into them have less liquidity. When we do get these dislocations with large market sell-offs, the liquidity in those isn't great. So the value of the ETF can diverge from its underlying constituents by a large amount.

Mr. Orr: Exactly my point.

Mr. MacMaster: Investors who are demanding liquidity at a time when liquidity is at a premium will pay a price, and it does, you know, exacerbate some of the flows in the market, but in general not too concerned about that.

On the other question of, you know, equity evaluations in general, they have been somewhat elevated, but you really have to pick the market apart. If you look at the last few years, it's really been dominated by high-growth technology stocks in particular, so if you think the FANG stocks here – Facebook, Alphabet, Netflix, et cetera, Apple, Amazon – have really had a spectacular run. Some of the fundamentals in that group, in technology and high-growth companies, aren't great. They're driving top-line growth but not generating profits in many cases.

9:30

But because of the, you know, monetary easing and central banks stepping in every time the markets sell off, they've been programmed to keep buying high-beta stocks, and they've been rewarded for that. So this is leading to a situation much like 1999, the dot-com bubble, where investors are overly enthusiastic about high growth, and it's leaving a lot of the other stocks behind, deep value stocks, for instance, with much better fundamentals. That's where we are primarily. In fact, our equity portfolios are underperforming a little bit here the last couple of years, but, you know, we're long-term investors. We have to invest on the fundamentals, and that means not only revenues but profits and good quality and buying. What you pay for a stock matters, right? That's going to determine your return.

We think this will change, this will shift. We're starting to see a little bit of it now, but this will be exacerbated if we get a significant sell-off, and that's where I think we'll perform quite well. It's a really good question, and it's something that's on our minds.

Mr. Orr: If I could follow up a couple of things. Maybe the comment – what use are you making, if any, of ETFs, and/or what derivatives are you playing with in terms of public markets?

Mr. MacMaster: I wouldn't say play.

Mr. Orr: Well . . .

Mr. MacMaster: It's a dangerous term.

Mr. Orr: Fair enough.

Mr. MacMaster: We've been, you know – derivatives for us are just a tool in the tool kit, and they provide certain things for us. Access and liquidity: derivative markets tend to be quite deep and liquid, so it's a very efficient way for us to get access to a market and/or to hedge our portfolio. We're very active in derivatives in hedging currency risk, for instance. It's probably one of our largest areas. We invest around the world, and some of the portfolios are hedged against currency movement. We can also use derivatives to hedge our credit, which we do from time to time, or even in equity. At various times in the last few years, when we think markets are overdone, we'll put some derivative insurance on the portfolio to help offset what we think could be negative market movement. It's a very valuable tool, one we've been using for years. Interest rate derivatives, credit derivatives, equity derivatives. We have very experienced teams that operate in the derivative space, and every asset class makes use of them. But in the wrong hands they can be dangerous, for sure.

Mr. Orr: I'll leave it at that. Thank you.

The Chair: Thank you, MLA Orr.

I think we have another question from MLA Nielsen.

Mr. Nielsen: Yeah. Thanks, Mr. Chair. I know we started to get into a little bit of discussion around risks and whatnot, so just kind of looking over here at note 4 of the report, which covers over pages 12 to 16. If I was reading this correctly: a low Canadian dollar is beneficial in terms of the health of the fund and the currency mix? Did I understand that correctly, or am I understanding that correctly? Maybe I'll just add my supplemental at the same time. Yeah. So if the Canadian dollar value then increases, what measures sort of do you undertake, then, to mitigate possible losses? Again, if I was understanding how that works.

Mr. MacMaster: Let me explain how we currency hedge. For most of our portfolios, like fixed income or infrastructure, where we're, you know, investing abroad, we largely hedge those exposures, so they're mostly fully hedged. So if we're in Chile or Brazil, we're hedging that. What we're hedging against is an adverse currency movement. Really, the only place where the heritage fund is taking currency risk is in the equity portfolio, where we're measuring performance against a foreign currency benchmark. There's a reason for that. It's that the equity portfolio is invested in development markets for the most part, and it's advantageous to the fund to have the diversification benefits that foreign currency exposure gives you, as long as you take a long-term view.

Mr. Nielsen: Thank you very much. Thanks, Mr. Chair.

The Chair: MLA Hanson.

Mr. Hanson: Yeah. Just a question regarding – it kind of ties in with MLA Eggen's question about real estate – the timberlands. It shows they were about 25 per cent of the investments here in Canada. I was wondering what the risk is to that with the potential from the mountain pine beetle as well as the caribou action plan.

Mr. MacMaster: Yeah. Good question. The timber we have exposure to in Canada and B.C. is not in those trees that are affected by pine beetle for the most part. So we've been for the most part not exposed to that. Of course, that was a bigger issue in B.C. several years ago, and of course now that issue is moving east. We're largely insulated from that.

Mr. Hanson: Okay. And what about the caribou action plan potential?

Mr. MacMaster: Not sure on that.

Mr. Hanson: Okay.
If I could do a quick follow-up.

The Chair: Yes, please, MLA.

Mr. Hanson: Private infrastructure is 10.7 per cent as well, \$1.9 billion. Could you give us some examples of what we're talking about there?

Mr. MacMaster: Investments in Canada?

Mr. Hanson: Just in general, private infrastructure.

Mr. MacMaster: Sure. I mean, some of our largest holdings – let's say, let's start with the U.K. – would be London City Airport and Porterbrook, which is leased railcars. You know, we have a large renewables business in sPower in the U.S. We've just purchased Eolia, a Spanish renewables platform in Spain, which we are 100 per cent owners of. The plan here is to own the operating company and develop wind and solar to either keep ourselves for the portfolio or sell to others. In Chile we have an electric transmission business. We used to have a Chilean toll road down there, Autopista, that we sold at a great multiple. So the portfolio is diversified around the world and doing quite well.

The Chair: I have a few questions, so I'm going to pass the chair to the deputy chair here, and move out of the chair's seat so I can ask a couple of questions.

[Mr. Orr in the chair]

The Deputy Chair: Okay. There's nobody else on the list at the moment, so go ahead.

Mr. Gotfried: Thank you, Deputy Chair.
Given, obviously, the rumours and predictions of a looming global recession – obviously, AIMCo has some incredible managers in terms of managing these risks – could you comment on any significant risk you see going forward to the value of the fund and the revenue earned with respect to both inflation-proofing and contributions to the general revenue fund in the coming four years, particularly with our government's commitment to actually balancing the budgets? These contributions are, of course, significant and very much a risk, I think, in terms of whether those contributions are likely to be able to continue.

Mr. MacMaster: Perhaps I'll comment on the first part of that question as it pertains to risks and future-looking returns, I think, is what I gather from that. As I said before, I think the most significant risk right now, today, is the potential for a trade war and maybe secondary to that, you know, the rise of populism. I think, in a way, that they're tied together. If you look at the election of Trump, and Boris Johnson in the U.K., and in the Ukraine, I believe it was, where the comedian who was best known as impersonating the president became, in fact, the president, you know, we have some unusual things happening there. Some pundits believe that that in part is based on the fact that the benefits of globalization haven't been equally shared by the masses. In other words, the one per cent have benefited the most. And if you look at median incomes, they really haven't changed in the last 30 years, and this could be raising issues and dissatisfaction with leadership and people expressing the need for change. We see, for instance, the yellow jackets in France. We see what's going on in Hong Kong. There's evidence of that and growing nationalism. Certainly, in Europe we've seen nationalist leaders emerge. You could even argue that in the U.S. it's become more insular and national.

This is tied together with trade and some negative views of trade, which, you know, we've benefited from in the last 50 years. Global growth has benefited from trade. That's probably the single biggest issue that's impacting growth. If you look at expansions in the last 75 years, this has been among the weakest. It's lasted for 10 years, but the growth has not hit the same sort of numbers we've seen in previous times: 3, 4, 5 per cent GDP. We're seeing 1 and a half, 2 per cent, and that's in North America; less in other places.

9:40

So, you know, in terms of what that means for returns, well, rates are very low, as I said, so you're not going to earn much from bonds. Yes, rates could go a little lower, and if they go lower, you'll get an immediate return, but if you look out 10 years, bond returns are going to be low. Equity is a little harder to predict, but maybe 6, 7 per cent there. And then infrastructure, real estate, you know, somewhere in the 5, 6, 7-ish range. Over the last 10 years returns have been, as you see in the book here, around 10 per cent. I think they'll be more modest. We have to reset our expectations for returns in a low-growth, low-return world. That's where I'd be directing you.

Mr. Gotfried: Just as a follow-up if I may. You feel you have the resources and the personnel in place to manage these risks as best as we possibly can? Maybe you can just comment on your resources in a volatile market.

Mr. MacMaster: Sure. I think we've got a fantastic team, close to 500 people, you know, based mostly here but also in Toronto, London, and Luxembourg. We're looking at opening an Asian office. We've got talent from all over the world. We've got 50 different languages represented here in our group in Edmonton. They've come from all over, highly talented, multiple degrees, CFA charters; a deeply talented team that we're quite proud of. So I think we're well positioned to take advantage of whatever comes our way.

Mr. Prefontaine: If I could add to that just to supplement Mr. MacMaster, one of the comments that Dale made earlier about the growth in the ETF market was that that acts as a mechanism which people that wouldn't otherwise have access to markets get access to markets. One of the reasons that AIMCo was created and why we're so happy and proud to serve 31 Alberta-based clients is that we create that scale in which we're able to attract said resources to the quality that Dale articulated. I won't for one minute, though, shy away from the fact that that's a competitive marketplace. So we're at times swimming upstream in terms of that particular issue, but right now, just to emphasize Dale's point, we're well positioned.

The Deputy Chair: Anybody else? Member Getson.

Mr. Getson: Yeah. Just a follow-up question, if I could. You know, curiosity kills the cat. I'm sorry; I haven't had my quota of coffee yet, so I'm going to ask these questions. Based on the values in the markets for the dollars, I know you're hedging in some certain aspects, obviously on the currency exchange, and then that's also going to affect investments overall. A real rhetorical question here: where's the sweet spot that we should be looking at? Is it a 30 per cent disparity between ourselves and the U.S. dollar? Is it 20 per cent? Also with the euro, with the volatility in Europe, where's the sweet spot, you know, if I was just to pick up the paper and look at the metric and say: okay; we're within that bandwidth, or we're hedging on the outside of it?

Mr. MacMaster: It's a good question. It doesn't have an easy answer. I mean, nobody really knows where currencies are going to go. If you look at the Canadian dollar, it wasn't that long ago that we were close to par with the U.S., but, you know, I think Canada has grown dependent on a weaker Canadian dollar. Productivity numbers aren't great. In a way it's a crutch for many businesses in Canada that they've relied on too much. I'd say that on the Canadian dollar, it's undervalued, but I don't see a catalyst, necessarily, for it to bounce, except maybe if the U.S. eases interest rates more aggressively than Canada.

Already, if you look at, you know, Poloz versus Powell, Canada's central banker versus the U.S., Poloz is hesitant to ease rates, and he's got some economic indicators that are behind him. We recently saw a pretty good job growth picture in Canada, and there's pressure on Powell from Trump to ease. If we had a dynamic where interest rates in the U.S. were lowered more quickly than Canada, you might see Canada appreciate. So maybe it goes from $1.30 to $1.25, but I don't see it going back to par any time soon, and I think it's necessary for businesses to be able to compete to have a weaker Canadian dollar, unfortunately.

In terms of, you know, more global currencies, it's good to have wide exposure to a basket of, say, G-7, G-10 type exposures, and think long term, but guessing the near-term movements of these currencies is really problematic. One potential negative of the situation we're in today is if interest rates and quantitative easing aren't enough to stimulate growth, we could get into a situation of competitive devaluation, where China lowers the currency and then others follow suit in order to stimulate their export markets. I think, you know, that if you look at the price of gold, its movements upwards recently may be picking up on some of that. Gold is a place to hide if currencies are coming under pressure. I'm not forecasting that; it's just a risk on the horizon that could happen if we don't get global growth.

Mr. Getson: I guess one of the benefits from that – and I'm glad you're echoing that – is that we had some investment opportunities out in our area. It was from Chinese companies once we started talking about the potential of doing their fabrication, moving some of their facilities here, and they were getting the uptick of 20 points, basically, on the dollar, within that bandwidth traditionally. Obviously, it was very appealing to them to have a North American footprint, having the trade access to the U.S., kind of sidestepping the trade disparity by setting up operations here.

Thank you.

The Deputy Chair: Member Nielsen, do you have a question?

Mr. Nielsen: Yeah. Thanks, Mr. Chair. It's obviously been a little while since I last sat on this committee. I just wanted to quickly ask around the investment expenses. On page 18 you'd noted that the "internal performance fees [which were] previously included in investment costs have now been reclassed to performance based fees." I'm just wondering: why was this changed, and when was the change implemented?

Mr. Epp: Unfortunately, nobody from our accounting unit has joined the meeting, so we'll have to get back to you on that.

Mr. Nielsen: That would be fantastic. Awesome. Thank you.

The Deputy Chair: Anything else?

Mr. Nielsen: That's it. Thanks, Mr. Chair.

The Deputy Chair: Okay. Member Gotfried.

Mr. Gotfried: Thank you, Mr. Chair. I've got a couple of questions here. The first one. You'd obviously talked about volatility of trade and different markets and also the currency exposure. I noticed that there's some exposure to the Hong Kong dollar as well, which has always tended to be a fairly robust and strong currency. With some of the current situations and risks on the Hong Kong dollar, what do you see on the horizon with respect to exposure to risk there and how that might also extend into the broader Chinese market?

Mr. MacMaster: Well, the Hong Kong dollar is pegged to the U.S., so I don't have a concern there. I don't think the recent disruptions there put that at risk. Hopefully, that resolves itself as well. So I'm taking the long view on Hong Kong.

Mr. Gotfried: Yes. I'm happy about that. Actually, I used to work for Cathay Pacific. They're going through some difficult times.

Mr. Chair, if I may just switch to another question quickly here, following on some of the questions from hon. members on the Alberta growth mandate. With the depressed value of commercial real estate in Alberta, particularly in Calgary, do you see any long-term upside to investing in such assets, essentially the buy low and sell high strategy, or do you see that the risks are too great still at this time?

Mr. MacMaster: Yeah. Good question. We still think there's opportunity in Alberta, and we're still very active. I would say that it's probably tilted a little bit more toward residential and rental properties, which are in big demand. Offices, obviously, suffer, especially in Calgary, and that's probably a long-term situation. It looks, in hindsight now, like that was overbuilt. As you know, vacancies there in offices are at 25, 30 per cent. Industrial is also very robust, especially around airports. You know, the airport land is very robust. We're very active there. You pick your spots, but there are definitely opportunities.

Mr. Gotfried: Mr. Chair, I have a couple more questions, but I'll obviously work through the rotation.

The Deputy Chair: Well, at the moment there's nobody else on the list, so I'd say to go ahead.

Mr. Gotfried: All right. A couple of questions, but I'll start out with one. We certainly don't want any mirrors in what you're doing, but there might be some smoke. Can you comment on the cannabis market here in Canada? It has certainly been a market which is – maybe you can call it the pot-com instead of the dot-com market as we go forward. Is there any exposure or investment in that market given its rapid growth but also volatility?

Mr. MacMaster: Yes. We do have some exposure, and it's very small. I wrote it down here somewhere if I can find it. Yeah, the last time I looked – I knew someone would ask me this question – I had about $3.8 million invested in cannabis, and for the heritage fund it's about $650,000. That was the last time I checked, so this is a little bit stale.

9:50

It's mostly passive investment. You know, the way we deploy equities is a quantitative approach, looking at various factors that determine our selection for purchase and sale. It's highly automated. We're looking for a low-cost way to get access to the market. As a result of that, it's not quite an ETF type of approach, but in many cases it's quite passive. This is where we get exposure to cannabis, which is part of the benchmark now. It's kind of mainstream, if you will. But the sector is not one that we would be active in or taking large positions in. We still think there's lots of risk. Obviously, you see the enthusiasm that investors have for that, probably overestimating profits that will come from there.

This is something we see often in new and developing markets, a lot of enthusiasm, primarily from retail, and it's a dangerous place to be. You saw that it really took off, and it really corrected quite a bit, too. Then you have the ETFs coming out, you know, cannabis ETFs, to provide a vehicle for those retail investors to get a position.

Long story short, it's early stage for that and not a big position for us.

Mr. Gotfried: Just a follow-up on that question if I may: given that there are significant companies based in Alberta and with operations in Alberta, would you see this as part of the Alberta growth mandate or just a separate, diversified, small, low-risk investment that you're embarking upon at this point in time?

Mr. MacMaster: Yeah. It's quite small, but if we were to see growth there and, you know, if there were jobs created, we could certainly maybe look at that down the road, sure.

Mr. Gotfried: Again, I'll cede. I have one more question, but if there's anyone in the rotation . . .

The Deputy Chair: Proceed.

Mr. Gotfried: I'll finish off, then. I know that this is the other side of the balance sheet in many respects, but what, if any, impact do the numerous credit-rating downgrades that we've experienced in Alberta from the likes of Moody's, Standard & Poor's, and DBRS have on your operations, your fund hedging, other operations that you're doing with respect to protecting the value of the Alberta heritage savings trust fund?

Mr. MacMaster: You're probably referring to, like, energy, corporate downgrades, because the province itself has been downgraded, as you know. It used to be triple A, and it downgraded a few times. Yeah, the economy is tough here. The energy sector is in a tough position, and there have been downgrades.

Just with respect to the rating agencies and their downgrades, they do tend to lag. You know, we have a group of credit analysts in our shop, and we'd see that coming. The rating agencies come with their downgrades after the fact. If you wait for them, it's too late. You need to be on top of it. We see that coming. It's part of the cycle, and it's hurt the business, and you want to be wary of that and pick companies, both in equities and fixed income, that are going to make it through the cycle. So they'd have strong balance sheets.

You know, there have been some failures, and there are certainly some winners if you think of the big fish like Suncor and CNQ. There are several that we expect will get through this. But, yeah, you're right: everyone has been tested on the credit side.

Mr. Gotfried: Just a follow-up if I may, Mr. Chair. With those credit-rating agencies, do they look at the operations of AIMCo in terms of – I mean, do you talk to them and do they talk to you about the operations of AIMCo as part of the strength of our financial operations here in Alberta? Maybe you can just comment on whether there's any significance to that.

Mr. MacMaster: Sure. In fact, we have something called AIMCo realty, which has a rating, and we do issue bonds out of AIMCo realty to, you know, leverage our real estate portfolio. The rating agencies are very familiar with us and, you know, have looked at our operations as part of putting a rating on that issuance.

Mr. Gotfried: Thank you.

[Mr. Gotfried in the chair]

The Chair: I'd better give Mr. Orr a chance to ask some questions again here. Are there any other questions from the members?

Mr. Orr: I will make one comment.

Mr. Sigurdson: Chair?

The Chair: First we'll have Mr. Orr, and then we'll move to Mr. Sigurdson.

Mr. Orr: I just wanted to comment. I think you've definitely made the right choice in an environment where everything is the race to the growth, and it's hard to watch some of them racing way ahead, to position yourself conservatively. To be at 1.4 is probably a good thing, quite frankly. I congratulate you on that for taking the long-term view, for having the discipline and the procedures in place to keep yourself in a healthy space long term. I just wanted to say that.

Thank you very much.

Mr. MacMaster: Thank you.

The Chair: On the phones? MLA Sigurdson.

Mr. Sigurdson: Just a broad question. It's suggested on page 12 in the report that the fund's net income has been $480 million, further promoting a positive 1.4 rate of return on the fund itself. I mean, it's a considerable drop from 2 per cent in 2018, but although the results – I get it – are just at a glance and they look promising and there's no value lost, do you feel that the actuality of the fund will continue to retain and reflect a good return and positively contribute to the public equity fundamentals?

Mr. MacMaster: Let me try and distill that question. Is the question more about the long-term income generated from the fund based on where we are today? Is that fair to say?

Mr. Sigurdson: Well, I guess it's more like we're looking at a snapshot. Don't get me wrong; nobody has got a crystal ball. But, I guess, from your overall feeling and looking at how we've seen a little bit of a drop from 2018, do you feel that right now we are going to continue to see this positive rate of return? I guess I'll maybe add to that. Looking at it right now, moving forward, both in the short term and in the long term, how will this continue to affect your decision on where and who to invest in?

Mr. MacMaster: Sure. Well, you know, as I said earlier – and I'll repeat it again – let's start with fixed income. Rates are really low, so the clearest idea of what you will get as a return in fixed income if you buy a 10-year bond is its current yield. If that's at 1 and a half, you're going to get 1 and a half. Now, if rates go to zero, you're going to get an immediate capital gain, but if you hold it to maturity, you're going to get your 1 and a half. So when I look at bonds, I see low returns for the future. For the heritage fund, you know, incomewise, that means probably lower income.

How is income generated in the fund otherwise? Well, by appreciation in equities and then us trading them, triggering, you know, a market gain. That also goes into income. That's a little more uncertain, right? It is 10 years into the cycle. It's been a long cycle. It usually ends with higher rates, but with the central banks running around juicing it again with quantitative-easing monetary policy, this equity market could continue. So with bond returns low, equity markets questionable, again I think that infrastructure, real estate, and to a lesser extent private equity offer a place to hide, where I think you get a decent return, with less liquidity, of course, but there's still opportunity there.

It's really that the fixed income is mispriced. It just is. You know, you ought to be able to get a nominal return that at least covers inflation. It just isn't there, and that's why investors around the world are looking for alternatives. In part, what's driven weaker parts of the credit market is people's search for yield. But it's also driven, if you look at the performance in equities, what we call the interest rate sensitives: utilities and REITs, anything with a yield, dividend stocks generally. Right now the dividend yield is well above the 10-year treasury, so that's a reversal. It used to be that interest rates were much higher than dividend rates. It is mispriced, so investors are looking for alternatives, and so are we.

The Chair: Thank you.

Any further questions, MLA Sigurdson? Do you have a follow-up on that?

Mr. Sigurdson: No. I think that basically answers it. Thank you.

The Chair: Okay. Hearing none, I'd like to seek a mover for a motion to receive the report. MLA Getson. Moved by MLA Getson that

> the Standing Committee on the Alberta Heritage Savings Trust Fund receive the 2019-2020 first-quarter report on the Alberta heritage savings trust fund.

All in favour? Any opposed? On the phone? Thank you.

The motion is carried.

10:00

I'd like to thank our guests here today from Treasury Board and Finance and from AIMCo, not only for providing some great insights to us in terms of the report and follow-up on the report today but for your great work on behalf of Albertans throughout the year and, of course, in the years ahead to protect us, protect the Alberta heritage savings trust fund, and also for it to perform well. I see there are many opportunities and some risks that we are facing, and we thank you, from this committee, for all the great work. We are moving on to the rest of the agenda. You're free to join us or to get back to work in protecting our assets, as you see fit. Thank you very much for joining us today.

Members, the next item on the agenda is an update on the 2019 public meeting. As members are aware, under the Alberta Heritage Savings Trust Fund Act this committee is required to hold a public meeting to inform Albertans about the status of the fund. The committee agreed at its June 21 meeting to hold a public meeting on Thursday, October 24, here at the Edmonton Federal Building. Additionally, the committee passed a motion to direct LAO communications services to prepare a communications plan in support of the meeting. In accordance with the motion that was passed, the plan was made available for committee members to review, and I approved the plan based on the feedback received.

At this time I'd like to call on Ms Laurie to provide a brief overview of the status of the preparations for this meeting. I'll turn the floor over to you, Ms Laurie.

Ms Laurie: Thank you, Mr. Chair. I'll just provide a brief update today on the work that we've been doing in communications towards the preparations for the annual meeting. First of all, thank you all very much for your feedback on the plan. It was really valuable, and we appreciate that. Moving forward, we sort of proceeded with two primary goals, notifying Albertans about the public meeting and encouraging participation, be that in person or online, at the public meeting.

We've been preparing sort of a suite of materials that we look forward to sharing with the chair very soon for your review and approval. Once we have those materials finalized, we will be updating the committee's external website so that that's on the Assembly site and accessible for all Albertans. Those promotional materials include videos of a few different lengths – 15 seconds, 30 seconds, and a longer one – an e-card that sort of is a quick invite with information about the public meeting itself, a stats card that has a lot more detail that we've pulled out from the 2018-2019 annual report, and then other graphics that our graphic designers have put together for the Assembly website, other visual materials that we can use to promote the meeting.

Once that's all finalized, we'll also move forward with the communications kit that we had discussed, and it would obviously be shared with all of the committee members but also with all the Members of the Legislative Assembly in the hopes of using everybody's contacts to leverage more information. That kit will include draft social media posts, draft e-mails, just trying to make it as easy as possible for people to share the information with their distribution groups, their audiences, their followers. That's all coming, and we hope to do that before the end of September, probably in the next couple of weeks.

We'll also do print ads in local weeklies across Alberta to make sure that we're notifying Albertans about the public meeting. In addition, we'll do print ads in dailies here in the Alberta region to try and draw more in-person attendance for the meeting. We're still looking towards live streaming the meeting on our various social media channels. We've conducted some private tests already, and that's gone really well, so we're going to do some public tests just to make sure that we don't have any hiccups on the actual day of.

Ultimately, all of our efforts are to foster engagement with Albertans about the fund in general and the annual meeting in particular by raising awareness and making the meeting as accessible as we can for everybody.

I think that sort of covers off most of the areas that we've been working on, but I'm happy to answer any questions that the committee might have that might be more specific.

The Chair: Thank you, Ms Laurie, for the update on that.

I'll open it up to the members for any questions. MLA Getson.

Mr. Getson: Yeah. I just missed it – I apologize – but when would the media kit be available? You may have mentioned it.

Ms Laurie: We are looking to share that with members in the next couple of weeks.

Mr. Getson: Okay. The next couple of weeks. Perfect.

Ms Laurie: Yeah. Once we get all of the materials finalized, we'll update the external website, and then we'll be looking to share that, I'd say within a week or two.

Mr. Getson: Okay. Perfect. Thank you.

The Chair: Mr. Epp, do you have any questions with respect to the public meeting at this time, from your perspective?

Mr. Epp: Not at this time. Thank you, Mr. Chair. That's why I stayed.

The Chair: All right. I just thought we would seek all ideas or input.

Just a quick question: do we have any ethnic media or translated materials as part of the plan as well at this time?

Ms Laurie: Not at this time, no. Everything is available on Alberta Assembly TV, but it's all in the English language. It's very accessible. We've sort of tried to target a few different specific audiences. One was a suggestion from a committee member with regard to the financial industry – CPAs, CFAs – so we'll be sending all of the invite material to those industry groups as well as to seniors' residences here in the Edmonton area because that tends to be a more engaged audience for us. We haven't looked at doing sort of targeted efforts in different languages or for different ethnic groups.

The Chair: Yeah. I know there's no requirement, obviously, to do that, but I just think of some of our larger ethnic populations: Tagalog, Punjabi, Mandarin, those sorts of things.

Are there any comments from the committee with respect to whether we should be considering that, even as maybe a bit of a test on this rotation? MLA Eggen.

Mr. Eggen: Yes. I think that's a great idea. I think it not only provides an option and information for people whose primary language is other than English, but I think it just sends a good message as well – right? – that people are included. Of course, French should be one of those languages in play if we make that choice.

The Chair: MLA Getson.

Mr. Getson: Yeah. I'll echo those sentiments. I was just thinking of Red FM, for example, out of Calgary. They have a pretty broad-reaching audience, and they might do the translations at their expense.

The Chair: Yeah. We might be able to get some complimentary translations.

Is there an appetite as a committee for us to ask Ms Laurie to maybe investigate some options and provide us with some costing on that just to ensure we can maybe fit it either within the current budget that we've approved or look at some options that we can do?

Ms Laurie, this may not be the time – maybe we're a little late to this particular question – but I think it might behoove us to try and make some effort to do some French language media but also in, let's say, the three or four top languages spoken throughout the province from some of the other demographics as well. Could we ask you to maybe just give us that? I don't think we need a motion on this from the committee. It sounds to me like there's an appetite for us to ensure that we're at least taking a look at that as an option.

Ms Laurie: Okay. Yeah, I'm happy to look into it. It certainly will impact the budget, and we may be closer to the meeting than we want to be for that, so I would just caution that. But I'm very happy to look into it, and I'll follow up with Michael so that he can share that with you.

The Chair: Yes. I think we can make some comments on that. Look for free and cheap, you know.

Ms Laurie: I always do.

The Chair: Excellent.

Are there any other comments from the members?

Mr. Orr: Just for the sake of all of us, I wonder if there's any need to – I don't know – sort of walk through the meeting in advance in terms of any expectation from members. I realize the chair probably carries the bulk of it, and maybe we really don't have to be prepared to do anything, but I think everybody should know in advance where that might come to us.

Ms Laurie: I think that when it comes down to the logistics for the annual meeting, it's very much like your regular committee meetings. I would defer to Michael in that regard. The only difference is that we'll be live streaming. We're obviously broadcasting now on Alberta Assembly TV and online, so we're already accessible to Albertans right now.

What we'll be doing at the annual meeting that's a little bit different is that we'll obviously have a full gallery, but also we'll be taking questions from Albertans. They can either submit those via e-mail or via our social media platforms, and communications services will then be transmitting those through you to the chair, and the chair will facilitate the meeting as he normally would. I would defer to Michael if there was an appetite for a dry run or anything like that. I know that we'll be following up with the two of you to make sure that that transition for the questions and that flow is there and that everybody is comfortable with that, but I'm not sure that that merits a dry run for the whole committee. I would leave that to Michael.

10:10

Mr. Orr: I guess that maybe my real question, then, would be: is it sort of protocol that members do or don't ask questions, or should we leave that to the public? I mean, we've had plenty of opportunity to ask questions now. Should we be dominating that, or should that be left to the public for asking questions?

Mr. Kulicki: If I may, Mr. Chair. Just to address your question, Mr. Orr, the main focus of the meeting is on the questions from the public. However, sometimes we don't get a lot of questions in. There is usually time for members themselves to ask questions. What I would say is that, just as you would with any committee meeting when AIMCo comes to speak, you come prepared with questions, but again just keep in mind that the focus is really on the questions from the public.

Mr. Orr: Thank you.

The Chair: Excellent.

In that line, MLA Orr, maybe we could just provide a quick link to a past meeting, because that will give us a chance to see exactly how that has played out in the past. I think that'll give us a good guide. Obviously, those video records, I'm assuming, are easily accessible, so maybe we could ask the clerk to circulate that on behalf of the committee.

Ms Laurie, any other comments at this time?

Ms Laurie: I would just add to that that given that it is live and we're soliciting as much feedback as we can from Albertans, there will be ebbs and flows to that. I really appreciate Michael's comments: be prepared to have questions because there will be times when we have a flood of them, but there will be times that we're anticipating more questions and we're waiting to get those. So we want to make sure that – and I think your questions will probably prompt more questions from Albertans. They'll hear the responses to your questions, and it will give them an opportunity to say: oh, actually, yes, I'd like to know more about that. I think that there will be a nice give-and-take with that. That is the hope for the meeting.

Mr. Orr: That's good. That's the conversation I wanted.

Ms Laurie: Perfect.

The Chair: And we're not competing with any hockey games that night? Have you checked the schedule yet?

Ms Laurie: There are a few other things going on that week.

The Chair: Yes, there are, indeed.

Are there any other questions, then, for Ms Laurie at this time?

Seeing none, are there any other issues for discussion before we wrap up today's meeting?

Also seeing none, as we've already discussed, the next meeting will be the public meeting on Thursday, October 24, from 7 p.m. to 9 p.m. here in the Rocky Mountain Room. I look forward to everybody being well prepared with those filler questions and some very robust content as well.

Ladies and gentlemen, if there's nothing else for the committee's consideration, I'll call for a motion to adjourn. Member Rowswell. Moved by Member Rowswell that the meeting be adjourned. All in favour? Any opposed? On the phone? Thank you. The motion is carried.

Ladies and gentlemen, thank you for your time this morning. Have a great day. Enjoy the sunshine on a great Alberta fall day. I guess it's still summer officially.

Thank you.

[The committee adjourned at 10:13 a.m.]

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