

Title: Wednesday, May 12, 2004 Public Accounts Committee

Date: 2004/05/12

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone, and good morning, Mrs. Nelson. I see you don't have your flaming red C crest on your cheek this morning, but your Flames did very well last night. Congratulations. I don't know how all this is going to work out in the end.

Mrs. Jablonski: The Stanley Cup.

The Chair: Yes. If they keep playing like that, you bet.

I would like at this time to call the meeting of the Standing Committee on Public Accounts to order and welcome the Finance minister and her staff and certainly welcome Mr. Dunn and his staff. We will proceed this morning with the remarks from the minister, please, and we will get approval of the agenda and add any notices to the agenda later, before 10 o'clock.

If you could proceed now with your opening remarks on your department for the fiscal year 2002-2003, we would be grateful.

Mrs. Nelson: Thank you very much. It's always a pleasure to be at this committee. It was one of my favourite committees. I sat on it for four years, so it's always nice to come back on this side of the table.

We are going to be reviewing today the 2002-2003 government and Finance annual reports as well as the Auditor General's report that pertained to our area. I have with me, Mr. Chairman, our Deputy Minister, Peter Kruselnicki, and the Provincial Controller, Tim Wiles. I may ask them to interject on questions as we proceed on, with your concurrence.

The Chair: Please do.

Mrs. Nelson: It seems that every year we have challenges, and '02-03 was a fiscal year with absolutely no exception to massive challenges. While we budgeted for over \$1 billion in investment income, the realities of the marketplace resulted in a loss of \$462 million. In particular, we realized losses and writedowns in the heritage trust fund and other endowment funds that totalled nearly \$1.1 billion, which overshadowed some positive investment results for our funds set aside for debt retirement, the Alberta Capital Finance Authority, formerly called the AMFC, and the Agriculture Financial Services Corporation. We also provided about \$1.3 billion in disaster funding for drought assistance, forest fires, and flood.

Now, on the positive side we were very fortunate to have some strong strength on our revenue side, particularly in resource revenue, to help us address some of these challenges. We had the second highest resource revenues we've ever recorded, at over \$7 billion, bringing total revenues to \$22.7 billion. This was \$2.8 billion higher than budget and over \$700 million higher than the previous year. This left us with a net result for the year of about \$1.8 billion, \$1.9 billion.

Now, under the old fiscal framework all of this money would have been allocated to debt repayment. However, as recommended by the Financial Management Commission, we used 2002-2003 as a transition year to move to our new fiscal framework. As a result of the amendments to the Fiscal Responsibility Act, passed in the spring of 2003, \$500 million was set aside for debt retirement and \$910 million was put into the new capital account. Our accumulated debt less cash set aside for future debt repayment was reduced to \$4.7 billion. This was mainly due to a lag in receiving the cash from the natural gas royalties. The balance of the money from the 2002-

2003 results was put into the new Alberta sustainability fund after the year-end.

Included in the government's annual report is Measuring Up. As you are well aware, good financial results are only part of the picture. Albertans need to know more than where their tax dollars are being spent. They also want to see the results directly related to their lifestyle and to their environment. Those results are found under the government's core businesses of people, prosperity, and preservation.

Moving to the Auditor General's annual report for 2002-2003, I would like to extend my special thanks to Fred once again. Under his leadership we continue to have a very professional and strong working relationship with the Auditor General and with his office, one that I am very pleased that we have. It's quite open. The relationship is a critical link in the cycle of government accountability. I was pleased to see that the Auditor General noted that "the government has responded to our recommendations with renewed vigour." We continue to have discussions with the Auditor General and his staff on some of the broader accounting policy matters like the reporting entity question.

So to wrap up, Mr. Chairman, I'm very pleased that this government continues to be open and accountable to Albertans. This committee plays a very significant part in that commitment. Fiscal 2002-2003 was a good year for the government, for Finance, and for Albertans, and in true fashion we've stayed our course in continuing efforts to build upon that foundation of a strong fiscal framework.

I look forward to the questions that may come from committee members. Again, if I don't get them all answered today or a few others, please make contact with my office and we'll undertake to get detailed answers back to committee members. I'm now open to questions.

The Chair: Thank you very much.

Mr. Dunn, please.

Mr. Dunn: Thank you, Mr. Chairman. Our comments to this ministry are contained in three sections of our current annual report. We make recommendations to this ministry in the Finance section contained on pages 113 to 124 of our annual report. Also, as mentioned at last week's Public Accounts Committee meeting, we have directed one recommendation to the Deputy Minister of Finance in our cross-ministry section on page 27 of our annual report. In addition, this year we have recorded all of our recommendations regarding corporate government accounting policies in a separate section called Government of Alberta Annual Report, which starts at page 37 and continues to page 43 of our annual report.

First, in the Finance section we make three numbered recommendations, all relating to the operations of ATB Financial. In recommendation 14 we recommend that ATB provide support for its loan portfolio industry concentration limits. This is an important risk area for ATB as inappropriate lending to any one industry sector can result in significant financial losses if that industry experiences financial difficulty.

In recommendation 15 we recommend that ATB ensure that its lending officers comply with its corporate lending policies. We note a number of instances of loans to customers that did not comply with ATB's lending policies. The more significant exceptions are noted on page 120 of our annual report.

Recommendation 16 is one of our key recommendations, previously discussed with this committee. We have repeated our recommendation that ATB implement an enterprise risk management framework. We note that we made this recommendation to management in May 2000, and last year management committed to develop-

ing such a framework. However, by March 31, 2003, the framework was not completed. We note that ATB has started the process. However, they're only at the first stage of identifying and prioritizing risk.

We also note in this section that ATB has made satisfactory progress in implementing prior years' recommendations concerning developing and testing a business resumption plan. Also, ATB is making satisfactory progress in identifying and evaluating the key internal controls supporting the main branch processes and developing regional operating managers to monitor branch compliance with and maintenance of key controls. ATB's internal audit department has also completed a review of the controls of the significant external service providers to the bank.

8:40

The Department of Finance has also made satisfactory progress in implementing our prior year's recommendation dealing with the accountability for forgone revenue in the tax collection systems even though this recommendation had not initially been accepted. Also, the department was successful in having the various ministries improve their financial reporting process, including the preparation of interim financial statements at December 31, 2002.

Second, in the cross-ministry section on page 27 we have an unnumbered recommendation directed to the Deputy Minister of Finance, working with other deputy ministers, to ensure that the government and ministry business plans use consistent performance measures. We note that we found discrepancies in the targets for the measures between the government as a whole and the ministry business plans.

Finally, in our section Government of Alberta Annual Report we have one numbered key recommendation repeating our prior years' recommendations that the Department of Finance change corporate government accounting policies to improve accountability. We have noted that the accounting policy issues have caused us to reserve our opinion in our Auditor's report on several ministries' financial statements.

I believe that a number of the issues noted in our 2002-2003 report have now been resolved between our office and the department, and committee members may be interested in learning what the department intends to change for future years' reporting.

Those are my opening comments. I and my staff will be pleased to answer any questions that may be directed to us during this meeting. Thank you.

The Chair: Thank you very much, Mr. Dunn.

Before we proceed with questioning, may I please have approval of the agenda that was circulated?

Mrs. Jablonski: I so move.

The Chair: Mary Anne Jablonski moves approval of the agenda for the May 12 meeting.

Yes, Dr. Taft?

Dr. Taft: I was just seconding it. Always trying to be helpful.

The Chair: Okay. Thank you. All those in favour of approval of the agenda? Those opposed? Seeing none, approved.

Later on in the agenda, after we excuse the minister, any other business can be brought up at that time.

We'll proceed now with questioning. Ms Blakeman, please.

Ms Blakeman: Thank you very much. Welcome to the minister and

her staff. It's nice to see her here again this year. And welcome, of course, to the Auditor General and his staff and to all the fun seekers and fans that have joined us today.

My question is springing from page 31 of the ministry annual report, in which it's stated that "Albertans paid the lowest personal taxes in Canada, through a system that is fair and promotes economic growth." I note that when I reviewed the PricewaterhouseCoopers document Tax Facts and Figures, which covers the same time period as the year that we're examining, in fact that statement would only be true for those who are making \$90,000 or more per year according to this grid. So I'm asking the minister why this statement is made if it's only applicable to those that are making \$90,000 or more a year.

Mrs. Nelson: You're on page 31? I'm going to ask the corporate Controller to explain that to you and the comparison between the two reports.

Ms Blakeman: Sure. Excellent. Thank you.

Mr. Wiles: I'm not familiar with the report you're looking at, so I'm having difficulty.

Mrs. Nelson: Can you pass it over, Laurie?

Ms Blakeman: I've circled some of them, just some samples in there. It's essentially showing that B.C. and Ontario had lower taxes paid on various income levels. I've circled the ones on the \$50,000 line. For example, in both B.C. and Ontario those individuals paid less income tax.

Mrs. Nelson: Laurie, how would it be if we take this back because Tim hasn't seen this, and we'll get you a written answer back?

Ms Blakeman: Okay.

The Chair: Certainly. And if you could, please, through the committee clerk to all members, we would be grateful.

Mrs. Nelson: We'll send it to your attention through Corinne.

The Chair: Thanks.

Proceed with your second question, please, Ms Blakeman.

Ms Blakeman: Thank you. Then the supplemental is the flip side of the coin. I'm using information from an independent source, so I'm interested in what independent sources the ministry used to have the Department of Finance back up your claim that Albertans paid the lowest taxes in the country. Can the minister supply us with the independent information she used?

Mrs. Nelson: What we have is quite a bit of information, but we can show you comparisons for the provinces across Canada and show you where Albertans have clearly got a better tax advantage in the country.

Ms Blakeman: In all tax brackets?

Mrs. Nelson: Well, you know, some brackets we don't have at all, and others we do. We don't have a sales tax, as an example. So if you take the full tax package, look at the overall tax in a year, we're saying that overall Albertans pay substantially less in this province than anywhere else in the country. It's quite amazing when you

factor in the other taxes that are there in other provinces that we don't have. Like capital taxes and payroll: those kinds of taxes we don't have.

Ms Blakeman: What about health care premiums?

Mrs. Nelson: Well, some provinces have them directly and others vary them in the personal taxes, so you have to factor the whole thing together. We choose to isolate that out and others don't, so a fair comparison is to look at the full package.

We'll send you that, because I think it's quite overwhelming when you look at it to see how much of an advantage we actually do have when you actually see all of them together. We'll give you a copy of that.

Mr. Kruselnicki: If I could just supplement what the minister has said. I haven't personally looked at the information supplied by PwC, but goal 3, page 31, references total tax load, personal tax load, and I think we have to be careful that we're comparing apples to apples.

We will take that and give you a technical assessment. The minister touched on the complete package, and there are some comparisons in the various budget documents that are tabled, but my understanding of this is that it's the tax load, as the minister has indicated. So we'll make sure that the apples to apples comparisons are made to ensure that the information provided here is accurate.

The Chair: Thank you very much.

Ms DeLong: My question is for the Auditor General in terms of risk management for each department. In terms of how I handle my personal finances, I look at sort of the catastrophes that I wouldn't be able to recover from, and I insure them accordingly. In the government we now have the sustainability fund set up so that if there is a catastrophe in any area, we have the money to be able to cover it ourselves. I'm a little bit concerned that when we look at risk management, we're looking a little bit too much at insurance, and because we are capable of insuring ourselves, maybe we're looking at insurance too much. Could you speak a little bit more about risk management in terms of what it really should mean?

Mr. Dunn: Okay. Well, certainly, the term that is now popular in the business world is enterprise risk management, and the province as a whole is looking at that concept of looking across all segments, all sectors of its responsibility to see if you can look at strategic risk as well as operational risk as well as financial type of risk. So the province is actually looking at that structure itself. It's important when you look at risk management that it's not just limited to simply: could you damage or lose an asset? You can also have an inappropriate strategy that you're following. I think you were trying to combine it with: is it insurance? Risk management today is not merely protecting and insuring assets. It's also looking at how one plans for the future and provides assets going forward into the future.

I believe that the province for the most part, if I deal with the component of your question, basically follows self-insurance. Although the minister and the deputy minister may want to comment here, I believe that it has essentially a self-insurance type of practice, but indeed I'd look to Peter Kruselnicki and others.

There have been times within certain of its ministries that it has received some external insurance. I believe it was the year before the current one we're looking at when there was some insurance taken out in the agricultural and forestry areas, SRD. The province was very fortunate at that time that it was able to obtain insurance

and received an amount of payment in compensation for the costs that were incurred in the forest firefighting. So that was a situation where it was very fortuitous to do that.

If I'm answering your question correctly, I believe that the risk management consideration today is beyond just insuring against losses, and it really is planning for the future. Maybe I can turn it over to the deputy minister here, and he can talk more about what the province as a whole is doing around enterprise risk management.

8:50

Mr. Kruselnicki: It depends how detailed you want to talk about enterprise risk management. We've been working with the Auditor General's office and with our internal auditor to look at different systems to adopt enterprise risk and assess risk. There are a number of different systems across the world, actually, that have been created to look at those things. What we're doing right now is looking at which process we want to embrace. Obviously, that has to go through the deputy ministers with some recommendations made to government on the process that is to be adopted.

They're not easy processes. They're fairly complex, and they're quite involved. What it really is trying to do is create a better awareness of how to manage the risk that is within your own organization. Where we're at today is looking at those systems, and we will hopefully be making some decisions in the near future on how to best assess the higher level risks that are inherent in any organization.

I think Fred has touched on ATB as one area, but all of us in all the areas that we work in have some inherent risks. We're all managing those risks; I don't want you to get that impression. But there are standards and systems that have been developed across the world, and there are three that we're looking at right now. I just don't have the names of those three handy, with me, but they're fairly high level. They're not really involving insurance at all in that sense.

Ms DeLong: Thanks very much.

The Chair: Do you have a supplementary?

Ms DeLong: No.

The Chair: Okay. Thank you, Ms DeLong.

Dr. Taft, followed by Mary Ann Jablonski, please.

Dr. Taft: Thanks, Mr. Chairman. I'm going to draw the minister's attention to page 41 of her department's annual report. The paragraph at the bottom of the page talks about Bill 33, the Insurance Amendment Act, which it says here "has been introduced in an effort to stabilize automobile insurance premiums." This is the beginning of what remains a very active debate. Can the minister tell us, given the evidence from other provinces, why this government did not consider public auto insurance as a means to address the auto insurance concerns, concerns around cost, premiums, age discrimination, geographic discrimination, and so on? Why didn't we consider public auto insurance given the evidence that it's worked so well?

Mrs. Nelson: Well, we did look at comparisons with jurisdictions that have government-run automobile insurance schemes. We looked at our own system, that was run by the private sector. We did an assessment. We had a debate in our caucus, and we felt that through the process the private sector, who had been operating within the province since day one, would be able to offer a package that would be comparable to those in the publicly run systems on

either side of us. And those are both different. The decision by our caucus was to continue on with privately owned insurance companies offering the service to Alberta.

Now, has that task been easy, to bring them onside? No, it hasn't. It's been very difficult at times. I can tell you that the only consolation I take, because I've been the one that's taken most of the bows and arrows and the whips on this program, has been that I have two groups that are warring, the injury lawyers on one side and the insurance companies on the other side. If both of those are equally mad at me, then I must be doing something right for the consumer in the middle.

Our focus is on the consumer and what the impact of these huge increases in insurance was doing to them. We had a law in this province that said: you must have a minimum amount of public liability and property damage insurance. With the out-of-control costs that were coming in to these companies, it had to be stopped because we were in a situation where people through default were driving in this province with no coverage whatsoever, in fact breaking our very law. So either you have a law and the ability for people to meet and obey that law, or you change the law.

Having insurance is a very important aspect of safety in the protection of people within the province. We had to come down hard on both sides and try and establish what we would have to do to make this system affordable and accessible so we wouldn't have people who were taking their chances at getting caught. That's a terrible way to operate.

As you know, they've come from both sides; they're still at it.

This has been a difficult file. This is probably one of the toughest files that I've had to deal with in my time in government.

Dr. Taft: Well, thank you. It would be nice if the government reconsidered its position on public auto insurance.

On page 41 you do say that Bill 33 was tabled after discussions were held with interested stakeholders. Could you provide us a complete list, through the clerk, of who the stakeholders were, and can you talk a little bit about who they were?

Mrs. Nelson: We can get you a complete list of them.

Dr. Taft: That would be very helpful.

Mrs. Nelson: There were some things that were identified, quite frankly, that we could put in place relatively quickly to help save some dollars. Those were identified in what was then called Bill 33. We put that out for discussion over the winter, and then when we came back in the spring, we brought it into Bill 53 and merged that in and were able to move forward on those savings right away, which has helped.

Now, the balance of the change has to be taken into account once these regulations and the implementation team is complete, and that will take place this summer.

But, as I say, this has not been a very easy file. It's been a very difficult one.

Dr. Taft: There's an easy solution out there.

Mrs. Nelson: You know, I'm not so sure that there is. In dialogue with the other provinces, they're experiencing some real difficulties, and they're looking to making changes as well. I did in all honesty have a visit and talk with the other government-run facilities. I talked to my other finance colleagues down east after they had gone out and put what I call ready, fire, aim decisions in place: let's do this; snap. I was wanting to move this forward when we weren't

faced with an election so that it wasn't an ad hoc, knee-jerk reaction during an election time because I think it's too serious an issue to have dealt with that way.

I think it's backfired in the Maritimes, quite frankly. They're revisiting their whole position all over again, and they made knee-jerk reactions which are not helpful when you're dealing with insurance and people's lives. That's why I raised it at the time that I did. I knew I had the space before we would ramp up to political events to get this over and done with and take our time and do it right. I didn't want to have a knee-jerk reaction at all because I don't think that's fair to people.

That's why we've taken our time on it and, as I say, coming down and getting concurrence and agreement between lawyers and doctors and insurance industry people. I mean, talk about herding stray cats. My gosh, this has been unbelievable.

The Chair: Thank you.

Mary Anne Jablonski, followed by Ms Blakeman.

Mrs. Jablonski: Thank you. Good morning, Pat, and thanks for being here. Before I ask you my question, which has to do with corporate income tax, I just want to express my appreciation for the ATB. You know, when I was a young businessperson in Alberta, it was the ATB that gave us some financial support and launched our business in fibreglass manufacturing, so I appreciate very much what the ATB does for Albertans. The fact that 95 per cent of businesses in Alberta are small businesses makes it all that more important that this government is willing to support small business as well.

That leads me to my corporate income tax question. With the corporate income tax revenue results, is the slower implementation of the general rate reduction and the small business rate reduction having an effect on Alberta's competitiveness and economic growth?

9:00

Mrs. Nelson: Well, you know, each year when we go through the budget process, presentations are made to the SPCs, and priorities are set, and there are planning sessions. It's a very long process before we come together with a budget.

It becomes a balancing situation. We've said all along that we would continue on our path to reducing our corporate tax rates. Our goal is to have them down to 8 per cent overall and our small business tax rate down to 3, which we're down to now, and we've raised the threshold, but we're not there on the overall corporate tax rate.

Is it better to get there sooner? Probably. But when you have to balance off with the other priorities – we've said that we'll stay on that path, and we'll move as much as we can if affordable within the fiscal structure.

It's very easy to raise taxes; it's very hard to take away. If you take away, you should not be moving them up and down like a yo-yo because businesses, as you know from being in that field, have to be able to do some long-term strategic planning, and if they don't have any certainty as to where that tax regime is going to be – I mean, I could be a hero and run out and say that I'm going to lower the tax rates, and everybody would clap and cheer, and then next year have to say: oops, we'll have to raise them. That's not smart. That, I think, would be dangerous to confidence within our system. That's why I think the structure that we've put in place in Alberta, our framework, has been so conducive to attracting investment from other places and to the migration of people: because we've put a structure in place that doesn't pick winners and losers; it has an overall tax structure that applies to everybody. So it's not a boutique set up.

In the province of Quebec they lost the government there at the end. When all was said and done, they had managed to put 216 boutique tax programs in place. In fact, they even had one to try and buy support from various groups. They even had one where if you took your family vacation in the province of Quebec, you got a tax credit. It was just ludicrous. They just got caught up in that frenzy.

Our approach has been to have an overall lower tax rate so that there isn't competition between entities and to provide stability and certainty and consistency of structure. I think, quite frankly, that with the investment model and investments that have come to this province, obviously that approach seems to be working because it has attracted a lot of investment into Alberta.

So I think that while we may not be fully at our goal, we're on course. We've been very up front about that in each year's budget. We'll move as affordable, but we have to strike a balance with other priorities. We will not run out and get caught up in the fever of the one-a-day tax boutique because, quite frankly, it doesn't work. There's no certainty or consistency there for people to invest billions of dollars with.

The Chair: Thank you.

Mrs. Jablonski.

Mrs. Jablonski: Thank you. Your books are showing that corporate income tax revenue decreased in 2002-03 while personal income tax revenue increased. That's on page 33 of the government annual report. So my questions is: why are big corporations getting a tax break and not the average Albertan?

Mrs. Nelson: Well, I think Albertans got a tax break. But remember that we've had more people paying taxes in Alberta, and we've had salary increases in the province.

This province is very healthy on many fronts. There were more people contributing to the personal tax side. That's because of the investments. I mean, you create a structure that is conducive to job creation. When you have the lowest unemployment rate in the country and people migrating here – for a period of time there they were migrating at the rate of about the city of Medicine Hat on an annual basis – then you have more people contributing into the pot, so those dollars would go up.

I think that that's the key: you've got job creation; you've got migration; you have more people coming in. So they weren't overburdened.

Mrs. Jablonski: Thank you.

The Chair: Thank you.

Ms Blakeman, followed by Mr. Hutton.

Ms Blakeman: Thank you. I'm looking at page 9 of the minister's annual report, and I note that the Automobile Insurance Board and the Alberta Insurance Council both fall under a section subtitled Pensions, Insurance and Financial Institutions and are under Alberta Finance's operational structure. The Automobile Insurance Board approves rates charged by insurers for compulsory automobile coverage.

I'm following up on the question from Dr. Taft. I'm looking for the evidence that the minister's Automobile Insurance Board used to justify or to allow a 59 per cent increase in premiums that occurred between February of '02 and February of '03, so exactly covering the fiscal year that we're examining here. Under the minister this Automobile Insurance Board allowed a jump of 59 per cent in the premiums that were charged to Albertans. What evidence did they use?

Mrs. Nelson: What I can tell you is that under the new set-up we will be regulating rates, and we weren't doing that, Laurie. As much as I don't want to do that because I don't want to intrude into that type of scenario, I don't think we have an option. So we will be doing that, and we will be watching very closely not only the compulsory rates but the optional rates as well. While we won't regulate those, if we see them going off track, we will not be afraid to step in.

We cannot have a system where you have a law that says that people have to have something and then a system that doesn't deliver it. As much as I don't like the idea of having to regulate, I believe we're going to have to. The structure that we've put in place will do just that. We didn't have that before. We had a council that received the notifications of rate increases, but that was the extent of it. Now we're going to regulate those.

There's going to be a big difference, and some of the angst that has caused some difficulty with the industry is that they're not particularly happy about that.

The Chair: Ms Blakeman, proceed with your second question, please.

Ms Blakeman: Thanks. We're not talking about today; we're talking about what happened back then. In concert with what's appearing on page 9, I'm looking at the annual report for the Automobile Insurance Board, and they do note on page 9 of their report that the board reviewed 157 proposals, and then they go through and essentially 155 of them were approved.

Mrs. Nelson: Exactly.

Ms Blakeman: Why did the minister allow this board to essentially rubber-stamp 155 proposals? She just referred to it as receiving notice and allowing the notices to go through.

Mrs. Nelson: That's why I brought the issue forward, and that's why we're making a change. That's not acceptable. That's why you saw in here that we already identified that we had a problem. We've got to make a change because watching those kinds of increases occur without challenge is not an acceptable process. So we're going to have to regulate. When I saw that happen, we started to make the correction at that point.

Ms Blakeman: This is almost two years later, though.

The Chair: Thank you.

Mr. Hutton, followed by Dr. Taft.

Mr. Hutton: Thank you, Mr. Chairman. I want to thank the minister and her staff as well as the Auditor General for coming out this morning and spending some time with us. This may be one of the last times this spring that we get an opportunity to speak to the ministers and the Auditor General.

We're talking about budget 2002-2003. I was wondering: were the Flames in the semifinals last year? No, no. That's not my question.

In 2002-2003 revenues exceeded budget by \$2.8 billion, and more than half of this amount, \$1.46 billion, was spent in the same year. That comes from page 1 of the government's annual report. Is this the best way to manage extraordinary revenues, Minister?

9:10

Mrs. Nelson: Well, sometimes with extraordinary revenues you have

extraordinary disasters that occur. We were fortunate because of the overage of resource revenues that came in to be able to deal with the disasters that came forward. We could have been in some difficulty otherwise, or programs could have been in difficulty because of our laws to balance the budget.

Now, we were fortunate, but I think that under the old framework additional revenues would have gone directly to debt. Now we have this new structure where we put on some discipline: when we have additional revenues, we don't run out and spend it. We're governed by the \$4 billion from resource revenues that we're allowed to spend, and the balance goes into our sustainability fund. It can't be spent for operations, but it can be spent for disasters. I think that's the safeguard that is necessary.

A number of governments that we've seen in the turbulent times in the marketplace in particular have taken what they called stabilization funds and they've just spent them all, and now they don't have anything backing them up. If they have a disaster, they're in terrible trouble.

So I think that, again, the balance is there. It's difficult as a government to do an awful lot more. You have to respond. You can't predict what forest fires are going to do. Fred talked about the insurance we were able to buy the one year. Well, unfortunately, our forest fire experience was a little bit too high, and they weren't real happy about insuring us the second year. It worked for one year but not the next one. You can't tell where that's going to go.

Last year we had terrible forest fires along with British Columbia. Nobody can forecast that, so you have to accept that that's going to be a disaster. Luckily, our funding structure allows us to deal with that. I would be very frightened if we didn't have this structure in place.

The Chair: Thank you.

Mr. Hutton.

Mr. Hutton: Thank you, Minister, and Mr. Chairman. I would ask the minister to turn to page 33 of the government annual report. Nonrenewable resource revenue was \$7.1 billion in 2002-2003. This was \$3.4 billion higher than budgeted. Why was the nonrenewable resource revenue nearly two times its budgeted estimate?

Mrs. Nelson: Well, I'll go back. I don't make this forecast any more, but I used to make it when I was Minister of Energy. It's one of the toughest forecasts that you have to make because you're totally vulnerable. There are too many world incidents and situations that have an impact on your forecast. So at the time that you make the forecast, you gather what information is available, and that's what you give to the Treasurer or the Finance minister for the budget.

Luckily, we do quarterly updates, but as the year unfolds and OPEC is doing this or OPEC isn't doing that or there's another little war that takes place or there's then a big war that takes place or you have huge ice storms down east or you don't have don't have huge ice storms or it's a drought in California that occurs or even the speculation of another military uprising, say, in the Venezuela area or down in South America – you've got all these factors that you have absolutely no control over that impact the price of oil because the price is set based on the world marketplace.

I can remember one budget that my former colleague, Mr. Dinning, was presenting. We were using I think it was \$18 a barrel for crude in that budget, and the day of the budget the crude price was sitting at \$13. I never forgot. He turned to me and said: you'd better be right on this forecast of \$18. I said: it'll come back; it'll come back. And the press were just all over me like fleas on a dog because I'm

sitting at \$13 in the reality and the budget's saying \$18. So it was sort of the reverse effect, and they were going: "Oh, yeah, yeah, yeah. Here we go with funny numbers to make your programs work." Well, it took six weeks for the flip to occur, and it did occur, but it was a little tense, I can tell you. My colleague, who was across the hall from me at the time, was in my office every morning wondering where the strips were.

The same thing on gas. Again, you're dealing with a North American market, not a world market but a North American market. The difficulty is: what kind of storage is going on? What's the activity in the United States? Remember: we export our commodity into the U.S. marketplace. Then if the Canadian dollar goes up or down, you know, I mean every penny that the dollar firmed up – and you don't like to say that's bad – quite frankly it cost us \$125 million. So while a lot of people who were taking holidays were going rah, rah, rah, I'm going oh, oh, oh; this could be difficult. There are all those factors, again, that enter into natural gas pricing. You know, you have to expect that there's going to always be the volatility of that.

Now, the benefit of this new structure is that it doesn't matter. You can still only spend \$4 billion. So if you focus on the \$4 billion that should support core programs quite handsomely, then you don't get up every morning with that angst and fear of looking in the paper to see what the price of crude is or the price of gas. You know that you can spend \$4 billion, so you've put some certainty into the system. People running front-line deliveries aren't having a bird if there's a fluctuation in the oil price. That's the safeguard, I think, that governments have to put in place.

The Chair: Thank you.

Dr. Taft, followed by Mr. Masyk, please.

Dr. Taft: Thank you, Mr. Chairman. Sticking with page 41 and the introduction of Bill 33, the Insurance Amendment Act, some of the work done in preparing that. I can provide a copy of these to the minister, but in B.C., for example, and again I think in the other provinces where there are public insurance systems, they're typically pretty profitable. So in this year in question the Insurance Corporation of B.C. made a \$225 million profit, and in four of the last five years they've made a profit. That then stays in the province, supports the government if needed. My question to the minister is: in doing the work to prepare for Bill 33, did your department ever look at how much money is pulled out of Alberta by the big insurance corporations? In other words, how much drains out of Alberta that could be kept here if there were a provincially owned public auto insurance system?

Mrs. Nelson: You know, I think it's an unfair assessment to say that it's being pulled out of Alberta. There are about 70 insurance companies that operate branches in Alberta that employ Albertans to deliver insurance, so those people are earning a living through the insurance industry within this province. It's not all being delivered over the e-mail from Toronto. They are operating here today.

Now, I don't have the comparison that you have in front of you. If you want me to do a comparison for you, we'll have a look at that; you'll have to send that over to me. But that's not part of my '02-03 annual report, so I can't comment on the comparison. I don't know what you've got in front of you. So if you want to send that over to me, I'd be delighted to have a look at it.

I think when we looked at how we would deliver the programs, we clearly said: what would be in the best interests of Albertans? Well, we have some very good people that work within this industry in the province today, and many of us have been served very well. The

difficulty we have, though, is that the rates are high. I don't think anybody in our caucus will argue that they were out of sight. They were unacceptable, and that's why they had to be dealt with.

Our caucus has come to the table against a lot of odds, against both groups, as I say, nattering at them and throwing bows and arrows at them from all fronts. The other guy was always at fault, so we took the approach: "Okay, we'll accept that. The other guy's always at fault, but we're focused on the consumer. We're focused on our constituents, your constituents as well, all Albertans who have to buy this product. What's the best that we can offer? What can we do to make sure that they get the best deal possible?"

We believe we're on the path, and we're not going to make everybody happy, Kevin, particularly the industry.

9:20

Dr. Taft: My question . . .

The Chair: Excuse me, Dr. Taft, please. Before you proceed with your second question, I believe Mr. Dunn had a comment.

Mr. Dunn: I enter this with some trepidation. I've had a lot of experience in the insurance industry in my private-sector days, and I will not comment on public policy, so the point of saying something is not to comment on public policy. We do have an insurance premium tax in Alberta. If you look at the estimates, you'll know that it's 2 per cent for life, accident, and sickness and 3 per cent for other. If you go to page 33, that Mr. Hutton had referred us to, you'll see that we have insurance taxes and that we received \$162 million last year from the insurance premium tax.

I'll only make this one based upon my personal experience of having audited these insurance companies in the past. There is an insurance company which is owned by the people of Alberta, and it's the Alberta Motor Association. Thirty-two per cent of Albertans are members of that association, which is a not-for-profit organization, which has a very large P and C insurance operation. It is available to the people of Alberta. I only say that – and I'm not trying to enter, as I say, into partisan or public policy discussion – because not everything is private sector owned. There are elements of it which are publicly owned. It's the same individual Alberta citizen who owns that organization through its membership, and all profits that are obtained through its insurance operation do go back to Albertans or stay within Alberta.

Finally, just from my own experience, you must realize the insurance industry's cyclical nature. If you go back into the early '90s, the insurance industry was under very, very competitive pressure. We might all remember that there were other insurance operations that used to be here in Alberta and then they left, people like Grey Power and all those sorts of ones that you might have heard of on the radio. That's because it was very, very competitive, and they were losing a lot of money at that time. Insurance rates were kept very low at that time through competition.

So the rates were kept competitively quite low, and what's happened with the combination of economic circumstances – and, indeed, Alberta does have some challenges around certain of its areas with its drivers and its incidence of collisions – is that they've had to move. So I'm not defending the insurance companies, but just the reality of what is happening is that we do receive an insurance premium tax, to keep everybody aware of that. It was \$162 million last year. Remember: there are some elements of that industry which are owned by Albertans.

The Chair: Thank you.

Proceed with your second question, please.

Dr. Taft: Am I allowed to respond to the Auditor General?

The Chair: Proceed with your second question, please.

Dr. Taft: Well, there is a good response or two.

Again, the Insurance Corporation of B.C. does pretty thorough satisfaction surveys, assessments of their customers on a range of services, and they average about a 90 per cent customer satisfaction level. In preparing the Insurance Amendment Act, were there systematic and comprehensive assessments done of customer satisfaction of the insurance industry in Alberta, and if so, would you provide those to the committee?

Mrs. Nelson: When we were preparing the act, people were beginning to get the huge increases in their premiums. I can tell you that when I went to our caucus and said, "We've got a problem, people, and we have to deal with this," we were starting to get the calls and the letters, and we heard very strongly from people. Some of the horror stories are just unbelievable.

We asked a number of groups to come and talk to us, and one was a consumers' group as well. We'll give you that. In the previous question you asked for a list of who we dialogued with, and we'll get that for you. I can't give you all the names now. If I miss one, then I'll be hung out to dry.

One of the questions you have to look at is the type of insurance you want to offer. We decided as a caucus that no-fault insurance was not the way to go. We didn't think that it was in the best interest of people, that the right to go to court should always remain and that people should have that access. Saskatchewan's no-fault system and Manitoba's no-fault system were ones that we dismissed and said that that didn't seem right.

We looked at B.C.'s system to see what they had and see how successful they were and where they are, and in the year that you quoted, they did have profit. I know they are having some challenges right now, but their system does work and they have some positives. I won't deny that. I have family that live out there and live under that system. But they also have some negatives.

One of the things of merging that with Alberta is that you've got a Crown corporation. Do you just get rid of all of the private insurance companies in the province and say: it's going to be ICBC? There's no level playing field. These companies don't pay taxes. They don't have to be fully capitalized. We have a set of rules that we're pretty rigid on in this province for someone offering insurance, and quite frankly I don't believe they're prepared to meet our rules. So do you move everybody else out, or do you try and put a system in place with what you have even though it reshapes the industry as we've known it?

We made the choice to keep the private delivery service in place, as you know. Well, you've read the papers, and we've been sued; we've been chastised; we've had everything you could possibly think of. Some threatened: we're not going to stay in your province. I said: oh, well. And they stayed. But we said that we're going to have a reshaped program. We didn't give in. As I say, a good number of them aren't very happy, but that tells me that we're on the right track.

The Chair: Thank you.

Mr. Masyk, followed by Ms Blakeman.

Mr. Masyk: Thank you, Mr. Chairman. I'd like to draw your attention to page 27 of the AG's report. The Auditor General reported discrepancies between the targets of the 2003-2006 ministry business plans and the government business plan. My question is: have you addressed this issue?

Mrs. Nelson: I'll have my deputy address that.

Mr. Masyk: Sure. You bet.

Mr. Kruselnicki: Sure.

Mrs. Nelson: It's your recommendation. Tell them what you've done.

Mr. Kruselnicki: Well, yes, we in conjunction with the Deputy Minister of Executive Council have discussed this with all the deputies, and we've provided direction to the other ministries.

We concur with the recommendation, obviously. We agree that they should be consistent, and we agree that the same measures should be reported in the ministry business plan, so we have addressed that across government.

Mr. Masyk: Thank you.

On page 29, in discussing the use of consistent performance targets, the Auditor General indicated that part of last year's recommendation to develop a comprehensive standard for preparing ministry business plans had been implemented. My question is: what is being done about the other part of the recommendation, that the deputy ministers and the Minister of Finance ensure that the standards are followed?

Mr. Kruselnicki: I can address that question too, Mr. Chair. We did issue government of Alberta ministry business plan standards that prescribe the mandatory components to be included in the business plans. So, again, we have addressed that question. The deputy ministers committee and the Ministry of Finance have been tasked with ensuring that the standards are followed, so we are in fact doing that right now as well.

The Chair: Thank you.

Mr. Masyk: Thank you, Mr. Chairman.

The Chair: Ms Blakeman, followed by Mr. Cao, please.

Ms Blakeman: Thank you. I'm looking at page 20 of the minister's annual report, and it noted that Alberta continued to have a triple-A credit rating, the highest of any province. This, of course, ensures that borrowing costs would be the lowest that any Canadian province or, in fact, any private company could possibly borrow money at. So my question to the minister is: why in this year did the government continue to pursue P3s when as is adequately documented here, the government could borrow money at a far cheaper rate than any private corporation? What advice was the ministry giving other ministries about getting into P3s and having private corporations borrow money at a higher rate?

9:30

Mrs. Nelson: Well, under our new structure one of the recommendations from the Financial Management Commission was that there would be nothing wrong with the government looking at alternative financing mechanisms that would be different from paying cash as you go for projects. We had already been doing that, quite frankly. We've been involved in P3s for years, and a prime example of that would be our extended care nursing homes. They quite often are owned and built and operated by the private sector, and the Crown enters into an agreement to accommodate people in those homes, and it's been quite a successful relationship for years.

You've heard me say in the Legislature that the P3 is only one vehicle that you could look at. The caveat has always been that there has to be an evaluation done to assess through cost-benefit analysis whether there's a benefit to Albertans to pursue one path or the other. We've been pretty solid on that.

And you're quite right. You know, depending on where we are in our fiscal year, what our cash flows are looking like, what the market is yielding, what the trends out are, sometimes it makes sense to have someone else do the job for you, finance it on a different term, and operate it out and not own it. Other times it will make sense to have us go the traditional way of paying for it as you go along, other times a combination thereof.

So what this new structure does is give us the flexibility to do the financial assessment on a project-by-project basis as to what's the best vehicle for accomplishing the goal. That's the structural path that we're under right now, Laurie.

People kind of get a little excited over the term P3. We're already using it, but the financial analysis has to come when they bring a project forward, and that's when we get in and do an assessment. Does it make sense for us to go to the market directly? We will look at a number of factors and have our people that are involved with the markets on a daily basis say: "What's the market looking like? Let's do an assessment on this. Or are we better to let someone else do that for us and use our dollars in a different path? Where do we get the best value for Albertans?"

So it's just another financing tool that's available. I think you can go back in *Hansard* and you'll have me quoted as saying: I don't see us having a lot of projects like that other than the ones we do now, like nursing homes.

I can see it in fast-growing communities like Edmonton and Calgary, like Red Deer in the corridor, where you've got a lot of new suburbs coming into play and where the developer of the suburb at the very beginning will say: I'll build the elementary school. He'll build it, he'll own it, and he'll enter into an agreement with the local board to maintain it, and at the end of a certain amount of time he has the property and it becomes a seniors' lodge. He controls it, and he gains his money back by, say, putting an extra \$500 on the price of a lot. What's the benefit to him? Well, people can send their kids down the street to the school; it's there right away. Now, with established schools it probably doesn't work as easily or straightforward as that.

There are approaches and there are things that are obvious P3 applications. With others you could very well get into bond issues. So it's just one vehicle, Mr. Chairman.

The Chair: Ms Blakeman, proceed with your second question, please.

Ms Blakeman: Thank you. We have a positive here; we have an asset. The minister has described alternative financing and other possibilities here. I guess my question is: in the year that we are examining, was keeping infrastructure debt off the books one of the reasons why the Finance department was pursuing P3s? We don't get to see the P3s until after the contract is signed, so we're trying to glean the information by looking backwards and trying to figure out what the government was doing here.

Mrs. Nelson: Just the contrary. The idea of having the balance sheet – I mean, we can run books without a balance sheet. We've chosen not to. We believe that the balance sheet clearly shows Albertans the assets and the liabilities of the province.

The key in the analysis of going into capital projects is: what can the fiscal plan afford? That's the key, not what you put on your

balance sheet, because you can actually get involved in capital projects without a balance sheet. We want to show Albertans where their dollars are being spent and show the asset and the liability clearly on the balance sheet, which hasn't happened, Laurie. Under this new structure that's what we've moved into, a full set of financial statements, and that to me is important to have.

When you looked at our budget that we filed this last year – I know it's not the year we're dealing with, Mr. Chairman – you can see that we've identified that some of those dollars would be alternatively financed under the fiscal plan that we've put forward. Now, as to what projects will be final, we have a capital committee that brings forward recommendations on priorities for infrastructure to Finance and our Treasury Board. They make recommendations, and then based on the fiscal framework we have, they have to fit in. In other words, you have to be able to operate them. There's no point in everybody running out and building things if you haven't got the operational monies built into the fiscal plan.

So there's a whole lot more to it than I guess meets the eye. We're very, very rigid on having full disclosure on it, so we would put things on it – we've listed everything.

Ms Blakeman: We don't see those contracts before they're signed.

Mrs. Nelson: No, you don't see those contracts before they're signed. Well, that's unfortunate.

Mr. Kruselnicki: Mr. Chairman, can I supplement just very briefly?

The Chair: Briefly, sure.

Mr. Kruselnicki: There are very, very clear accounting standards which will determine what is required to be on the balance sheet, and for all intents and purposes most of the types of alternate financing that are being referenced here will be determined through those standards. We've had discussions with the Auditor General and the other departments about this.

We follow strictly the Public Sector Accounting Board standards. The standards are quite stringent in determining what will be on the balance sheet, and those are the ones we follow.

Again, the Controller makes the final determination in consultation with the Auditor General, but it will be those standards that determine whether something has to be on the balance sheet, and most times it will be on the balance sheet.

The Chair: Thank you very much.

Mr. Cao, followed by Dr. Taft.

Mr. Cao: Thank you, Mr. Chair. First of all, thank you, Minister and the department, for handling for Alberta a big pizza, I would say, of \$23 billion and growing.

Myself and my constituents and many other Albertans always keep a watchful eye on the accountability and transparency of all orders of government when it comes to their tax dollars. I myself have a principle that I call the four Es in life and in matters of money: effective, efficient, economical, and ethical.

Today I want to ask you about the results that Albertans get for their dollars. Could you speak to some of last year's performance or measures taken on being economical?

9:40

Mrs. Nelson: Well, I could do like Minister Norris and go through the impact on the province, but I think one of the things that we tend to overlook is what people from outside Alberta think about this

province. We tend to probably be far more critical than our worst critics outside because we expect as Albertans that we will do things right. We have an audit process, but we don't always get everything right.

We have, I think, a special relationship with the Auditor General's office. When he says that we need to do something, while we may have a reason to take more than one year to do it, we do respond to him and say: yes, we'll move on that; how can we get there? We figure out a road map to accomplish the goal. In other jurisdictions they don't do that. They don't have that same kind of respect for the political side, the government, and then the audit side.

When you go outside and you go to, like, a bond agency, they grill you for two or three hours about your entire fiscal structure and they take into account all those measures and what you're doing in the province and how the province is performing. So for Albertans, when you look at the structure of, you know, the overall lowest tax regimes within the country – and I don't say that lightly or frivolously; I'm going to send Laurie the charts on this – it's absolutely staggering how mistreated people in other provinces are when I look at what's taken away from them, the money taken out of their pockets that we don't do. Now, you can pick one tax or another and say: well, they have this; they have that. But when you look at the overall scheme – and you must do that – it's just shocking.

Obviously something is working very well because we continue to lead the nation in our growth. We continue to have the lowest unemployment rates. We continue to have the highest investment per capita of any place in the country. In fact, in North America we're the only jurisdiction with this triple-A bond rating, and we just went: oh, well. We now have the triple-A not only on the domestic front but on the foreign front as well; we're the only jurisdiction. At the last bond meetings we had, the one bond agency said: Pat, if there were a category above triple-A, we would give it to the province of Alberta.

We as Albertans tend to say: oh, well, isn't that just a ho-hum story? Well, I can tell you – and Laurie alluded to it – about jurisdictions that have to go to other entities to have capital investment, that don't have a choice because the strength of their balance sheet is so poor they couldn't go it alone. We have choices. We have choices in Alberta that no other jurisdiction has, so we can sit back and make logical, rational decisions on behalf of Albertans as to what's in their best interest. We're not forced into a method of moving things to Crown corporations or moving them off the balance sheets or playing that game. We don't have to do that. We have a triple-A balance sheet.

The Chair: Minister, if you're talking about moving things, I'll have to excuse you, please, and proceed with the second question. There are still people who have indicated that they would like to have a question this morning.

Mrs. Nelson: Okay.

The Chair: Thank you.

Mr. Cao: Well, thank you, Mr. Chair, and thank you, Minister. On the side of being transparent and ethical and accountable, I heard something like: we the government of Alberta issue cheques every year. I don't know how many; maybe tens of thousands of cheques. I heard something like how we have a compilation, a book of those cheques available somewhere. Is that correct? Could you comment on that?

Mrs. Nelson: Yes. I don't know the real name; I call it the blue

book. It's a book about that deep, and it lists every – in fact, that's what the Clerk said I filed yesterday. So if you go to the Legislature Library, you can get what I call the blue book, and you can go through it and see every cheque that we have issued through the general revenue fund over – what is it?

Mr. Wiles: It's \$25,000.

Mrs. Nelson: No, no, no. It's less than that. Isn't it \$5,000?

Mr. Wiles: No. It's \$25,000.

Mrs. Nelson: It's \$25,000. It'll have a company name and then all the departments that have used that company and how much money they paid. It's there, and you can go and pick it up and have a look at it. It's not the most exciting reading, I've got to tell you, so we don't get a lot of calls for it, but if you're interested, it's there. Go and get it. I don't think anybody else does that. I don't think any other government does that.

Mr. Cao: Thank you.

The Chair: Thank you. Just for clarification, any amount over \$25,000 did you say, Mr. Wade?

Mr. Wiles: Yes.

The Chair: Okay. Is listed in the public accounts?

Mr. Wiles: In the supplement, yes.

The Chair: The total that one firm or another would do with a respective government department but not each individual cheque; correct?

Mr. Wiles: That's correct.

The Chair: Thank you.

Mrs. Nelson: With the department. Yeah, by department.

Mr. Wiles: Yes.

The Chair: Okay.

Kevin Taft, please, followed by Mr. Lukaszuk.

Dr. Taft: Thanks. This is directed as much to the Auditor General as to the minister. There was discussion early on about the ATB and enterprise risk management and that sort of thing. This is a general sort of question although I'm looking at the ATB statements here. In listening to the Auditor General's comments, I couldn't help wondering whether the Auditor General and/or the minister have a sense of what the mandate of the ATB should be. Should the ATB have the same mandate and therefore the same risk management approach as standard chartered banks, or does it have a different mandate and therefore should be granted a different approach to risk management? Do you understand my question?

Mrs. Nelson: Yeah, and I think that's more of a policy question than a financial question.

Dr. Taft: Are you prepared to comment on it?

Mrs. Nelson: No. I'll get back to you on that on a policy front, if that's okay.

Mr. Dunn: I won't comment on the policy side of it, but from a controls perspective, how one runs that business from a controls perspective, it should have similar controls as other chartered banks.

Dr. Taft: Then my supplemental I guess to the Auditor General: if we have the same controls in place as a mainstream chartered bank, then aren't we by definition giving it a mandate the same as a mainstream chartered bank?

Mr. Dunn: As I say, I'm not going to comment on the mandate and the principle. What we would look at at the end of the day is that if they have operating policies – and that's why we've commented on it. If the bank has established an operating policy, that policy creates their control measure. Then we, of course, just look for compliance with the policy. So for internal controls, if they say that they have certain aspects as to how they make loans, if that's their policy, then we go out and measure it against their policy and show where there's a lack of adherence to it.

That's why our comments are that you as a bank have set these expectations for your lending officers, yet certain of the lending officers are not adhering to the policies. All I'll say is not on mandate, what it is to do for small businesses in Alberta – I won't comment on that. What I will comment on is that at the end of the day our comments are restricted to how they run the business from a controls perspective vis-à-vis their own internal policies.

Mrs. Nelson: Well, Kevin, we can refer you back. There is a piece of legislation that governs ATB. That's the structure that they are operating under, and there are regulations attached there too. That's what they have today to operate with, that piece of legislation. So we'll pull that out for you and the regulations. We'll get that over to you.

The Chair: Thank you.

Before we proceed to Mr. Lukaszuk, I would like to apologize to Controller Tim Wiles. I referred to him as Tim Wade.

Mrs. Nelson: I have a Tim Wade and a Tim Wiles. Tim 1, Tim 2.

The Chair: I apologize to Mr. Wiles.

Mrs. Nelson: Just call him Joe.

9:50

Mr. Lukaszuk: Thank you, Mr. Chairman. I have a question to clarify with the Auditor General. Math was never my forte, but the Auditor General made some references to insurance in Alberta. Dr. Taft prior quoted a number relevant to ICBC, the British Columbia insurance. If Alberta collects roughly \$130 million in premium tax and British Columbia, according to Mr. Taft, I believe returned a profit of \$260 million, considering the number, Mr. Auditor, that you said of roughly 30 per cent of Albertans being members of a public insurance, being AMA, and considering the fact that British Columbia has roughly one and a half to two million more residents than Alberta, when you crunch those numbers purely from a mathematical point of view, the return that Alberta is getting from private insurance is pretty comparable to the return that British Columbia is receiving from publicly owned insurance; isn't it?

Mr. Dunn: Well, I'll let you do the number crunching here.

Mr. Lukaszuk: That's where I need the help, because that's one thing I can't do.

Mr. Dunn: All I'll refer you to is page 33 in the annual report, which does show that revenue from insurance taxes in the year 2003 was \$162 million. That's from the insurance premium tax, and the question would become: would that be forgone if you ended up being the only insurer? Would you charge an insurance premium tax to yourself?

Mr. Lukaszuk: My supplemental then, Mr. Chairman, would be: just based on \$160 million versus \$260 million and the population differentiation between British Columbia and Alberta, would you say, Mr. Auditor, that the return is pretty comparable?

Mr. Dunn: I'm not going to go that way, into that kind – because I haven't really made the numbers comparison. Certainly, I know that in the province of B.C. insurance is also provided by other organizations in addition to ICBC. Again, the client I worked with was also providing insurance to those organizations because there's the statutory minimum, and then where do you acquire your additional excess insurance? Certainly, the Alberta Motor Association was also providing it into other jurisdictions.

Mr. Lukaszuk: Thank you.

The Chair: Thank you.

Ms Blakeman, please, time permitting.

Ms Blakeman: All right. I'm looking at the '02-03 annual report, government of Alberta, page 33. There are a lot of pages 33 here today; sorry.

Mrs. Nelson: That's the revenue schedule.

Ms Blakeman: Toward the bottom under fees, permits, and licences, we have crop and hail insurance premiums in the year we're looking at coming in at \$102 million, but I don't find what was paid out. Are you able to get that figure for me? The government took in . . .

Mrs. Nelson: We'll have to get that for you, Laurie. I don't have that with me.

Ms Blakeman: Okay. Does that divide into different programs? If you can give me a breakdown.

Mrs. Nelson: I'd have to get that from the agriculture department. I don't have that.

Ms Blakeman: Thanks. Okay. That's the supplemental.

The Chair: Okay. And you'll provide that, Mrs. Nelson?

Mrs. Nelson: Yes, through Corinne.

The Chair: Okay. Thank you very much.

Are there any other members that would have a question at this time? Yes, Ms Blakeman.

Ms Blakeman: If I can have another one.

Mrs. Nelson: Oh, sneaking that one in, Laurie.

Ms Blakeman: Oh, yes. No one else came up with it.

Toward the back of the minister's annual report we still have Gainers on the books, and I know that this was paid into a numbered account and it's all still sitting there. I've read all the notes about the various court cases as they chug along through. My question is: are we paying anything out? It doesn't look like it to me, but I'll ask the question.

The supplemental on that is: what is the cost to the government of Alberta for the staff time and the legal time that is put in on going back to court on these various appeals that are happening?

I'm sorry. This starts on page 216 and runs through to 224 of the minister's annual report.

Mrs. Nelson: This is one of my favourite files, one of the gifts of the '80s. I'll ask Tim Wiles to answer the question.

Mr. Kruselnicki: Well, it's probably better if I answer it.

Mrs. Nelson: Oh, okay. The deputy can answer it.

The Chair: Okay.

Mr. Kruselnicki: I'm a little more engaged in this one. As Ms Blakeman indicated, there are a number of outstanding legal actions on this file. I mean, it wouldn't be appropriate for us to talk about any of the specifics as these actions are still before the courts.

However, the staff time is very minimal. It's not very extensive right now. As far as Gainers goes, it's strictly accounting standards that require us to show all the liabilities on our financial statement as long as the company continues its existence and as long as the actions are before the courts. It's kind of a chicken and egg thing. We have very, very minor costs on this at the present time.

Obviously, we would like to get this thing resolved as quickly as possible. In the five years that I've been the deputy minister, I've been engaged in this, and it continues to be one of my goals to tell the minister one day that we will have it resolved. But at the present time I can assure you that the costs, et cetera, are very nominal as far as time goes.

Ms Blakeman: Including your legal costs?

Mr. Kruselnicki: The legal costs are very nominal at this stage, yes.

The Chair: Thank you.

Ms Blakeman? Okay. You're fine with that?

That concludes this portion of our meeting. I on behalf of all members would like to thank Mrs. Nelson and her staff and also the Auditor General and his staff this morning. Thank you for your time and your patience with us.

Mrs. Nelson: Thank you.

The Chair: We appreciate it.

Is there any other business at this time for the committee? Any of the members?

Okay. The date of the next meeting: I would like to remind all hon. members that Wednesday, May 19, permitting, we will be meeting with the Minister of Revenue, the Hon. Greg Melchin.

If there's no other business, may I have a motion to adjourn, please. Thank you, Mr. Lukaszuk. All those in favour of the motion? Seeing none opposed, carried. Thank you very much.

[The committee adjourned at 9:57 a.m.]

