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THE ALBERTA HERITAGE FUND IN 1994

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THE HERITAGE FUND ANNUAL REPORT

This is the fifth in a series of financial analyses of the Alberta Heritage Savings Trust Fund (Fund) published by the Western Centre for Economic Research. The province is now weighing the termination of the Fund, and in this policy discussion it will be important to have a practical assessment of the Fund's market value. That assessment, as of March 31, 1994, is the main theme of this paper.

Since the province made major changes in its accounting policy in 1993, the disagreement between this analysis and the Public Accounts is quite small. This analysis disagrees with the Fund statement primarily because values claimed on the Fund statement cannot be found on the province's official balance sheet "Consolidated Statement of Assets, Liabilities and Net Debt" (CS balance sheet; Alberta Public Accounts 1993-94, Volume 1), even though the CS balance sheet embraces all financial assets owned by the province.

The first major problem in the Fund's statement is a claim that the Fund is owed large sums by the Provincial government. These "loans" are only nominal, and have already been subtracted when the province presents its total "unmatured debt" to the public in the CS balance sheet. Other loans held by the Fund could be collected and used to reduce the provincial debt, but not Alberta government promises-to-pay. Therefore, this analysis excludes over \$2.1 billion in Alberta government loans from the Fund's financial assets.

The second major issue is that the Fund statement lists loans to Alberta crown corporations at face value. Three of these corporations have long histories of losing money and do not, on their own financial statements, claim that they have financial assets equal to the amount they owe the Fund. The Fund statement bases its use of face value on the fact that crown corporation loans are guaranteed

by the provincial government. Such a guarantee is obviously without meaning when the creditor of the crown corporations is the government's own Fund. This analysis values the financial assets that are available to support the crown corporation loans, and ignores the government guarantees. In the process of

valuing crown corporations without Alberta government guarantees, another \$1.3 billion is removed from Fund statement asset values. This is consistent with the Public Accounts; guarantees to Alberta crown corporations are not on the comprehensive list of "guarantees and indemnities," Volume 2, p. 266.

HIGHLIGHTS OF THIS FINANCIAL ANALYSIS

The Fund statement of \$11.9 billion in equity (assets net of minor liabilities) is adjusted in this analysis to \$8.5 billion. (Table 1.) The Fund Statement rate-of-return on investment is 10.7%. Rate-of-return calculated in this paper is almost the same before correcting for inflation, 10.3%, and 9.7% with inflation compensation. (Table 3.)

The amount of Fund assets is about the same as last year, but there has been a significant shift toward liquid assets (Table 2).

About half the Fund's portfolio is now in short-term investments.

Fund assets are now dwarfed by Alberta provincial debt, even though the growth of the debt has been slowed. The Fund's \$8.5 billion compares with unmatured debt of \$22.1 billion. (Table 4.) Fund assets are effectively serving as the Province's liquid reserves; about 85% of the government's holdings of cash and marketable securities are identified with the Fund.

PROVINCE OF ALBERTA OBLIGATIONS

The Fund Statement lists among its assets nearly \$2.3 billion in Province of Alberta obligations. When the government "borrows" from the Fund, cash is removed from the Fund and spent. Since the accompanying promise to pay is only nominal, it is simpler and more realistic to simply treat these "loans" as withdrawals. That is what this analysis does

when it expunges the Alberta government's own promises to pay from the holdings of the government-owned Fund. (In the simplest possible terms, replacing a dollar you have removed from your personal piggy-bank with your own one-dollar IOU does not alter the fact that there is a dollar less in your piggy-bank.)

THE FUND'S MAINSTREAM INVESTMENTS

The Fund holdings of liquid assets and marketable securities, which are described here as mainstream investments, are securities, deposits and other high-quality claims commonly held by financial institutions and private investors. These assets can be easily converted into cash with little or no delay.

CASH, MARKETABLE SECURITIES AND ACCOUNTS RECEIVABLE

The Fund's \$3.946 billion of Government of Canada obligations, bank deposits and other cash-like assets, comprise a pool of quickly

accessible wealth. Their valuation is uncontroversial.

Accrued interest occurs because interest is earned continuously but only collected periodically. Its valuation on the Fund statement is also accepted in the analysis, except that estimated accrued interest on Province of Alberta obligations is deleted.

PORTFOLIO INVESTMENTS

Fund assets include investments in stocks and bonds. The largest item is the bonds of the Atlantic provinces and Quebec Hydro that

Table 1: Alberta Heritage Fund Valuation
March 31, 1994 (millions of dollars)

	Market estimate	Fund report	<i>Difference</i>
MARKETABLE SECURITIES AND LIQUID ASSETS			
Cash and marketable securities			
Government of Canada obligations	1,248	1,248	0
Other liquid assets and deposits	2,698	2,698	0
Sum, cash and marketable securities	<u>3,946</u>	<u>3,946</u>	
Accounts receivable: accrued interest (Note 1)	<u>442</u>	<u>507</u>	-65
Portfolio investments			
Bonds of other provinces (Canada Division)	1,201	1,069	132
Share portfolio of Commercial Investment Division	446	232	214
TransCanada PipeLines Ltd. subordinated debentures	166	150	16
NOVA common and convertible debentures	142	175	-33
Sum, portfolio investments	<u>1,955</u>	<u>1,625</u>	
 TOTAL MARKETABLE SECURITIES AND LIQUID ASSETS	 6,342	 6,078	
 MORTGAGES, VENTURE LOANS AND OTHER ITEMS (Note 2)			
Loans and advances			
Alberta Municipal Financing Corporation	167	140	27
Alberta Mortgage and Housing Corporation	268	1,367	-1,099
Alberta Agricultural Development Corporation	681	949	-268
Alberta Opportunity Company	88	106	-18
Sum, loans and advances	<u>1,204</u>	<u>2,562</u>	
Long-term Investments			
Direct loans (Ridley, Millar, Vencap, ALPAC) (Note 3)	554	554	0
Syncrude Project participation	341	341	0
Lloydminster upgrader	56	56	0
Canadian Western Bank	1	1	0
Sum, long-term investments	<u>951</u>	<u>951</u>	
Inventories held for resale: real estate	<u>20</u>	<u>0</u>	20
 TOTAL MORTGAGES, VENTURE LOANS AND OTHER ITEMS	 2,175	 3,513	
 Province of Alberta obligations	 <u>0</u>	 <u>2,283</u>	-2,283
 FUND NET ASSETS (EQUITY)	 8,518	 11,874	-3,356

Table 2: Alberta Heritage Fund Change
March 31, 1993 to March 31, 1994 (millions of dollars; no inflation adjustment)

	1994 Market value	1993 Market value	<i>Change from 1993</i>
MARKETABLE SECURITIES AND LIQUID ASSETS			
Cash and marketable securities			
Government of Canada obligations	1,248	1,248	0
Other liquid assets and deposits	2,698	2,698	0
	<u>3,946</u>	<u>3,946</u>	0
Accounts receivable: accrued interest	<u>442</u>	<u>442</u>	0
Portfolio investments			
Bonds of other provinces (Canada Division)	1,201	1,201	0
Share portfolio of Commercial Investment Division	446	446	0
TransCanada PipeLines Ltd. subordinated debentures	166	166	0
NOVA common and convertible debentures	142	142	0
	<u>1,955</u>	<u>1,955</u>	0
TOTAL MARKETABLE SECURITIES AND LIQUID ASSETS	<u>6,342</u>	<u>6,342</u>	0
MORTGAGES, VENTURE LOANS AND OTHER ITEMS (Note 2)			
Loans and advances			
Alberta Municipal Financing Corporation	167	167	0
Alberta Mortgage and Housing Corporation	268	268	0
Alberta Agricultural Development Corporation	681	681	0
Alberta Opportunity Company	88	88	0
	<u>1,204</u>	<u>1,204</u>	0
Long-term Investments			
Direct loans (Ridley, Millar, Vencap, ALPAC)	554	554	0
Syncrude Project participation	341	341	0
Lloydminster upgrader	56	56	0
Canadian Western Bank	1	1	0
Alberta Energy Company common shares	0	0	0
	<u>952</u>	<u>952</u>	0
Inventories held for resale: real estate	<u>20</u>	<u>0</u>	20
TOTAL MORTGAGES, VENTURE LOANS AND OTHER ITEMS	<u>2,176</u>	<u>2,156</u>	20
FUND NET ASSETS (EQUITY)	8,518	8,499	20

Table 3: Alberta Heritage Fund Income and Rate-of-Return
Year ended March 31, 1994 (millions of dollars)

WITHDRAWALS FROM FUND FOR GENERAL USE		
Income transferred to General Revenue, per Fund statement	1,103	
Spending in Fund capital projects division	70	
Net increase in Alberta provincial obligations nominally owned by Fund	0	1,174
PAYMENTS OUT OF GENERAL REVENUE FOR FUND ACTIVITY		
Alberta Agricultural Development Corporation grant	-82	
Alberta Mortgage and Housing grant (mortgages, real estate)	-77	
Alberta Opportunity Corporation grant	-18	
Interest received on Province of Alberta marketable securities (per Fund statement)	-121	-298
NET MONEY DRAWN FROM FUND FOR GENERAL USE		
		876
Change in value of Fund equity (Table 2)		20
NET INCOME (no correction for inflation)		
		896
Equity, March 31, 1993 (Table 2)		
		8,499
Rate-of-return (net income ÷ March 31, 1993 equity)		
		10.5%
Inflation rate (CPI), March, 1993 to March, 1994		
		0.6%
Rate-of-return (corrected for inflation)		
		9.9%

remain from the once-controversial Fund policy of lending to other provinces. These bonds are scheduled for repayment by or before 2005. Because the bonds were acquired when interest rates were high, their market value exceeds their book value. There is also a broad portfolio of common shares, designated under Fund legislation as the Commercial Division, and investments in NOVA and TransCanada Pipelines.

The Fund Statement and the CS balance sheet follow conservative accounting practice by valuing portfolio investments at the lower of cost or market. In this analysis, market values are used, since they are realistic and current;

cost is only of historic interest. Market values are easy to obtain on these assets, since identical or closely similar assets are regularly traded in public security markets. The market value of all portfolio investments, \$1.955 billion exceeds cost by \$340 million.

THE OVERALL POSITION IN MAINSTREAM INVESTMENTS

The \$6.342 billion market value on all marketable securities and liquid assets is realistic and realizable. These assets could presumably be sold within days with modest transaction costs.

THE FUND'S SINGULAR ASSETS: MORTGAGES, VENTURE LOANS AND OTHER ITEMS

There is another set of assets, smaller in amount and more difficult to evaluate than the mainstream items. They include the debentures of Alberta crown corporations, various economic development loans to private firms, and the Syncrude and Lloydminster oil projects. They are described here as singular assets, because they are not close substitutes of assets which regularly trade in public markets. Sales of these assets would be by negotiation, so their market values can only be estimated.

At first impression, the Alberta crown corporation debentures appear to be similar to standard corporate and government bonds. Their singularity arises from the fact that three of the four Alberta crown corporations borrowing from the Fund are consistent money losers, and do not have financial assets equal to their debt. The Government of Alberta guarantees payment on these debentures, but that promise is meaningless when the lender is the Government's own Fund. When the guarantee is stripped away, the only value of the debentures derives from the financial assets of the borrowers. These financial assets are primarily loan portfolios which would be salable only by negotiation. That is why the crown corporation debentures are shown in the supporting tables as "Loans and advances." As a minor exception, there are small amounts of foreclosed real estate held by crown corporations that also support the value of their debentures; this real estate is included in "Inventories held for resale."

The asset categories in the supporting tables are taken from the CS balance sheet, which lists all financial assets owned by the province, including those owned by the Fund.

DEBENTURES OF THE ALBERTA MORTGAGE AND HOUSING CORPORATION

The Fund holds \$1.367 billion in Alberta Mortgage and Housing Corporation (AMHC) debentures. Suppose the Fund wished to liquidate this position. AMHC owns less than \$300 million in financial assets, mostly home mortgages plus a small holding of foreclosed real estate. These assets, which also appear on the CS balance sheet, could be sold and applied on the loan.

AMHC claims other assets (net of non-Fund liabilities) of about \$850 million which are not on the CS balance sheet. Most of this is public housing that is not considered to be a financial asset. Public housing is like schools or roads; it is for use with a particular government program. Like roads and schools, public housing stocks do not earn money; rent collected on public housing does not cover operating cost. Like roads and schools, housing could theoretically be sold (privatized) but any financial recovery would be highly uncertain and could involve a major change in the role of government. The government could sell its housing stocks and still retain its commitment to social housing, but such a move would require new subsidies for social housing beneficiaries.

The logic of not including public housing as a financial asset should be clear. However, without public housing, the only source of repayment for Fund loans among AMHC assets is in mortgages and real estate, with respective values of \$268 million and \$15 million. (Real estate is shown separately as an inventory; no allowance is made for possible costs on loan guarantees which have facilitated the sale of other AMHC loans and which are still outstanding.)

DEBENTURES OF THE ALBERTA AGRICULTURAL DEVELOPMENT CORPORATION

The Fund carries loans to Alberta Agricultural Development Corporation (AADC) at \$949 million book value. These loans are backed primarily by AADC's portfolio of farm mortgages, which is valued on the AADC annual report, net of non-Fund liabilities, at under \$900 million. However, the net market value of the mortgages is undoubtedly much less, because the earnings on them are low. In this analysis, the net market value of the AADC assets backing the Fund loan is estimated to be \$681 million. (Appendix, Note 2.)

This is an instance where there is substantial disagreement between this analysis and the CS balance sheet. The CS balance sheet has reduced the value of AADC mortgages to allow for concessionary financing. However, the present provincial accounting policy only treats

loans yielding below the province's own borrowing rate to be concessionary. An owner of Alberta bonds assumes very low risk, receives interest payments without administration cost, and can re-sell the bonds instantly if cash is needed. A prospective purchaser of AADC assets would insist on receiving much more than the province's borrowing rate, to cover extra risk and bad debt exposure, administrative and collection cost, and lack of a ready resale market. The discount rate that will satisfy prospective purchasers of AADC mortgages will determine their market value.

OTHER CROWN CORPORATION DEBENTURES

On a lesser scale, issues relating to the Alberta Opportunity Corporation (AOC) investment are similar to AMHC and AADC. The underlying asset on AOC is loans, primarily to small and new businesses. The claimed value of these loans, \$106 million, is impaired by AOC high bad debt losses. A market value of \$88 million is estimated.

The investment in Alberta Municipal Financing Corporation (AMFC) is distinctly different from the other crown corporation debentures. AMFC is the borrowing agent for Alberta municipalities. Unlike the crown corporations above, it had a long history prior to the 1976 Heritage Fund Act and has accumulated a sizable equity. The AMFC debentures are valued as well-secured bonds, supported by the taxing power of individual Alberta municipalities. The market value of

\$167 million exceeds the book value of \$140 million, because of the locked-in high interest rate on these debentures.

LONG-TERM INVESTMENTS

Through the Fund the province has loaned money to several private companies--Ridley Grain, Millar Western Pulp, Vencap, and a set of companies in the Alberta Pulp Mill (ALPAC) project. Because the province has been changing to more conservative valuation methods, this year's analysis will break with prior usage and use the \$554 million total book value of these items as an approximation of market. However, this value is only crudely approximate, and has a tendency toward overestimate. (See Note 3.)

The Fund holds a 11.74% interest in the Syncrude tar sands consortium, with book value of \$341 million and a participation in the Lloydminster heavy oil upgrading facility, with a book value of \$56 million. These figures are accepted as fair but nebulous market value estimates.

THE OVERALL POSITION IN SINGULAR ASSETS

Singular assets owned by the Fund are all potentially marketable; the province has already sold or collected much of the AMHC mortgage portfolio. Their total selling price is difficult to estimate, and could be lower than this analysis's market estimate of \$2.175 billion. Some political will would be required for government disposal of the singular assets, since they are associated with the special interests of regions and industries.

CHANGES IN THE FUND SINCE 1993

Between 1993 and 1994, the most important change in the Fund was the sale of the Alberta Energy shares for nearly half a billion, with the proceeds increasing the Fund's liquid balances.

There was little change in other asset values, because this was a fairly stable period for financial markets.

INVESTMENT PERFORMANCE

The Fund Statement identifies income from the Fund in the year ended in March 1994 with a conventional accounting method:

Fund Statement net income = Interest and dividends earned + gain on disposal of investments - writedown of investments.

This analysis uses the total income method, which is commonly employed for measuring the performance of investment portfolios such as mutual funds:

Total income = withdrawals from the Fund - payments into the Fund - decline in market value of Fund equity.

The two methods differ for a number of reasons:

- (a) since the Fund Statement treats provincial obligations as assets, it also recognizes interest "earned" by the province on its own obligations;
- (b) the Fund Statement reports capital gains when assets are sold, while this analysis reports these gains or losses in the period in which they occur;
- (c) the Fund statement does not recognize that some government costs, such as subsidies to AADC, AMHC and AOC, are required to allow crown corporations to meet their interest payments to the Fund;
- (d) finally, the Fund Statement calculates rate-of-return on a much larger asset base, because of the high values it places on assets.

With its method, the Fund Statement recorded net income of \$1.103 billion in fiscal 1994. This analysis finds total income of \$834 million, a nearly \$170 million difference. Much of this difference occurred because the Fund statement counts appreciation in assets at time of sale and therefore recognized a large gain when it sold its Alberta Energy Company shares in May, 1993. This analysis had recognized that gain in prior years, as the market price of Alberta Energy shares increased.

RATE-OF-RETURN

Rate-of-return, net income in relation to assets, is commonly employed as a measure of investment management success. The Fund Statement (p. 14) asserts a rate-of-return of 10.7% on all assets. The total return method

employed in this analysis leads to a rate-of-return of 10.3% before inflation. The similarity is explained by the combination of higher income on the Fund statement, as described in the previous section, and the Fund statement's higher asset values.

Neither method of income measurement gives a true picture of Fund performance without correction for inflation. What is really important in evaluating the usefulness of the Fund is not how much money remains in the Fund, but how much purchasing power remains. While fiscal 1994 was a year with low inflation, the principle of correcting for purchasing power change is still sound. The Consumer Price Index (CPI), a widely used indicator of how many goods and services a dollar will buy, was used to measure purchasing power change. During 1994 the CPI rose by 0.6%. Recognition of this requires adjustment of the Fund rate-of-return to 9.7% in effective purchasing power.

Fund assets are an important source of liquidity for the province. About \$4 billion in Canada securities, deposits and other safe, short-term securities provide a buffer which could cover revenue shortfalls, unusual costs, or delays in borrowing. This liquidity is an additional benefit from the Fund, besides the rate-of-return calculated above.

Since the Fund and the Alaska Permanent Trust have many similarities, a comparison of their recent financial performance may be of some interest. One should, however, be careful about concluding that one management is superior to the other, from comparison of one year's results. Risk exposure between the two funds may be different, and chance plays a part in investment results.

For the year ended December 31, 1993, the Alaska trust reported a rate of return of 9.6%, net of inflation, very similar to the Fund's recent performance. Like this analysis, the Alaska statement identifies total investment performance -- both cash receipts and market value changes. An outside consultant is hired to measure total performance on singular investments, which in the Alaskan case are in real estate (nearly all located outside Alaska). Inflation is recognized, and rate-of-return is identified net of inflation.

THE RELATIONSHIP BETWEEN FUND ASSETS AND THE WHOLE OF PROVINCIAL FINANCES

A decade ago the Fund was the central feature of the province's finances. Times have changed and now debt is the main theme, but the assets accumulated under Fund legislation are still important. Table 4 displays the province's financial assets and liabilities and the contribution of Fund assets to the province's total holdings of financial assets. The column headed "All assets and liabilities, Book value" contains values taken directly from the Consolidated Statements, the province's central financial report. The column confirms the province's serious debt but also allows the reader to see how the \$18 billion of financial assets, including Fund items, offset much of the \$32 billion unmatured debt.

Of the province's financial assets, close to half are attributed to Heritage Fund investment. The column headed "Heritage component, Book value" shows the province's own valuation of all Fund financial assets. For

perspective, the right-hand column presents the market value of assets from Table 1 of this analysis. In aggregate, there is almost no disagreement between the province's own values for Fund assets in the Consolidated Statements, \$8.49 billion, and those of this analysis, \$8.53 billion.

It is now apparent that one major current role of the Fund is to be the province's major bank account. Most of the province's liquid reserves, \$3.95 billion out of \$4.66 billion, are Fund assets. Fund assets are also the primary component in provincial portfolio investments, \$1.63 billion book value out of \$2.41 billion. Essentially all of the economic development assets, described as long-term investments, are Fund assets. The Fund's loans and advances, with book value of \$1.55 billion, are only a small part of the province's \$8.02 billion investment in loans and advances.

Table 4: Province of Alberta Finances, and the Heritage Fund
Year ended March 31, 1994 (millions of dollars)

Province of Alberta, Consolidated statement of assets, liabilities and net debt	All assets and liabilities Book value	Heritage component Book value	Heritage component Mkt. value
Assets:			
Cash and marketable securities	4,660	3,946	3,946
Accounts receivable	1,978	442	442
Portfolio investments	2,409	1,625	1,955
Long-term investments	952	951	951
Loans and advances	8,024	1,547	1,204
Inventories held for resale	327	20	20
Total assets	18,350	8,530	8,518
		(Note 4)	
Liabilities			
Accounts and accrued interest payable	1,746		
Deficiency in commercial enterprises	143		
Unmatured debt	22,062		
Pension obligations	5,066		
Other accrued liabilities	2,198		
Equity in Alberta Municipal Financing Corp.	514		
Total liabilities	31,729		
Net debt	13,379		

POSSIBLE FUND DIVESTMENT

The enlarging Alberta debt has intensified discussion about liquidating the Fund. Of course, in a literal sense much of this liquidation has already happened. Of the \$8.5 billion Fund assets described in this analysis, nearly half is now held in assets that are very close substitutes for cash.

The financial consequences of divesting all the Fund's assets can be considered in two stages:

- (a) what is the feasibility of selling the assets, and
- (b) what effect would their sale have on provincial revenues and expenditures?

On the first question, the mainstream assets would have been worth about \$6.3 billion on March 31, 1994. However, as Table 4 shows, the government has little cash besides that in the Fund. Suppose \$2 billion of Fund liquid assets are needed for provincial cash reserves (total reserves equal to about 2 months of provincial expenditures). This would reduce money available from the most easily salable assets to \$4.3 billion. These could be promptly sold in regular financial markets.

Loans and advances and the direct loans included under long-term investments could attract bids from trust companies, chartered banks, investment firms and, for AADC assets, the Farm Credit Corporation. Syncrude and the real estate inventories are for sale now, and Lloyminster may be salable. The combined market value of these singular assets was estimated at \$2.2 billion. (The price would be higher if assets were sold with guarantees, but then, for a truthful accounting, a provision for the guarantee liability would have to be subtracted.)

If Fund assets of \$6.5 billion were sold and applied to provincial debt, the income from the assets would be lost but interest paid on debt would be reduced. The net effect can be considered in three categories.

- (a) \$2.4 billion in cash, marketable securities and accounts receivable could be used to repay debt, assuming that \$2 billion was kept for provincial reserves. This would probably be break-even, assuming that shorter-term government debt was paid off.
- (b) Nearly \$2 billion in portfolio investments

could be sold. These investments are, in total, somewhat riskier than Alberta bonds, and therefore could be expected to earn more than Alberta bonds. At, say, a 1-2% spread, selling this position and repaying debt would result in lost revenue of \$20-\$40 million per year. However, there would also be a reduction in the government's risk exposure.

- (c) Over \$2.1 billion in singular assets could be sold. The revenue off these assets is quite variable, across the assets and over time. If these assets were sold, and if at the same time the province stopped acquiring new singular assets, the net result of the liquidation process would likely be some net gain, though this is difficult to quantify.

Overall, the financial effect of selling the Fund assets is likely to be positive, particularly when reduction in risk exposure is considered. In addition to the direct financial effect, the action could allay public apprehension about government economic interventions. This reduction could help the province's credit rating, and could stimulate long-term private investment.

Quitting Fund investment would also eliminate possible side effects. A discretionary investment pool that may be invested to benefit special interests may corrupt government. Fund loans can disorganize a competitive economy by favoring one participant over another. Energy investment participations and income-contingent forestry loans maintain a government financial interest in the results of environmental regulation and thereby a conflict of interest. Fund-financed subsidized mortgage lending encourages uneconomical private investment.

In deciding to end the Fund, the rationale for its initial establishment should be remembered. An important part of this rationale was the replacement of depleting crown-owned mineral resources with government financial investments. Now, discharge of the present public debt offers a logical outlet for mineral royalties for many years to come.

MARKET VALUES

The Fund Statement (p. 27) reports that the market values of AMHC, AADC and AOC investments exceed cost. This is a seriously misleading statement. The "market value" claimed for AMHC and AADC debentures far exceeds the worth of the financial assets of those

corporations. Therefore, the only way these "market values" could be realized would be through a massively expensive provincial guarantee – for which no allowance has been made.

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