

Standing Committee on the Alberta Heritage Savings Trust Fund Act

3:01 p.m.

[Chairman: Mr. Dunford]

THE CHAIRMAN: Okay. I'll call the meeting to order at 3:01. We will proceed with this session until all questions have been answered or two hours have passed, whichever first occurs.

First of all, we will want to start, Mr. Treasurer, with you introducing your guests and also, then, providing us with an opening statement of 15 minutes or less. Any documents that you provide us, in addition to the '94-95 report, and any comments you may wish to make in your opening statement become fertile ground, then, for questions. We've been fairly flexible on the questions that members bring forward. We find in that sense that we get good co-operation, and we get people in and out of here in an efficient and cost-effective manner. So having said that, we'll allow you to begin, and then questions, when they start, will alternate between the Liberal opposition and the Conservative government members.

MR. DINNING: Well, Mr. Chairman, having been here just 13 months, 10 days, and seven hours ago, I can't tell you how pleased I am to be back. I simply can't tell you how pleased. I'm also joined today by not so much a guest – some might characterize him as a hostage – my colleague the Deputy Provincial Treasurer, Allister McPherson, who holds the responsibility of the heritage savings trust fund under his responsibilities. I'm also joined by Greg Moffatt, who serves as executive assistant in my office.

Mr. Chairman, you'll recall when I was here before the committee last – it was just after the Premier had announced the review of the heritage fund – that a valuation had been done. I believe I released it at that time and showed that the valuation done by four investment dealers had given a market value of the fund greater than the book value that was in the heritage fund annual report. We then sent out an information piece that went out to all Albertans, and there were some 50,000 replies to the questionnaire in that information piece.

Then under your leadership, Mr. Chairman, the heritage fund government committee, that was joined by members Mr. Amery, Mr. Doerksen, Mr. Langevin, and Dr. Percy – ironic that it was a government committee – had an opportunity to travel the province and speak with 10s of Albertans. I was pleased that with that you had a chance to visit with a number of people around the province and get some good input, which was fodder, I suppose, which was grist for the mill of the report that you then tabled in the Assembly on March 28. That was then debated in the Assembly on May 1, '95, and May 2, '95, and a resolution was passed.

Be it resolved that the Legislative Assembly approve in general the report of the Alberta Heritage Savings Trust Fund Review Committee.

Mr. Chairman, what I've provided to you today, you and all members – I hope you now have a copy – is Alberta Heritage Savings Trust Fund: Into the 21st Century, dated January 24, 1996. If you look at the last three or four pages in that report, you see a quick summary of the committee's recommendations.

Clearly, the first and most important recommendation there is that "the government should keep the Fund," and the presentation that I have for you today is exactly that, that we do keep the heritage fund. It is an asset of immense value. Not only that, it's also of immense value to Albertans in that they are, as you saw on the road, very, very proud of the existence of their heritage savings trust fund.

Then in the case of recommendation 3, where we "should appoint an independent board of directors," that's a matter I would like to discuss with the committee and hear back advice from the committee on today. I'm highlighting the recommendations.

Number 6 called for accountability for the heritage fund, that there should be "simple, factual and readable annual [reports] on the Fund's performance." Clearly, that's what we want to accomplish.

Number 9 said that "the government should involve private sector investment managers in investment decisions, along with the staff of Alberta Treasury."

Number 12 said that "the government should debate in the Legislature maintaining the [heritage] Fund at its 1995 value."

So, Mr. Chairman, all of those, I think, are addressed in the document that is before you and perhaps in some of the comments that I might make at the end.

I'll go quickly, Mr. Chairman, but what the government is proposing to Albertans is that the mission statement of the heritage fund, as outlined on page 3 of the document – and I will be moving quite quickly back and forth amongst 1, 2, and 3 – would be:

Prudent stewardship of the province's non-renewable resource revenue savings by providing the greatest financial returns for current and future generations of Albertans.

So what that means, as is highlighted in the second bullet of page 2, is that the "fund assets would be invested to maximize long-term return on assets" of the heritage fund.

But I have to turn you back to page 1, where it's pointed out in the document that the "assets and income of the Heritage Fund are fully consolidated with the assets and revenue of the province." We've made a policy of not having any off balance sheet funds. There are other provinces that have budget stabilization funds. Well, we in Alberta refer to that name, budget stabilization, quite appropriately as BS funds. We think them inappropriate in this day of consolidated accounting.

There are two implications from that in that the heritage income is included now in the determination of the budget surplus under the Deficit Elimination Act and the Balanced Budget and Debt Retirement Act, and the assets of the funds, just shy of \$12 billion, are netted off the gross liabilities in determining the net debt. Because of the Balanced Budget and Debt Retirement Act we expect that our net debt would decrease by about \$350 million after '96-97. The heritage fund has enjoyed annual income in the order of \$900 million to \$1.1 billion, and on the outlook we see that number staying in that range over the fiscal plan.

So with this mission statement we see investment of the heritage fund, similar to an endowment fund, that would maximize the long-term return on assets. But the fiscal plan's reliance over the short-to medium-term on heritage fund income has to be balanced off when you consider that a longer term focus means, at the bottom of page 1, that

- (i) Dividends on equities would be less than interest on [fixed income securities] bonds
- (ii) The timing of increases in the value of equities is [far more] uncertain; and
- (iii) Increases in the value of equities are included in income only when the investments are [actually] sold.

So, Mr. Chairman, if you look back at page 2 in the third bullet, clearly our emphasis must initially be on "generating income to support the fiscal plan." We need a gradual reduction in the fiscal plan's reliance on heritage fund income for income support, and then over the longer term you will maximize value.

So we have proposed a transition period of over 10 years to "pursue fully an investment strategy of maximizing long-term return

on assets.” Clearly, the return on the heritage fund must exceed the cost of debt over time, but especially as we pay down our debt, as you’ll see later, we think that is achievable. We’re also saying that there would be no economic development investments or assets of the heritage fund, nor would there be social investments that would become assets of the heritage fund. I go back to the notion that we want to invest to maximize long-term financial return on assets. Lastly, as you recommended in recommendation 12 of your report, the “assets should be protected against inflation.”

3:11

So, Mr. Chairman, if you look at page 4, we spell out there the objectives of the fund:

- (1) Maximize long-term return on assets
- (2) Support short to medium-term income needs of the fiscal plan
- (3) Protect Fund assets against . . . inflation.

The constraints I’ve already mentioned. “Investments will be based solely on fundamental investment principles and strategies.” There will be no economic development investments, such as no Alberta investment division, and there would be no capital projects division type investments in social investments. We’re also saying that foreign investments would be limited to 20 percent of the fund’s investments.

So if you look at pages 5 and 6, we’re proposing that the heritage fund would consist of two portfolios: one, a transition portfolio, which characterizes the fund really as it exists today, and that would be invested in fixed income securities with an emphasis on generating current income; and an endowment portfolio, that would be invested in the diversified portfolio including fixed income securities, Canadian equities, and international securities with a long-term return objective. That endowment portfolio would be diversified across several asset classes in accordance with what many would characterize as a prudent long-term investment strategy.

So what you’d see, as it shows on page 6, is the endowment fund over time growing to become virtually one hundred percent of the heritage fund assets, and the transition portfolio, on which we would be heavily reliant at the outset for income, would gradually decrease such that by the province’s 100th birthday the heritage fund would be strictly focused on an endowment portfolio. Clearly, to ensure accountability, each portfolio would have a well-defined investment objective, and performance of each portfolio would be measured separately against its own objective.

On pages 7 and 8 we spell out the implementation, the investment framework, the performance measurement. We spell out on page 9 how current heritage fund assets would be characterized on \$10.6 billion in the transition portfolio and about \$1.3 billion in the endowment portfolio.

Quickly on page 10 our objective is that with the currently estimated about \$12 billion heritage fund, you would want to keep some \$240 million in revenue to become assets of the fund, at a minimum, in order to keep it current in a 2 percent inflationary environment. So the heritage fund could be inflation-proofed by retaining a portion of its income, but clearly our objective on the government side is that we want to demonstrate to Albertans an actual real reduction in the net debt in the early years of the debt retirement plan. So the heritage fund would retain sufficient income to offset inflation starting as early as ’96-97 but under one condition: until the turn of the century income would be retained by the fund for inflation-proofing only to the extent that the budgetary surplus ever exceeded \$500 million. So only after you’ve seen debt paid down in a particular year by \$500 million would you then take any extra amount and apply that to the heritage savings trust fund.

So, Mr. Chairman, that is the position the government is bringing forward to Albertans today on the future of the heritage fund. The one remaining issue, I would say quite frankly, that we have not settled on is a governance structure. In your report, especially in recommendations 3, 4, 5, 6, 7, and 8, you made it clear that Albertans, especially in number 3, wanted “an independent board of directors.” The Premier, when he was here before this committee before Christmas, reiterated that, and we’re trying to figure out how. We want as a given that the heritage fund must have professional management to manage the assets of the fund within the objectives that I’ve just spelled out and within the do’s and the don’ts that the legislation should spell out for the heritage fund, and there should be clear criteria for measuring performance. We want to make sure that it’s not only professional management but that it’s not political management, because the message that I got from you in the report and from members informally afterwards is that Albertans said that they don’t want to see any politics in the investment of these funds.

What we come down to is: what should be the role of elected members? I know you generously – generously – offered to disband and recommend the disbandment of this exciting, energizing committee that members are fighting to be on the list as members of. Goodness knows, people have tried to persuade me of the wisdom of that recommendation. But what ought to be the role of the elected folks in doing a number of things: in approving a business plan for the heritage fund, in receiving quarterly and annual reports and releasing the financial statements, in reviewing investment performance and reporting to Albertans, reporting to the Legislature on how well the goals are being met? I think the idea of holding a series of annual general meetings around the province should also be the responsibility of a panel to account to Albertans on the performance of the fund.

I would throw out to members: should it be this committee with a different mandate, a more focused mandate that might meet with a more focused agenda, or should it be a blue-ribbon panel of Albertans that would have geographic representation from around the province and might have one or two or three or four MLAs serving on that blue-ribbon panel? Quite frankly, Mr. Chairman, that’s an issue that we in the government caucus are still debating, and I would certainly welcome any advice or any suggestions that this committee might have.

So there you have it, Mr. Chairman. We’re trying to spell out a more secure future for the fund to take it into the 21st century. It is something that is of sound value for the province. We took your cue and the cue of Albertans in that they are proud of this fund. We are determined to keep it and maintain at a minimum its real value but hopefully over time see a growth in its real value.

THE CHAIRMAN: Great; 15 minutes exactly.

Danny Dalla-Longa.

MR. DALLA-LONGA: Thank you, Mr. Chairman. I have a couple of questions on this document which we just received, if that might be all right. Is that within our turf?

THE CHAIRMAN: Sure.

MR. DALLA-LONGA: I’m happy to see, Mr. Chairman, that one of the objectives – and I’ve just had a very brief time to have a look at this – is to simplify the information that’s going to be given out about the fund. That is always sort of a motherhood statement. I guess I’m more interested at this point in how we’re going to simplify it. Is it

going to be the Treasury Department's version of what's simple, or is it the everyday severely normal Albertan's version of what's simple? Who are you going to get to help you disclose the type of information quite simply so that an Albertan can pick it up, look at the heritage savings trust fund statements, and see that funds increased from last year, it's gone down, where it's at, and where the money's at? So my question is: what is the process? Who are we going to talk to about this simplification to make the statements more easily readable by severely normal Albertans?

3:21

MR. DINNING: There are a few models. One, I think, which was fairly highly regarded last year was the piece that went to all Alberta homes. I've got a number of comments back from folks saying: "Look, I can understand this. It's readable. It's informative. You asked me questions, and I've given you answers." That's a format, Mr. Chairman, that has worked, and I would think you'd do it again.

We have tried – and Dan knows as a chartered accountant – to make our financial statements with the annual report that came out in '93-94 and '94-95, in June, more readable, and even your own profession has acknowledged a more readable amount of information.

What's difficult, Mr. Chairman, is that the heritage fund is, you know, perhaps typical of government: there is no problem we can't make bigger. You look at the heritage fund. It's got multiple objectives. It's got the Canada division. It's got the Alberta division. It's got section 10. It's got the energy division. It's got a commercial investments division. That was the problem, with all due respect to the poor managers of the fund. They were trying to meet an incredible number of competing objectives and then got compared on a rate of return basis with how the TSE did or how a portfolio of fixed income securities did. It was an unfair comparison. It wasn't just apples and oranges; it was sort of like Doerksens and crocodiles.

So the objective that we've spelled out here, Mr. Chairman, is more simple. It's more straightforward. It's more easily comparable to other funds that have an asset mix of where we want to be, but clearly we're not there. We would hope with the good advice of this committee, long into the future, that this kind of effort with door-to-door flyers might help make Albertans more aware of what's in the fund. As well, Dan, I'd say the idea of having annual general meetings around the province, accountability sessions where MLAs and the fund managers have to account to Albertans on performance.

MR. DALLA-LONGA: A point of clarification. My next question. In looking through this booklet, we talk about the transition portfolio and the endowment portfolio. Am I to understand correctly that the fund will then move to a more traditional type of fund where it will not have sort of like little programs inside of it, that it won't have – I use the words – social investments, that it will have strictly monetary types like securities and cash, liquid assets, not-so-liquid assets, and that all of these others will be taken out? Is that what you're referring to as being the transition portfolio?

MR. DINNING: Ultimately, yes.

MR. DALLA-LONGA: Are you saying that in this transition period, you will lay out in a three-year business plan which, for example, social investments are going to go and when and how, not so much how but when, and what the targeted date is? Or will there just be a press conference to say that this thing has been sold and moved

out? Will there be something that has a thought-out, organized plan that everyone can see and sort of comment on at that point?

MR. DINNING: If you look on pages 52 and 53 of the annual report, that's what I would characterize as social investments, although they've clearly got an economic benefit, we hope. But we've stopped, Mr. Chairman, financing any of those kinds of projects from the heritage fund as of April 1, 1995. There are no CPD investments in the current fiscal year.

On the economic side clearly there are some investments in the Alberta investment division portfolio that have a time horizon, have a time frame, and we would over time work our way out of those. But there would be no new investments à la Millar Western or Al-Pac or Alberta Energy or Syncrude in the heritage fund investments. Those are project investments that we're determined not to be going back into.

MR. DALLA-LONGA: That's it. I'm done.

THE CHAIRMAN: Victor Doerksen.

MR. DOERKSEN: Thank you, Mr. Chairman. I would like to respond to the minister's request for some direction and guidance and opinions, if it's all right with the chair. Our goal here really is to ask the questions.

THE CHAIRMAN: Absolutely. He tabled the document.

MR. DOERKSEN: With the opportunity to do this, I'm delighted to offer a few short comments as my thinking currently goes. No question about the public review. The public wanted this operated at arm's length from political involvement, outside the realm of political influence, and I agree with that. Yet while saying that, there is a duty that the government has to monitor that because it is a \$12 billion asset of the province under our oversight. So there has to be some mechanism of accountability that goes back through the Legislature to the public.

Some of the items that we recognized in the report under the recommendations were that this overseeing body has a duty beyond the board of directors of the operating segment, would include perhaps a review of the three-year business plan, could include the method, the way we communicate to the public how the fund is performing, the value of its assets. Clearly, the Legislature needs to set the objectives of the fund, the mission statement, which is I think what we're attempting to do with this document you tabled today, and also the evaluation of the performance.

How do we do that without setting up a multitiered governance structure? Because we have to keep as flat an organization as possible. We may have to consider how we have that accountability directly to the Legislature. Whether it be through a committee like this with a different mandate I'm not sure. I'm a little leery of your suggestion of the blue-ribbon committee as an overseeing body, because that just puts another board structure up there. As has been evident in recent days and most recently today, we see how this works with the Treasury Branch, for instance, that operates at arm's length from the government. Yet we somehow always get drawn into taking the blame for some decisions that have been made, perhaps, by the management and by the managers of an agency that's at arm's length to the government. We have to face that potential in setting up a body like this as well.

So clearly there has to be accountability to the public through the Legislature in some fashion, because we are ultimately accountable. And it's no small asset, Mr. Treasurer. It's one-third of our total debt.

AN HON. MEMBER: Is there a question?

MR. DOERKSEN: No. He invited our comments, and I was making my comments. Now I want to get to the questions.

If you look at page 10 – and I am looking at the document you tabled – it's not clear from this box what happens after the year 2000. We've said that we're going to inflation-proof the fund as long as there is a surplus over top of \$500 million. After the year 2000 will all the revenue from the fund then stay in the endowment fund?

3:31

MR. DINNING: The objective there is that we believe that by that time the government's fiscal plan will be I use the term “weaned” to a degree. We will be less reliant on that \$900 million worth of heritage fund income such that we can say that we don't need all of that anymore, and we can take a \$12 billion fund at 2 percent and ensure that at the end of the year it's \$12.24 billion and that the following year in a similar kind of inflationary environment it goes up. It maintains its real value, we believe. Part of what's missing here is the government's three-year fiscal plan. You'd see that after the year 2000, we hope we'll be able to be less reliant on all of that heritage fund income and that we can begin to inflation-proof the fund.

MR. DOERKSEN: I'm going to assume that the province is going to continue to manage its finances with prudence, as we have done since 1993. So we're going to reach a point in time when we're not going to rely on the income from the heritage fund . . .

MR. DINNING: Not all of it.

MR. DOERKSEN: . . . to flow into the general revenue fund. So there's going to be a portion – let's use the 2 percent that you used that covers inflation – another source of funds over top of that which potentially could flow into and start building the fund at some point in time. The question for me, then, is: what is the mechanism in this report that will allow the Legislature, for instance, to allocate money, let's say even increase the amount, that goes to the scholarship fund that we set up, that endowment fund that has worked so well? If we wanted to take money out and say, “We want to place it into this fund because we like this thing, because it's valuable to the students of Alberta,” is there a mechanism to do that?

MR. DINNING: Yes. The objective is that you're investing for a longer term for a maximum return on your assets. With that, at the outset you want to begin to inflation-proof the fund such that I would look five, maybe six or seven years down the road to where you'll have enough income in the endowment portfolio to at a minimum inflation-proof the fund. That would have to be a decision ultimately by the Legislature as to how much of that stays in the fund so that it actually doesn't just stay flat in real terms, so that in fact it starts to grow in real terms. Then how much above that growth do you want to appropriate and place into the heritage scholarship fund, into the heritage medical research fund, or other appropriate investments? But they would not be investments or assets of the heritage savings trust fund.

MR. DOERKSEN: Mr. Chairman, that'll be fine for now.

THE CHAIRMAN: Mike Percy.

DR. PERCY: Thank you, Mr. Chairman. Provincial Treasurer, gentlemen, just a few brief comments to begin with. In looking at the issue of governance of the heritage savings trust fund and the recommendations, I was struck by the fact that the government in a number of areas has tried to break down chimneys that exist that funnel resources in an earmarked fashion and that they've tried to be a little more accommodating in terms of the ability to shift funds.

I guess when I look at what's here, you know, the discussion is in terms of the governance of a stand-alone heritage savings trust fund. The reality is that the heritage savings trust fund is just part of the asset and liability management of the province and that you really would want a mechanism by which you looked at the assets of the fund relative to the debt-servicing requirements of the province, the debt maturity of the province, and looked at the overall financial position of the province. We've heard the recommendation to the heritage savings trust fund committee of effectively a corporation that assesses and basically manages the financial liabilities and assets of the province. It makes more sense to view the fund in conjunction with the other assets and liabilities that the province has.

If that's the case and if the province did move in that direction, which strikes me as being sensible, then I would think that you'd have an independent board of directors of that corporation, which would report to an all-party MLA committee. Ultimately you'd have to have the accountability. They would report to you, but there would also be a committee very much like this. That would make sense, because ultimately politicians are elected to be accountable, whether they want to be or not. I would think that if it is possible to move to a more broad-based financial management strategy for the province, the fund would be a portion of that. There would be a board that would look at this globally, and then there would be a committee very much like this committee, which I think works very well, to which they would report, but ultimately the reporting authority has to be to the Provincial Treasurer. That's just in issues of governance, but my view of governance is tied to a specific model of management of the assets and liabilities of the province.

A couple of points I want to make just in passing. I want to commend the Treasurer on the format of the '94-95 annual report. It is different, and it meets some of the recommendations that we'd made about more content and more information.

Three questions, then, related in part to this. First – this is an issue brought up in the Legislature – given the constraints imposed by our balanced budget legislation, ultimately when we do need the heritage savings trust fund, if we have to try and balance the budget by liquidation, we can't. On the consolidated basis we can't do that. In here we have the impression that we're going to allow the fund – it's going to be inflation proof; it's going to grow. But it's going to grow to what end? I mean, when we talk about a rainy day, we often talk about these spikes that occur because of a one-off fall in oil prices, 1986, for example, when it hit \$10. You tend to think of it in those terms.

My colleague's question dealt with the fact that, well, you're going to have that flexibility on the interest income. Because all of it won't be going to general revenues, you might be able to draw down upon that. When you look at these recommendations, it appears that the fund is an end in itself; it's there because it ought to be there. But there are scenarios, I think, where if it's truly a flood, you'd want to

draw down, and there seems to be no mechanism by which that is possible, even in this framework that you provide here.

MR. DINNING: Well, you've got an asset that took a million years or more to create. One generation comes along and converts the liquid into cash and then blows it, and it's gone. I think that quite rightly a government 20 years ago decided that isn't a very smart way to use that kind of an asset. So we said: we'll spend most of it and put away some of it for future generations.

You know, when we come forward with our budget in four weeks' time, 29 days and one hour from now, we'll show you. Look at oil and gas. Look at oil. New oil production is probably leveling off. It's going down a titch in crude oil. But the old oil, high-income-earning old oil, is being replaced by lower-income-earning new oil. The fact is that there could come a time down the road where that plentiful oil and gas income will not be there. Is there a role for us to save some of that money for an oil and gas income replacement in future years? We think there's merit to that idea.

3:41

If I may, Mr. Chairman. In his earlier comments the member spoke of the heritage fund and other assets and other liabilities, including our borrowings and our whole liability management. What I hear him saying is that there's merit considering that Mr. McPherson and his colleagues in the department oversee the management not just of the heritage fund but of the Workers' Compensation Board fund at the board's request, of the various pension funds at the request of their trustees, of the Heritage Foundation for Medical Research, of the heritage scholarship fund. Those are the main ones that they're responsible for.

What we've got to try and determine with the advice of this committee and others is: should the management of that continue to all be done in-house by Treasury professionals, or, may I say, should it be done out-house and done by an external board or a group of people that would have a team of professional managers who would make sure that anything that was invested met the criteria of the fund? You might mete out to a variety of, a number of private-sector investment managers the investment of funds with specific criteria and specific expectations and means by which you would measure their performance. Do you do that all in-house, or do you do it all out-house? Clearly that's one of the things that the member raises, and I find it an interesting question.

DR. PERCY: The second question. As you make the shift from the transition portfolio to the endowment portfolio, you're stuck with provincial Crown corporations who have managed to in a sense make their interest payments to the heritage savings trust fund in part by funds from the general revenue fund. There has been a bit of circularity in there. If that's removed, how are the debentures of these Crown corporations going to be supported in the absence of some flow of funds, either out of GRF or what have you? Who's going to pay a positive price for those debentures in the absence of a continued subsidy by the provincial government as you try and make the transition? What happens and how do you do it?

MR. DINNING: In the current fiscal year all the borrowing requirements of the likes of the Alberta Opportunity Company and the Agriculture Financial Services Corporation have been met not by the heritage fund but through the general revenue fund. That was a policy change. Not only their new borrowings but any maturities were refinanced outside the heritage fund. The general revenue fund

and this Legislative Assembly through Committee of Supply appropriate funds to those corporations to ensure, guarantee, the obligations to meet their interest and principal repayments. I don't see that changing as long as we have an Alberta Social Housing Corporation or an Alberta Opportunity Company.

DR. PERCY: So in a sense the bonds will be fully tradable.

MR. DINNING: In fact, they are fully tradable now. If the province decided as policy to say, "Alberta Opportunity Company, you go out in the market," or if the heritage fund wanted to market those AOC debentures, we could make that decision and do that right now.

DR. PERCY: My final question. In response to my first question you talked about the heritage savings trust fund as the long-term diversification tool in the sense that when oil and gas are gone, there's still a flow of revenues. We've transformed oil into financial assets, and then there's the interest income that will come into GRF or what have you. So in that sense it provides a financial return once the oil and gas are gone.

MR. DINNING: But not as a diversification portfolio.

DR. PERCY: No.

MR. DINNING: Clearly it is not a diversification portfolio.

DR. PERCY: That, I think, is something we heard loud and clear.

MR. DINNING: It is not a diversification portfolio.

DR. PERCY: What we've done is transformed a physical asset into a financial asset and are just going to live off the interest income to the extent possible. I take it from what you said that once we make the transition to the endowment fund, there is going to then be slack in the sense that GRF will not be drawing down to the same degree it has in the past from the interest income of the heritage savings trust fund. So I take it as well, then, that there is at least a window for the use of the heritage savings trust fund as a cyclical stabilization tool in the sense of using the interest income, not liquidating the assets.

MR. DINNING: The government of the province may not, cannot run a deficit. It's illegal to do so. That's pretty basic and pretty fundamental. So that's a given. As time goes on, we hope that we would want to plan that the fiscal plan is less reliant on the heritage fund income to ensure balanced, surplus budgets. In the event that that happened, the heritage fund would be there to be drawn upon for that purpose.

Maybe Allister needs to help me explain this. Remember that you have a full consolidated set of statements now. So any heritage fund income in fact is income to the consolidated fiscal plan. The assets become part of the assets for purposes of calculating the net debt under the Balanced Budget and Debt Retirement Act.

Do you want to comment on that?

MR. McPHERSON: Mr. Chairman, maybe this analogy will just confuse it, but I think one way to look at this is: the heritage fund is already in the gas tank, and we don't have a reserve gas tank that we can turn on and off so long as we are in a fully consolidated accounting budget mode. So in that sense it really can't be used as

a stabilization vehicle if by that you mean we can reach out somewhere else and bring something in that we didn't have otherwise.

DR. PERCY: Can I just have a point of clarification? I mean, that strikes me as a problem in the sense of having a rainy day fund that can't be used in any shape or form as a cyclical stabilization tool even if it's interest income. I mean, the accounting constrains us in that way, but it does suggest to me that there's a bit of a problem, because most people think of the heritage savings trust fund as a sort of quasi-stabilization tool.

THE CHAIRMAN: Any comment on that? Okay.

All right. Shiraz Shariff.

MR. SHARIFF: Thank you, Mr. Chairman. Good afternoon, gentlemen. I have two questions and one clarification to seek about a point that you made earlier, Mr. Treasurer. A question was asked pertaining to investment in people, or social programs. I asked that question to the Premier here on November 27: whether we would continue investing in people. My question was directed with regards to the new technologies. The Premier did indicate that, yes, we would be continuing this in the long term. So I just want a clarification from you whether we will continue this or not do it anymore.

MR. DINNING: I'm sorry. To clarify. You say: would we continue to invest in people?

3:51

MR. SHARIFF: That's right. That was my question to the Premier. Earlier on today you alluded to the fact that in the long term we will just be seeing investments in endowment and move away from social investments. I need a clarification.

THE CHAIRMAN: So, Shiraz, is your question that investment in human resources, for want of a better word, would be done out of the heritage savings trust fund or out of general revenue fund?

MR. SHARIFF: That's right.

MR. DINNING: Well, my comment would be that given that we're spending over 13 and a half billion dollars on programs, including debt-servicing costs – the total expenditure of the province today is in the order of 13 and a half billion dollars. That's a hefty sum of money. Those dollars are going into social investments of health, education, support for those who truly need it, computer technology, training, upgrading, skills upgrading. That money is already being spent every single day now. So what we're saying is: let's not confuse the heritage fund with the rest of the government's assets. Let's make sure that we focus the heritage fund on long-term maximum financial rates of return and that we do the proper social investment, that Albertans expect us to do, with tax dollars.

MR. SHARIFF: Okay. Well, thank you for the clarification.

My question then – and it's on another subject – is: what processes do you have in place to make our heritage savings trust fund managers more accountable to taxpayers? How will they be more accountable to taxpayers in this new system?

MR. DINNING: Well, the threat of public hanging comes to mind, but we outlawed that just a couple of months ago.

MR. SAPERS: Brian will bring it back.

MR. DINNING: Steve, did you say?

Well, they're accountable insofar as rates of return, as are spelled out in the books before you, are made public. Allister would comment on performance in the investment management division, but I would respond by saying that we've really hamstrung and tied the hands of our investment managers in that the review was a long time in coming. There was uncertainty as to whether we would maintain the fund, and only now are we coming to the conclusion that, yes, we want to have a long-term fund and maximum financial return. Now, once we've made this decision that will give them the authority to get off and make sound financial decisions.

As I've said to Dan, if you've got a whole bunch of competing objectives – energy investments, social investments, Crown corporation investments, Syncrude, commercial investment division, and funding the heritage scholarship fund – how on God's green earth do you ask a portfolio manager to stand up and be accountable when you've tied up his hands, tied up his ears, tied up his feet and expect him to run a marathon? All the people that you're comparing him against are running down the streets in the New York marathon, and we're leaving him back here in Ryley all bound up.

Allister, can you comment on what actually happens within the investment management division itself?

MR. McPHERSON: Mr. Chairman, I think that accountability clearly would need to revolve around being accountable for the results in terms of the objectives and benchmarks that are set, and I know from experience that investment managers, people that actually manage money, whether they be in a government setting or the private sector, would argue very strongly to have clear objectives spelled out and not have competing objectives, or if you have competing objectives, a way to deal with that competition, and have the basis on which they're judged set out so that they know the framework to which they have to respond. That can be very detailed or very simple, but I think that has to form the basis of accountability. Then whoever has the oversight role – if an investment manager is not doing the job that's expected, presumably they would be changed.

MR. SHARIFF: So I guess, for clarification, Albertans will know up front what the expectations are, will be able to hold them accountable for the results.

MR. DINNING: Ultimately they will hold the Provincial Treasurer, the government – the Treasurer at this point would be the minister responsible for the fund. Ultimately they would hold the government responsible for the performance of the fund, but we would shine the light of public scrutiny on that performance.

MR. SHARIFF: Okay.

My final question then. We're so used to seeing three-year business plans. I'm wondering if we will see a revised plan for the heritage savings trust fund along the lines of a three-year business plan and when.

MR. DINNING: Once we confirm by way of legislation that this is where we want to go, then you would see that kind of business plan coming forward in the business planning process, and whether it's the management corporation or whether it's a blue-ribbon panel – well, we wouldn't want to call it a red-ribbon panel. A blue-ribbon panel would come before this committee and ask you to approve that three-year business plan. That is clearly our intention.

MR. SHARIFF: Thank you.

THE CHAIRMAN: I want to comment on one of the members' statements in his preamble. I'd prided myself that those of us elected in '93 were rookies, but I'm feeling old in this job because now we have a member who came to us in a by-election and he says: while we're all so used to business plans. It just reminds me of the struggle that we had back in '93 to get business plans, and now we have people come along that are "so used" to them. I guess it's an indication of some progress. Thank you for making me feel older, sir.

Peter Sekulic.

MR. SEKULIC: Thank you, Mr. Chairman. I just want to come to the Treasurer's defence respecting the same comment you were referring to, that the prudent management started in '93. Well, the hon. Treasurer was here well before '93 and in fact a minister of the Crown at the cabinet table, so I think there must have been some accountability there prior to '93, but it was just harder to find. Although the practice perhaps for opposition parties in other provinces or a belief that they may have is that if you don't have anything bad to say, don't say anything at all, I'm not of that belief. I must say that the Treasurer has made significant gains in improving the ways in which the books of the province are kept. I would just encourage him to continue on this path.

In that tone, I guess, I want to refer to recommendation 4 of the document that was handed out at the start of this meeting. That refers specifically to the government defining a process for appointing an independent management board for the fund. As we know, although we use it as something to laugh on, the blue-ribbon committees or blue and orange ribbon committees have been too frequent, too many, and in the end too costly. What I'd like to know in advance is what structure the Treasurer or his department is planning in terms of the process of appointing an independent management board for the fund?

MR. DINNING: Well, I think we've found the guts of a model in the Alberta Treasury Branches' selection process whereby we appointed Louis Desrochers of Edmonton and Mike Maher of Calgary along with three other senior officials to lead a selection process that will come back by way of a recommendation to the government on who should be appointed to the Alberta Treasury Branches' board of directors. That's a pretty good model. It's balanced from a political point of view. They've gone the extra mile to avoid injecting partisan politics into their work. There's not an outcome yet. We'll judge by the outcomes. I hope to bring that forward to cabinet within the next three or four weeks and have those appointments made following the advice of the ATB panel.

4:01

MR. SEKULIC: That gives me a level of assurance, because too often in the past we've seen frequent committee flyers where they've been on a number of different committees, and as to why, it was difficult to determine from the point of the opposition. All we know is that they sat on maybe three or four consecutive committees in different departments. I'd like to see that changed, and apparently it will be.

The next question follows that of my colleague from Calgary-McCall. It is along the lines of: once this board is appointed, and by due process, it's linking it back to this Legislature. Now, the Member for Red Deer-South also referred to this. I'm not sure that flattening the organization or the structure is the best one, and I'm not saying that's a licence to build different layers. But do you have

an idea yet of how that board will report to elected officials and then in turn, I'd say, the government as the next step? So there's right there a three-step hierarchy. Do you have anything in mind yet?

MR. DINNING: Yes. I've kicked around with some of my colleagues the notion of: is this body, is this committee reamed with a different mandate? Does it become the accountability body, where the managers, whether it's the Treasurer and an internal Treasury team of professionals or whether it's an external management corporation, would come before this body and account for performance, have a business plan approved? This body would receive quarterly reports, annual reports, and this body would review investment performance and report to the Legislature and to Albertans on whether and how well goals are being met. As I said, the challenge that we have is: do we reconstitute this committee and have them do it, or do we take the sound-thinking members of this committee and appoint them to a blue-ribbon panel who would perform this duty, or do we implement the last recommendation of the report on pages 16 and 17 whereby the review committee recommended we disband this group and have whatever duties left over done by the Public Accounts Committee? I'm serious. We would want to hear your advice on: what is the right role of the Legislature and MLAs?

MR. SEKULIC: It's ultimately to increase the awareness of our respective constituents in each of the areas – in this area it would be the heritage savings and trust fund – to ensure that they have the tools in front of them to make decisions. The only way they can hold us accountable is if they have the information to hold us accountable by, and that goes to one of the recommendations in here, which is to prepare the information in a straightforward manner which has been, I guess, blessed by both sides of the Assembly so that it has the entire Assembly as part of the accountability process.

The final question that I have is pertaining to the development of this document. As you said earlier, Mr. Treasurer, the committee members traveled most of Alberta and faced 10s of Albertans in various communities, and in the end, I believe – correct me if I'm wrong – approximately 50,000 responses came in. The majority of those were supporting that the fund be maintained and not liquidated. As you know, I'm one of the people that believed back in '93 and currently believe that that may not necessarily be the best direction to go. My question is: what was the critical mass, what was the critical number that you'd have to reach in order to determine that, yes, we would not liquidate the fund? Because 50,000 from 2.7 million – I'm not sure if that's the best representative. That may be the people who actually looked in their mailboxes and where it traveled to their kitchen table as opposed to their garbage, but that doesn't discount the right of the other Albertans or their opinions, or it doesn't in fact indicate that they wish to maintain the fund as opposed to pay down debt. So I guess the question is specific on critical mass. What number convinced you that this is the policy direction of the government?

MR. DINNING: Well, first of all, on returns on that kind of a survey, 50,000 on about a million distributed, estimated up towards a million homes in the province, a 5 percent return, I'm told, if you ask anybody in that business, is pretty darned good, that usually it's down in the 1 or 2 percentage area at best, and a 5 percentage is thought to be very good. That combined with what the committee heard – and you can ask the committee members what they did hear around the province. Their report is not just simply a mirror image

of those 50,000 responses. They also listened to people, talked with people at hearings, formally and informally. Notwithstanding the predetermined conclusion that some members of the committee might have wanted to come to, Albertans convinced Edmonton-Whitemud that there was wisdom in the position of a majority of Albertans. There's an awful lot more science than that. Fifty thousand, hearings, plus just talking with people and getting a sense of what Albertans felt about the heritage fund: I think that drove the committee to come to this conclusion, and we relied very heavily on what the committee had to say to us. I can't fathom, I can't contemplate what we would have done frankly – it's the road not taken – if the recommendation had been: the government should not keep the fund. I won't contemplate that because it was the road not taken.

THE CHAIRMAN: I just want to add a comment, having been the chairman of the review committee. It was critical for the review committee, in looking at the number of responses, as to with what assurance we were making a recommendation, then, to the government. There were two things that gave us the confidence in which to do it. The first one was that a 5 percent return, that we received – I think the Treasurer is being somewhat humble or modest – is exceptional. Normally, you're getting somewhere between 2 and 3 percent on the most glossy of promotions that are done that way.

Secondly, I don't understand all of the intricacies and the mystiques about math, but I do recall in statistics 101, way back in 1962, that in random selection, which was done, if you have a total response in the order of about 1,500, then you have this 19 times out of 20 accuracy within probably plus or minus 3 percent. It was on that basis because it was so overwhelming – I mean, we're talking here about basically 75 percent in favour – that we were able to with a great deal of confidence make the recommendations that we did. I hope that helps.

MR. SEKULIC: One of my questions was actually more a commentary, and I'd like to just pose a last question. Was there in the end a summary report? I do believe in statistics. I was a student of them. Did you break down the province geographically, and do you have an indicator of whether there were clusters of where the responses came from?

THE CHAIRMAN: Again, if I can. The committee would have had the responsibility to do that. We did not do that.

Okay. Yvonne Fritz.

4:11

MRS. FRITZ: Thank you, Mr. Chairman. Thank you very much, Mr. Minister, for inviting comments in regards to a governance model. I appreciate what you've put before us today with the document on the heritage savings trust fund, Into the 21st Century. Just within the context of this meeting, having an opportunity to hear about this and to give it just a bit of thought, my comments would be, from reviewing the recommendations within the document of the heritage fund review committee, that I agree fully with recommendations 3, 4, 5, 6, 7, and 8 in regards to governance. In saying that, I also believe that there should be a link to the Legislature, and that, I'm certain, will come out with some of these recommendations, as it says here very clearly in the recommendations that the government should debate this model in the Legislature.

I would hope that you would consider a restructuring of this committee, which I do hear you saying, and that that restructuring

may include thoughts in regards to merging with other all-party committees. What comes to mind for me would be the Legislative Offices Committee, for example, as a select standing committee, that reports directly to the Legislature. My only thoughts with that though – and I haven't heard that discussed here; I know that I've been on this committee for a short time; this is the first time I've participated in the committee with this review within the last couple of months – are that rather than the committee reporting directly to the Legislature, I would like to have the Treasurer himself involved there in some way. I don't know if that happens with this blue-ribbon panel reporting to the Treasurer and then the Treasurer through to the Legislature or what that model entails. You did ask for some feedback.

The other thought I had is that when I saw a three-year business plan being put forward by the board of directors, I'm hoping that would not have a tendency to have the three-year business plan set public policy but rather that government continue to set the public policy in regards to the heritage savings trust fund.

Also, I say this just with what you were discussing. When I saw the term "appointment" – and I say this only because of what the current debate is in regards to election and selection of RHAs and given that the heritage savings trust fund has such a large amount of money and what Albertans may say, you know, knowing that it's \$11 billion or whatever – that you not consider electing this board of directors. If that does come forward, which I'm sure in debate in the Legislature it may – you may have considered that – I'm hoping that that not be considered and that you follow through with appointment.

Those are just some of my comments in regards to governance.

MR. DINNING: Mr. Chairman, Mrs. Fritz makes a very good point and raises some interesting points. Remember what we're saying the mission of the heritage fund should be. It is prudent stewardship of our resource revenue savings "by providing the greatest financial returns for current and future generations of Albertans." It's simple. It's very simple, and it's very straightforward. It needn't be and it should not be and I would not advocate that it be confused, complicated by a whole bunch of other objectives. The purpose of this, under prudent stewardship, is to take that \$12 billion and over the longer term maximize its growth and hopefully its income, although those sometimes conflict.

If the Assembly or a committee or a blue-ribbon panel approved its business plan, it's got to do it in such a way that it doesn't tie in any way the hands of the professional managers of this fund like we have really up until now with the heritage savings trust fund. If we agree with this, we'd better be very clear of the consequences of approving this mission statement and that the need for sort of a hands-on political governance is frankly quite minimal and should be minimal. Accountability is absolutely important; disclosure, transparency, openness will be fundamental principles. The notion that we can sort of clip a little bit over here and tuck a little over here to make the policy that drives these investments – if you do that, you're bound to find somebody who will invest the money for you, but if they've got to jump through more hoops and barrels about being within the range or out of the range and if the range is so badly configured, most people will charge you an arm and a leg to get there.

MRS. FRITZ: Thank you. Just a question, then, Mr. Chairman, to the minister. On page 4 under constraints, where it had that "foreign investments [would be] limited to 20% of Fund investments," I wondered: what is the limitation now? If there is one, what is it, and why was it set at that rate?

MR. DINNING: Currently it is zero. Allister was reminding me this morning that there may be some sort of – they're nothing in anything but Canadian currencies. There may be a General Motors Acceptance Corporation paper issued in the States but perhaps in Canadian dollars. Now, I only use that as a potential example. They're all domestic investments. With a fund like this, if your objective is maximizing long-term investment return, it has to have some part of its portfolio invested outside of the country.

MRS. FRITZ: Thank you. Just a second question with the future direction, where it had the “transition over 10 years to pursue fully an investment strategy of maximizing long-term return on assets,” and then over as well on page 5, the second bullet, where it had also about “a maximum ten year transition period,” et cetera. I wondered if that could be achievable in less than 10 years.

MR. DINNING: If we have incredibly good luck with oil and gas and interest rates and exchange rates and economic growth, it is possible. Given the cyclical nature of our economy and our economic base, it's possible but not probable.

MRS. FRITZ: Thank you, Mr. Chairman. Thank you, Mr. Minister.

THE CHAIRMAN: Howard Sapers.

MR. SAPERS: Thank you, Mr. Chairman. Gentlemen, a couple of comments to start off my questions with. As my colleague for Edmonton-Manning just said, maybe you should have stayed in for stats 201 as well, because of course there's a difference between randomness and unscreened responses and the inherent fallacy of generalization that follows if you confuse the two. We can pursue that some other time.

The other comment, Mr. Treasurer, gladdened my heart, as I'm sure it would gladden the hearts of all Albertans, to hear you say that health is in fact an investment and not a net consumer of wealth, as was stated in the roundtable books that you and your colleagues distributed for both the budget roundtables and the health roundtables. So it's good to know that government policy on health has changed as of today and is seen as an investment for all Albertans to benefit from.

My questions initially go back to a couple of the recommendations of this committee from last year which you commented on. If you've got the report of the standing committee made available to the Assembly in May of '95, on page 19 I'm looking first of all at recommendation 5, which in part states that this committee should be disbanded and that part of its work should go over to Public Accounts. In your comments you simply say: “Agree.” Now, it seems that as the discussion has developed today, you've changed your mind and that you no longer would simply say that you agree. So I'm wondering if you would take us through your thought process, Mr. Treasurer, as to the difference between your agreement to that resolution in May of '95 and what you're saying today.

4:21

MR. DINNING: Well, when you look at the recommendation that it be “discontinued [insofar as] the review of these accounts be part of the Standing Committee on Public Accounts,” frankly government doesn't have a problem with that. The challenge that we have – and I've tried to be as open as I can on this – is: what is the role of the MLAs, of the elected representatives, be they from Edmonton-

Glenora or Calgary-Lougheed or Calgary-Shaw or Red Deer-South, in ultimately being responsible to Albertans for the fund and accounting for its performance? If we agree with this mission statement – as I said, it's pretty clear and straightforward. Albertans are still going to be saying – and they won't say to you, but they'll say to me: what are you doing with this fund? We're struggling. We're struggling with what the role of the MLA really ought to be.

MR. SAPERS: I appreciate the answer, and just in terms of, you know, the evolution of the discussion about what the role of the Legislature should be, given the governance and stewardship of the heritage trust fund in whatever form it's going to take in the future, I happen to believe that the accountability ultimately will be in this Chamber. You know, let's not talk anymore about what kind of ribbons the committee will wrap themselves with. The ultimate accountability for those decisions will be a political accountability one way or another.

MR. DINNING: I think your constituents and mine would agree that we weren't elected to make day-to-day investment decisions about where it should be invested or in fact even who should do the investing.

MR. SAPERS: Exactly, and that anticipates my second question today. That is the recommendation also on page 19, number 8.

Be it resolved that the Alberta Heritage Savings Trust Fund Investment Committee give consideration to seeking greater input, et cetera, et cetera, as it reads. Again you agreed with that. Now, the heritage savings trust fund investment committee is in fact cabinet, those MLAs that you just acknowledged wouldn't have been elected to office to make those day-to-day investment and management decisions. So I'm wondering if you can tell me since you agreed then and you just reiterated it now: what precisely has happened in the last year to take that day-to-day responsibility away from cabinet and vest it instead in private-sector investment managers, as this recommendation calls for?

MR. DINNING: We agree with the notion that's spelled out there, but because of what has been going on over the last 12 months and really before that getting ready for the review, you turn to a private-sector outside manager on some basic, clear criteria – usually it would be an equity portfolio; it might be a mixed portfolio of equity and fixed-income security – to manage those funds externally. But our commercial investment division, Allister, is in the order of – what is it? Equities at March 31, '95, were 220-odd million dollars. We've not taken that portfolio out to private-sector investment managers. But once this mission statement is approved and you begin with the endowment and the transition of the endowment portfolios and they go like this, then you'll see some of those funds handed to private-sector investment managers with clear criteria, with clear expectations and goals to invest in a certain niche within the market and with the criteria such that we can measure their performance.

Allister is reminding me that upwards of about 20 percent of the pension funds that we invest on behalf of those five pension boards, about 20 percent of those, are invested by private-sector investment managers, and they have clear criteria and objectives. They don't just get to invest in absolutely everything. They can invest in a certain niche within the market, and they know that going in, and they're judged accordingly. So I see that happening now that we now have a clearer idea of where the fund is going.

MR. SAPERS: Okay.

Lastly, I note that in the cash and marketable securities detail in the annual report there is a listing of a number of investments known as bankers' acceptances, totaling \$482 million, and then in the commercial investments division there is a further 40.7 million dollars' worth of these bankers' acceptances, giving us about a half-billion dollars' worth of bankers' acceptances. I'm wondering, Mr. Treasurer, if you could explain to me how these bankers' acceptances end up as detailed listings on the investment side under cash and marketable securities in the commercial investment division and how they ultimately affect the net worth of the heritage savings trust fund.

MR. DINNING: I'm going to rely on my professional colleague here, Mr. McPherson, to give you the answer to that.

MR. McPHERSON: A banker's acceptance is essentially a piece of paper that has a bank guarantee on it. It's for all intents and purposes the same as having a deposit in a bank or having a promissory note from a bank. It's just that an acceptance means it's been stamped and effectively guaranteed. It's a very usual money market instrument that might pay a little bit more than a straight bank piece of paper. It's not an acceptance in the sense of a liability or anything like that. It is an asset in the same sense that a government of Canada treasury bill is an asset.

MR. SAPERS: Can I pursue that?

THE CHAIRMAN: Do you need clarification on that?

MR. SAPERS: Yeah. Thanks. So if I understand that answer correctly, it is like cash.

MR. McPHERSON: It is like cash in the sense, Mr. Chairman, that – say it had a 90-day term on it and the terms would vary. If the managers wanted to, it would be a liquid investment. It could be sold in day 2 or day 30. Typically, we don't do very much of that kind of trading, but they are liquid in that sense, yes.

MR. SAPERS: Thanks.

MR. DOERKSEN: Mr. Chairman, I just have to make a comment. The Treasurer referred just a few minutes ago to the cyclical nature of revenue. He's very right when he says that. But I would hope, just a word of caution, that we would not have to rely on the income from the heritage fund due to the cyclical nature of spending habits.

MR. DINNING: Agreed.

THE CHAIRMAN: Okay.

It appears, then, that the questions have been completed, but if you would just hold on for a couple of minutes more after we're adjourned, we'd like to show our appreciation.

I want to ask first: are there any committee members who want to read any recommendations into the record? Seeing none, I must forewarn you about a possible change to our schedule. Right now we have Tuesday, February 6, both morning and afternoon, designated to deal with recommendations, and my warning is: I'm not sure that some of my colleagues and maybe even as importantly myself are going to be able to stay with that afternoon of the 6th. So if we have to change it, we'll notify your offices in plenty of time and find, then, an alternate date.

4:31

Secondly, regarding that, we've allowed recommendations now up to and including the morning of February 6, but I would encourage, if you already have recommendations made up and typed up, that you get them to Diane for circulation so that people will have perhaps more than just immediate responses. It's been my experience with this committee that if we've had some time to review these things, then the debate seems to be more succinct and to the point rather than sort of knee-jerk reactions on the morning of the discussions.

MR. SAPERS: If we do require a change in the schedule for February 6, could I request that you either canvass members or provide a couple of alternate dates? I think we're all faced with a scheduling crunch as we approach the opening of session.

THE CHAIRMAN: Yes.

MR. SAPERS: Thanks.

THE CHAIRMAN: That is the problem. That's right.
Yvonne, you had your hand up?

MRS. FRITZ: I did, Mr. Chairman. Thank you. Would you please just elaborate a bit more about these recommendations, when you ask for recommendations at the end of the meetings. If we have a recommendation in regard to the presentation that we heard today about the development of a governance model by the committee, through yourself as chairman, back to the Treasurer or whatever, that kind of thing, do you do all of the recommendations, I guess is what I'm asking, at the last meeting?

THE CHAIRMAN: I don't want to get overly technical, but my first gut reaction to your question is that I think you as a member would be free to make that recommendation directly to the Treasurer.

MRS. FRITZ: Okay. Thank you, Mr. Chairman.

THE CHAIRMAN: He's provided us with a piece of information today which we virtually spent a hundred percent of our time on, but our responsibility to the Legislature is to, of course, report on the '94-95 report, and we are provided some licence to report on the activities of the heritage savings trust fund. So if you felt strongly enough that you wanted to have a recommendation come through this committee, we could certainly debate it and then, if we approved it, carry it forward. But I just would warn you that it might not be seen as appropriate for this committee.

MRS. FRITZ: Yeah. I hear you. Thank you. That's why I asked.

THE CHAIRMAN: But we'll be flexible on that. We'll sort that out on February 6 or whatever date we discuss these recommendations.

MRS. FRITZ: Okay.

THE CHAIRMAN: Okay.

Well, then the business is to adjourn. I would like to say to the Provincial Treasurer on behalf of the committee members, just in case this is our last official hearing where we have a minister in front of us, that it's been an enjoyable three times around, I guess, that I've had to serve as the chair. I want to give my appreciation also to both government and opposition members. We've enjoyed a great deal of

co-operation through the three years. I've hardly had to holler at any committee member more than once. So I appreciate that co-operation.

MR. SAPERS: Just me.

THE CHAIRMAN: No. There was a Grant Mitchell before you.

So thank you again, and I guess if we're back next year, we're back, and if not, c'est la vie.

[The committee adjourned at 4:35 p.m.]

