

9:37 a.m.

[Mr. Pham in the chair]

THE CHAIRMAN: Good morning everybody. I would like to call the meeting to order.

First I would like to welcome the new members of the committee: Mr. Glen Clegg; Mr. Ron Hierath, who is not here today; Mr. Rob Lougheed; Mr. Ron Stevens; and Mr. Gene Zwozdesky. I would also like to welcome back members from the former committee: Mr. Victor Doerksen, deputy chairman; Debby Carlson, who is not here today; and Mr. Shiraz Shariff, who is not here. I also see some new faces in the room that I do not recognize, so I would like to go around the table and have those people introduce themselves.

MR. HUSKEN: Maurice Husken, Alberta Treasury.

MRS. NICKERSON: Suzanne Nickerson. I'm with the Auditor General.

MR. BOISSON: Rene Boisson, from the Auditor General.

MR. BHATIA: Robert Bhatia, from Alberta Treasury.

MR. MOFFAT: Greg Moffat, Provincial Treasurer's office.

MR. O'BRIEN: Al O'Brien, Alberta Treasury.

THE CHAIRMAN: And of course the Hon. Stockwell Day, Treasurer of the province.

Now I need a motion to approve the agenda.

MR. DOERKSEN: I so move.

THE CHAIRMAN: Thank you. The motion has been moved by Mr. Victor Doerksen. Approved? Anybody objecting?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Okay. So moved.

Now I would like to call on the Hon. Stockwell Day, Provincial Treasurer, to make the presentation to our committee on the annual report of the Alberta heritage savings trust fund.

MR. DAY: Thank you, Mr. Chairman. I'm pleased to do that. Welcome to everybody, and thank you in advance for the good work and the guidance this committee will be providing not just to MLAs but in fact to Albertans. Listening and being careful to review reports and provide suggestions and guidance is much appreciated. As you know from the work that you've already done and the significant amount of reading and monitoring and study that's involved to stay on top of things – and I congratulate you again ahead of time for the significant work you're doing there – it is no small task. I know that you're up to the task.

You know that the fund is structured in two portfolios now, being the transition portfolio and the endowment portfolio. It's a significant thing to consider that the endowment portfolio is growing at the rate of \$100 million a month, which is about \$3 million a day, I think, if my math is right. If you break that down on an hourly basis, that's a lot of money every hour that's moving over, and it definitely requires the prudent guidance that I know you're able and willing to give to it.

The role that you have is actually laid out in the heritage fund business plan on page 382. I know that you have that material before you also and that you're already fully into the role, but basically approving the general plan for the investment of the fund and the key reports to the public on the fund are the two main areas of responsibility that you're charged with. As well, you monitor the fund's performance in relation to the mission and play a pretty key role in communicating that fund to Albertans.

There is an annual cycle that's followed that I'm sure you are also already somewhat familiar with. In January the committee approved the initial business plan of the fund including those broad investment policies and the benchmarks that we use to measure the fund's performance. You'll find in the future that you'll be considering the heritage fund business plan probably in November or December: a little more lead time there. The actual report, which we're looking to you for approval of and for recommendations today, has to be released by the end of June. I know that you've been reviewing that, and part of your mandate is to approve that report prior to its release.

Every quarter we'll make sure that you're receiving and reviewing the quarterly report on the fund's financial results so there are no surprises along the way and one-year scary items but in fact you'll be able to keep right up on it. Those reports will be released within two months of the quarter end. Then the fall of each year is when you're able to hold public accountability meetings with Albertans. I'm certainly willing to have a discussion on the strategy you might want to use there to get the very good message out about this particular fund.

It's interesting. When you talk to Albertans even today you'll find, as you probably already have, that some don't even know there's a fund there. Some think it's grossly dissipated and not doing anything. People are quite surprised when you tell them that the fund earned over \$900 million last year and that something like \$176 million was kept in the fund for inflation proofing and the rest went to health and education and the general revenue of the province. So there is some good news to be communicated. Also I know that you'll want to hear from the public. You'll want to hear suggestions on the fund and its operations. That will be a key and exciting time for you.

I think at this particular time what I'd like to hear from you on is your sense of the draft of the annual report: how it looks to you. Mr. Chairman, on any other guidance or direction I put myself in your hands at this point.

THE CHAIRMAN: Okay. As in the past, the meeting has been kept in a very informal way. I will keep a list of speakers. We will go through the list until we don't have questions or until the Treasurer has to leave for his 10:30 appointment.

Any other questions?

MR. ZWOZDESKY: Mr. Chairman, just in keeping with that spirit of informality, I don't know if there's any sort of prescribed order here, but I wanted to talk a little bit about some of the administrative expenses. Would this be the time to do that?

THE CHAIRMAN: For the committee, you mean?

MR. ZWOZDESKY: No. Administrative expenses for the fund itself.

THE CHAIRMAN: Yes.

MR. ZWOZDESKY: May I?

MR. DAY: Sure. Go ahead.

MR. ZWOZDESKY: First of all, before we do that, I like this idea of splitting up into two different portfolio funds here: the transition fund and the endowment fund. I think by the year 2000 – is it? – the transition fund will be completely exhausted, and we'll be entirely operating with only an endowment fund. Isn't that one of the objectives?

MR. DAY: It's 2005 actually. The fund will be totally moved over.

MR. ZWOZDESKY: I thought that's what I said.

MR. DAY: I'm sorry; I thought you said 2000.

MR. ZWOZDESKY: No, no. Well, 2005, which is basically where we want it to be, I think. I'm impressed with the rate of growth and everything else.

I'm looking at the administrative expenses for the fund in '96-97, which were approximately \$1.2 million compared to the budget for the same purpose of about a million dollars as contained in the March 31, '97, year-ended statements. I note there that the administrative expenses are projected to increase to about \$1.9 million in '97-98, I think \$2.1 million in '98-99, and \$2.3 million in 1999-2000. That's what's contained in the heritage fund three-year business plan on page 381, the page before the section that you referred to earlier, Stock.

I just want to know: as we talk more about external money managers becoming involved here in relation specifically to the management of the endowment portfolio, how much of the increase in administrative expenditures is accounted for by hiring and retaining these external money managers in relation to that endowment portfolio? Is the bulk of those increases as a result of taking on more external money managers, or would the bulk of those increased expenditures for administration be happening for some other purpose?

MR. DAY: Well, it's mainly, as indicated here, due to the increased volume. There are more diverse asset classes that are involved, and that'll increase your management costs. In terms of minimizing risks and maximizing growth, these things have to happen. That's generally where you're seeing that increase.

MR. ZWOZDESKY: Is it fair to say too, then, that it's more aimed at the foreign equity aspect of the portfolio, do you think? Is that where we're sort of estimating that growth to take place? Do you anticipate that those administrative expenses incurred by the fund will continue to increase as the endowment fund itself grows in asset quality and in asset diversification? Specifically I'm interested in the foreign equities position, because I think in the long haul there is much more money to be made in the foreign equity market, which we're now entitled to move into more aggressively. I'm just curious to know, I guess, if the administrative expenses are expected to continue to grow presumably commensurate with volume?

9:47

MR. DAY: It's not entirely due to growth in the foreign; it's just the increased complexity overall. The foreign rate is going to be capped at 20 percent. It's below that right now, but it's a reflection, really, that increased volume and more diverse asset mix requires more effort in terms of management. So I think I'd be misleading if I were to say that it was because of an increase in foreign investment, due to the fact that that's going to be capped at the 20 percent.

MR. ZWOZDESKY: Just one more supplemental. I'm sure there are others. I don't want to hog their time. I'm interested also in the real

estate investment aspect and what sort of changes we can anticipate there. Is there going to be more administration of the real estate area? There's also potential for a very high rate of return there. I think we're looking at increases of administrative expenses of about 5 percent projected. Am I right in that number?

MR. DAY: Well, as you know, certainly the possibility of return is higher on the real estate end, but the risk is also a lot higher. We've run into difficulties in the past on that. Again, there'll be some intensive – and when I say intensive, I mean very close – management on that particular end. Investment policy requires a great deal of prudence and keeping the overall asset mix fairly low in terms of a percentage.

MR. ZWOZDESKY: Mr. Chairman, I have others, but I'll pass so that someone else can jump in.

MR. DAY: I'm happy to take any questions. If there are a lot of questions on the business plan itself, you know, I'd be willing to do the work on that. The business plan was actually approved in January, and I know that you do want to focus today on the actual report, the annual report. All of these questions are important. I'm not trying to narrow the discussion, Mr. Chairman; I'm just advising that we're here to look at the annual report. If there are things on the business plan that I can address either today or anytime, by all means let me have them.

MR. ZWOZDESKY: I think the report is very well presented, quite frankly. I think it's very well done, very clearly laid out. I'll come back.

THE CHAIRMAN: Victor.

MR. DOERKSEN: Thank you, Mr. Chairman. I have a couple of comments and questions to address. The one thing that isn't in this annual report that has been in other annual reports is the capital projects page. Now, I know capital projects are not part of the assets of the fund.

MR. DAY: I'm sorry; what page again are you referring to?

MR. DOERKSEN: There is no page, because it's not in the report. The money we've spent on capital projects – in our park systems, the heritage scholarship funds, the heritage fund for medical research – was for important things that I don't think we should lose sight of. There's more that we have gained from the heritage fund in the past that is still very valuable to our province and continues to pay returns. This may come more in the communications/strategic part when we go out and talk to people, but there has been a lot of this fund in the past that has been spent on capital projects which are still returning dividends. I'm not sure if we wish to include it in this report or not. It does confuse it sometimes in the eyes of the public, but you know a lot of those investments were and are very good investments. We can't lose sight of that.

MR. DAY: Mr. Chairman, it's a good observation. We may want to look at including a reference to that. I'm glad you mentioned it's been confusing in the past, because the fund in years past has been criticized for including things like parks as part of the financial asset when, in fact: who are you going to sell the park to? So very clearly over the last couple of evaluations, those so-called deemed assets were removed from the hard financial picture. Rightly so. They should be. The fund was unnecessarily criticized.

There's no question that significant dollars – and I think of the Red

Deer park alone, the park and trail system, \$32 million from the fund. Somebody asked one day when that park was being built: where does the money come from? What's the main benefit there? The answer was given: well, it's the health care system. When you think about it, the parks are a significant alleviating factor in our health care system: just the fact that people get out there and use them. So some of these are less tangible financially. They shouldn't be included in the hard financial aspect, but a reference to them might be something valuable, and we may be able to take a look at that.

MR. DOERKSEN: Okay.

Now, turning to a specific accounting question as it relates to the reporting of income that we earn from the fund. If you look on page 4, note 3 of the financial statements, there are two items. One is the endowment portfolio investments of \$1.2 billion. Is everybody on the same page?

MR. DAY: I'm just trying to catch up here. Okay. Under which line now?

MR. DOERKSEN: You look at endowment portfolio investments of \$1.2 billion. Then we have the transition portfolio.

MR. DAY: Okay. Sorry; I'm on a different page 4. Here we go. Okay; go ahead.

MR. DOERKSEN: Note 3, page 4. I'll try it again. You have the endowment portfolio of \$1.2 billion, the transition portfolio at \$9.9 billion, and equity is at \$113 million, for a total value at that cost of \$11.2 billion. If you look at the next column under the fair value and add those up, the fair or market value is actually \$12 billion, so there's an unrealized . . . [interjections] No, I'm on page 4, note 3.

MR. DAY: Okay.

MR. DOERKSEN: Shall I start over?

MR. DAY: No. I'm with you.

MR. DOERKSEN: Anyway, in the comparison of the fair market value to cost, there's an unrealized gain of about \$754 million. So the question really is: at what point do we recognize income in our financial statements? It's not clear from the notes to the statement.

MR. O'BRIEN: They're as realized.

MR. BHATIA: Essentially income is recognized. Capital gains are realized when the asset is sold.

MR. DOERKSEN: Okay.

MR. BHATIA: Otherwise, interest income, for example, is accrued as it is earned. That is described briefly in the body of the report on page 8, where it's mentioned that "the Heritage Fund is accounted for on a cost basis." That's the key distinction that I think you're looking for, that capital gains that are unrealized are not recorded in income until such time as they are realized.

MR. O'BRIEN: Yeah. It's really covered in note 2(a), Suzanne – correct? – the accounting policy, which says, "fixed-income securities, mortgages, equities and real estate . . . are recorded at cost."

MR. DOERKSEN: Yeah, I know. I saw that, but it's not clear at what point in time. So you buy a particular investment at a certain number of dollars; okay? Then the market increases, and now it's worth more. When do you recognize that as income? When you sell it?

MR. O'BRIEN: Yeah. Only when we sell it.

MR. DOERKSEN: That's what they mean when they're talking on the radio about – what's the term they use? – profit taking.

MR. DAY: Mr. Chairman, we could add on page 8 before we get to the section on the transition portfolio – it wouldn't be difficult – some clarification if there are others who think that would be helpful.

9:57

MR. DOERKSEN: Some people might look at this and say: well, you've got costs of \$11.2 billion. Actually it's worth \$12 billion. I mean it's a good news story. It's a nice problem to have.

MR. DAY: It is.

MR. DOERKSEN: So it was more from an accounting that I wanted to actually get on the record as to when we recognize income.

Mr. Chairman, do you want me to continue? I do have some more questions to show you.

THE CHAIRMAN: Yes.

MR. DOERKSEN: Or should we pass it around?

MR. DAY: On that point, Mr. Chairman, we can add a reference there on page 8 if that's agreeable to the committee.

MR. DOERKSEN: Okay.  
Should I carry on?

THE CHAIRMAN: No.

MR. DOERKSEN: Okay. I'll come back.

THE CHAIRMAN: Yeah. We'll put you on the speakers' list again.

MR. DOERKSEN: Thank you.

THE CHAIRMAN: Ron.

MR. STEVENS: Thank you, Mr. Chairman. I have a couple of questions relating to schedule 2 to the financial statements dealing with transition portfolio investments. It would appear that for the most part the investments on this page have both a cost and fair value allocation, but at the bottom the project loans have only a cost allocation. I was wondering if you could indicate why there are no fair value numbers for the project loans.

MR. DAY: Well, they're not reported merely due to the fact that there is no organized financial market for the instruments. It's just not practical within the constraints of time or cost to really estimate the fair values with enough reliability is really where we run into the problem. Just using an example, a full valuation of a loan to a project like Al-Pac could cost in the range of \$150,000. So due to those constraints, you don't see that listed there. Barring that expense, it's difficult to have sufficient reliability to put that there.

You could be accountable for it.

MR. STEVENS: Dealing with the Al-Pac loan, I was wondering whether it's reasonable to carry it at the full amount receivable including all accrued but unpaid interest having regard especially to the recent sale of the Millar Western loan for 10 cents on the dollar.

MR. DAY: Millar Western was its own unique situation, as I painfully remind myself when I look over the contracts related to that. I think it's appropriate. General accounting provisions here seem to indicate that it's appropriate. The project cash flows, which are based on pulp price forecasts by a private-sector economic forecaster – so it's not our wishful thinking – indicate that the project can repay the fund, both the loan principal and the interest, by the maturity date in 2010, so we have that sense of confidence from a private-sector economic forecaster.

On April 23 I asked the Auditor General to review the value of all existing loans and guarantees. His review supports the carrying value of the Al-Pac loan. The Al-Pac joint ventures also have an obligation to maintain the project equity at a minimum of \$200 million. I can tell you that they watch that very carefully. It's monitored.

Again, Millar Western was – I'll just use the word "unique" – a unique situation. There was a restructuring in 1994 that was required to avoid receivership and a full loss. As part of that restructuring the province allowed additional bank debt and preferred shares ahead of the heritage fund loan, which really capped our chances of full potential to recover on that particular one.

So the Al-Pac situation is different. It's in much better shape financially. We feel, in line with what the Auditor General has reviewed and also a private-sector overview, that this is a credible and reliable evaluation.

MR. STEVENS: Mr. Chairman, if I may, one more supplemental on this area.

THE CHAIRMAN: Yes.

MR. STEVENS: There have been some recent reports suggesting that there may be a restructuring of the Ridley Grain loan. Having regard to those recent reports, I was wondering whether or not the cost valuation indicated on this page at \$102 million remains accurate?

MR. DAY: Yes. Again the Auditor General did the review also on the carrying value of the Ridley Grain loan. That was further to my request on April 23. His review also supports that \$102 million. The actual outstanding amount – and this is something which we continue to try and make as public as possible, and there have been others who have been pursuing this particular question on Ridley Grain; it's been of some interest – that's outstanding is \$145 million. That's the offset on the heritage fund books by an allowance for credit losses of approximately \$43 million, resulting in that net carrying value of \$102 million. That consists of the accrued interest. It's not paid yet, but it is accrued; it's being accounted for.

The owners have been making their full payments, as I've indicated, at 11 percent, which I think is a fairly healthy rate of return these days. They're doing that on the outstanding amount of \$145 million, but that allowance is considered prudent here given a lot of different factors regarding future grain throughput at the terminal itself. The rail subsidy changes in 1995, as I've indicated earlier, have also had some effect on that. So we're satisfied on the loan carrying value here, and we believe it's appropriate as does the Auditor General.

THE CHAIRMAN: Thank you.

MR. ZWOZDESKY: I wanted to just follow up briefly on the Al-Pac agreement as it's reported here and just, I guess, come to a better understanding of why it's shown the way that it is shown. I think you provided part of the answer, but I may have missed it. It's with reference to schedule 2 as well, specifically the third page, I guess. We're showing that the accrued interest owing is about \$2.9 million on the Al-Pac agreement.

MR. DAY: I'm on schedule 2 with you, hon. member. From there you're going to where? You're on the notes.

MR. ZWOZDESKY: Yeah. Is it note (d) or somewhere thereabouts?

MR. DAY: Okay.

MR. ZWOZDESKY: In any case, it seems that we're showing this \$2.9 million as an accounts receivable as opposed to not recording it and capitalizing the interest in the same way it was done with Millar Western; right? Is the reason for that because of what you said just a few minutes ago, that you still feel quite confident that it's shown as an accounts receivable because there's every good chance that we will be obviously collecting on it?

MR. DAY: Well, the capitalized portion is up until March. After that it is payable following the March date.

MR. BHATIA: Perhaps I could just add to that. Under the terms of the loan, interest is capitalized up until March 1, I believe it is. Then following March 1 of '97 interest is payable to the extent that there is cash flow from the project. The appropriate accounting is to show the interest payable from March 1 on as an accrued interest receivable as opposed to part of the investment in the project itself. So the split in treatment starts as of March 1, so there's a small amount in '96-97 recorded as interest receivable as opposed to part of the project.

MR. ZWOZDESKY: Yeah. I guess that's sort of the thrust of the question. I think the evidence is fairly conclusive that there is significant cash flow impairment, so why would we be showing this as an account receivable instead of having capitalized the interest? I'm not clear on following the answer; I'm sorry. Since there is cash flow impairment and since the terms and conditions of the agreement as I understand it do spell out how the interest is to be or not to be paid, why would we be showing it specifically as an account receivable at this stage instead of capitalizing it? You're telling me it's because of the trigger date, March 1 of this year. Is that right?

MR. BHATIA: I think there are two questions.

MR. ZWOZDESKY: Okay.

MR. BHATIA: The first, which I thought you were asking, is: where is the appropriate place to show the interest?

MR. ZWOZDESKY: Right. Yes.

MR. BHATIA: I think the answer to that is that with respect to interest that relates to the period up to March 1 of 1997, it's appropriate to show it as an investment in the project. With respect

to interest after that date, it's appropriate to show it in accrued interest receivable. So that's the distinction between the interest that forms the part of the \$371 million that's shown on the books as the investment in the project and the small amount of interest that's included in accrued interest receivable.

10:07

The second question is: is it appropriate to record that interest at all given uncertainty about the future cash flow from the project? We're satisfied that based on the industry price forecast that the minister referred to a few minutes ago, over time in fact the fund will recover the interest that's owing to it. There's no obligation on the part of the project to pay the interest until such time as they have sufficient cash flow. It's on that basis that we're very comfortable saying that there's no default under the loan, because they are in fact not obligated to write us a cheque until they get that project finished.

MR. O'BRIEN: Perhaps Suzanne Nickerson from the Auditor's office could comment as well.

MRS. NICKERSON: I was just going to add on the first question that the difference between the interest up to March 1 and the interest after is that the interest that accrues up to March 1 doesn't become due and payable until the principle is actually due and payable, whereas the interest after that point is payable at the point in time that there is available cash flow. So if two years from now there was cash flow, it would be payable, whereas the interest up until March 1 isn't payable until that loan actually matures.

MR. ZWOZDESKY: Sorry to jump in so quickly, but would that then require us to show it differently in the heritage savings trust fund report?

MRS. NICKERSON: Just as we have.

MR. ZWOZDESKY: So we wouldn't have to change it. The way it appears now would stay that way.

MRS. NICKERSON: So interest from now and moving forward becomes receivable . . .

MR. ZWOZDESKY: Okay.

MRS. NICKERSON: . . . as opposed to adding to the principle of the loan.

MR. ZWOZDESKY: Yes. All right.

THE CHAIRMAN: Thank you, Gene. Do you have more questions?

MR. ZWOZDESKY: Well, I do, but I'm not sure this is the place for them, quite honestly. I'm just interested in the benchmarks that have been set for pulp prices, Stock. Maybe we can discuss that privately at some point or whatever.

MR. DAY: I'd be happy to do that.

MR. ZWOZDESKY: I don't want to take up the whole committee's time here, because I realize we're dealing specifically with the report. Is there a place or a provision within the report where we would give the readers a little deeper understanding, a little more rounded sort of background as to when we might start receiving some moneys back on this apart from just a magic date? I'm referring more specifically to things like benchmarks for pulp prices.

It seems to me that somewhere in here I read something – I don't know if I'm quoting this correctly, but somebody here will know, I'm sure – that suggested that a 1 percent increase in the volume of pricing, or something to that effect, results in a net of about \$30 million profit or at least a \$30 million increase in revenues for, say, Al-Pac or Millar Western or wherever else.

THE CHAIRMAN: I think we have the mandate of the committee that we have to follow. We are on item 3 of the mandate right now. That is that we approve and release the annual report.

MR. ZWOZDESKY: Yes.

THE CHAIRMAN: Your questions, even though they are valid, I think are not within the scope of this committee. Maybe it is better if you contact somebody from Treasury outside the meeting and ask them. I think they would be more than happy to provide you with the answers.

MR. ZWOZDESKY: Yeah. Can I just sort of sum that up? That's what I was sort of referring to, but I'm not sure if somewhere in the report itself in forthcoming editions we shouldn't look at including something to do with benchmark pricing and how it would affect things like the loans shown in the report itself. It may be just a suggestion that has been thought of before, but everybody's concerned with these loans, obviously, and how we are going to maximize our return on them, they are rather inextricably tied to pulp prices. I mean, that's really what it comes down to; right? If the pulp prices shoot up, we're going to recover tremendously well. So maybe we have an obligation to the readers of the report to comment at some point. We don't have to change this report.

THE CHAIRMAN: That depends on the market value of the pulp, though, and it's almost impossible for us to predict. The market value can fluctuate today or tomorrow. Whether to include that in there or not, whether we can predict the future six months from now – I think whether we should do that or not is another question. Whether we can do that or not is another question too.

MR. ZWOZDESKY: Well, it's just a suggestion.

MR. DAY: I agree with the chairman on that. I think it's an interesting discussion, probably not for the purposes of this meeting. The strength of this report as I see it in its draft form is the reliability of the comments and the figures. Once we start talking, as the chairman has already indicated, we get into some pretty speculative items which might be a good discussion for something other than in an annual report like this. I agree with the chairman on it.

THE CHAIRMAN: Thank you.

MR. DOERKSEN: Well, at the risk of incurring your wrath, Mr. Chairman, I hope this question is in order. It has to do with the recent publicity surrounding the Bre-X case. A question that I think many members of the public would ask would be: did the heritage savings trust fund invest in Bre-X, and if they did, what would have been the gains or losses on that investment? The second question, which arises from that: under the current portfolio management guidelines could they have or would they have been permitted to invest in that kind of company? So I just put that out for the public. I think you may wish to comment on that.

MR. DAY: Well, it's interesting. Investments made in Bre-X were for other investment portfolios like the local authorities pension

plan. Bre-X first started being added to these other investment portfolios in early '95. The heritage fund's commercial investment division, which was in existence at the time, actually quite properly was investing in a broad range of Canadian companies that were trading on the TSE. They were doing that roughly in proportion to the TSE 100 index, which is a subset of the TSE 300. Most prudent investment managers of funds across the country in fact look at those proportions.

The division's investment policy actually prevented it from owning bank stocks, companies without an earnings record, and real estate companies. So Bre-X was not purchased originally, since it didn't have an earnings record and there was not an eligible investment. As we move into restructuring, we make note so that everyone can see the breakdown on that asset mix to provide for maximum protection but still allow for growth, which we have to do. The investment policy with respect to investing in the actual equity securities was modified under the endowment portfolio. However, Bre-X was not purchased for the endowment portfolio because at that time more shares of Bre-X were purchased in February '97 for other investment portfolios. So the investment portfolio's overall equity weighting was within the policy range, and no more new equities were required to be added.

I think it's good to keep in mind that the TSE 300 index is something that's used by virtually every prudent group of managers when it comes to fund management.

MR. DOERKSEN: I appreciate the clarification.

I think when we get to the agenda item that talks about communication, we're going to have to be very clear in our communications plan that there is risk in our portfolios. Just by the nature of the investments we're making, particularly in the endowment portfolio, when you're into the equity markets, it does carry a risk with it. We're going to have to be quite clear in our communications about that. I mean, risk in return is well known in the financial community. It's wonderful when you're making money, but when your investments don't turn out, then suddenly you're painted in a different light. So that's an important comment.

One more question if I may, Mr. Chairman?

THE CHAIRMAN: Yes.

MR. DOERKSEN: I wanted to just look at note 7 on page 8. There's no schedule; it's the notes to the financial statement, which is right after the numbers. They're the only ones that have page numbers on them.

THE CHAIRMAN: What page are you on, Vic? I don't have that page.

MR. DOERKSEN: Well, you should have.

MR. DAY: Vic definitely has the advance copy. We know where you are. Ours says page 6, because this is the draft. A number of drafts have been done for your purposes.

MR. DOERKSEN: Sorry.

MR. DAY: It's just emphasizing the fact that we haven't got this printed because we're waiting for you to give us the final word.

MR. DOERKSEN: Okay. Well, I'm looking at net income.

MR. DAY: Right.

MR. DOERKSEN: Okay.

10:17

MR. DAY: For those of you who have another page number, it may be page 6 if you don't find it in the financial statements.

THE CHAIRMAN: It is page 6, note 7.

MR. DOERKSEN: Okay. Yeah, I'm on note 6, page 6. Thank you for that helpful clarification.

The question relates to the transfer of the fund from the transition portfolio to the endowment portfolio. Again, a comment we're going to have to note here – I think the public needs to know – is that as we move from the transition portfolio to the endowment portfolio, the money does not get transferred to the general revenue fund, which means we don't have that money available to spend on program spending. So the Treasurer is in an interesting situation whereby income is reducing over the period of 10 years to the general revenue fund. It just emphasizes the fact that we have to keep our thumbs on spending, as our Treasurer is going to do, I'm convinced.

MR. DAY: I always appreciate that emphasis. Thank you for that note.

MR. DOERKSEN: It does relate back to the question that the way the income gets transferred to the endowment portfolio is: if the province runs a surplus of more than \$500 million, a certain amount is transferred to help inflation proof the account and make it grow. The question I have is: when we do have that situation – and we were fortunate last year to be in that situation – who determines how much we actually then take and put into the endowment? Is there a pre-fixed amount that determines that? Is my question clear?

MR. DAY: I'm getting a reference for it. It's actually from the Act itself. Just hang on a sec. I don't know if you have your copy of the Act, Bill 32, with you, but I refer you to section 11(1)(a).

THE CHAIRMAN: Actually we do have the Act with us.

MR. DAY: Okay.

11(1)(a) the amount equal to the value of the total equity of the Heritage Fund as recorded in the financial statements of the Heritage Fund for March 31 of the fiscal year multiplied . . .

Stay with me on this now.

. . . by the percentage increase, if any, for that fiscal year in the Canadian gross domestic product price index specified by the Provincial Treasurer.

That's the formula that will be used.

MR. DOERKSEN: Okay.

MR. DAY: So we haven't left this to chance.

MR. DOERKSEN: It's a complicated formula. I'm not sure if we need to be very clear on that in the notes to the public, but I just raise that as something to think about.

Thank you, Mr. Chairman.

THE CHAIRMAN: Thank you.

MR. STEVENS: I have a couple of additional questions just to follow up on the schedule 2 reference.

MR. DAY: Mr. Chairman, before I leave that, if it's the will of the

committee, we can take a shot at a note of clarification in the actual report on what Victor has raised. It's a specified amount; it's not left to chance. We can make a note on that in the report if that's the will of the committee.

THE CHAIRMAN: Okay. Great.

MR. STEVENS: I have a couple of additional questions relating to the project loans on schedule 2. Dealing firstly with the Murphy Oil loan, it does not appear that it has been reflected in earlier financial statements. I was wondering if you could please provide the explanation for that.

MR. DAY: Murphy is not a new loan. It's the receivable that was created when Murphy Oil purchased a 5 percent interest in Syncrude from Alberta for \$149.9 million in '93-94. I'm not sure why it wasn't \$150 million. So when they purchased a 5 percent interest in Syncrude from Alberta for \$149 million in '93-94, Murphy Oil at that time paid \$60 million in cash and agreed to pay the balance of \$89.9 million over five years. The balance outstanding as of March 31, '97, is \$55.97 million. That has to be repaid in full by December '98. So in prior years that receivable was included in accrued interest and accounts receivable on the heritage fund balance sheet. In '96-97 that receivable was reclassified as a loan, and that's why it shows up now as a stand-alone item in schedule 2.

MR. STEVENS: I have a question that relates to the Vencap loan of \$10.7 million. It would appear that in the March 31, 1996, financial statement that loan was approximately \$9 million. I was wondering if you could provide an explanation for the increase in the loan amount.

MR. DAY: Yeah. The carrying value of the Vencap loan is the discounted present value of non-interest bearing payments that are due in 2001 and 2046. I know that's a long way off. That discount is amortized to investment income, and then it's added back to book value over the remaining term of the loan. As a result of doing that, the carrying value of the loan will actually equal the amounts when due in 2001 and 2046. That is something I hope I don't have to reference in an easier note. It's somewhat complicated, but it's an accounting provision that has to be made to reflect what has actually happened here.

THE CHAIRMAN: No more questions?

MR. STEVENS: No. That's all for the time being.

THE CHAIRMAN: Okay.  
Debby.

MS CARLSON: Thanks. Good morning, Mr. Minister. My questions are in terms of the foreign equity mix, the 15 percent total cap. I would like to know the guidelines and policies you've established in the Operations Committee, how the external managers are deciding what an appropriate mix of assets is.

MR. DAY: I'll ask Robert to address that. That's actually a business plan issue again, Mr. Chairman. As indicated earlier, hon. member, we're dealing with the annual report, getting your approval for it. We've already noted some questions that have come up, and we'll be adding those to the annual report.

I'm happy to spend as much time as this committee would like, possibly at another meeting, just on the business plan itself, which

was approved in January. But on this one, Robert, can you address that?

MR. BHATIA: Actually, I think maybe Maurice Husken would be in a better position to address that question.

MR. HUSKEN: The external managers have been given a mandate to invest against certain bogies. Therefore they make up their own investment mix, but it's always a hundred percent equities.

MS CARLSON: Okay. Can you tell me something, then, about the forward exchange contracts for '96 and '97?

MR. HUSKEN: Not in detail, no. They have a very limited ability to do some foreign exchange hedging, which they do. I believe it's limited to 10 percent of the total amount of money under their management. It is being used very sparingly.

MS CARLSON: Okay. What would you say that generally they've got out there in hedging?

MR. HUSKEN: Well, the typical hedging they would have would be, say, the German mark against the Canadian dollar, because the home currency for them, of course, and for us is the Canadian dollar.

MS CARLSON: But are you saying that they're not hitting the 10 percent?

MR. HUSKEN: Sometimes, yes. In the past few years they've been active in the Japanese yen. Most of those positions have been closed out again.

MS CARLSON: Okay. If we could further address that if there's another meeting about the business plans, I'd appreciate that.

MR. DAY: Sure, I'd be happy to. I'm at the call of the committee for that type of review.

THE CHAIRMAN: Debby, I think that's the responsibility of the committee. Every year we have a chance to review and approve the business plan of the heritage fund. At that time it would be more appropriate to address these issues.

MS CARLSON: Sure. Thanks. I appreciate the information provided today, though.

THE CHAIRMAN: Okay. Any other questions?

10:27

MR. ZWOZDESKY: Well, most of my questions, I guess, relate to some specifics that are perhaps more of a justification or clarification nature than critiques of the existing annual report right now. So given the chairman's advice on how he's going to handle those in the future, I've prepared myself slightly differently for this first meeting. I'd be prepared to pursue those questions at another time.

THE CHAIRMAN: Thank you.

Any other questions for the Provincial Treasurer? Seeing no further questions, do you want to wrap up, Mr. Treasurer?

MR. DAY: Yes, thanks, Mr. Chairman. Thanks for the good input.

I contemplate, then, that there will be a motion of approval for the annual report with the changes that we've noted. We'll get those

done. I appreciate the input and will look forward to continuing guidance from this committee.

You'll have an interesting challenge on the communications side in the fall, and I know you'll want to talk about that. Strictly as a suggestion, given the newness and the differences that have been made here in the fund, which I think are quite exciting and people will hopefully want to know about, if you are looking at a meeting in Edmonton and a meeting in Calgary and then maybe one in the north and one in the south in a smaller venue, that might be an appropriate way to approach it.

If you're going to have to spend money anyway on a newspaper ad to alert the public to a meeting, that might be a good time to put in just a couple of – you know, we don't have to do it as cheerleaders, but the fund is alive. The fund made some money. That's generally what people want to know. That could even be included in your advertisement for the venue and time of the meeting. Those are just suggestions.

I thank you for your guidance. I am at your call.

THE CHAIRMAN: At this time I will ask for a motion to approve the annual report of the Alberta heritage savings trust fund with the two changes that the Provincial Treasurer mentioned earlier.

MR. DOERKSEN: I so move.

THE CHAIRMAN: Thank you. Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Thank you.

MR. DAY: Thank you, Mr. Chairman. Thank you, members.

Robert Bhatia will be here to assist if any technical items come up.

THE CHAIRMAN: Thank you, Provincial Treasurer, and all your staff too.

Earlier, because the Provincial Treasurer had to attend another meeting at 10:30 and I wanted to make sure the committee had enough time to ask questions, I skipped through item 4, Mandate of the Committee. For the interest of new members, I will read into the record the responsibility of the committee. Firstly, we "review and approve annually the business plan for the Heritage Fund." That is where we can have any questions that are related to the business plan, whether doing these kinds of activities is a good thing or not and, you know, which would be used and so forth.

Secondly, we "receive and review quarterly reports" from the Provincial Treasurer "on the operation and results of the operation of the Heritage Fund" and make them public. Thirdly, we approve and release the annual report on or before June 30, following the conclusion of the fiscal year for which the annual report was made. That was what we just did a few minutes ago with the Provincial Treasurer.

Fourthly, we "review after each fiscal year end" the investment activities and "the performance of the Heritage Fund and report to the Legislature as to whether the mission of the Heritage Fund is being fulfilled." Fifthly, we "hold public meetings with Albertans" on the heritage fund's investment activities and results. Pertaining to item 5, on our agenda we are going to discuss a meeting schedule today as to where we hold the public meetings, the communications plan, the structure for the meetings, the dates and locations to be held, and whether we should have the full committee at those meetings or whether we should form a subcommittee, another committee to do those things. Those are the things we will discuss

later on.

Are there any questions from the members of the committee? Seeing none, then we will move right to item 6 on our agenda.

The public meetings. I have been advised that in the past the number of people who attended these meetings was not very high when we had the committee travel across Alberta to ask people what to include in the heritage savings trust fund. We are going to have probably the same problem when we take this annual report to the public, because as you can appreciate, the information we are provided here is very technical for average folk. Mr. Clegg is kind of smiling right now. I don't know how much of this information they can absorb. That is why we have to come up with a very good communications plan, I think, with the help of members today. I would like to hear from you how we should communicate the annual report to the public so they can understand and can provide meaningful input to our committee. So I'm open for suggestions.

MR. CLEGG: I totally agree with you that the communication has got to be right, because Gene had raised questions there. Forget about whatever we put down on the business plan. What people are interested in in general is: where's the money, first, of this \$12 billion? Then we talk about Al-Pac, and Gene's right on. Does the price of pulp have to go to a thousand dollars a tonne before we get any of the money back? Those are the specific questions that are going to be asked.

You know, this is technical stuff. People from Treasury and accountants, I guess – and I'm certainly not one. I guess that's why I never made any money. The fact is that those are specific questions we're going to be asked if we can get the people out. Where's the heritage trust fund? Well, there's \$12 billion there. Well, where is it? You know, there are going to be specific questions. The questions are going to be: should you be gambling with the heritage trust? You should be guaranteed your money. Those are the kinds of questions we're going to have.

You know, I sat on the MDs and counties board of directors for years. The CEO was very happy; he had \$4 million. We're only talking a few million, but he said: we're getting 19 percent in Northland Bank. I made a motion that we get it out of there. We all know what happened to Northland Bank. So these are the kinds of specific questions. When you're talking about heritage trust fund money, it had better be guaranteed. Those are the kinds of questions: should it be guaranteed, or should a percentage be gambled? Those are the specific questions.

As far as this financial statement we go out there with or business plan or whatever you want to call it, they're not going to understand it. They're going to have specific questions. That's what we've got to be prepared for, questions just like Gene had. That's what they're going to do. We hear on the news every day: oh, when are we going to get that Al-Pac? Well, the price of pulp hasn't been at \$700 for seven years. What makes you think we're going to get the money back? Those are the specific questions we're going to get.

THE CHAIRMAN: Thank you, Mr. Clegg. I don't think we are going to send the annual report to every household in the province, but we are going to send out probably a two- or three-page summary with readable information on it so an average person can understand the performance of the fund, where we are, what we have achieved over the past year, and focus the questions in that area. I think it would depend on when we want to have this public meeting, probably in October or November. Before that, we will have to get together one more time to look at the package that we will send out to Albertans. We'll probably send them out two or three weeks before the meeting time and date so that people have some



information on hand.

10:37

MS CARLSON: Hung, how much detail are you intending to send out in the first mail-out?

THE CHAIRMAN: I would have to ask the Treasury people.

MS CARLSON: Is it going to be like a brochure or a package of information, and who's going to be targeted with that?

MR. BHATIA: The intent is to send, as Mr. Pham said, perhaps a three- or four-page brochure type of document. The first draft that I've seen just briefly summarizes what's in the annual report at clearly a very general level.

MS CARLSON: Okay. So then what detail of information are you expecting to provide at the meeting?

MR. BHATIA: I think that's up to the committee.

MS CARLSON: Okay. So then this three- or four-page brochure will go to households? Is that the intent?

MR. BHATIA: The thinking within Treasury is that rather than send it to all households automatically, it might be made available at government offices or perhaps even at Treasury Branches and places like that to anyone who wanted it or perhaps to answer inquiries that people have. I think the committee needs to think about how that document and others fit into its own plans for communicating with Albertans. We're seeing the brochure-type document as just kind of a basic building block of information for a wide number of Albertans.

MS CARLSON: Enough to tweak their interest to possibly come to the meeting or ask more questions.

MR. BHATIA: Perhaps.

MS CARLSON: Can I continue to comment? I have a few more things.

THE CHAIRMAN: Sure.

MS CARLSON: I think that's an excellent idea. I'm not sure that it's valuable to send it out to households. I think that if it's available on location, that's excellent.

Does the committee have a chance to review that initial document? We may have some suggestions for improvements. You know, I think it wouldn't be a bad idea if we had a chance to look at it at some point. Is that possible?

THE CHAIRMAN: I think that is fair, because that information will be sent out from this committee. So we will have a chance to review it, look at it first before we send them out.

MS CARLSON: Mostly from the perspective of readability, I think.

When we get into the general meetings, I'm hoping that we'll have layers of detail of information so that it's targeted to the kinds of audiences that we might attract: an overview, some general information, then some technical detail – I'm sure at the meetings we'll attract people who will want some degree of information like that – and then the most asked questions and answers. Perhaps this committee in the past is a good base to look at in terms of the kinds

of questions that are generated.

Then I would hope that when it comes to the general meetings, we do a little more than just a general notice. I think there are some target markets who would be specifically interested in the information that we have here. I would think that town and city councils have something to gain by finding out what the government is doing, and I see really leading edge in terms of investments. I'm very supportive of this committee and where it's going. I think chambers of commerce also have an interest, and I think anyone who would have access to the administration of a large investment portfolio would also be a target audience here in addition to the general public. So I would hope that perhaps there's a specific letter of invitation to people like that.

THE CHAIRMAN: Excellent suggestion.

MR. DOERKSEN: As a member of the task force that went across the province, the chairman is absolutely right. We attracted tens of Albertans to our meetings. They were not attended.

What was identified as one of the major requirements of this committee was to let the public know about the heritage savings trust fund. It is a \$12 billion asset, and very few Albertans know anything about it, which really is a shame. I had the chance to speak to a social 30 class on Friday. I was actually exhibit A, because one of the students asked me to be his exhibit to talk about the fund. But it was a good chance to get out some information about the heritage fund because really, for those kids, it's their future that's at stake. So we really have to think carefully about how we communicate this.

Something that we don't know, Robert – and maybe Treasury could help us out with this – is: when we look at the alternatives of the brochure you're talking about, if we were to mail it out to every household, we'd need to know the cost of that so that we can determine whether that kind of cost would be useful and compare that maybe to a cost of full-page ads in all the daily newspapers across the province. That could be an option as well. I think we do need to put the information out there so that the public is aware of the heritage fund and where it's being invested and how it's doing. So I think that before we can make those decisions as a committee, we have to have that information as well. I'm not sure if we've been given a budget to work with, Mr. Chairman.

THE CHAIRMAN: As far as the communications package and the cost of doing advertisements and the cost of printing the brochure, I understand it will come out of the administrative fund of the heritage savings trust fund. That is my understanding.

MR. DOERKSEN: Okay. Well, we're going to have to nail those costs. I mean, we don't want to spend gobs of money on something that doesn't pay any returns.

When we sent out the questionnaire on the task force, we got back I think over 50,000 replies, which as a percentage of the population isn't that great, but when you look at mass mail-outs and the percentage you usually get back, it actually did very, very well. But it was a great way to get the information out there to the public, and I think that is one of the chief mandates of this committee: to make sure the public understands what's there.

Also, in terms of the public meetings, it is a requirement of the Act that we hold public meetings. So we can't not hold them. We do have to hold them.

So I make those comments, Mr. Chairman. I think we do have a job to do. I think we need to look at various options of what the cost might be and the benefit. I think some of Debby's suggestions are right on in terms of targeting some of the particular groups, and as individuals we need to be out speaking about the heritage savings trust fund.

THE CHAIRMAN: Thank you, Victor.

MR. DOERKSEN: So I should be quiet now?

THE CHAIRMAN: No. Thank you for those excellent suggestions.

MR. DOERKSEN: Okay.

THE CHAIRMAN: Gene.

MR. ZWOZDESKY: Thank you. I want to sort of pick up where both Victor and Debby kind of left off. I agree that there's a tremendous amount of educating that we have to do as committee members and as government and so on to clarify I guess, Mr. Chairman, in the public's mind what it is that the heritage savings trust fund is all about. There's always great discrepancy over how much the fund is worth, for example. I get these questions a lot now in the finance critic portfolio that I occupy: what is the debt of the province, what's the gross debt, what's the net debt, how come there's this unfunded pension liability, et cetera? There's just too much confusion out there right now specific to the fund, which some people place as high a value as \$12 billion on and others place as low as \$9 billion or \$8 billion or whatever. So we can do a lot to clarify that.

There are other, less complicated things about the fund that are just, in my perception at least, really misunderstood. We all understand that it's there for a rainy day, but you will remember that over the last few years a lot of people felt that it was raining. They don't understand why. I don't mean that in a partisan way at all. I just think people don't understand what the limitations are of the fund, why can't it be used. The fact is that we do have in the last couple of years now, the last 10 years I think, money flowing into the general revenue fund; right?

We have to understand here that the general public doesn't follow governance on a day-to-day basis, and some people don't even follow it on a year-to-year basis. But generally speaking, there are concerns about how this fund is used, how it can be accessed, how quickly it is or is not liquidatable, where and how can it be used. For example, can it be used to augment health care funding? If that were the case, that money were needed suddenly, can we or can we not tap into the heritage savings trust fund to access some of those dollars?

I mean, the specifics of where and how much is invested is laid out here. If you want to take the time to go through it, it all sort of makes some sense. I would suggest that our two or three pager include just a little bit of an abbreviation of all that and then extended notes should they want it.

10:47

Now I just want to come quickly to your point about what gets people to come out in greater than tens of Albertans. Perhaps we could get it up into the hundreds. I think if we take a look at our own experiences on other boards and committees that we've served on either in a volunteer or a professional capacity, you know and I know that people don't come out unless they have something really exciting to say or there's going to be something to learn or there are exciting people, such as I'm sure are all the members of the committee, to meet. If we put out a question in a questionnaire form and challenged the public a little bit with what it is that they would want done with their heritage savings trust fund, the same way that the government has done those kind of – I forget the name of them now, but the government has over the last few years put out questions to the public on . . .

MR. CLEGG: Clear Choices.

MR. ZWOZDESKY: Clear Choices was one; right.

THE CHAIRMAN: Health restructuring.

MR. ZWOZDESKY: Yeah. Health restructuring.

I mean, what I think we need to do is show the public that we're going out there not just to impart the information but also to receive information. The best way to do that is to ask some specific question. I mean, I do this in my communications with my constituents. I know that if I don't ask them some questions, I'm not going to get as much feedback back in. So we need to do that. We need to put out a challenge, let them know that they're coming to receive information but that we also expect information. That would form the thrust of an ad or a mail-out or a handout or whatever we're going to have.

I also like the idea that Debby has here with regard to targeting specific groups. I think that's a natural way to ask for representation. I would go one step further and suggest that the committee consider even receiving brief submissions from some of those groups – not just groups but also individuals. There are a lot of people that stand to benefit one way or another from this heritage savings trust fund. I think Victor nailed it on the head here when he said high school groups. That's a critical group for us to be working with. We may not be able to, you know, change the opinions of the opinionated already, but I'd like to think that the high school group is fairly open to receiving new opinions and can be educated with regard to what they want done with this fund, because it is there essentially for their purposes.

So I would even challenge the people to come up with some submissions, but it'll never happen until we show some leadership and put some structure around it, Mr. Chairman, in terms of some specific question with regard to the heritage fund. We know that in Alaska or the Yukon – where is that one? Alaska?

AN HON. MEMBER: Alaska.

MR. ZWOZDESKY: Yeah. I learned this morning – I thought they had paid it out, but I guess they're just paying out dividends on it. Well, can we be doing the same thing with ours? That's a good question. Would you like dividends paid out to you, Mr. and Mrs. Taxpayer of Alberta, from the heritage savings trust fund? I think that might get a good bite. There are a lot of people out there calling for that in fact to happen. I'm not sure what I'm going to take us into here with these suggestions, but at least we can talk about them. This is the place to talk about them; right?

MS CARLSON: We don't want to give them too much credit or else we'll never be government, Gene, so be careful.

MR. ZWOZDESKY: Well, I mean, I'll give credit where credit is due, obviously, and I know you will too, Debby.

The fact here is that we have a marvelous opportunity to educate, influence, and shape the direction. As a member of this committee for the first year I will work very hard toward that, and I'm sure others will also. I like the glossary of terms and other things that make it much more readable. There are a number of suggestions that have been made I think by both sides of the House in the last few years, and I'm happy to see those incorporated. That would be another reason to come to the meeting: get your copy of the latest heritage savings trust fund. So we'd need a little marketing, a little communications expertise here, but I'm sure we can increase from tens to hundreds.

Thank you.

THE CHAIRMAN: I hope the Treasury staff that are here today who are working on the information that we will send to the public will take note of all these suggestions.

Mr. Stevens.

MR. STEVENS: Yeah. I was looking through the Act to find out the reference where a public consultation was required, and so far I haven't been able to find it. But I was wondering, for the person who knows where it is, if there's an outline as to what the purpose of public meetings is.

I've listened to what Gene has just said, and in a general sense it makes sense to me, other than the fact that I think the subject of public consultation three years ago was this process of: what do you do with the heritage trust fund? I guess the question I would have is: is it appropriate at this point in time, having regard to the fact that this new legislation is a result of that consultation, to embark on that again? I'm not saying that it isn't; I'm just saying that it is a relatively short period of time between then and now. Perhaps someone like Victor, who was part of that process, would be able to comment.

Just from a communication perspective, I'm one of those people who learns a lot more if I can watch something rather than read it. So I would like to think we would be able to put together something on a screen at the front of the room which distills the points that we're making rather than having it in print form for the purposes of that public meeting, the communication. I think the print form is necessary for people to take something away and it's necessary for people who won't be able to attend the public meetings. But I like to look at graphs and pie charts and all that kind of stuff when somebody is trying to distill things for me.

THE CHAIRMAN: Thank you. In your binder you have the heritage Act. Section 6(4) talks about "the functions of the Standing Committee." That is our committee. Point (e) says that we have to "hold public meetings with Albertans on the investment activities and results of the Heritage Fund." So you are right when you say, you know, that we may not have the mandate to ask questions on how to restructure the fund and so forth, but it's always nice to have the people provide us with that input anyway. As a committee we will keep them for reference, and we may be able to use them. When it comes to the time that we review and approve the business plan, we can pass on that information to the Treasury people to incorporate it in the business plan that we have.

Mr. Doerksen.

MR. DOERKSEN: Thank you, Mr. Chairman. I just want to follow up with what Ron was saying. I think Gene raises some good points in terms of getting some information back. I'm a little leery to do it too soon after the last public review, because we did go through an extensive consultation process. We did restructure the direction of the heritage fund as a result of that input, and to suddenly change a mandate again so soon I'm not sure is the right thing to do. But there's no question that governments of the future are going to have to keep asking the question, because as circumstances change, then it's incumbent upon the government of the day to examine where they are in light of the situation to determine whether in fact this is now a rainy day or whether we should carry on.

Certainly in the comments in the public forums that we had there was a lot of talk about, you know, is it raining now? One of the questions was: do you wish to liquidate the fund now? I think some of us were surprised at the results, where clearly the majority – I think 75 percent – said: keep the fund. So that question really has been answered. I would submit that we're in much better shape even three years from that time to now that that question I don't think can be appropriately asked at this stage. I think certainly down the road

you've got to ask those questions, but for the present I think we need to let the people know how the fund is doing, how we're going about moving it to an endowment portfolio, what that might mean. So we have to get a lot of information out to the public, and I think that's really where we need to focus our efforts.

One quick one that hasn't been mentioned: there should be a home page on the Internet with Alberta heritage trust fund information. Robert, I'm assuming that the communications group out of Treasury can help us with formulating a lot of this, the communications packages.

MR. BHATIA: Yes.

10:57

THE CHAIRMAN: Thank you.

So to sum up, I think our communications plan, as suggested by the members, should include the following things. A general information package about three or four pages long, which will be subject to approval by this committee. There will be advertisements in local newspapers on the location of the meeting, which may include a sales pitch as suggested by the Treasurer and by Gene. We should have letters of invitation sent to target groups as suggested by Debby. We should have a home page on the Internet about our committee and about the fund. I think the information that we are going to prepare to send to the public should also be on that home page at the minimum. The information that we prepare will not be sent to every household but could be made available through government offices.

MR. DOERKSEN: Well, I thought on that one that we should get some cost estimates before we make that decision.

MS CARLSON: I think we'd need to determine a budget.

MR. DOERKSEN: Yeah. If it's only marginally more to do it, then it's probably worthwhile to do it.

THE CHAIRMAN: So I would ask the Treasury staff to work out a cost estimate for that communications plan.

As far as the structure of the meetings, I will ask Victor to provide some advice on how the meeting structure was handled in the past. How many members of the committee need to be present? I certainly do not want to drag out nine MLAs to meet with one or two persons. You know, it would look kind of funny to do it that way. I know that we all have very important things to do. We can take turns going to different meetings and get the flavour of what the public, you know, wants from us.

MR. DOERKSEN: Well, I don't have all the good information on this. I'll make some suggestions. In the larger centres, where a lot of us are located anyway or close to them, it's not that big of a deal for members to get there, and it's not overly costly. Like, if it's in Edmonton and we're here for meetings, it's no big deal if we all show up. There's no extra cost. The only cost comes when you're going outside of the major centres and having to fly everybody down.

Certainly I think we should have a balanced group. If you want to go with three members, two from the government and one from the opposition, that would work. I think it needs to be a balanced political spectrum just to make sure that the public sees this as a committee of the Legislature working in co-operation to get the information out.

I think if we target four main meetings, we can select a certain number of people that should be the official representatives, and if the rest can be there or happen to be close by and can drive there,

they should be welcome.

I think the presentation package should be made available to each of us individually for our own areas so that if we're invited to the local chambers of commerce, we've got something to put out without having to have the whole committee there. I think individually we can do that. I don't know. What are the thoughts on that?

MR. CLEGG: Great. Go to schools and go to chambers of commerce, rotary.

MR. DOERKSEN: Well, at least there's a consistent presentation.

THE CHAIRMAN: Yeah. Any other suggestions?

MR. ZWOZDESKY: I'm sorry. I don't know if I got the last part of that right or not, but in case I didn't because I was thinking about something else, is the suggestion that we might have a two-pronged way of getting the message out there, Mr. Chairman? Is the suggestion that we not only stage our own meetings but that we also invite ourselves to existing meetings? Like, where there's a meeting of a chamber of commerce, maybe we can get onto their agenda for 15, 20 minutes and present, which is another way of informing more Albertans about what the fund is all about. Is that what I heard you say at the end, or did I just make that up because I was thinking about something else?

MR. DOERKSEN: No, that's not bad. I think there has to be the formalized approach which is officially endorsed by this committee. That has to happen. Then as members of your own community, I mean, we're not going to stop you from going out to visit groups anyway, and you should as the member for that area. But I think it would be helpful for all members of the Legislature, not only members of this committee, if we had a standard presentation package that we could all take to the various groups so that we're all saying the same things, trying to be as consistent as possible with the message we're giving out about the fund. I think it'll just help with our entire communication. But I can't tell you where to go or not to go.

THE CHAIRMAN: Yeah, and I think we are doing that as MLAs anyway. What Mr. Doerksen suggests is that the information package that we use in our presentation be made available to all of the MLAs, especially to the members of this committee, so that if we have a chance to speak to a local group in our own constituency and if we want to talk about this subject, at least we sing from the same song sheet. Is that what I'm hearing from you, Victor?

MR. DOERKSEN: Sort of. It's just a communications aid is what it is.

THE CHAIRMAN: Okay.

As far as the structure of the meeting, it will be kind of an informal one. You know, we make a presentation for 10 or 15 minutes, and then the public can have a chance to ask questions. It could last about one or two hours, depending on the number of people there. We would have four meetings: one in Calgary, one in Edmonton, one in the north, and one in the south. The timing of that will be around October. Is there any problem with the October time frame? Yes. We will narrow down particular dates and particular locations after the availability of the meeting places has been investigated. I will ask Diane to look into setting the meetings up at certain locations, and we will report back to the committee on those things. The understanding is that there will be four meetings in the October time frame: one in Calgary, one in Edmonton, one in the

north community, and one south of Calgary.

MS CARLSON: Just a question on that, Hung. In the north really I see that there's also another regional division. You have Fort McMurray on one side and Grande Prairie and the Peace block on the other, and there isn't really good access across. Was there any consideration given to two in the north for that reason? I mean, the geography is just tough.

THE CHAIRMAN: Any objection from the committee regarding having two meetings in the north?

MR. DOERKSEN: The only thing there is that as soon as you start that, then you start getting into, well, central Alberta is excluded, and then suddenly we're at 10, 12, 14 meetings.

MS CARLSON: That was my next question: why were we not doing something in central Alberta?

MR. DOERKSEN: I think we're better off not to go to the same places every year, so we can spread it around that way. So we can stick to four meetings one year, and next year we don't go back to the same places; we go to another location.

MS CARLSON: I see. Okay. That's fine with me.

THE CHAIRMAN: Thank you.

Should the advertisement be restricted only to the place that we go to, or should it be across the province regardless of whether we have a public meeting in that area or not?

MR. DOERKSEN: I think we should decide that once we get the cost estimate.

THE CHAIRMAN: Okay.

The formation of the subcommittee. Right now, if it is held in Edmonton or in Calgary or if it is held close to where we live, then we may choose to attend all of the meetings, but if the meeting place is too far from where we live, then I will suggest the structure of four MLAs: myself, two government MLAs, and one from the opposition. That is the minimum presence of MLAs from this committee. Once we have the dates and locations firmed up, then I will ask the members who would like to attend which meeting, and we'd work it out from there. Okay?

MR. DOERKSEN: Makes sense.

11:07

THE CHAIRMAN: The other type of meeting that we have to decide on is every year we have to meet to review and approve the business plan for the heritage savings trust fund. In the past year we did that in January, but this year hopefully we can do it earlier than that, maybe at the end of November or early December. We will meet probably on one day, you know, for two or three hours to go over the plan and ask questions on those. So we will have one meeting in November or December to review the annual report, and I also would advise the members of that meeting now too. We will firm up the date later on depending on the Treasury people working on that plan and how quickly they can finish it.

Another function of the committee is to review the quarterly reports. I can say that every year we have four quarterly reports. The fourth one will fall into the time frame of the annual report from the committee. So we probably will have to meet three times to review these first, second, and third quarterly reports of the heritage

fund, and the fourth one will be done at the same time as we review the annual report. We have approved the annual report for 1996-97. Every year we will have to meet before June 30, as we meet today, to approve the annual report.

I just want to ask the members of the committee if you have any suggestions as to where we should meet in the north and where we should meet in the south for this year.

MR. CLEGG: Well, obviously I'm from the north. You know, they always say Grande Prairie or Peace River, but I'm going to suggest Fairview or Grimshaw. They're both in my area, but obviously if you go to Grande Prairie, you're right at the edge of the bush, so Fairview, Grimshaw would be one of those areas.

Secondly, I was going to suggest that we don't have the meetings until the first part of November in the north, if that's possible. We usually harvest year-round, but August, September, October is generally harvest. They're still harvesting from last year. I think if we could have it in the first part of November, it would certainly be better for the north, because we are strictly rural. There's just no other.

THE CHAIRMAN: So we may want to do Calgary and Edmonton at the end of October, and then maybe have the north and the south in early November.

Any suggestions for the southern location?

MR. ZWOZDESKY: Do we have a government jet at our disposal or what?

THE CHAIRMAN: In the past the committee did travel by government aircraft, yeah.

MR. ZWOZDESKY: Well, we can go anywhere then. Okay. I didn't realize that.

MR. CLEGG: Well, obviously we haven't got a whole fleet of airplanes, but if we got the date set early and we booked through Stock, then we could do that.

THE CHAIRMAN: There is no suggestion for a southern location, so it's up to you, Diane, to pick a location.

MRS. SHUMYLA: I'll be in trouble if it's the wrong location. I'll talk to the chairman as to what is available.

THE CHAIRMAN: Now for item 7, the 1997-98 budget estimates. In the past we did not include any budget for traveling. This year the budget was approved by the Members' Services Committee on November 26: a total \$39,346. You can see there was nothing at all in the budget for committee members to travel. If we are going to need more money to travel to these public meetings, the money will be taken from the total funding envelope of the committees of the Legislature, and that includes our committee, as you are well aware. I think we will talk to members of the Members' Services Committee from both parties to include more funding for traveling in next year's budget, but this year we should be okay. We should be able to use money from the budget and the committees of the Legislature.

MR. DOERKSEN: Just for clarification. Are the expenses for the communications plan supposed to come out of here or are they supposed to come out of the administration expenses of the fund?

THE CHAIRMAN: From the past discussion that I had with Treasury, I think the communication money, at least the printing portion and the distribution costs of the report, will come from the

administration portion of the fund itself. Whether the cost of doing advertisements in local newspapers will be picked up by Treasury or not, we need to discuss that further with Treasury, but one way or another that cost will be covered.

MR. DOERKSEN: Well, I would suggest, when we're looking at estimates, that the cost of communication that this committee is mandated to do should come out of the administration of the fund. The expenses that are in the estimates really relate to the members' per diems that are claimed as well as their travel expenses to get to those meetings, the ones where we're actually – what do you call these? Public meetings, because *Hansard* is here and takes notes. That's what this budget really covers. I do seek your direction, but that would be how I think it should be handled.

THE CHAIRMAN: I think if that is the wish of the committee, then I will take that to Treasury and discuss it with them. I don't see any problem at all in that division, of sharing the costs. I agree with you on principle. I think that's how the costs would be worked out anyway.

Moving right along to item 8 on our agenda, Other Business, do we have any other from members of the committee? Good.

The date of the next meeting. When will the next quarterly report be available?

MR. BHATIA: It would be for the quarter ended June 30, so likely late July, early August would be the time for a meeting.

THE CHAIRMAN: We will pick one at the end of August. Can it be at that time?

MR. BHATIA: It needs to be released before the end of August.

THE CHAIRMAN: So we would try to pick one as close to the end of August as possible. At that time hopefully we can have the communication package available too, so we can review it at the same time.

MR. BHATIA: Just as a point of clarification, the committee does not need to approve the quarterly reports in the same way that it approves the annual report. So depending on the committee's preference as to whether it wishes to look at the report before it's made public or not, there's some flexibility in the timing of the meeting. But the report must be released by the end of August.

MR. DOERKSEN: I think we should see it before it gets released. Just in case there's anything in there that's suddenly going to cause a disturbance, it would be nice to have discussed it ahead of time rather than if there was some information we didn't know about and then they'd say: "Well, what about your committee? How come they don't know anything?"

## 11:17

THE CHAIRMAN: Yeah. Under our mandate we are expected to receive and review quarterly reports from the Provincial Treasurer. So I think we do need to meet and go through them. I understand, you know, that we are moving gradually from the transition portfolio to the endowment portfolio. The endowment portfolio, by its nature, the investment there is long-term, so we will not be able to see a lot of fluctuation within a quarter anyway. But from the communication point of view we should look at these things before we release them to the public anyway. So we will try to set up another meeting as close to the end of August as possible, and at that meeting not only will we review the quarterly report but we will want to look at the communications package that Treasury has for us.

At this time I would like to thank all the members for attending this meeting. It has been a very good meeting. Traditionally members of this committee have worked in a very nonpartisan manner, and that contributed to the success of the committee. Again, I thank you for your time today.

I also would like to thank all of the staff from Treasury and from the office of the Auditor General for attending our meeting too.

I wanted to thank you, Diane, for putting in the time and effort to help us out. Do you have anything you want to add?

MRS. SHUMYLA: No.

THE CHAIRMAN: Okay. I would entertain a motion for adjournment.

MR. ZWOZDESKY: So moved.

THE CHAIRMAN: Thank you. Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Objections? Carried.

[The committee adjourned at 11:18 a.m.]