

1 **Q. Evidence of Ms. McShane, capital market conditions, Page 23-36: On page 34 Ms.**
2 **McShane derives a 5.0% “average” long term Canada bond yield, could she place a**
3 **confidence interval around this 5% number, for example, +/- 0.25%?**
4

5 A. No. While the 5.0% appears reasonable over the longer-term based on the longer-term
6 outlook for inflation and economic growth, whether that rate prevails over the longer-
7 term is contingent upon many factors (e.g., global growth, geopolitical events), which
8 may result in the yields over the longer-term being significantly different from levels
9 forecast today. In April 1991, for example, Consensus Economics, *Consensus Forecasts*
10 anticipated that 10-year Canada bond yields for the period 1996-2000 would average
11 8.8%; the actual average yield was 6.0%.