

1:30 p.m.

[Mr. Hutton in the chair]

THE CHAIRMAN: Can I call this meeting to order, please, the 2001 first meeting of the Alberta Heritage Savings Trust Fund. Welcome, new committee members, special guests, and minister, to this meeting. I'll introduce the new members to the old members. I'm the chairman of the committee, and I'm Drew Hutton. Butch Fischer is a new member, as are Richard Marz, Mel Knight, and George VanderBurg. The old members are Rob Lougheed, Debby Carlson – she came here last year as Debby Carlson, and now she's Debby Carlson, MBA – and Bill Bonner. Special guests, thanks for coming. I think what we'll do is just go around the room with the folks so that they can introduce themselves from the respective departments. We have the Auditor General here and I believe your department, Greg; right?

MR. MELCHIN: That's correct.

THE CHAIRMAN: Why don't we start with you, Gisele?

MS SIMARD: Gisele Simard. I'm director of investment and debt accounting.

MR. PUGH: Paul Pugh, chief investment officer.

MR. McGHAN: Eric McGhan, Deputy Minister of Revenue.

MR. MELCHIN: Greg Melchin, MLA for Calgary-North West and Minister of Revenue.

MR. BOISSON: Rene Boisson, principal with the office of the Auditor General.

MR. HUG: I'm Jim Hug, Assistant Auditor General.

MS CHANCE: Elaine Chance. I'm with Revenue communications.

MR. SCHAAF: David Schaaf, with the Alberta Liberal caucus.

MR. VINCENT: Gordon Vincent, director of communications, Alberta Revenue.

MRS. SHUMYLA: Diane Shumyla, committee clerk.

THE CHAIRMAN: Thank you, Diane. Thank you all, and welcome all.

You all have an agenda before you. Could I have approval of the agenda?

MR. MARZ: I'll so move.

THE CHAIRMAN: Thank you very much, Richard. All in favour? Opposed? So moved.

We are looking at the third-quarter update. Mr. Minister, if you'd care to make an update.

MR. MELCHIN: We'd be delighted to make an update on it.

THE CHAIRMAN: Thank you very much.

MR. MELCHIN: Actually, before we start, I might ask whether or

not you would like to do this with both of them together, the annual report versus the third quarter. The annual report certainly is the audited statement that will go out. It's the one that will be public and is audited. The third quarter is just an interim step, really, and of course is included. I'm at the wishes of the committee if you want a more detailed examination of the third quarter or if you would like just a broad discussion of both of them. I wasn't certain exactly where you'd like to go first.

THE CHAIRMAN: Mr. Minister, the committee would be comfortable with combining, but we will be moving to approval separately.

MR. MELCHIN: If that's the case, I can shorten my three-hour presentation to about two and a half if we do it that way.

MS CARLSON: No, we want the long version.

MR. FISCHER: That's when you only get 10 minutes.

MR. MELCHIN: I don't know if there are any rules here; are there, Butch?

MR. FISCHER: Well, we'll soon have some.

MR. MELCHIN: A tough committee already.

Actually, it's a privilege to be able to come and speak to the heritage fund, to address both the third quarter and the annual report of the heritage savings trust fund. I'd say it's a good fresh start for all of us to have a chance to look critically at the fund, its mandate, where it has been.

Today's focus certainly is much more on reporting on past performance, be it third quarter or annual return. There's a business plan that will come up in the future that this committee will have to approve, so I think this will provide a tremendous background in looking forward to next year's business plan, to get a good understanding of what has happened, what has transpired in what measures the fund is benchmarked, how it's performing, and how it ought to be performing and going forward. So certainly entertain over a period of time how you would look at the heritage fund, its benchmarks in everything, and how you'd like to see that operate from a policy perspective.

Today a couple of things that I think are really important for us to discuss. Going back to this fund profile, if you will, there is this excellent report on pages 1 and 2 of the annual report entitled Minister of Revenue's Report to Albertans, just an outstanding report for your reading. You might take a look. The page prior to that goes through a background of the fund.

We've gone through a lot of discussions about the history of the heritage fund. We've gone through 25 years of the heritage fund having been in existence, that anniversary in May, just under a month ago. A key milestone came in '95 in a consultation with Albertans as to the future of the heritage fund, which led to a change in legislation in 1997, saying that it ought to be transferred from maybe public works types of projects to maximizing the long-term return for Albertans. That changed the priority from being primarily a fixed-income investment used for purposes of sustaining repayment of the debt and/or a rainy-day or some other fund for the future to splitting into two portfolios inside the heritage savings trust fund itself.

The first portfolio was a transition fund. From day 1 most of the investment of the heritage savings trust fund was a transition portfolio, but its intent and purpose was just that: to transfer from being a fixed income to being more of an endowment fund run

portfolio which would have a blend of equities and fixed income and therefore much higher weighting going towards transferring from fixed income to equities over time. That transition portfolio in only about another year and a half will actually be complete. At this stage about \$300 million per month is being transferred out of the transition portfolio into the endowment portfolio, so it will only take about another year and a half to complete it.

We won't have to talk about two different portfolios. All that will exist, then, will be a heritage savings trust fund which will have a benchmark of weighting in fixed income, short- and long-term. It will have a weighting of equities of both Canadian and foreign content. We'll talk about that mix: how much should be appropriately weighted in each of those types of investments, how much might be Canadian versus foreign content, what are the benchmarks that we might use to gauge its performance over time?

When you think about Albertans, you've got the communication objective. I'd say that at this stage it's probably better to focus on the overall heritage savings trust fund, since it's very short ordered. It really is only one portfolio; it's not this transition and endowment fund. It is literally going to be the heritage savings trust fund that's invested with certain criteria of asset mix. So going forward, we now have that.

If you look at page 9 of the annual report – and I'm going to refer a lot to the annual report in my comments, though we'd certainly entertain comments on the third quarter – it outlines the mix in the endowment fund. This is specifically addressing the endowment portfolio. There are some policy benchmarks, as you can see, at the top of page 9: deposits of 3 percent, fixed income securities of 37 percent, equities at 23 percent, Canadian and foreign at 30 percent, and real estate at 7 percent.

1:40

So there's a weighting benchmark already used for asset allocation in the heritage savings trust fund. These have been based upon the approval by this committee of the past year's business plan. Therefore, the investment strategy of this past year has been to benchmark that mix. This is just the policy benchmark, but there is a minimum to a maximum range within each of those asset classes. Those are important issues to consider as we go forward: the mixed asset class and the range that is allowable.

The other thing that's important when you look further into it – and there are all forms of benchmarks on pages 10, 11, and 12. When you look at it, it gets into the various benchmarks that are being used to measure performance. When you look at performances this past year, we all know that the equity markets have taken quite a beating on the Canadian and U.S. exchanges and throughout the world. We've certainly seen the TSE 300 as well as Standard and Poor's 500 decline in value. We've benchmarked our portfolio to having weightings of equities, and we're trying to outperform those two indices.

As such, the performance of the fund is much to the credit of Paul in some tough times. It's always fun to see when markets go up, but when you've got some hard times and the markets go down, as we've seen in the past year – there's certainly volatility even in this year – there is a view to investing in the long term. The whole purpose of an endowment portfolio is long term, not to look at switching totally out of equities just because the markets have gone down, but that you'd look over a horizon. You can set it, whether it's 10 or 20, but it's a long-term horizon of how to maximize returns only because statistically speaking, equities do provide the greatest opportunity for maximizing long-term yields for Albertans. That's why the shift in the policy of this.

In performance for the annual report you do see that the fair

market value of this fund, \$12.8 billion last year, is down to about \$12.1 billion. So the fund itself has lost a fair value because of the reduction in the equity markets.

MR. FISCHER: Describe "fair."

MR. MELCHIN: I'm not certain how to describe fair. But the fair market value certainly is described as what those securities are trading at on the various exchanges at the time.

MR. FISCHER: So it's what the fair market value is at the time.

MR. MELCHIN: When you compare it to the past year, if you look at page 3 in the annual report, it's got for the year 2000 \$12.853 billion versus \$12.1 billion in fair value. The portfolio, however, is recorded at cost: \$12.256 billion. The returns on the portfolio have been put toward general revenue funds.

Another important criterion to remember is to assess the priorities of repaying the debt. I would say that to ensure that we are looking at Albertans' priorities as we have been in the past, the primary purpose is to repay and eliminate the debt and, as such, maybe to support other activities of program spending but help facilitate the paying down of the debt. But that's a question that this committee will have to entertain in the future as to its investment earnings and retaining some or all of it. In the previous year about \$300 million was retained in the fund. In the prior year \$230 million was retained. In the fund this year there was nothing retained of the earnings. So if there is a fair value question, we're going to have to always consider it in the heritage savings trust fund.

There's also this income question. They're not the same issues. Off of the fixed income there's an interest rate return, so you're going to get a yield on that every year. But on equities you only have income when you actually sell the equities. So if you're not selling equities in one given year, you may not produce income, but your fair values may go up in the portfolio – up or down, and in this year down. So they are two things you'll have to measure: the income yields that are being used and those that have gone to general revenue funds and, secondly, the fair value of the fund itself. My comments to you would be that we do consider the performance and its fair value, that in going forward we do consider the income that it generates, which has gone to the general revenue fund. We should and do consider its asset mix as well as all of the policy considerations of the benchmark criteria that we use.

Specifically in relation to the long-term objectives, when you go to the annual report, on pages 3 and 4 there are three primary goals in the business plan that it's to attain. The first one is more in relation to the transition portfolio, which would disappear in short order, in the next year and a half. Goal 2 is to "make investments in the endowment portfolio to maximize long term financial returns." That assessment has been to provide a greater allocation into equities. Goal 3, which is the challenge of this committee, is then "to improve Albertans' understanding" of the Alberta heritage savings trust fund.

I know there have been meetings held throughout. Those meetings have been poorly attended. Communication of the Alberta heritage savings trust fund is an area which we have to address. I don't think the understanding is very high. I suspect every one of you going around at the doors in the last election have likewise heard: "Does it exist? Wasn't it all lost?" So there are all kinds of comments and misunderstanding as to the real value that this fund has for Albertans. It's a 12.1, 12.2, 12.3 billion dollar fund, and very much a tremendous value for Albertans' futures.

Today I'll turn it back to you for questions with regards to any

specific issues you have. Paul Pugh, an outstanding individual who has worked very hard the last few years in managing this fund as well as a number of other funds, is going to have much more intimate knowledge of very specific detail questions, so I'd like you to feel free to engage Paul or anybody here in any questions.

Thank you.

THE CHAIRMAN: Thank you very much, Mr. Minister.

I've already got a list. If Richard would please start off.

MR. MARZ: Mr. Minister, could you explain the inflation-proofing process? I understand that we were looking at inflation-proofing the fund at some time in the past but that this current year we haven't been. Is that correct? Could you expand on that?

MR. MELCHIN: There is an allowance that this fund could be inflation-proofed. If I were to ask Paul, he might prefer that it be termed, rather than something inflation-proofed, what you're allowed to spend out of the income. The fact is that we've been retaining through most of the years zero of the income in the fund, other than last year we retained \$230 million. This year there was no choice made to actually retain any of the income. Now, I can't assess – I'm too new – or comment on why that decision was made. That policy choice was made actually even before we had the chance to be involved as a new ministry. In the future that's a question that could be asked. All of the money, though, in previous years has gone to the general revenue fund except for last year. There is latitude to assess that we retain some of the income in the fund for inflation-proofing.

MS CARLSON: My question is also a follow-up on the inflation-proofing. We asked the question of the minister at the last meeting in terms of whether or not they're inflation-proofing this year. He stated at that time no and that that was a decision that was made within cabinet or the ministry or whoever made it, but it certainly wasn't a part of the mandate of this committee. I would like to see that become, at least for discussion purposes that are heavily weighted, a part of the mandate of this committee. I think it's very important, given the feedback that we had from Albertans on their wanting to see that the fund is at least sustained if not growing, that at a bare minimum we need to be inflation-proofing this fund. I certainly would support looking towards seeing it grow. Perhaps, Mr. Minister, you can give us a more specific answer as to why it wasn't inflation-proofed in this last year, which really was a banner year for Alberta, where we had more money than you guys could figure out how to spend.

MR. MELCHIN: I won't go into the last comment, but the first part of the comment was about inflation-proofing. I'd say it's a very valid question about what we ought to consider as the future mandate of the heritage savings trust fund. This past year the priority was chosen, though, to put a greater emphasis on debt retirement, so the funds have all gone towards the priority of paying down Alberta's debt, which really, when you ask Albertans, continues to be the highest focal priority point. So we are saving interest expense, maybe not earning investment income, by taking that approach.

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Going forward, I will say that we will also examine that option as a ministry to make sure that we've given that appropriate review in the next year and that we come back with some recommendations to this committee as to some options we might pursue.

I thank you for your feedback on it. I think it's a very valid question that we need to entertain as to the future inflation-proofing of the fund.

MS CARLSON: A little supplemental, if I may.

THE CHAIRMAN: You may.

MS CARLSON: Thank you. Are you stating to us, then, that all of the funds from this fund went directly to debt repayment, that it didn't go just generally into the GRF and be allocated? That would be the indication that you gave with your comments.

MR. MELCHIN: There is no specific taking of these funds from one envelope to the other. It is a general revenue fund question – that's correct – but it does provide additional dollars to the general revenue fund then to meet the allocation of all of its needs, including debt repayment.

MS CARLSON: So then in terms of the criteria for debt repayment do the dollars from this fund get added to the GRF prior to debt repayment decisions being made?

MR. MELCHIN: All of the government's financial statements, as you know, are consolidated, so even if this were left inside the fund, the total overall picture is looked at on a consolidated basis to then assess the priorities, be it debt payment or servicing another program priority or inflation-proofing. So it will be put in the mix of questions.

MR. VANDERBURG: Well, I would like to expand on Debby Carlson's comments. Really I didn't see an opportunity in the agenda to talk about inflation-proofing, but knowing how I handle my own finances – if they don't grow every year, I figure it as a failure – I would like to see the minister set aside an agenda for this topic only. I'm a new member here and I don't know all the past discussions that have happened, but I do see that the net worth of our fund has stayed relatively the same for many years. Personally, I wouldn't accept that in my own management style, and I don't think any of us around the table would. So I'd ask you that we set aside some time for a discussion on this and have your department come back with some options of what inflation-proofing would have done over the past 10 years if that policy would have been in effect.

MR. MELCHIN: I'll be more than happy to see that it's something we can bring back as an item for discussion. I'd be happy to do just that. I would say that the resolution to that being inflation-proofed, though, is also going to get brought back into a consolidated viewpoint of the government's overall priorities. So that'll be part of the mix. It won't be made as a decision in isolation of those.

MR. VANDERBURG: My second point is on the business plan, goal 3, "to improve Albertans' understanding and the transparency" of the fund. That really came clear to me during the campaign: a lot of questions regarding the fund, a lot of impressions still that the fund is involved in owning roads and hospitals and golf courses and you name it. So I guess that partly maybe there has been some poor communication, and I'm glad to see goal 3 in there, "to improve the understanding" of the fund. I'd like to know how we're going to do that and if this committee is involved in it or if that's just the department's job to handle. Quite frankly, I think we need to do some work on that.

In your comments you said that you had meetings and a few

people attended. I'm quite surprised at that, because I'd invite you out to my annual general meetings, and you can talk about it. We'd get more than a few people there; I'll guarantee that.

MR. MELCHIN: No. I'm talking about this committee's meetings.

MR. VANDERBURG: Oh, okay.

MR. MELCHIN: In the past this committee has had public meetings at which attendance has been very poor. Not our department but this committee.

MR. BONNER: The best turnout was in Fort Saskatchewan.

MS CARLSON: Yeah, Fort Saskatchewan was pretty good.

MR. VANDERBURG: So you do have meetings outside of the Carillon Room.

MS CARLSON: We have them. They're our committee's meetings.

MR. MELCHIN: This committee does have a responsibility. I would say that a very good topic for this committee to assess is: do you want to continue the style that has been done, or do want to consider some new ways? One of the mandates of this committee is to inform the public. That is by legislation a requirement of this committee, not just the department but this committee. How do we better inform Albertans?

MR. VANDERBURG: Then, through the chair, I would further make the comment that the people of my constituency would love the opportunity to attend a meeting, because clearly from the questions that came to me, the 5,000 members of my PC membership don't understand what's going on.

MR. MELCHIN: We'll obviously go to his area if he's going to bring out 5,000 people.

THE CHAIRMAN: Yes, it's legislated that the heritage savings trust fund hold public meetings, and they've been held in Edmonton, Calgary, Peace River, and Medicine Hat. As the minister stated, there has been poor attendance, except last year. At Rob's there was a little larger number.

Next question, Bill.

MR. BONNER: Thank you. To the minister. I'm referring to page 3 in the annual report, particularly the total heritage fund income. This is not in this particular copy, but in 1999 \$68 million flowed from the heritage savings trust fund to the general revenue fund. That figure was \$159 million in the year 2000. Yet last year, in the year 2000, \$81.8 million flowed to the heritage savings trust fund from the general revenue fund. Could you give us some explanation as to why this reversal in direction occurred?

MR. MELCHIN: I'm going to have to ask for some clarification. I'm looking at page 3, and I don't see it. I haven't followed the question; I apologize.

MS CARLSON: It's the line above accounts payable on page 3.

MR. BONNER: Right-hand side.

MS CARLSON: Due from or to the general revenue fund of the year in review.

MR. MELCHIN: The two years in review, 2001 and 2000?

MR. BONNER: Right.

MR. MELCHIN: Okay. Start with your first part of that, then, now that I think I know what you're talking about.

MR. BONNER: Okay. The first part is not included. This is from past reports, that \$68 million flowed from the heritage savings trust fund to the general revenue fund. Last year this amount was \$159 million. This year the direction was reversed; it went from the general revenue fund to the heritage savings trust fund.

MR. MELCHIN: I'll have Paul and Gisele comment specific to those.

MS SIMARD: Sure, I can. That is just your receivable or payable to the general revenue fund, and it is basically just based on how the net income goes into the general revenue fund. So really what flowed this year to the general revenue fund – if you look on page 24, you'll see that \$706 million flowed to the general revenue fund. The other account is just an account where the income goes through.

MR. PUGH: It reflects the timing of transfers. Every month the heritage fund transfers money to the general revenue fund. Those are estimated transfers when they're done initially, so at the end of the year, if you will, there's a truing up of what amount is owing back and forth between the heritage fund and the general revenue fund. Last year not enough money was transferred to the general revenue fund, so at the end of the year money had to flow to the general revenue fund. This year during the course of the year too much money had been transferred to the general revenue fund, so the \$81 million had to come back to the heritage fund. So it's a tiny differential between when the receivables and payables go between the two funds.

MR. BONNER: Thank you.

THE CHAIRMAN: Debby.

MS CARLSON: Thanks. Mr. Minister, can you tell us what impact the \$730 million loss in the fair value has had on investment decisions for this upcoming year, particularly with regard to the equity investments and the policy benchmarks?

2:00

MR. MELCHIN: I'd say that with this mandate Paul might want to specifically comment as to what's happened in the interim time, but the policy framework is still in place as to an asset mix. There's been a continual transfer of funds from the transition portfolio to the endowment, and therefore the endowment fund is getting split between equities and fixed income. So you're finding that there's a continual reinvestment in more equities over time as well, even through this period of uncertainty. But in the mix of foreign versus Canadian content, there are always some minor changes in that, trying to beat the various performance indices. I'll have Paul give more specific comment as to what's happened.

MS CARLSON: Okay. If you could touch on risk, too, and also in your answer: are we going to see any reduction in the equity component in the endowment fund?

MR. PUGH: I'll start off my response by saying that we take a long-

term view of the endowment portfolio, which will be in 18 months' time, which will be the heritage fund. With that view in mind, we're continuing to transfer from the transition portfolio to the endowment fund. As the minister said, in the benchmark weightings we still feel that equities over the long term are the best vehicle for the heritage fund and that they will give the best return over the long term. With markets being weak, as they have been, we feel it's opportune to continue to make those transfers to take advantage of lower prices.

It was a very difficult year last year. On a one-year basis we had an absolute return that was negative, but if you look at the performance numbers on page 11, what we try and focus on are the longer term numbers, and the four-year number shows a long-term return of roughly 9 percent. If you go back through history, that's roughly the return, 9 or 10 percent, you would get on equities. I don't think we'll have that large a return going forward for the next little while because markets will be volatile, but it should be substantially above what bonds will be returning over the next period. We're looking at long-term Canadian at around 5.85 percent currently. So we're still, if you will, holding true to the course, looking at equities as a long-term asset vehicle that will give the heritage fund optimal returns for the risk levels.

We think that with markets down here – the TSE is at 8,000 versus where it peaked out at 11,300 – there's much more value in the marketplace now. You know, buy low and sell high, to be sort of blunt, and we think we want to continue with that process.

MS CARLSON: Okay. One supplemental. How much in the foreign equities is in "unhedged" foreign equities?

MR. PUGH: When you say unhedged, do you mean currencywise?

MS CARLSON: Yes.

MR. PUGH: The majority of our equities in the foreign markets are unhedged. We do allow some of our external managers, our EFE or European/far eastern managers, to take opportunistic positions, but by and large our equity positions are unhedged. I hate to say it, but over the last 30 years that's worked to our benefit because of the weakness of the Canadian dollar.

MS CARLSON: Right. Okay.

THE CHAIRMAN: Mel.

MR. KNIGHT: Thank you, Mr. Chairman. Mr. Minister, with respect to inflation-proofing and debt retirement I think that it's a little bit early to be particularly concerned right now with inflation-proofing, because it seems to me that it would be a little bit like having an opportunity to pay down a mortgage that you owe 8 percent on when the option is to put your money in a savings account where you earn 4 percent. It would seem to me like we've done the right thing. I can understand that when the debt retirement process is complete, inflation-proofing and the growth of the heritage trust fund will certainly become a lot more important, and I guess that's imminent.

The other thing that I wanted to ask you about is with respect to the income that's generated and transferred into general revenue. It would seem that as you move toward a larger portion of this money being involved in equities, you could manipulate a number in the end result and have it where you want it by selling equities to put the money into general revenue. The value of the fund can float, and it's just a number.

MR. MELCHIN: That's correct. If you only focused in on one year's income, you'd have the ability, potentially, to sell more of them and produce an income. But what's also very critical to this portfolio – that's why I say, folks, that the fair value of the portfolio over the long term is a stronger indicator than just how much you've sold of the portfolio at any one time.

I don't know if you want to add to that, Paul.

MR. PUGH: Manipulating the income of the portfolio could happen. If you sold your losers, you would have a negative revenue to the province, but if you just sold your winners, you'd have a positive revenue to the province. We take the long-term view on the portfolio: what is the best advantage to selling the stocks that are going to add value to the portfolio? We'll buy those and hold them until we think that the value has been attained. Then we'll sell them, but net on net there should always be positive revenue to the province. Otherwise, we wouldn't be doing our job.

MR. MELCHIN: I would add to that that if you're trying to manipulate it, for one year or maybe even two you might get away with distorting it, but long term you can't. It comes back to haunt you. So you have to look over a period of time and make sure you do have a long-term strategy.

MR. LOUGHEED: Some years ago I believe there were surveys that took place. There's also been, I think, some consideration of retaining the heritage fund versus taking it and paying out the debt. In past years we've looked at how the return from the fund exceeded the cost of the debt. I'm just wondering if you are considering surveying Albertans again or reconsidering it at all in light of the current situation. The difference used to be almost 2 percent, if I'm not mistaken, between the debt and the investment. Now if you look at three years, it's nearer to .1 percent. Have you had any thoughts about that and considered that at all?

MR. MELCHIN: Yes. I would answer that you're right. It was asked in '95, a very extensive survey put to Albertans. It was also partially asked last December, November in It's Your Money, not specifically just on the heritage fund but on a savings type of question. So there was feedback on that response.

On the unexpected resource royalty the number one response from Albertans was to give it back in some form of rebate or tax reduction. The second response, though, to that was to save. Then there were some other options of how you save. So there was a saving component, and still quite a high level, 50-some odd percent, of the respondents said to save some of that when you get these years like this past year. So there's a feeling for savings, but going forward, we're also planning – we happen to co-chair that Future Summit – and plans will yet be announced.

On that whole question of the future and how might savings play into it, maybe specifically the heritage fund could form part of that. I can't say yet. That hasn't been fully determined, whether that's the narrow question, but I would say yes. We need to make sure that we've come past the other time, potentially postdebt. What's the next step for the heritage fund? So whether that's part of the Future Summit or whether that's part of something our department actually engages in, consulting with Albertans, or whether it's also in conjunction with this committee in trying to obtain feedback from Albertans as to what they wish for the mandate for the future of the heritage fund is, as I say, for another time coming at us, a postdebt time, in which to reconsider and make sure that our mandate's clear.

THE CHAIRMAN: Debby.

MS CARLSON: Thanks. Maybe Paul and Gisele remember, but it seems to me that we had asked if we could have a little bit more information about the managers of the funds that was perhaps exclusive to this committee, in terms of numbers of portfolios they were managing and performance-based compensation fees and things like that. We'd still like that.

2:10

MR. PUGH: We can identify to you who some of our external managers are. We do not highlight individual performance-based fees because it can't get out in the public domain. We only have, if I remember correctly, one manager who's on a performance-based fee. But I believe our external managers are highlighted as to what portfolios they manage when we produce some of our reporting. We can probably provide you with that.

MS CARLSON: Okay.

MR. MELCHIN: Were you specifically asking about the external fund managers?

MS CARLSON: Yeah. We know that we can't get real details, but a little more breakdown than what's available would be helpful, and I think we had the okay in the past to get some of that detail.

MR. PUGH: I believe so. We'll check and get back to you on that and try to put a list together of who the managers are, what types of portfolios they manage, and the dollar amounts.

MS CARLSON: Yes. That would be perfect.

MR. MELCHIN: We'll take a look at that and see what is available, and we'd be happy to see that everything that can be available is made available and to put it back through the chair.

THE CHAIRMAN: Thank you.
Bill.

MR. BONNER: Yeah. A question from the first page of the annual report on the fund profile. I'm looking at a quote here. This would be the first complete paragraph on the right-hand side: "An Investment Operations Committee was established to add private sector financial and business oversight of the Fund's investment policies and operation." I was wondering if you could tell us what criteria are used by the Investment Operations Committee to determine whether various heritage fund investments should be outsourced and managed by external managers.

MR. MELCHIN: I'll ask Paul to respond again in specific.

MR. PUGH: The Investment Operations Committee consults with our operation with respect to our products that we manage, and just to step back, all the investments we handle are through pooled products. We make recommendations on the manager's structure of each of those pools, and we discuss those with the Investment Operations Committee. The basic criteria used for hiring external managers is that if we don't have the expertise in-house or we don't think we can develop it sufficiently to do it, we will go outside to manage the assets. We are also impacted from time to time by some of our other clients. With their desires to manage assets, they might have a particular need that we don't have the expertise for, and they would direct us where they might want or we will on their behalf find out where we can find that expertise. It's a consultative

process, and we review with them the performance of the managers that we've hired every quarter when we meet with the Investment Operations Committee.

Thank you.

THE CHAIRMAN: We're down to our last three questions.

Debby, go ahead.

MS CARLSON: In the third-quarter update we used to get a breakdown by three, six, nine months in addition to the current quarter and the previous years. I'm wondering if we can get that detail in the future again, because that was really helpful to us.

MR. PUGH: Is that on the performance numbers here?

MS CARLSON: Yeah.

MR. MELCHIN: Is there a page in particular you're looking at?

MS CARLSON: Yeah. Pages 1, 3, and 4 of the third-quarter update.

MR. MELCHIN: So have all three quarters.

MS CARLSON: Yeah. Just for comparative figures.

My last question is: could we get an update on the Ridley grain terminal?

MR. MELCHIN: I'm just wondering who's the best to answer that. Paul, have you been involved in the valuation? It still exists. It's on the books. It's about \$91 million in the heritage fund. That hasn't changed really from previous years.

MR. PUGH: Maybe I can add to that if I may. They did make a full interest payment this year and a partial payment on the principal. We don't expect the throughputs to be as large they were in 2000-2001, so they'll probably make an interest payment but not the full interest payment. There have been some discussions on selling it, but they haven't come to fruition. I think everything's gone quiet on that front recently.

MR. FISCHER: Mr. Chairman, I'd like to speak on that point.

THE CHAIRMAN: Oh, you may. Sure.

MR. FISCHER: They do pay their interest every year. It's 11 percent; is it?

MR. PUGH: Yes, that's right. But their ability to pay the interest is dependent upon how much grain flows through the terminal, so if they don't get enough grain through the terminal, they don't pay the full interest payment. Last year they did, plus they paid some on the principal.

THE CHAIRMAN: George, last question.

MR. VANDERBURG: Well, just a comment. You know, I had noticed in the report that the management of the fund was \$8.1 million, or .067 percent of the fund's total market value, and I have to commend the staff. When I look at my portfolios, the manager's costs are quite a bit higher. So I'm going to go back to my Clarica company and ask for clarity. I have to commend you. It's a big job. It's a lot of money to manage, and we're cost-effective.

At one time, when I didn't have all these details, I thought: why

the heck do we have this big department; why aren't we outsourcing all this? I can see it's cost effective, so congratulations. It would be nice to get the other side of it up now. I'd like the revenue side to be a little higher.

MR. PUGH: We'll take the compliment. We're not a big department though. We'd like to be bigger. But just to emphasize: we do manage a lot of money for the province, and that scale allows us to get efficient costs out of the operation and management.

I must point out, though, that if you notice, the expenses year over year are rising. They will probably go higher. A fund of this scale should probably – when we're at sort of our maximum equity weighting, because we're using external managers who are more expensive, we would probably be somewhere up around 10 or 12 basis points, possibly as high as 15. But scale does allow us to be very competitive with the marketplace.

THE CHAIRMAN: Go ahead, Bill.

MR. BONNER: Yes. This is for George. I was wondering if his portfolio is in excess of \$12 billion.

MR. VANDERBURG: The only difference between mine and this is just a couple of zeroes.

THE CHAIRMAN: Well, I'd like to thank the minister and Paul, Gisele, and Eric for coming out and making the presentation as well as answering the questions.

Now could I have somebody move that
the Standing Committee on the Alberta Heritage Savings Trust Fund
receive the third-quarter investment report as distributed.

MR. BONNER: So moved.

THE CHAIRMAN: Moved by Bill Bonner. All in favour? Opposed? Carried.

Now on the 2001 draft annual report could I have somebody move that
the Standing Committee on the Alberta Heritage Savings Trust Fund
approve the Alberta savings trust fund 2000 annual report.

MR. VANDERBURG: So moved.

THE CHAIRMAN: George. All in favour? Opposed? Carried.

Now if we could just turn to tab 5 and point 5, the 2001-2002 Standing Committee on the Alberta . . .

MS CARLSON: You're supposed to thank the minister before he leaves.

THE CHAIRMAN: Are you guys leaving?

MR. MELCHIN: Yes. I don't think we're part of the rest of this.

THE CHAIRMAN: Oh, we would have thought you would have stayed for a visit, but okay. Thank you.

MR. VANDERBURG: Why don't they stay?

2:20

MS CARLSON: Because they're not part of the committee and the rest of the agenda is committee stuff.

MR. VANDERBURG: Oh, okay.

THE CHAIRMAN: Okay. I didn't know that. There you go.

I've provided the 2001-2002 budget. This is for information only. This is approved by the Members' Services Committee and is just so that when we get into our discussions on point 6, we can put it in context and have some understanding of what our operational budget and human resource budget are.

Diane, is there anything you'd like to add to that?

MRS. SHUMYLA: I just want to point out that most of the expenses in the budget are for public meetings. We have under advertising \$41,000, and that has been used for newspaper advertising, not just for public meetings but to inform Albertans about the fund. So it could just be a general ad about the heritage fund. The people from Revenue communications will get into this, I guess, but we've also used some of communications' funds and, I believe, Public Affairs Bureau funds for other newspaper advertising. As you can appreciate, when we advertise throughout the province in every weekly newspaper and the daily newspapers, the costs can be quite high. So that is the reason for advertising. Also, things like rentals and hosting have to do with public meetings if we have to rent a public place. Other labour and services could have to do with the printing of documents, brochures.

MR. MARZ: About how many public meetings do you have in a year? Just the one?

THE CHAIRMAN: One is the minimum through the legislation, but there's nothing prohibiting us from having more.

MR. MARZ: Depending on what the issues are?

MS CARLSON: You know, it's part of the legislation that there be at least one public meeting, and we tried to have one in at least two quadrants of the province to see what kind of feedback there would be. I think there have been some years when I've been on the committee when we might have had more than that. But the turnout is just abysmal.

There was great discussion last year about eliminating the public meetings. In fact, it was put through as part of the miscellaneous statutes bill in terms of eliminating the public meetings, which we supported. However, we didn't want it in miscellaneous statutes. We wanted it as a stand-alone bill just so a little bit about the heritage savings trust fund could be discussed, all in a very positive fashion but nevertheless to have a little debate on it. The House leader got a little antsy with that and decided not to do it. So, as a result, last year there had to be a rushed public meeting put together, and just one was held.

I think we still are of the opinion that the public meetings in general have been very unproductive in terms of being cost-effective, and we would like to see some other avenues explored in terms of different kinds of communications strategies, be they a combination of general advertising through the school system, through the Internet, whatever. On a dollar-per-dollar basis and on the human cost side, the public meetings have been generally a huge failure.

It worked pretty good in Fort Saskatchewan last year, but you know, if we're going to do public meetings, then we need to do them in all quadrants of the province, and that becomes quite expensive too.

MR. KNIGHT: Well, I certainly think that you'd get good results out of one in the northwestern part of the province. I don't think you'd have any problem getting public participation certainly in George's area. I think in Grande Prairie you would as well.

MS CARLSON: How many people did we have in Grande Prairie? Including the mayor, we had I think four people.

MR. KNIGHT: I didn't know there was one there.

MS CARLSON: But, you see, they've been quite well advertised in the local papers and so on and so forth at great expense, and still the feedback – I mean, we had a great big room. Well, not a great big room but a room this size: 30 chairs. You know, Diane goes to a tremendous amount of work. There were lots of us there, you know, and we had four people including the mayor show up.

THE CHAIRMAN: Thanks, Deb.

I'm just going to interject now. We're going to move into that on point 6. As far as the budget, that's just to have an indication of how many dollars we do spend and have the ability to spend. Debbie, you're right. We held four meetings two years, and then it went down to one.

So that's why we're going to move to point 6, to talk about the future and to have discussion about this. Just so you know, obviously I've read the previous minutes, having been given the role of chair, and heard those comments and about legislation, how it was structured and where it was going, and I also got at the doors, as did George and some of the committee members that I spoke to, that people don't know about the heritage savings trust fund. So there is obviously a communication concern with Albertans, whether they believe that it exists even, and if it does exist, it's debt-ridden. There's a tremendous amount of misconception.

So I talked to the minister prior to this meeting and asked him if he could bring forward some information with regards to public communication, and in point 6 we'll start with public communication. Gordon Vincent from the Department of Revenue has brought out some background and a presentation, and I'll turn the meeting over to Gordon right now.

MS CARLSON: That was just for information; right? Item 5 was just for information.

THE CHAIRMAN: Do you have a question on 5? Yeah. We're moving on to 6 now. It was just for information. It's strictly an information piece so that you knew what our budget was for this year.

We're on 6 now, and we're moving on to public communication. Before coming to this meeting, I thought that we would look at communication, the public meetings, and also if we are looking at any proposed change in legislation. So I'd like to start with Gordon's presentation, and then we can move down to the other sub-points. I'll turn the meeting over to you, Gordon.

MR. VINCENT: Thank you, Mr. Chairman. A quick little background. As Treasury was reorganized into Finance and Revenue, so were the Public Affairs Bureau secondments to those ministries. So I've now been heading up a communications branch at Alberta Revenue for all of three months. I must say that in that time one of the first priorities of the new minister was to start to bring more attention to the heritage savings trust fund, especially in light of the fact that it was its 25th anniversary on May 19. So, to that end, in the package that you have in front of you, we have a draft – and Elaine Chance has really been the lead on it, because she has the experience of three prior years in the communications branch at Treasury – plan based on the current legislation and the historical perspective.

Having said that, one of the first orders of business for me was to

try to get some sort of sense of where Albertans are on the heritage savings trust fund awareness. I did some polling, an Environics West omnibus poll, which I'd like to table with the chair now with copies to your committee after you've had a chance to review it. It gives some baseline awareness to the state of public perception of the fund, some basic questions like: do you know that it still exists, any sort of dollar amount that registers with you when you think about it. Based on the It's Your Money survey that was responded to starting in December 2000 by some 120,000 Albertans, there is a varied understanding of this particular fund. So that provides some baseline polling for us to start to look at what we need to do to raise that awareness.

Certainly one of the mandates of the new Ministry of Revenue is: how do you explain the heritage savings trust fund and the investment management for the province? So this communications plan is based primarily on the fact that we have some obligations going forward especially with the annual report. We are now, with the approval of this committee, ready to go to print with this report for delivery as per the legislation by the end of the . . . Well, I think it's a 90-day period, actually, post fiscal year-end. So there's a little bit of detail on the background of communications as it relates in the front end of this plan.

2:30

I think the big thing that we need to recognize is that there are opportunities not only for the committee and the legislation but for the ministry, especially as the lead ministry, as Minister Melchin mentioned, as it regards the public consultation in the Future Summit process. There are some opportunities this year that may not have been as obvious in previous years to raise the awareness level of the fund. Certainly it's my intent to be as available and as proactive as this committee would like to help raise the bar of awareness for the fund, especially as we approach a postdebt scenario. So I'll do whatever I can through the avenues presented to me, and it's nice to know that there are a few budget dollars to help accomplish some of that.

Obviously, 88 percent of our population has access to the Internet. From some of the numbers that I know now, a large percentage, almost 41 percent, of Albertans who are looking for information on programs and services as delivered and administered by government go through the Internet. I think there's a great opportunity. So we're certainly willing and hopeful that something as important as this fund will be well communicated going forward.

So if there are any questions or things that you would like to charge us with doing – and this is an information package, more than anything, to stimulate some discussion – please let us know.

THE CHAIRMAN: Butch, have you got a question?

MR. FISCHER: Well, I do. I'm just thinking of how we communicated and what it was previously. Of course, we had things like the municipal recreation/tourism grant that came right out of the heritage trust fund. That put a park in almost every constituency in the province: the Kananaskis park, the Fish Creek park, the rail cars, Ridley. All of those things helped us communicate with people.

MR. VINCENT: Sure; capital projects up until and including 1985, I believe.

MR. FISCHER: Yes. That type of thing helped us communicate. I should have asked the minister this question. How do we talk about Kananaskis now? You've trimmed it out of the heritage trust fund budget. I'm sure there's still a sign on the gate down there that it

was heritage trust fund money and that when it comes time to advertise to the people, they still think it is. I think of it as that way. The whole park is advertised that way. So that was a good communication link at the time.

How do we communicate those now? They're still there. Even with the railroad, you go and look at the railway track and the heritage cars. Maybe you city folks don't look at them so much, but I look at them all the time.

MR. VINCENT: Well, I'll give you a good example, which was recently in Red Deer at Heritage park. The wagon master who was taking small kids on a tour of the 200-acre park that was a product of the heritage fund capital projects was talking about thanking the province for that sort of investment, so it's inherent in the community. You'll see in some of the communications work that was done around the anniversary that we reminded Albertans whenever possible that there was that entity.

It's a good question because we're talking about the historic value of the expenditure while we're moving the fund itself through the transition portfolio into a longer term investment vehicle. So its mandate has changed. Frankly, I'll be candid. A lot of those good things were mitigated by some other investments that maybe were not as well received publicly. So what we're doing at this point is based on the structure of the fund itself.

MR. FISCHER: I understand that, but I do know – and I know it was a sign of the times – that we used to say that the heritage fund had 15 and a half billion dollars, and they included all the capital projects that were there. We had about 12 billion of it that was liquid, and we used to come in with as high as \$1.2 billion revenue.

MR. VINCENT: It's averaged a billion dollars a year in revenue. But you're saying: including the capital expenditure.

MR. FISCHER: Yes.

MR. VINCENT: So the negative investment income, then.

MR. FISCHER: And including also some of those losses that we're talking about. Anyway, that's history.

MR. VINCENT: If the direction of the committee is that the historical value of capital projects is something it feels should be reiterated and recommunicated, we can certainly build that into something that is more tangible, that you can look at.

THE CHAIRMAN: I think Butch raises a good point, and I would ask the committee if you could take this back, Gordon. I see this as part of the communication. This is a 12.2, 12.3, 12.4 billion dollar fund, but there is a legacy component to this that Albertans aren't aware of, or they've got mixed up in their minds what this fund is, that it's all legacy and there's no money or that these things are gone or are still on the books as being a bad debt, if you will. That's what I even heard. I think that is a part of the communication that we have out there, so I would ask that we include the legacy component. Would the committee agree?

MR. VANDERBURG: What are the negatives of that? We had some bad ones. I mean, is that going to bring up that part of it that we want to forget about, or do we want to only remember the good things about it?

THE CHAIRMAN: We want to have selective recall here. It's euphoric recall.

MR. VINCENT: The Jason Van Rassel piece in the *Herald* was really an overview of the fund today and the best that I've found, including some comparisons to the Alaska fund and the Norwegian fund. It has to balance its story. Certainly during my years as a journalist I would definitely do some cherry picking, but I would look at it all in a historical context. I would try to balance it by looking at all investments.

THE CHAIRMAN: It did happen. Put it in historical context. I think that is part of communication. At least to look at it, Gordon.

MR. FISCHER: Just in answer to George's question, we have so many more positive things than negative out of that. I mean, yes, they can dwell on one particular negative.

MR. VANDERBURG: But you know that that's what will be dwelled upon.

MR. FISCHER: I realize that, but I think there's lots of value in the communication of the story.

THE CHAIRMAN: I think it's something that we should look at and then make a decision as a committee if we want to go forward.

MR. FISCHER: Mr. Chairman, I did have another item as well that was part of my question.

THE CHAIRMAN: Keep going then, Butch.

MR. FISCHER: I only want to say that if we're not going to go the route I'm talking about, then we are not spending anywhere near enough money to inform people of what we're doing. It's not even close to enough; it's peanuts. So if we're trying to achieve the objective of informing people, I think we have to put some money towards it.

2:40

MR. VINCENT: It's a very good point. As I've heard often, you get what you pay for. It's very true, you know, in the sense of advertising and promotion. There are a number around the table who've had some experience with that.

Again, built on the historical perspective, as this plan is, there are some limitations and there are some expectations. I think we have some unique opportunities, especially given the widespread public consultation about the future, in which the savings vehicle called the heritage savings trust fund has a large part. There may be some opportunity to raise the bar for the public meeting.

If you want to work this a little bit around this table or rather send us away and let us work the detail out, I'd like to suggest that it become a question on whatever form of workbook and/or written submission, form, survey, or poll that the Future Summit will invite. I mean, the purpose of a public meeting is to inform the public, so if you have a question that you're asking the public to make a submission and voice their opinion on, then there needs to be a contextual piece to inform. So I think maybe in that workbook area, there may be some – and I haven't worked through the details – booklet or brochure that can generate some higher awareness. I think we've done that in the past, where we've had a highlights book or a fact book. Maybe we can build that into that future look.

MR. FISCHER: If I could . . .

THE CHAIRMAN: Just before you do, Butch, Diane's got a comment she'd like to add to Gordon's.

MRS. SHUMYLA: Just to add to your commenting and concern about what we're spending for advertising and that. I believe one year the committee spent over \$100,000 for newspaper advertising. The funds were not only from the committee; they were from Alberta Treasury at that time as well. As the committee you are the master of your own budget. When I put together the budget for this year, I used past precedent as to how much we spent, but if the committee wants to take some other approach with brochures, booklets, newspaper advertising, or whatever, we can build that in. As well, in the past the committee has traveled not just to public meetings but to see where the investments had gone.

MR. FISCHER: Well, I would only make the one suggestion. I know that we were supposed to hold one meeting.

MRS. SHUMYLA: At least one.

MR. FISCHER: At least one meeting. So we're talking about getting four or five people out to it. Even if you got 100 people out to it, you still haven't even touched the population. So I don't think that that is the proper way.

The other thing I'm thinking of is that we've got a 25th anniversary with it this year. What have we done to expose ourselves that way? I thought they could at least take this committee down to Kananaskis golf course and celebrate down there.

THE CHAIRMAN: Thanks, Butch.

MR. BONNER: I'll second that motion.

MR. VINCENT: Well, that might have been before my time, but you're right: there's all sorts of opportunity. I think in the limited time frame after the reorg, we realized the May 19 date, and hence the news release and some media work by our minister was imperative. It was certainly just the tip of the iceberg. But that's hindsight.

If you're going to advertise, you can do a week of radio for \$107,000 and cover the province. That's one week, with a good smattering of regional local stations as well as network, so it's gone pretty quickly. I think something more in perpetuity like a stand-alone web site that invites dialogue, that posts information you can actually market or promote and publicize and that is updated is something. Right off the bat, there are quarterly reports and annual reports and business plans to populate that site, and although it resides now in what was the former Treasury web site, there may be an opportunity to better use those limited dollars that have been identified.

Again, until the legislation changes, there is an obligation to have public meetings. So what does that mean?

THE CHAIRMAN: We're grouping these together. Deb, do you want to make a comment, then Richard make a comment? I'd like to wrap up this side of it. Go ahead.

MS CARLSON: Sure. I think it's very important that the fund be a part of the Future Summit and that there be some background information there and questions put in terms of what the future is, but I certainly don't see that as replacing the need for a public meeting. As I understand it, the Future Summit participants will be there by invitation. The information will be public, but participation is not open to the public. So I think we still have a problem with meeting the mandate of the committee in terms of having a public meeting.

MR. VINCENT: If I may, I don't think those details have been totally . . .

MS CARLSON: What are the chances of inviting all Albertans?

THE CHAIRMAN: If I heard you right, Gordon, being an old marketing guy, you're saying that we're still going to hold a public meeting.

MR. VINCENT: We're bound to.

THE CHAIRMAN: Bound to. And we're just looking at using the look of the Future Summit as something so there'll be more attention paid to it.

MR. VINCENT: That's my suggestion.

THE CHAIRMAN: Yeah, it's a recommendation.

MS CARLSON: Except that it says in here that it could replace the public meeting.

THE CHAIRMAN: Then "replace" I think is the wrong term.

MS CARLSON: I agree with what he's saying.

MR. VINCENT: I'm looking for more leverage for that meeting than we have now. In Fort Saskatchewan there were 30 last year. That was with a lot of hard work, I think, at the tail end of it. I think if there is a venue that's taking place to look forward, then why wouldn't we try to dovetail it somehow, some way?

THE CHAIRMAN: I think it's semantics. That's a fair comment on that, Deb.

MS CARLSON: But replace is not possible.

THE CHAIRMAN: No, replace is not. We are talking about a public meeting that would dovetail into this.

MR. MARZ: I like the concept of the public meeting in that it tells people you're open and accountable and you're willing to face them, but even getting 35 out in Fort Saskatchewan is far from a success. If we can't improve upon that, I think we've got to look at other ways to get information to and receive information back from the public. I would agree that the web site is a good way, maybe the best way, maybe the most cost-effective way, because you can receive information back from that.

I'd like to see us advertise through that web site the good things we do like medical research, the scholarships that we give out. Of course that gives us all an opportunity to advertise every year in schools, and that's probably, without the capital projects, the most mentioned that the heritage savings trust fund is anymore, through the scholarships. We each talk to a hundred and some people at graduation or awards nights. People will ask you questions afterwards about the heritage fund: how much is in that?

But I think we've got to do more than that on an ongoing basis or have that information accessible. People are becoming more aware of the Internet. I think Alberta has per capita the highest Internet use in the country. It is a venue that's available through libraries to everyone. I'd like to see the annual meeting become legislatively optional, that we not be made to have one if you're just going to spend money to have one and nobody's going to show up.

MR. VINCENT: Sure. I agree with you a hundred percent. I would suggest that probably the best bang for your buck now would be a virtual meeting that actually has reach into every broadband-

connected desktop in the province, but it's a far cry from the budget that's been allocated so far. However, not only is there the delivery of that virtual meeting, which would be forward thinking and proactive, but then there's the marketing and promotion of it. A lot can be done with media assistance through public service announcements and the like, but there still are some hard costs. I mean, I'd love to tackle it. It would be a great opportunity to do something that includes all corners of the province, but there are costs.

2:50

THE CHAIRMAN: Yeah. We've asked for an opinion with regards to virtual meetings. We still would have to hold a public meeting, so that would be in addition to this feature.

MR. VINCENT: It would not . . .

THE CHAIRMAN: It doesn't fall into the bracket.

MR. VINCENT: No. We're talking eyeball to eyeball then.

THE CHAIRMAN: Yeah. A public meeting is a public meeting, and a virtual meeting is a virtual meeting. It's not something we could look at.

MR. LOUGHEED: Just to maybe comment a little on last year's attempt, when we went into this discussion and then we decided where the meetings would be, I volunteered the Fort Saskatchewan site. I think there were benefits in that it was a smaller locale. The thing says here that we had one news conference. I actually had another one in Sherwood Park that same day where I had somebody come up – the local media was really good in that there was a lot of coverage, and people did have information about the heritage fund in that format, which is quite popular in my community and in a lot of other communities around that use those weekly newspapers.

It's hard to measure. Sure, there were only 30 people, although that was twice as many as Edmonton, and stuff like that, but I think there were benefits in that people did have that information, and it was a little bit there and it wasn't splashed for a while. Whether we would go in and see any difference if we were to poll there today about the heritage fund, I don't know, but I don't know what more could have been done than was done for that particular meeting to bring people out. Maybe we can't measure it just by the attendance at the meeting but by some of those other incidental ways that people get this information that may be obtained.

THE CHAIRMAN: Thanks, Rob.
Butch?

MR. FISCHER: Because of the change in our fund now, where it's strictly dollars, and people can put it in the back of their mind and don't really need to care about it so much, I think that we need some kind of a promotional thing, not an ad in the paper but something. That whole heritage thing, for all the years it's been in, has really been a super happy story for this whole province, the best thing that could ever have happened to us as people in the province. I think we should be spending some dollars on trying to get that message through to people. I don't know. Maybe we need to talk about how it goes out to everybody, every constituency, or something along that line. I'm not sure. I just know that when you've got a savings account, you put it away back somewhere and you don't really pay much attention to it. Then every once in a while you need to have something to trigger people to feel that they've got something here of some value.

MR. VINCENT: Well, there are all sorts of opportunities and vehicles to do that. We could do it through the school system. We could do it through a CD-ROM that's distributed. We could bring some video streams to life to take a retrospective look at some of the capital projects that live on today. Yeah, it's been 25 years.

Albertans said in 1997: keep the fund; grow it; maximize return; minimize risk. But at the same time, Albertans also said: lower taxes and spend more on priority areas. So the concept of doing it all needs to be integrated. At the same time, let's look at the successes and the legacy of it too. Again, we're open. Give us some parameters.

MR. FISCHER: I like the idea of the schools and having them . . .

MR. KNIGHT: I was just thinking . . . Sorry, Butch. I was thinking the same thing there. Debby had mentioned the school system earlier, and I thought of Butch's idea. Every school produces a report card, and on the back of the report card you could put the news about the heritage trust fund. It would disseminate through the province. Every parent looks at their child's report card, and it may be a way to bring it forward. I don't know if the cost of doing something like that might be prohibitive. I have no idea.

MR. LOUGHEED: I used to produce report cards, and I don't read them either.

THE CHAIRMAN: Thank you for the comment from the teacher.

If I may, I'm going to move backwards on this point 6. What I've heard here is that we want to keep the public meeting. Agreed?

MR. LOUGHEED: We don't have a choice.

THE CHAIRMAN: But, I mean, let's start with (c). Do we want to look at legislation today and open that again and bring it forward as an amendment, or do we want to keep the public meeting?

AN HON. MEMBER: Keep it.

THE CHAIRMAN: There you go. All agreed? Then I'd like to move to (a). From what Gordon has said in the comments here, we're sitting with the opportunity that this was the 25th anniversary. Although it was May 15, it's still in this year, and I think that it would be sad to lose the anniversary.

Diane, if I heard you right, there's an opportunity to expand the dollars or to be looking at expanding our promotional dollars.

MRS. SHUMYLA: For advertising, yes.

THE CHAIRMAN: For advertising. Define advertising.

Also, Gordon, you've talked about a web site. If the committee agrees and we meet again before a public meeting, can you bring something more concrete back as far as a communication plan and have some numbers put with it? Would that be fair ball to the other members?

MS CARLSON: I'd like to see a comprehensive communications plan if we're talking about integrating the school system, a web site, how you tie it into the Future Summit.

THE CHAIRMAN: These are all ideas.

MS CARLSON: I think they're all great ideas.

THE CHAIRMAN: I think they're all great ideas as well.

MR. VINCENT: I can certainly give you a shopping list and costs associated with some vehicles that have been successful.

THE CHAIRMAN: "Vehicles" is a good term. Could we have a Cadillac, a Chevy, and a Volkswagen?

MR. VINCENT: We'll work together to do that quickly.

MR. MARZ: I don't want to belabour the point, Mr. Chairman, but just backing up. There was such silence when you asked for a vote on the annual meeting that it caused me to think that maybe everybody isn't content with the continuation of that. I know we have to have one this year. It's probably a good thing to use it as the 25th anniversary to get a bigger attendance, but I think it's something we should be looking at down the road to see whether this is an effective tool. If not, make it an optional thing at the discretion of the board rather than a mandatory thing. When we feel there is an opportunity and enthusiasm, we could have two or three a year, but we wouldn't be bound to have one if there's a better way to communicate.

THE CHAIRMAN: Okay. First, then, what I'd like to do is have somebody move that
we have a public meeting in the fall.

MR. LOUGHEED: So moved.

THE CHAIRMAN: All in favour? Opposed? Carried. So we're going to have a meeting this fall.

Now, the way I see this – and I agree with you, Richard – I put into the category of communication a public meeting or a public forum. I mean, I like the transparency, and I like that this is open and that the public has an ability to see all of this. I look at the virtual meeting or the web site as being another tool, but that would require a legislation change. Is that something we would want to look at as a group? I ask the question.

MR. VINCENT: If I might, the optics of a public meeting with 30 people at it are that no one cares. I don't believe that that's the case. I think that there is a legislative requirement that there is a public meeting held. There is no preclusion to that meeting being web cast or to that meeting not only being held face-to-face but also inviting media from around the province to cover it or cover portions of it. I think it's the delivery. How big do you want to go with a public meeting? What is the mandate? What do you want to accomplish by this? To say that we are open and transparent or to communicate with as many Albertans as possible?

MS CARLSON: Both.

MR. VINCENT: Then you need to spend some money.

MS CARLSON: I don't disagree.

MR. VINCENT: Why don't we work on that vehicle to get the biggest bang for the buck?

THE CHAIRMAN: I think what we're looking for is the biggest bang for the buck and to touch as many Albertans as possible.

MR. VINCENT: Don't be disappointed if it's not. I mean, when you look at the greatest public meeting in provincial history over the past I don't know how many years and how many years going forward, it will be the Future Summit. The mandate is to have dialogue with every Albertan who wishes to contribute.

3:00

MRS. SHUMYLA: I have a question. Do we know what time of year the Future Summit is? Can we plan for it?

MR. VINCENT: Yes. It'll start with public submissions in September and roll through February. That's possible.

MRS. SHUMYLA: I'm just wondering what the timing would be for the public meetings.

MR. VINCENT: The process will be announced in the fall, so it would be something that you could dovetail with. I don't mean to diminish the public meeting, which is the heritage fund, but there's an opportunity to lever it with the Future Summit.

MS CARLSON: Good.

THE CHAIRMAN: But we would need another meeting before we go to the public meeting. How long would it take you to pull this package together, do you think?

MR. VINCENT: I'd like to see what the Future Summit folks are . . .

THE CHAIRMAN: Yeah. Okay. So at the discretion of the chair, once I have some information from Gordon, I'll call a meeting.

As far as legislation, I'm going to step back from that for a minute. Do we want to revisit legislation?

MS CARLSON: I think not at this stage. Let's see how this rolls out and make a decision next year.

MR. FISCHER: Surely we don't have to change the legislation in order to use more advertising.

THE CHAIRMAN: No, no. This is strictly with regards to the public meetings, Butch.

MS CARLSON: If you wanted to get rid of it or say that it's optional, then we have to have legislative change.

THE CHAIRMAN: Did you move that, Deb?

MS CARLSON: Yes.

THE CHAIRMAN: So moved. All agreed?

MR. LOUGHEED: What's the motion?

THE CHAIRMAN: The motion is that
at the present time we are not looking at changing the legislation
until we see how this rolls out.

Agreed? All opposed? Carried.

So, Gordon, if you could get that information to me, I will call a meeting and include you of course.

Is there anything else we need to do, Diane?

MRS. SHUMYLA: I think that's it. I think that covers everything on the agenda.

THE CHAIRMAN: I will get a copy to you all of Gordon's submission here, and I thank you all for your time. If anybody needs any help filling in these forms, come and see Diane and me after.

[The committee adjourned at 3:03 p.m.]