Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee
on
Public Accounts

Treasury Board and Finance
ATB Financial

Tuesday, June 23, 2020
8 a.m.

Transcript No. 30-2-7

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Second Session

Standing Committee on Public Accounts

Phillips, Shannon, Lethbridge-West (NDP), Chair
Gotfried, Richard, Calgary-Fish Creek (UCP), Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (UCP)
Dach, Lorne, Edmonton-McClung (NDP)
Guthrie, Peter F., Airdrie-Cochrane (UCP)
Hoffman, Sarah, Edmonton-Glenora (NDP)
Loewen, Todd, Central Peace-Notley (UCP)*
Reid, Roger W., Livingstone-Macleod (UCP)
Renaud, Marie F., St. Albert (NDP)
Rosin, Miranda D., Banff-Kananaskis (UCP)
Rowswell, Garth, Vermilion-Lloydminster-Wainwright (UCP)
Stephan, Jason, Red Deer-South (UCP)
Toor, Devinder, Calgary-Falconridge (UCP)

* substitution for Jason Stephan

Also in Attendance

Schmidt, Marlin, Edmonton-Gold Bar (NDP)

Office of the Auditor General Participant

W. Doug Wylie	Auditor General

Support Staff

Shannon Dean, QC	Clerk
Stephanie LeBlanc	Clerk Assistant and Senior Parliamentary Counsel
Teri Cherkewich	Law Clerk
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Clerk of Committees and Research Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Michael Kulicki	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Director of Parliamentary Programs
Amanda LeBlanc	Deputy Editor of *Alberta Hansard*

Transcript produced by *Alberta Hansard*

Standing Committee on Public Accounts

Participants

Ministry of Treasury Board and Finance
Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

ATB Financial
Curtis Stange, President and Chief Executive Officer

8 a.m. Tuesday, June 23, 2020

[Mr. Gotfried in the chair]

The Deputy Chair: Good morning, everyone. I'd like to call this meeting of the Public Accounts Committee to order and welcome everyone in attendance.

My name is Richard Gotfried, MLA for Calgary-Fish Creek, deputy chair of the committee, and acting chair for the proceedings today. Ordinarily I would suggest going around the committee table for all participants to introduce themselves; however, with participants joining us through various methods of communication, I will note for the record that the following members are present either via video conference or via teleconference. We have via video conference members Dach, Guthrie, and Renaud, and via teleconference we expect members Barnes and Toor to dial in shortly. I note for the record the following substitution: Mr. Loewen for Mr. Stephan.

Also joining us today are the following officials from the office of the Auditor General via video conference: Auditor General Doug Wylie; Brad Ireland, Assistant Auditor General.

From the Legislative Assembly Office we have LAO staff present: Philip Massolin, clerk of committees and research services; Aaron Roth, committee clerk.

Today we also have with us officials from Treasury Board and Finance and ATB: Mr. Lowell Epp, assistant deputy minister, treasury and risk management division; Mr. Curtis Stange, president and CEO of ATB Financial; and Mr. Dan Hugo, chief financial officer, ATB, via teleconference.

We will now start off by introducing the individuals in the room, starting at my right.

Mr. Rowswell: Garth Rowswell, Vermilion-Lloydminster-Wainwright.

Ms Rosin: Miranda Rosin, Banff-Kananaskis.

Mr. Reid: Roger Reid, Livingstone-Macleod.

Mr. Loewen: Todd Loewen, MLA, Central Peace-Notley.

Mr. Epp: Lowell Epp.

Mr. Stange: Curtis Stange, ATB Financial.

Ms Phillips: Shannon Phillips, MLA for Lethbridge-West.

Mr. Schmidt: Marlin Schmidt, Edmonton-Gold Bar.

The Deputy Chair: Great. We've already introduced our committee clerk and liaison here.

A few housekeeping items to address before we turn to the business at hand. I would ask all members participating via video conference or teleconference to ensure that your microphones are muted unless you are recognized to speak. Once you unmute your microphone, please wait for a second or two before speaking to ensure that the audio captures what you are saying as you begin speaking. For those members and guests present in the room, *Hansard* will operate your microphones for you.

If you wish to abstain from a recorded vote, please send the committee clerk a private instant message, e-mail, or text.

Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and video stream and transcripts of meetings can be accessed via the Legislative Assembly website.

I'd like to start out. Are there any changes to the agenda? Seeing none, would a member like to move that the agenda for the June 23, 2020, meeting of the Standing Committee on Public Accounts be approved as distributed? Member Reid, seconded by Rowswell. Any discussion on the motion? Great. All in favour? Any opposed? On the phones? Hearing none, that motion is carried.

Members, please remute your microphones, those of you that were on the lines as well.

Approval of minutes. Hon. members, we have minutes from our last meeting. Do members have any errors or omissions to note in regard to the meeting minutes? If not, would a member move that the minutes of the June 9, 2020, meeting of the Standing Committee on Public Accounts be approved as distributed? Member Rowswell.

Mr. Dach: Dach moves.

The Deputy Chair: Then seconded by Dach. We'll take that. Any discussion on the motion? All in favour? Any opposed? We already have the phones, it sounds like. Thank you. The motion is carried.

I would like to welcome our guests from Treasury Board and Finance and ATB, who are here to address the office of the Auditor General's outstanding recommendations as well as the ministry's annual report for 2018-2019. I invite the officials to provide opening remarks not exceeding 10 minutes. Thank you. Mr. Epp and Mr. Stange.

Mr. Epp: Thank you and good morning. At the last meeting in February we provided a brief overview of key financials for Treasury Board and Finance's 2018-19 annual report and the outstanding recommendations of the Auditor General. Given that the committee has invited us back to focus on matters pertaining specifically to ATB Financial, I will provide brief remarks on updates to recommendations from the Auditor General since February to reserve the bulk of the time for ATB. Treasury Board and Finance has 14 outstanding recommendations with no new recommendations brought forward this year.

First off, an update on improving annual results reporting and compliance monitoring. Significant progress has been made in providing guidance and training across government, including the development of annual reports standards, orientation sessions, and program governance. A business planning working group has implemented program governance by leading a subcommittee to inform the development of processes and to ensure performance measures in ministry business plans are directly related to outcomes and specific strategies. The working group is also establishing a compliance subcommittee with an immediate focus to develop results analysis, compliance criteria, and review processes. Further next steps include implementing the application of criteria and review processes, communicating review results, and updating guidance materials annually. It is anticipated this work will be completed within the fiscal year.

Moving on to an update about enterprise risk management, a review of the existing framework is currently under way to confirm that the commitments and objectives are consistent and aligned with current practices. Updates to the capital planning manual will address the Auditor General's recommendation that we obtain the information from departments on their maintenance needs and risks and their intentions for maintenance funding. It is considered a living document that will be updated . . . [An electronic device sounded]

The Deputy Chair: Please continue. Sorry.

Mr. Epp: Okay. Well . . . [An electronic device sounded]

The Deputy Chair: I'm going to pause the clock here . . . [An electronic device sounded] You do know you're being recorded now by an anonymous source?

Mr. Epp: I will continue.

It is considered a living document that will be updated, incorporating best practices as they are identified. In addition, the infrastructure act to be introduced later this fall will help ensure adequate maintenance of existing assets. On this note, to more effectively report on results of the capital plan, an infrastructure report is being developed and will be included as part of government's year-end financial reporting. A 20-year strategic capital plan is also under development that will provide broad, high-level direction and inform capital planning standards.

Lastly, regarding maintenance planning systems, further updates are being made to the capital planning manual, which are expected to be completed by the fall. Capital planning is implementing a new process to evaluate capital maintenance and renewal projects that will allow for fulsome analysis and increase transparency in decision-making. Best practices will be shared crossministry, and a new intake process will begin this summer to facilitate analysis and help support evidence-based advice to government.

Lastly, progress has been made on the review and evaluation of the five capital maintenance programs for buildings. Several departments will establish a baseline of programs, complete the gap analysis, and provide recommendations this summer. This work will help refine what is to be considered capital maintenance and renewal and will support the new intake process that will be implemented this fall for Budget 2021.

This concludes my remarks, and I will now pass it to Curtis.

Mr. Stange: Great. Thanks, Lowell. Good morning, everyone. I do truly appreciate the sincere opportunity to talk about ATB Financial this morning, a company that I absolutely love, and the importance of talking about a company, especially in these current climates. I'd like to extend our thanks to the province for your leadership and commitment throughout this pandemic. As Albertans we are known for our resilience and creativity when times are tough, and I firmly believe that we will find new paths to growth.

8:10

At ATB we have proudly served Albertans for over 82 years, and it's a role that we take very seriously, especially during times of stress and crisis. We were formed during the Great Depression and humbly began with just one branch in Rocky Mountain House although there's a side story there. Today ATB is the eighth-largest financial institution in Canada based on assets and the 44th-largest in North America. We prudently manage a safe and sound financial institution and have leading market share with nearly 25 per cent of all businesses banking with ATB. We're also the sole financial institution in more than 100 locations across the province.

We were invited to attend today's committee to focus on fiscal year '18 and '19 results, and I'd like to share the top three stories of that year: the economy, our loan loss provisions, and ATB Financial's record financial performance.

First off, this was a highly unusual year due to the Alberta economy. As you know, ATB is based in Alberta. Our competitors, including the big five and Canadian Western Bank, respectfully operate primarily in other provinces and jurisdictions around the world. Simply by virtue of having economies of scale and the nature of operations like international activities and expanded service offerings, the impact of the Alberta economy is felt differently by our competitors. This geographic difference plays a meaningful role in net income in years when the Alberta economy is struggling. For example, in 2018 the Canadian GDP was 2 per cent; Alberta was 1.6. When you look at 2019, the Canadian GDP was 1.6, and Alberta's was dramatically lower at negative .6 per cent.

The pace of growth in the province was lower due to oil production limits, falling capital investment in the oil patch, and the spillover effects of both of those on other sectors. The relatively high unemployment rate in Alberta, lingering effects of the recession of 2015-2016, and low levels of capital investment combined with slow growth overall placed stress on many of our customers. A knock-on effect of a struggling provincial economy is ATB's loan loss provisions. As should be expected, they are more variable than our competitors due to our geographic concentration in this province. I can assure you that our small business underwriting is sound. We follow good industry practices and are regularly reviewed by the Alberta superintendent of financial institutions, or ASFI.

At ATB we know our customers are more than just calculated risks or credit scores. Their success is our success, and their struggles are ours as well. That means we are relentless in our quest to listen and to make banking work for them. As you would have seen in our results for fiscal year '18-19, ATB accounted for loan loss provisions of $338.1 million. Let me spend a couple of minutes digging into this. It is important to note that over the past 15 years ATB's provisions have outperformed the Canadian five big banks as well as key U.S. banks. Just to repeat that: it's important to know that over the past 15 years ATB's provisions have outperformed the Canadian big five banks as well as the U.S. banks we compare ourselves to, with the average annual ratio of loan loss provisions to average net loans of 24 basis points. This experience has changed during the Alberta recession, with ATB's average loan loss provisions exceeding that of our peers over the past five years.

On the assumption that there will be a stress event impacting credit performance like we are currently experiencing, we also consider various scenarios in our ICAAP to ensure that we have sufficient capital levels to maintain a strong balance sheet. We follow prudent lending practices that are consistent with the board-approved credit policies. Our credit underwriting is periodically reviewed, as I mentioned, by ASFI. The last review was in 2018. The focus was on our small business underwriting, and it came back very favourable. We expect loan loss provisions to be more variable at ATB than the big five because of our geographic concentration. Our increased focus on supporting Alberta businesses has elevated our loan loss provisions slightly, and we offset that with higher returns in this segment.

Finally, as it relates to loan loss provisions, we implemented IFRS 9 in April 2018, and while we do not believe the implementation has impacted our total loan loss provisions, it has contributed to the volatility and underpinning estimates.

Shifting to ATB's overall performance in fiscal year '18-19, I am proud to share that we delivered impressive results in a year of adverse economic conditions: we reached $1.7 billion in operating revenue, which was our most ever; we achieved record income before provisions of $518.5 million, a $57.3 million increase over the fiscal year 2018; our assets under the administration of our wealth management division or ATB wealth grew to over $20 billion . . . [Mr. Stange's speaking time expired] Would you like me to continue, Mr. Chair?

The Deputy Chair: At the will of the committee, I think, given the interruptions we had, we'll give you another minute as well, Mr. Stange.

Mr. Stange: Thank you very much.

We supported 16,000 new customers and did $20 billion in new and renewed lending. Drawing these results in the midst of challenging economic conditions is a testament to the grit and creativity of our team members and our genuine obsession with listening to customers.

As we ended fiscal year 2018-2019, we were cautiously optimistic that the Alberta economy was slowly getting back on its toes. In fact, in our fiscal year '20 third-quarter results we achieved record net income, jumping almost 60 per cent from the same quarter the previous year. As you would all know, the final three weeks of that fiscal year shifted significantly.

In closing, from the devastating effects of the pandemic to the crash in oil prices, our province is facing challenges we never could have imagined just a few months ago. And just as ATB was established during the Great Depression to help Albertans recover, rebuild, and cultivate prosperity, we will continue to persevere with Albertans and Alberta businesses through these difficult times.

Thank you.

The Deputy Chair: Great. Thank you, Mr. Epp and Mr. Stange, for your comments.

I'll now turn it over to the Auditor General for his comments. Mr. Wylie, you have five minutes.

Mr. Wylie: Thank you, Chair, committee members. I'll just maybe put Mr. Epp's comments in context. As he said, the ministry was before this committee, I believe, on February 12 earlier this year. Time goes by fairly quickly; it seems like a long time ago, but it actually isn't. Chair and committee members, our outstanding recommendations to the ministry span the audits of several processes that we looked at, including the public agency board member recruitment and selection process, the government of Alberta capital planning processes, enterprise risk management systems, cash management processes, the oversight system for public sector pension plans as well as performance reporting processes that the ministry oversees.

Management has asserted that four of the outstanding recommendations are fully implemented, so we are currently in the process of planning our assessment of management's assertions. As you're aware, we will publicly report that to the Legislative Assembly.

I should point out that, as ATB is before us this morning, we have no outstanding recommendations relating to work at the Alberta Treasury Branches.

Chair, I'll leave my comments there. Thank you very much.

The Deputy Chair: Great. Thank you, Mr. Wylie. Thank you to the Auditor General for your comments.

We will now proceed to questions from committee members for our guests. As a reminder of the questioning rotation, we will employ the ordinary two-hour meeting for this coming session today, which will be a first rotation of 15 minutes for the Official Opposition and government sides, and then three ensuing rotations of 10 minutes each followed by three minutes for a read-in for both the Official Opposition and government sides, and then four minutes at the end for other business. I will now open the floor to questions from the members, recognizing MLA Phillips.

Ms Phillips: Well, good morning, and thank you for joining us. I want to start with a little bit of a conversation about ATB. Thank you for coming. I appreciate it, and I know as a lifelong Albertan myself, I appreciate ATB's contributions to small towns having grown up just outside one. I want to start there.

Can you confirm with me, Mr. Stange, that the ATB is the only brick-and-mortar financial institution in a number of communities? I'm thinking here of High Level, Hythe, Youngstown, and Paradise Valley. In High Level you have an hour's drive to the nearest bank in Peace River, in Hythe you have a 40-minute drive to Sexsmith, in Youngstown you have a 40-minute drive to the bustling metropolis of Oyen, and in Paradise Valley you have some choices: you can go 45 minutes to Vermilion, 40 minutes to Lloydminster, or 40 minutes to Wainwright. What kind of contribution does the ATB brick-and-mortar financial institution make to those communities? Can you talk a little bit about being the only financial institution within, you know, almost an hour's drive in some of these places?

8:20

Mr. Stange: Yeah. Lowell, I'll take that one. Thanks very much for that question. Yeah. We would be the sole financial provider in close to 100 communities across Alberta, made up of a mixture of branches and agencies. We have 173 branches and 141 agencies. Agencies, historically, were designed to fit smaller centres, hamlets where branches would not prosper as effectively as an agency would and to support the small-business entrepreneurs, because that's what an agency is all about. In many cases they are combined with other small businesses in the towns and hamlets right across Alberta.

Beyond providing financial services in those towns in which there are no other banks, I think equally as important is the contribution of the ATB team members to that community. In many cases they participate as volunteers. They might be involved in various aspects of the community that help it prosper and grow, so we're very proud of those contributions. I've been to many of those centres that you've mentioned, and we're proud to be representing those small towns in Alberta.

Ms Phillips: Can you tell me what proportion – you may have to follow up in writing, and that is fine – of your workforce is located outside of Edmonton, Calgary, Lethbridge, Red Deer, Medicine Hat, Grande Prairie, sort of the larger population centres? It's okay to just follow up on that. I'm just interested in how many workers you have outside of those major cities.

Mr. Stange: Yeah. As a percentage of our total workforce – yeah, I'll have to follow up.

Ms Phillips: I want to understand your property tax situation because you're a government of Alberta entity and one of our ABCs. Is it correct to assume that the property taxes would be included in the current grants in place of taxes granting system that the province has had for many years, or are you somehow outside of that?

Mr. Stange: Yeah. It's a great question. I'll have to follow up in writing on that.

Ms Phillips: Okay. So if there's any actual estimate as you're doing that, I'm interested in the actual value of property taxes owed by ATB to local municipalities every year . . .

Mr. Stange: Sure.

Ms Phillips: . . . because in places like Hythe or Paradise Valley I imagine that their commercial tax base is . . .

Mr. Stange: Yeah.

Ms Phillips: Probably ATB would play a big part in that.

That kind of presence in rural Alberta has to cost money, and it has to have an impact on how you compare to other financial institutions. Can you tell me about some of those costs and benefits and why you as an organization see more benefits than costs?

Mr. Stange: Yeah. Physical distribution in any business is expensive, so when you have 314 physical locations, including branches and agencies, that's expensive to maintain. I think if you add on top of that the changing behaviours of consumers and businesses, who are not entering into the doors of those branches as frequently because more and more transactions are happening digitally, over the phone, through online banking, through mobile apps, there is no doubt that there is a reduced level of transaction and busyness in the branches than we would have seen in the decades past.

The balance, to your point, is that there is a unique connection with rural Alberta and ATB. As I mentioned, it's not only the fact that we provide benefits of banking and advisory services through those branches and expertise through those branches but also the connection into the community. So there is a balance in our physical distribution. Hence why it's a little bit difficult to compare ourselves to a lot of the national bank competitors or the more local competitors because ATB is unique in its construct of such a large physical footprint across the wide aspects of Alberta.

Ms Phillips: Can you provide some of those comparisons to some of the more local competitors, for example the Canadian Western Bank? That's been one of the comparators that we've seen, comparisons to ATB in terms of your financial performance. I note that Canadian Western Bank was also a creature of the government of Alberta way back in the day, because owning one bank wasn't enough for the Lougheed government; they had to have two. Can you tell me a little bit about the comparison between those two financial institutions, between CWB and ATB, and what you do that's so much different, and what would account for some of the differences between your two organizations? I note here that your most recent annual report says that you have equity worth over $4 billion, for example.

Mr. Stange: Yeah. The Canadian Western Bank: I know Chris; I think he's a great operator. I think Canadian Western Bank is a great competitor, and they do some great things. We're two fundamentally different banks. The Canadian Western Bank is largely focused on small business. I don't know the exact numbers, but I think they have less than 20 physical branches in the province of Alberta compared to our 314 physical branches, and they have a very small and limited wealth management business. They are very good at what they do, in focusing in and helping small-business entrepreneurs.

When you try and compare the financial results, the balance sheet or the income statement against ATB in its entirety, they're very different banks, so it's hard to compare an apple and an orange like that in its entirety. If you pull out our business bank, if you pull out the business vertical, our business customers and our focus on business customers, we actually look more similar. We have very similar net interest margins, we have very similar expense ratios, and very similar loan portfolios, so when you cut our bank in half and take the business bank and compare that bank to Canadian Western Bank, they actually look very, very similar.

Ms Phillips: The mandate of ATB is to improve competitiveness in our financial sector – improve some of the competitiveness, to break up the monopoly of the big banks back in the day: that was the reason for ATB – and provide Albertans with a different suite of credit products. Can you talk a little bit about whether there has been an expansion of credit available to Albertans either on the agricultural side or individuals, you know, even since the recession of 2015-2016, and can you talk a little bit about how those few years would have had an impact on the annual report that is under consideration here, ATB's contribution to sort of our unique Alberta circumstances, because that was the whole point of this government-owned bank in the first place.

Mr. Stange: Right. To clarify for the committee's sake, three specific areas of the mandate were revised in November of 2019:

> (a) manage its business in a commercial and cost-effective manner,
> (b) seek to earn risk-adjusted rates of return that are similar to or better than the returns of comparable financial institutions in both the short term and the long term, and
> (c) avoid an undue risk of loss by prudently managing its business, which includes establishing and implementing relevant plans, policies, standards and procedures.

That's the new mandate of ATB struck in November of 2019.

To your point, under this period time, fiscal year '18-19, the mandate in its philosophy was to provide competitiveness to Alberta banks, no doubt, and provide a fair return to Albertans, and within that we did just that. There was a period of expanding even beyond your time frames. Over the past decade we have meaningfully increased the loan portfolio, which was supporting the rapid growth of an Alberta economy that was hungry for new loans to expand businesses, to start up businesses, for consumers to live their lives and take vacations and expand and buy land and buy properties. ATB was right front and centre in supporting that in many jurisdictions around the province, so we're very proud of our mandate then and now, and we're very proud of how we actively participate in Alberta communities around the province.

Ms Phillips: One of the pieces of work that was requested of ATB in sort of a collaborative way was around low-cost credit products in order to ensure consumer protection from, you know, these sort of cash companies and payday loan companies and so on, and, in fact, some legislation was passed to that effect. ATB was requested to work on this to protect consumers from some of these crazy interest rates from these payday loan companies you could find on every street corner. What did ATB do on that, and where can I find that in the 2018-19 reporting?

Mr. Stange: You're referring to the legislation change on payday loans specifically?

Ms Phillips: Uh-huh.

Mr. Stange: Yeah. We proudly and proactively looked at a number of different payday loan companies and connected with one referred to as Cashco. Over the past number of years, dating back to the dates when the regulations were changed and fees were increased, respectfully so, for payday loans, we partnered with Cashco in many different ways. Number one, we funded them as a customer, so we banked the bank. We provided through our corporate banking services an operating line of credit to fund their loan portfolio, so we banked the bank.

8:30

Perhaps more importantly, we designed checking and savings accounts and a spending card for distribution through the 43 Cashco locations and reimagined a lot of experiences with Albertans that would have been faced with payday loans, had them termed out. One of the philosophies was to say: could we break the cycle of a repeatedly 14-day payday loan, which was high cost, to your point, and a bit punitive, and how do we help these same Albertans term out that lending requirement to a year or 18 months or 24 months?

I can proudly say that Cashco today is thriving and supporting many, many different Albertans with a unique value proposition, supported and backed by ATB and distributed through the Cashco stores across Alberta.

Ms Phillips: Are there any other banks that you know of that have undertaken such work to reduce those kinds of pretty punitive interest arrangements for low-income, vulnerable Albertans, Albertans who find themselves in cash-strapped situations?

Mr. Stange: Yeah. None that I'm familiar with.

Ms Phillips: Do those arrangements actually conform to the new mandate?

Mr. Stange: Yes.

Ms Phillips: Okay. It would seem to me that if nobody else is doing them and your new mandate is to act like a bank like everyone else – but maybe there'd be some crosspurposes there.

Mr. Stange: Yeah. We have to act in a prudent commercial manner, but, yes, Cashco fits within that, as does Four Directions, which we're very proud of.

Ms Phillips: Can you tell me a little bit more about that?

Mr. Stange: Four Directions was a partnership with the Boyle Street agency here in Edmonton, and what it was targeted at was the more vulnerable Albertans that did not have access to basic banking needs. The primary barrier to many vulnerable Albertans is the ability to hang on to simple identification. What we did was that we leveraged the latest in technology and biometrics, including retina scans and thumbprints, and it's quickly replaced basic identification with their body parts. The experience for when vulnerable Albertans enter the Boyle Street agency, which we refer to as Four Directions: they have access to basic banking needs, like other Albertans, in a safe and friendly manner.

More importantly than that, the outcome is that now, where there are close to, in excess of 800 customers of the Boyle Street agency, 50 per cent of those more vulnerable Albertans have money in their bank account at the end of a 30-day period, comparatively speaking to zero, where in many cases those vulnerable Albertans would be subject to crime, theft, fraud, other impediments in them living their lives like others should.

Ms Phillips: Is there any plan to expand those initiatives? They're very worth while.

Mr. Stange: Yeah. We're looking at Calgary and have been looking for an agency in Calgary for some time. It requires support and energy by the agency to engage. I can you tell that Jordan and the team at Boyle Street have been exceptional, and we're just looking for the same type of partner in Calgary.

Ms Phillips: Would Calgary be the only . . .

Mr. Stange: No. We're looking at other places as well, yeah. Sorry.

Ms Phillips: Okay. Good. You might not necessarily . . . [Ms Phillips' speaking time expired] Oh, okay. Go ahead.

The Deputy Chair: Thank you, Member.

We'll now move on to a 15-minute rotation of the government side, commencing with MLA Reid.

Mr. Reid: Thank you, Chair, and thank you to the guests for joining us today. I appreciate your time and your response to our questions.

Mr. Stange, an efficiency ratio calculates a bank's relative productivity. If the efficiency ratio is 60 per cent, it means that to earn $1, an institution needs to spend 60 cents. Therefore, the lower the percentage, the more efficient the institution. ATB is showing a higher efficiency ratio, at 69.2, compared to Canadian Western Bank at 46.5 or RBC at 41.8, and it is forecasting an increase, between 70 and 72 per cent, for the next year. Why is ATB's ratio so much higher than these other banks?

Mr. Stange: Yeah. Thanks very much for that question. You are right. The efficiency ratio in the banking industry has been an important metric and measure for decades, and it still is for ATB and will continue to be.

Specifically speaking comparative to Canadian Western Bank, it truly is a difference in the construct and the cost of delivering the products and services that we deliver. Canadian Western Bank would deliver against a suite, a very effective suite of small-business products largely, where most of their balance sheet is driven through small businesses, and has a very small footprint of physical distribution of branches – I think their branches would be, again, fewer than 20 in the province of Alberta, comparatively speaking – where ATB would have more cost to generate our $1.7 billion in revenue. Largely that cost is a function of the cost of our team members in addition to the cost of our physical branches and maintaining that physical distribution, which we are very proud of, and we proudly have 173 branches and 141 agencies across the province. That largely makes up the difference as to why our expense ratio is higher than Canadian Western Bank.

Mr. Reid: Thank you. Appreciate that.

There's a big difference between the amount of outstanding loans at ATB compared to CWB and the opposite in relation to net income: loans of $46 billion for ATB versus $27.2 billion for CWB and a net income of $138 million for ATB versus $287 million for CWB, after income tax expenses of approximately $102 million. Can you please explain the decisions and rationale behind this significant difference in loans-to-income ratio?

Mr. Stange: Yeah. Thanks for that question. Again, the makeup of Canadian Western Bank is largely a business bank. Forty-four per cent of the assets of ATB, which are what we refer to as our loan portfolio, are residential mortgages, which would be our single-biggest asset class within ATB. The rest is made up of commercial real estate, energy loans, diversified loans, manufacturing, supporting businesses. Our balance sheet is roughly 50-50, so it's roughly 50 per cent residential and roughly 50 per cent business loans. Again, the makeup of ATB compared to Canadian Western Bank is quite different.

As it relates to the income number, the net income number, I think it's important to also remember the operating profit of an organization, and income before provisions is a very important number. It is the number that management focuses in on in a very important way because what it does is that it helps you understand the cost base of an organization and how you leverage that cost base to generate revenue. As I mentioned, in the 2018-2019 fiscal year the income before provisions was in excess of $500 million, 540-some million dollars, which was a record for us.

When you go below income before provisions and look at net income, which includes things like payment in lieu of tax, which includes the deposit guarantee fee that we pay to the province, it also includes the provision for bad loans. The one thing that I think Canadian Western Bank has been very effective at is diversifying their loan portfolio. Over the past decade they have reduced their loan portfolio, directionally speaking, by about 20 per cent in Alberta and now maintain about one-third of their loan portfolio in Alberta and have moved that to Ontario. They now have 22 per cent, approximately, of their loan portfolio in Ontario, a third in Alberta, and then about 35 per cent, actually, in the province of British Columbia.

That is one of the key strategies and tactics, that I think was very effectively executed by Chris and the team at Canadian Western Bank, that is limiting ATB. ATB: there's no doubt that the single biggest impediment in our loan-loss provision number compared to the Canadian Western Bank is the fact that we are unable to diversify our loan portfolio outside of the jurisdiction of Alberta. We are here to support Albertans whereas, comparatively speaking, Canadian Western Bank has been able to diversify their portfolio geographically.

In addition to that, clearly, there was a strategy – I'm not completely aware of the tactics and the reasons behind it, but clearly they reduced their portfolio in energy to the point where now they have very little outstanding invested in the energy industry in the province of Alberta, again, a strategy to move away from a more volatile industry that in tough economic years, when you get compression on commodity prices, can have a dramatic impact on the provisioning for bad loans.

I'd say that those would be the two largest when comparing net income and looking specifically at the provision number, a lack of geographical diversification and the fact that we've stayed committed to and will stay committed to the energy business in Alberta.

8:40

Mr. Reid: I appreciate that. Thank you very much. I certainly understand the unique situation of ATB in terms of their jurisdiction. Thank you for that.

Just looking at comparisons again with Canadian Western Bank and RBC, just as comparators, ATB's net income in 2018 was $274 million, and in 2019 it was only $138 million whereas CWB and RBC both saw increases that year. Any understanding you can give us as to why it seems ATB is underperforming the industry peers or our comparable institutions both federally and provincially?

Mr. Stange: Yeah. Thank you very much for that. I think it's important to know that over the past 15 years ATB, when you compare our loan-loss provision against average net loans, has outperformed the banking industry. That's an important statistic. I think that metric normalizes loan-loss provisions when you're comparing them against competitors. That's what we do. We take what percentage on a basis-point perspective to our average net outstanding loans and what percentage of those were actually provisioned, and over the past 15 years we've provisioned 24 basis points, which is lower than the big five, which we're very, very proud of.

When you look at the loan portfolio and the performance of the loan portfolio in relation to provisioning for bad loans, you look at the last five years, really since the collapse in the commodity price in the fall of 2014. If you look at the correlation between the provision of our loans versus the geographic, you know, refinement and focus of our loan portfolio on Alberta and you look at the economic performance of Alberta compared to the rest of Canada, you will see that the province of Alberta has had its back up against the wall for a number of different years. There is a direct correlation to the performance of our loan portfolio – therefore, the net income over these past five years – when you compare ourselves to Royal Bank or Canadian Western Bank.

The same can be said for the time period that you mentioned. Ending the fiscal year '18 compared to fiscal year '19, we grew our revenues meaningfully, we managed our expenses in a prudent way, and we felt the effects of a lingering challenging economy in the province. Our loan-loss provisions bounced higher, compared to fiscal year '18, in the fiscal year '19, which meant that we reduced our net income number.

Mr. Reid: Thank you.

Focused again – I guess, to continue looking at controlling expenses, again going to the 2019 annual report, it shows that the noninterest expenses, Other category was $54.7 million, which was an increase of 13 per cent from 2018. Any insight or explanation as to why we saw such an increase in this in spite of declining income?

Mr. Stange: Can you just clarify the line item?

Mr. Reid: I have the noninterest expense, Other category.

Mr. Stange: I'll have to get back to you as to what's in the Other category in writing.

Mr. Reid: Perfect. Appreciate that. Thank you.

A question about zero-based budgeting: when was the last time that ATB undertook a zero-based budget? I know that we're looking at 2018-19, but is there a plan to do that in light of what we've experienced with COVID this year?

Mr. Stange: Yeah. We fully expect to manage our expenses in a very prudent way. There is no doubt that there will be pressure on the revenue line this year, most fundamentally will be the dramatic drop in interest rates. The Bank of Canada has intervened, quite rightfully so. I think the Bank of Canada has operated in a very effective manner for the banks and the banking system in Canada, which we participate in, to keep liquidity and to keep interest rates in check. I think their programs have been very effective.

One of the things they've done is that they've again dropped interest rates pretty dramatically. When interest rates drop – 70 per cent of our revenue is made based on spread, the difference between the cost of a deposit and the yield on a loan. When you have contracting and pressure on your revenue, it's prudent for ATB to look at the cost line to do all we can to maintain the levels of income that we are used to.

We will be looking at some cost measures this year. There are some natural costs that have naturally reduced. There's less travel. There's less business development. There's less entertainment that's going on. There are many cases where we've supported sponsorships. In many cases we've . . .

The Deputy Chair: Mr. Stange, I'm just going to briefly interrupt.

Just a reminder to MLA Reid to limit his comments and questions to the period in question, 2018-2019. Speculation in terms of moving forward should not be in order. Just a reminder. That might save us some time here.

Thank you.

Mr. Stange: Okay. Thank you. Thank you very much, Mr. Chair.

I'll make this brief. We'll continue to look at the expense line, especially in the context of COVID and the challenging economy.

Mr. Reid: I appreciate that. Thank you.

My understanding is that sometime between 2017 and 2018 there was an organizational health index study of ATB undertaken. Do you recall what the staff accountability ranking was? The second part to that is: could you please share with us what measures have been put in place to increase a culture of accountability at ATB to increase returns to Alberta taxpayers?

Mr. Stange: Mr. Chair, that was outside of the reporting period. Is it okay if I answer that?

The Deputy Chair: This is. Prior to is fine because I'm sure you would have been addressing that during the period in question.

Mr. Stange: Yeah. Okay. Thanks very much. First of all, I think it's important for the committee to know that we are exceptionally proud of being the very first bank ever to be named the number one place to work in Canada. This is something that we proudly hold and had proverbial T-shirts and belts and high fives around the company when that was announced just a few short months ago. One of the most meaningful enablers of being the number one place to work in Canada – which, by the way, is not limited to banks. This is multi-industry, supported by the great places to work program, which is a very renowned external agency that looks at multiple industries and ranks them based on size. So for companies over 1,000 employees we were the number one place to work in Canada.

Underpinning that is a culture. There are many different attributes and characteristics that define our culture at ATB. Some of them would be learning, caring, empathetic. The balance with that is that what organizations require is performance, accountability, safety. That is what underpins. The balance of what underpins a great culture is a whole-brained growth mindset learning organization. That's what we foster at ATB, and the study, the McKinsey tool that we utilize, the organizational health index, was exactly that. We undertook a cultural audit at ATB to understand: how do we look at the changing dynamic of how consumers and businesses want to bank, the rapidly evolving technology, massive data sets, machines that now can learn, the balance of the economics, of shrinking margins, increasing cost base, provisions in geographical restraint?

There are a lot of different moving parts that go into running ATB, but, again, the biggest enabler is our culture, so we're constantly looking at: how do we refine the culture of ATB? That study happened to be one example of that.

The Deputy Chair: Thank you, Mr. Stange.

Just a comment. Congratulations on the best workplace award. I was involved with that in a previous corporate life. The trust index, I know, is a key to that, the employee trust index. Congratulations on that.

Moving to the second rotation of 10 minutes of the Official Opposition. MLA Phillips.

Ms Phillips: Thank you, Mr. Chair. I want to move on now a little bit to the superintendent of insurance report that came out in about 2018 in light of some other information on insurance that came out about claims and administration costs for automobile insurance in 2018. If the relevant ministry officials are not here today, I understand that, and I am happy to take written confirmation. Like, the type of information I'm looking for is to confirm my understanding of a few things that have come to light. I just want to confirm my understanding, using the 2018 superintendent of insurance's report on automobiles only, that Insurance Bureau of Canada members represent all but 12 of the more than 75 companies that provide motor vehicle insurance in the province, and the market share of that group is 97 per cent of the total premiums paid in Alberta. Am I correct in those calculations?

8:50

Mr. Epp: I'm sorry. It's not my area.

Ms Phillips: Okay. If the department could follow up, that would be great.

Recently there was some information based on 2018 claims that was released to the public around cost of administration of claims to insurance companies, and there was a Cheng and associates report that was put out based on 2018 claims that said that administration of automobile insurance claims was 7.3 per cent of direct written premiums in 2018. I just want to confirm that the department was using the same companies as the superintendent's report for the Cheng report that also refers to 2018 claims. Is that correct?

Mr. Epp: We'll have to get back to you.

Ms Phillips: Okay. The way I read this, the claims ratio shows that Insurance Bureau of Canada companies took in more than $4.7 billion in premiums in 2018, according to my reading of the superintendent of insurance report, paid out about $3.75 billion in claims, meaning that those companies, that 97 per cent of the market share, together recorded net surpluses of more than a billion for the year 2018 on automobile insurance alone. Then if we even take in that cost of administration, that was published by Treasury Board and Finance, of 7.3 per cent of direct written premiums in 2018, we are still looking at total direct claims plus cost of administration, a sector-wide estimate of profit of $613 million; for Insurance Bureau of Canada members, $671 million. Is that correct?

Mr. Epp: We'll have to get back to you.

Ms Phillips: Okay. Good.

The other piece that has come to light is that at least in the year of 2018, reserves for insurance companies are gradually improving and nearing adequacy, so it would seem that there are fewer concerns than in years past in automobile insurance around reserves. Is that a correct assessment?

Mr. Epp: We will have to get back to you.

Ms Phillips: Okay. You know, I think what I'm looking for here is just a confirmation around a few different interpretations of this, which is that we have then a follow-up report from Treasury Board and Finance on the 2018 state of the automobile insurance sector in which it says that settlements for bodily injury and so on are going up, and costs are going up, but I want to confirm that that analysis, those costs for those companies are contained within the superintendent of insurance claims ratio.

Mr. Epp: I can't answer that. Sorry.

Ms Phillips: Perhaps because we have had new information based on 2018 come to the public, really, in the last few months since the superintendent insurance report came out, the public does have questions about that analysis that Treasury Board and Finance has published around costs of bodily injury claims and their relationship to insurance company profits and profitability. That is something that certainly companies have been talking about for the last four or five years and certainly formed the reason for the 5 per cent cap, but also the public is wondering if those bodily claims injury numbers are in fact contained within that claims payout and insurance cost calculation. If that is the case then we still have a profitability of $600 billion, so I'd like confirmation from the department that new analysis based on that same year is contained within that claims ratio.

Mr. Epp: Again, we'll have to get back to you.

Ms Phillips: I want to move on, then, because I think we've probably exhausted that, to AIMCo and executive compensation. Now, the province of Alberta has gone over board compensation and executive compensation, obviously, over the past few years. They've reviewed these things at various times. CEO compensation and other named executive officers for various agencies, boards, and commissions have been the subject of repeated Auditor General recommendations, investigations, and so on, and there's been legislation brought in to this effect around board membership for ABCs.

I'm looking for a little bit of information around risk management for named executive officers in annual and long-term incentive plans. I note here that for the CEO of AIMCo, whose total executive compensation was approximately $3.4 million in 2018-19, it went up considerably. In 2018 it was $2 million; 2017 it was $2 million. You know, those are pretty eye-popping figures, I think, to a lot of the public. But then when you look at some of the comparative jurisdictions, for example – so if AIMCo has a hundred and some billion in assets under management, Ontario Teachers' has about $200 billion. Their CEO gets paid about $4 and a half million, $5 million. Some of the named executive officers at Ontario Teachers' make more than the NEOs at AIMCo, some of them less. We understand that there's a benchmarking process for attraction and retention of these folks. They do make a lot of money, though – right? – and I think the public has questions about that when they see some of those numbers in annual reports or in annual disclosures.

The annual incentive plan in 2018 cost AIMCo $35 million, and in 2019 it went up by $4 million, so it would have cost them $39 million. The long-term incentive plans went up by – their liabilities went up by $10 million. Is that reflective of the increase in the value of the total fund at AIMCo, and how does government keep an eye on the risks of those incentive plans and some of those compensation packages remaining within a realm that is acceptable to the public?

Mr. Epp: Okay. Thank you for that question. I don't have all the facts. The Public Agency Secretariat is responsible for reviewing under the legislation the compliance of AIMCo's payroll and compensation system – not a payroll system; a compensation system – with the relevant legislation to make sure that it's properly benchmarked, to make sure that it's properly in line, and it takes the same measures or similar measures for risk management as industry best practices. I would need to have my colleagues from the Public Agency Secretariat go into more details than that.

Ms Phillips: I'm interested in how we manage the risk of these pay packages becoming quite exorbitant over time, and I'm interested in government's role in overseeing that from a risk management perspective. How would we make sure that those both annualized and long-term incentive programs and a further initiative that AIMCo undertakes called restricted fund units, that are meant to bridge some of the gaps for CEOS . . . [Ms Phillips' speaking time expired] I'll get back to it.

The Deputy Chair: Thank you. The member can continue on the next rotation.

We'll now move to a government rotation of 10 minutes. MLA Rosin.

Ms Rosin: Thank you, Chair. Thank you both so much for being here. My questions will be aimed at Treasury Board and Finance, so Mr. Epp. My first question is around taxation and government revenues. On page 12 of our annual report for Treasury Board and Finance we have the ensuring effective tax administration category. This talks about our personal, corporate, and other taxation in the province. But if you look at other documents, I believe that the total revenue derived from just taxation alone actually is not even enough to fund the health care and education portfolios, and then there are a number of other government departments that exist. I'm wondering if you can just speak to that and speak to how many departments and how much of our total revenue in the province is actually derived from areas other than just personal, corporate, and other taxation and if you can speak to: how many departments, actually, are funded beyond those levels of taxation?

9:00

Mr. Epp: As with the insurance questions, the colleagues that would be the best to answer that aren't present today, and we will have to defer and get back to you in writing.

Ms Rosin: Okay. Thank you. No worries.

Well, then, I will move on. This is kind of related as well, I suppose. Page 12 of your annual report mentions a variety of levies and taxes that contribute to your department's revenue collection. I'm wondering if you can just explain all of the taxes and different levies that we do have in the province, whether that's the tourism levy or other ones that exist, and just explain which ones are the largest sources of revenue for the government beyond personal, corporate, and other taxation.

Mr. Epp: Again I will have to defer that and get back to you in writing.

Ms Rosin: Okay. So you don't have answers to which levies collect the most revenue in our province, even if it's not a number amount of how much but just which ones are?

Mr. Epp: Well, I'm quite sure that personal income tax is our largest source. Other than that, I would hate to venture a guess.

Ms Rosin: Okay. I'll move on, then. On page 15 of the annual report from Treasury Board it states that an economic recovery in '18-19 stalled from the oil price volatility. I think I mentioned that our taxation is far less than the total budget for the government, so I'm wondering if you can just speak to the importance of the oil and gas industry in terms of how it affects our budget and our ability to operate as a government here in Alberta. I'm wondering if you can talk just about how much of our budget is funded by revenues derived from the energy industry, whether that's a percentage or a dollar number, if you can just speak to how significant of an impact our energy industry has on the Alberta government's budget.

Mr. Epp: Again I will largely defer to my colleagues to have them answer this question in writing, but obviously energy revenues are tremendously important or have been in the past, in any case. In recent years, since 2015, those revenues have fallen dramatically, so they're not as important a component of our revenue mix, unfortunately, as they once were. But if you go back enough years, say to 2009, they were probably 30 to 40 per cent of total revenues. They are very volatile and, clearly, very important.

Ms Rosin: So 30 to 40 per cent was probably at the peak?

Mr. Epp: Yes. I believe 2009 was the peak revenue year for natural resource revenues.

Ms Rosin: Okay. I'm not sure if you're able to speculate under the way PAC would work, but obviously the province right now is significantly indebted. If oil prices, say, were to come back up to even last year's levels since the recent oil crash, can you just speak to, again, with current realities – I guess current in looking back at '18-19 because that's what we're talking about today – and if you were to bring investment back, how much of our budget, you know, in '18-19 could be supported by oil if the industry was to be where it was just a year ago?

Mr. Epp: I don't have specific numbers. I do know it's a very complex calculation. It's not a straight line where you can say, "If prices go up this much, we get this much" and so on and so forth. It depends on how much drilling and production activity is going on, which has fallen, unfortunately. It certainly depends on prices, the postpayout ratio for oil sands plants, how many are postpayout, how many are prepayout. There are all kinds of things, and it's not a simple answer. Again, my colleagues from the economics and fiscal policy unit certainly have better information than I.

Ms Rosin: Okay. Thank you.

A final question from me, then. Page 53 of the annual report for Treasury Board talks about the debt servicing in Alberta. As we know, we have a significant debt burden here in the province. For 2018-19 it looks like our cost for debt servicing was about $1.9 billion. Obviously, things have changed since COVID, but looking back at 2018-19, we were at $1.9 billion just for debt-servicing costs.

Page 54 also states that the cost was higher than expected, due in part to higher borrowing costs. I'm just wondering if you can speak to the significant size and the cost of our borrowing in Alberta and, you know, kind of how it got to be more than we expected. I'm also wondering if you could speak just to the importance of fiscal restraint during these times and how it will be important to have a balanced budget in Alberta and to have a strong financial backing in Alberta given how much money we are spending every day on debt-servicing costs and what that could do for the province if we were not.

Mr. Epp: Thank you for asking something that is in my area of responsibility.

Ms Rosin: You're welcome.

Mr. Epp: I appreciate that. Certainly, we are borrowing a tremendous amount of money. We have borrowed since the start of the 2015-16 fiscal year. We have borrowed over $65 billion for government alone, another $14 billion for provincial corporations. This year alone we've already borrowed about $10 billion, and we will need to borrow a substantial amount more. Obviously, there is a tremendous amount of focus, and necessarily so, on how much we are borrowing on our debt-service costs.

Luckily, so far interest rates have remained very low. Last week we did a 10-year bond, which had a cost under 1.7 per cent, so we were quite pleased with that. Since 2018-19 interest rates have come down somewhat, but obviously the less we borrow, the less money that goes for debt-servicing costs and the more money that can go for other purposes, clearly.

Ms Rosin: If I could follow up on that – and I'm not sure if this is in your realm either. You're correct that the less money we're spending on debt servicing, the more we can put into, you know, things that are actually worth while for Albertans. Do you have an estimate as to – and if you could kind of put it into context – how much of the budget in 2018 was – how indebted were we? Can you put into context what that debt could have bought? How many government departments are funded near the amount of the debt servicing?

Mr. Epp: At $1.9 billion I believe the debt-servicing cost would be larger than the budgets of all but five ministries. It's more than we spend on things like the Justice department. It's more than we spend on many things. Education, social services, Health: obviously, those are more, but most other things are less than what we spend on debt-servicing costs.

Ms Rosin: Perfect. Thank you.

With that, that finishes my segment. I'll pass off to Mr. Guthrie if we have time.

The Deputy Chair: You have one minute remaining.

MLA Guthrie, please.

Mr. Guthrie: Good morning. We'll switch back over to ATB. Moving to page 78 of ATB's annual report, there's the section on other income. The income for service charges increased by 7.9 per cent. It went from $70.7 million to $76.4 million. I guess, can you explain, you know, what the service charges are composed of, and which are the highest revenue generators for ATB?

Mr. Stange: Yeah. Thanks very much for that question. The increase in service charges for that fiscal year would have largely been as a result of increasing our customer base, which we increased by around 16,000 new customers for that year, so that largely is . . .

The Deputy Chair: Sorry to interrupt, Mr. Stange, but we'll have to carry that on to the next rotation.

We'd now like to go to a third rotation, with the Official Opposition. MLA Phillips.

9:10

Ms Phillips: Thank you. Mr. Epp, I'd like to pick up where I left off on risk management and compensation structures at AIMCo. We have here an increase in accrued employment liabilities on page 281 of the Treasury Board and Finance annual report. That's what I'm referring to here. We have increases in both the annual incentive plan and the long-term incentive plan of $4 million and $10 million respectively and some other fluctuations, in accrued vacation and stuff, but that's quite a bit smaller than some of the other liabilities. These calculations for this compensation are made based on value of total fund. Am I reading that correctly?

Mr. Epp: I don't believe so. Primarily they're based on the value-added performance of management.

Ms Phillips: Right. That's how I understood it. So as investment managers and executive officers and others generate better returns, either within one of their asset portfolios or for the total fund, then they qualify for more or less of a bonus, whatever the case may be. Is that correct?

Mr. Epp: I believe that's correct.

Ms Phillips: Okay. Yeah. Because this stuff is complicated, I want to make sure that I am confirming my understanding for the public and for laypeople.

So the increase in the total fund at AIMCo between '17 and '18 was a few billion dollars, about $7 billion. In '17 they realized quite good returns, in '18 less so. There was obviously some wobbliness in the markets, which Mr. Stange also talked about. As a result, though, folks were able to obtain quite large executive bonuses. For example, we have an individual bonus of $500,000 for the CEO, and we have $350,000 for the chief investment officer. Would that largely be based on the performance of the total fund and the ability for the total fund across portfolios to generate certain returns based on certain benchmarks?

Mr. Epp: Certainly, that is a part of it. It also depends on how long someone has been in the long-term incentive plan. My math could be wrong here. I'm not exactly sure when Mr. Uebelein started as CEO . . .

Ms Phillips: In 2015.

Mr. Epp: . . . but your long-term incentive plan bonuses, as I understand AIMCo's plan, build up until you've been there four years, so there would be very low, if any, payout in the first three years. In the fourth year you would receive a payout. So the liability is certainly growing for that reason, because there would have been a zero liability to start. There are complex calculations that go into the long-term incentive plan that I'd love to understand, but I have not taken enough time to do so. Anyway, it's a combination of value-added, combined value-added, over four years. It is a combination of time. Once you've been there four years, you should get a payout every year if you've performed appropriately, but it's not just size.

Ms Phillips: This is a considerable risk to government, though, because, of course, the heritage fund generates returns to us, so we want to have the right compensation structure and be incentivizing the right kinds of bets that people are placing in the markets and so on. How often does this executive compensation structure get reviewed by Treasury Board and Finance?

Mr. Epp: It gets reviewed annually by the Public Agency Secretariat.

Ms Phillips: Okay. The reason why investment funds, institutional investments of various kinds structure their compensation like this is because they actually want to mitigate risk, right? The risk in this case is to taxpayers because we do get revenues from the investment of our heritage fund. Is that correct?

Mr. Epp: Absolutely.

Ms Phillips: Is it the case, though, that we get better returns if we have a larger fund, which is to say: if we have a number of different kinds of investment vehicles and more money to invest, over time would you expect better returns?

Mr. Epp: Generally, the evidence shows that larger funds, because of economies of scale, produce higher returns over time.

Ms Phillips: Right. So those larger funds, then, would help offset some riskier bets or other more volatile trading arrangements.

Mr. Epp: Well, I can't speak for every client. Certainly, the heritage fund and the three other heritage endowments managed by the government – and the Minister of Finance is responsible for their investment policies – employ strategies of wide diversification, global diversification. They are invested in a variety of assets, infrastructure assets; obviously, equities make up the largest proportion, about 50 per cent of the heritage fund and the other endowments. So it's widely diversified. Absolutely, that's supposed to take the volatility out. Certainly, if equity markets are down 20 per cent, you wouldn't expect the whole portfolio to be down 20 per cent, for example.

Ms Phillips: Mr. Epp, I was noticing that in some of the comparative compensation structures they have, you know, I guess what might be referred to as a negative incentive. That is to say that if there was trading behaviour or other things that happened that the board did not approve of – I think I saw this at CPP, that they have a negative incentive as well. Does that structure also exist at AIMCo, and does Treasury Board and Finance have any input into that? The whole point of the negative incentive is that it is providing an incentive for people to not take undue risks.

Mr. Epp: I would have to defer on that specific question to my colleagues in the Public Agency Secretariat.

Ms Phillips: It's a significant risk to the Alberta balance sheet – is it not? – because of the returns that come from the heritage fund.

Mr. Epp: Sure. Last year, for example – I don't have it for two years ago, but, well, for the last four or five years we've been delivering over $1 billion a year, probably more like 1 and a half billion dollars a year from the heritage fund and other endowments into the general revenue fund – the income statement, not necessarily the general revenue fund.

Ms Phillips: Right. Into the income statement. Yes.

Okay. Mr. Epp, I'm wondering if you can also talk about the compensation, or a follow-up is fine with me, too. I did notice in the CPP executive compensation, for example, one of the metrics for qualifying for the annual incentive bonuses around human resources and around diversity in hiring and, in particular, attraction and retention of women executives. It doesn't take a rocket scientist to look through the list of folks in the AIMCo named executive officers to see that there is not gender equity there. So do we have that same metric in Alberta?

The Deputy Chair: Excuse me, MLA Phillips. Let's make sure that we're directing our questions towards the 2018-19 annual report. I'm hearing CPP and various other things that are not relevant to the conversation here today, so if I could just ask you to refocus your comments.

Ms Phillips: Sure.

Within the AIMCo annual report and within the TBF annual report we have a discussion around compensation and so on. We have the listing on the compensation amounts on page 289 of the Treasury Board and Finance annual report, and the named executive officers are in the 2018 AIMCo piece as well. It goes through qualification for incentive programs of various kinds, and then that money comes out of AIMCo's annual expenses. In other jurisdictions part of that calculation for incentive programs is around, in particular, attraction and retention of women, and I'm wondering if that is in Alberta as well.

The Deputy Chair: MLA Phillips, we'll have to carry that on to the next rotation.

If we could move to the third government rotation, 10 minutes, I think we're moving back to MLA Guthrie.

9:20

Mr. Guthrie: Yeah. Thank you. When we ran out of time there, the question, back to ATB, was on service charges and what they're composed of and which are the highest revenue generators also within that category, and you were just relaying that you had an increase in the customer base by about 16,000 new customers and that that was largely the reason for the increase. I was wondering if you could just continue with your thoughts there.

Mr. Stange: Yeah. Thank you very much for that recap. I think, also important to note in the other category – this has been a strategy of ATB over the past several years. There, again, are two primary components that make up our revenue line. One is spread income. This is the cost of the deposit versus the yield of a loan. The second major category is other income and fees. Underneath that category of other income are the service charges that we've just addressed.

In addition to that is the income from our wealth management business. This has been increasingly important for banks broadly, including ATB, where the compression on spread income is happening. The cost of the deposit is increasing, and the yield on loans is shrinking due to competitive pressures and large availability of access to capital by consumers and businesses. So the ability to maintain cost and drive the same type of profit is becoming harder and harder and harder.

ATB over the past several years has had a diversification of income or revenue strategy, which has included the expansion of our customers – we now have in excess of 777,000 customers – and a big investment in our wealth management arm. At the time of reporting at the end of fiscal year '19, our wealth management business exceeded $20 billion in wealth investments under management. You know, if you look at the mutual fund business in Alberta, that's largely about 10 per cent market share. We've grown that business from zero about 17 years ago, so we're very proud of that strategy and continue to grow that business, which has really been driving the proportion of revenue that gets generated by other income. As I mentioned earlier, that percentage of our gross revenue now sits at about 30 per cent from other income.

Mr. Guthrie: Okay. Now, you know, when we're looking at, say, loan losses, we know that, obviously, economic conditions will affect loan losses. So when you're looking at service charges, is there any relationship there to economic conditions?

Mr. Stange: Yes. No correlation between service charges and loan losses, but, yes, you are correct. There is a correlation between the amount of service charges and economics, and it's largely driven by the number of new customers that we can acquire. When we set objectives around how many new customers we want to bring on, we look at a number of factors, including our competitors, including the net migration into the province. When there is a slower economic time, there is no doubt that there is a correlation to less net migration into the province of Alberta, which would slow down the acquisition of new customers, which would have an impact on our service charges.

Mr. Guthrie: Right. That makes sense.

On the same page and under other income again is the line item of card fees. From 2018 to '19 the revenue increased there by 12.6 per cent, from $59 million to $66.5 million. Once again, you know, can you kind of go through what makes up that $66 million in revenue?

Mr. Stange: Yeah. Thanks for that. That would be twofold. Cards generate income in a couple of different ways. One is the basic spread, so the cost of funding that Mastercard loan – in our case we distribute Mastercards – and the yield on that Mastercard interest rate. In addition to that and what you're referring to, are the charges related to cards and the interchange fees with merchants that we would acquire. Our card business is a little gem. It's relatively small. We carry about 3 and a half per cent market share in the province, so we don't have a large card business, but it's a pretty good one. We have a pretty wide variety of Mastercards that we offer, including dividend and cash back cards and low interest rate cards for Albertans should they choose. This increase of 12.6 per cent would reflect that there were more transactions that were completed through the cards than the previous year.

Mr. Guthrie: Okay. I'd like to ask that same question again about economic direction and whether or not that affects – you know, we've had five years here of kind of poor economic conditions in the province. Does this impact this category?

Mr. Stange: It does. Yeah. That's a good, insightful question. You know, we track the behaviour of our Mastercard portfolio in a couple of different ways. There's a group of consumers and businesses – we have an equal sized small-business Mastercard portfolio as a consumer portfolio. There's a group that would, what we call, revolve. They would pay off their Mastercards with each statement cycle. Then there's a group of transactors that might pay minimum balances all the way through to a different level but not quite revolve the card every single month. There's no doubt there is a correlation with the economy where you will have fewer revolvers and more individual consumers and businesses paying smaller amounts against their Mastercard, which would have an impact on the profitability and the fee income generated from the Mastercard portfolio.

Mr. Guthrie: Okay. Great.

On the same page and same heading the amount of revenue for net gains on derivatives is stated. The revenue increased there 42.9 per cent, moving from $24.9 million to $35.6 million. Can you explain the derivative positions, you know, that led to this very positive result?

Mr. Stange: I can't explain the exact derivative positions for that fiscal year '18-19. We'll get back to you in writing in terms of what drove the 42.9 per cent increase.

Mr. Guthrie: Okay. Can you maybe elaborate a little bit, then, on risk exposure that we get from these derivatives. Once again, you know, how does the economy and economic downturn affect volatility in this category?

Mr. Stange: Fundamentally, derivative products are meant to mitigate risk. We utilize derivative products in a couple of different areas of the company. In our financial markets group we would offer derivative products for our customers where our customers would be interested in using derivatives to hedge against interest rates, to hedge against foreign exchange products. There are many Alberta-based businesses that look to the U.S. and trade in a foreign currency like a U.S. currency. We would offer derivative products to mitigate the risk, help our customers mitigate the risk.

We also use derivative products in our treasury very similarly for our balance sheet. We look at minimizing the risk against interest rate exposure and would have a very important framework and policy and guidelines that our treasurer and our treasury group would utilize, overseen by our risk appetite as an organization and then overseen by our risk committee of the board and then more broadly our board, where we have reporting requirements should we breach a limit and a very effective system in place that manages these types of products. Largely, again, the underlying general effectiveness of a derivative product is to mitigate risk.

Mr. Guthrie: Okay. Great. Thanks for that.

Just moving on to the next page, page 79, there is an explanatory note that says that foreign exchange and derivative income earned was more than offset by a weaker Canadian dollar. Is this referring to income loss, as the foreign exchange line item shows, like, that decrease of 72 per cent?

Mr. Stange: It could be, but I would rather, Mr. Guthrie, get back to you in writing to make sure. I'm not familiar with the note on page 79. We'll get back to you in writing.

Mr. Guthrie: Sure. Okay.

The Deputy Chair: In writing would be most appropriate given the cut-off here.

We're now moving to a final fourth rotation for the Official Opposition. MLA Phillips.

9:30

Ms Phillips: Thank you. I'll just ask a really quick question, and then I'll turn things over to Mr. Dach. Mr. Epp, I'm wondering if you can confirm for me if there is any element of performance bonuses for AIMCo tied to adding additional assets under management?

Mr. Epp: I don't know. You would have to ask . . .

Ms Phillips: Okay. Could you endeavour . . .

Mr. Epp: Yes. We can find it.

Ms Phillips: . . . to follow up in writing with us? I think the public wants to know.

Mr. Epp: Sure.

Ms Phillips: I'll turn it over now. Mr. Dach.

The Deputy Chair: To MLA Dach on the phone, please.

Mr. Dach: Thank you. If I may continue, I wanted to ask questions related to ATB. I sold real estate for 30 years before I was elected. I had the occasion to refer many clients to lenders, and I was particularly drawn to do so by referring buyers to ATB because they offered a down payment ratio that was smaller than the chartered banks. For example, ATB historically has been able to lend conventional financing at a 20 per cent down payment on residential mortgages versus the chartered bank requirement that people come up with 25 per cent loan-to-value ratio.

I wanted to know how that policy initially came about. I know it was enforced in 2018-2019, but it always seemed to be a good advantage that the ATB had. I'm not sure if it's publicized enough, but it was certainly a big savings to my clients. I wanted to know if indeed that still is in place, if it is also equitably offered to rural as well as urban, or smaller-centre versus large-centre residential mortgage clients. And what type of savings has this offered to Albertans over the many years by avoiding CMHC premiums on these conventional mortgages at 20 per cent down that otherwise would have had to have been high-ratio insured?

Mr. Stange: Well, thank you very much for that question, and thank you very much for the referral over the years. I hope that we reciprocated the partnership by offering great experiences to the customers that you had as a real estate agent and that we serviced through the mortgage.

That partnership with the real estate community home builders is incredibly important to ATB. As I mentioned previously, the residential mortgage portfolio is our single biggest asset class at ATB, representing 44 per cent of our total outstanding loans, a very important portfolio for us, and we manage it competitively and also in a risk-prudent way. What you would be referring to in terms of loan-to-value or other debt-servicing ratios, different property types: all would be taken into consideration when we're applying a risk framework to a new product that can help Albertans live their lives.

I think that fundamentally underpins what drives us as an organization. We exist to make it possible, and the "it" can be represented in many different ways. We talked earlier about Cashco and Four Directions, and in this case the "it" is, you know, supporting the dream of an Albertan to get into a home, and in this case in your example it would be saving some mortgage insurance costs by providing a loan-to-value of 80 per cent versus the 75 per cent in our competitors.

I think what's also important to know is that through the changes that we've seen and in the respective fiscal year that we're here to talk about, there were a number of changes to the federal government programs known as B-20. The B-20 basket was a tool utilized by OSFI in co-ordination with the Bank of Canada governor to really look at: how do they manage the effectiveness of consumers to manage their debt loads? What it was meant to do was to look at implementing an effective monetary tool to reduce the size of homes that broadly consumers and Canadians would qualify for. When it was introduced, coincidentally, there was quite a rise in interest rates in the several quarters following the introduction of B-20 by the federal government.

So we as an organization reacted, once again, as you denoted, by putting the right practices in place, abiding by proper risk management, but also making sure that homes were affordable and accessible for more Albertans. So we made some decisions at that time to, again, obviously, abide by the rules because we hold ourselves accountable to the similar levels of our competitors but also to make sure that Albertans had access to mortgage products.

Mr. Dach: All right. Thanks for that. I wanted to find out, though, if indeed this policy is applied equitably across the spectrum of more rural properties within municipalities as well as these larger urban centres. Is that 20 per cent down available to smaller-community home buyers?

Mr. Stange: Yeah. We would have very similar practices in our urban and rural locations. I mean, there's a difference in the property type. If the rural location is of the size in which it can be utilized for hobby farming or farming activities, there will be some different requirements to meet the needs of an approved mortgage, but if you look at a residential mortgage, a consumer mortgage, an urban or rural, they're treated very similarly.

Mr. Dach: All right. Thanks for that. I'm going to switch gears for a moment and come back to you if I may. Since the Auditor General is here, I'd like to ask about Bill 24 that delays the 2019-2020 annual report to August from June.

The Deputy Chair: Member Dach. Excuse me, Member Dach.

Mr. Dach: The government is saying that this change is being made at the request of the Auditor General. To the Auditor General: did you request to delay in doing the annual report?

The Deputy Chair: Excuse me, Member Dach. That is beyond the scope of this meeting today. You're referring to a bill that is passed after the 2018-2019 annual report. I'll just ask you to reframe your question, please.

Mr. Dach: Sure. I'll come back to that.

Let me refer to ATB. I'm hoping that we can get back to the question that I talked about before, but with respect to ATB I wanted to ask about the policy with respect to addressing climate change and their risk management policies. Is that something that ATB has taken into account? I know that major insurance corporations like, well, lenders and risk management co-partners like the AFSC, have certainly taken into account climate change in their risk management policies. What about ATB?

Mr. Stange: Yeah. Yes, we have. Well, I think that we look at climate in a couple of different ways. One way is how do we reduce our carbon footprint across 300-and-some branches? We have team members that are travelling the roads of Alberta. We have corporate spaces that consume energy. We, for the past several years, have had, I would say, quite effective programs in place that look at reducing the carbon footprint from where we purchase our energy from to utilizing technology and virtual meetings – obviously, the COVID pandemic has accelerated that – so we're quite proud of the focus that we've had internally on being members of the community and managing our carbon footprint.

Mr. Dach: What about your lending practices?

Mr. Stange: Yeah. Thank you for that. Then in respect to our lending practices, absolutely we do. We would certainly look at the energy business and, you know, work with the regulators to look at the liability management practices, proper practices in management, making sure they're abiding by regulations, which would include a focus on climate and, more broadly, the environment. We absolutely build the risk profile and our risk appetite around the effective management of climate.

Mr. Dach: Okay. Quick question with respect to agricultural lending, sir. You have a unique connection to rural Alberta because of your concrete presence in the communities in terms of your buildings and your businesses plus the community services that your members provide. I would imagine that this gives you a special understanding of agricultural lending versus the chartered banks, which don't have that presence. I'm wondering if indeed you have incorporated that into an opportunity for you to dovetail your business with the Agriculture Financial Services Corporation in terms of your lending so that you can incent new farmers to get into the business as well as provide lending products that kind of collaborate with AFSC. Is that purposeful collaboration going on between yourself and AFSC?

Mr. Stange: Yeah. Now you're pulling at my heartstrings. I'm an aggie, a graduate from the U of S, the green university, unfortunately outside of the beautiful province of Alberta. But I was recruited to ATB 10-and-a-half years ago, in September of 2009 when the small and medium-sized business market share was declining. At ATB the agriculture sector was declining, and that's what I was recruited for.

9:40

Mr. Dach: Could you follow up in writing, please?

Mr. Stange: Yes.

The Deputy Chair: Great. Thank you.

We'll now move to a final 10-minute rotation for the government side. MLA Rowswell.

Mr. Rowswell: Thank you. According to ATB's 2018-20 strategic plan, it has three overarching strategies. The first is becoming the bank of entrepreneurs. How is ATB becoming the bank of entrepreneurs in the economic climate that we find ourselves in, and how does ATB balance its goals and its mandate to serve businesses with the risk posed by the Alberta economy right now?

Mr. Stange: Yeah. Thanks for that. We fundamentally believe that business is the core backbone of the Alberta economy. The resiliency, the courageousness, the entrepreneurial spirit of Albertans and Alberta business owners underpin the success of this province. As such, we have for many years revolved our key strategies, as you outlined, around entrepreneurs. Most specifically, the strategy that you're referring to was largely focused on start-ups and new businesses. That was due to that in tough economic times many new businesses get started, and we wanted to be there, so we put many things in place, including our entrepreneurship centres across the province, which are very effective and very popular. They are meant to focus entrepreneurs on accessing the ecosystem to help them with business planning, with new products. We would run hundreds of seminars from Lethbridge to Calgary to Edmonton to Grande Prairie in our entrepreneurship centres.

We also started our accelerator, what we call ATB X, which was meant to bring start-ups together and really provide hands-on expertise from ATB and to connect them to experts. It was a program that would cycle through various tranches of small businesses and start-ups, where they would graduate. They'd have a specific focus, whether it was expanding their product shelf or creating a new business model. They would graduate from the accelerator program, and we would run several cohorts a year and very, very successfully.

We also had a very large focus on building the skill sets of our internal team members to know how to manage entrepreneurs and what their behaviours were, building on their strengths. In many cases, the entrepreneurs would be experts in their business but less effective in understanding income statements and marketing to customers, so we helped them in many different ways.

Outside of the reporting period we're referring to, that strategy continues in the new 10-year strategy that we crafted this most recent fiscal year for ATB.

Mr. Rowswell: Interesting. I was wondering how you measure success. It sounds like you've focused in on small businesses relative to that. So how do you measure success? Is it market share, or is there a dollar amount attached to it or the number of businesses?

Mr. Stange: Yeah. That's right. We would measure in a variety of different ways. The most recent focus would have been on the small and medium-sized businesses. We have, I think, a fairly robust market share in our larger midmarket and capital market space. We found not only a gap in our portfolio but also a need in the Alberta marketplace for supporting start-ups and supporting entrepreneurs. That's why we focused in that area, and I can proudly say that – you know, I'm perhaps a little biased or more than a little biased – I think we have very effective support programs for start-ups and small-business entrepreneurs in this province.

Mr. Rowswell: Okay. Very good. Any other indicators that you might use?

Mr. Stange: Market share, profitability, acquisition of new customers, successful start-ups that are successful after a one-year period: there are a variety of different indicators.

Mr. Rowswell: So the sustainability, you kind of track that.

Mr. Stange: Sustainability. Yeah.

Mr. Rowswell: Okay. Very good. The second strategy is to grow the diversity of the business. Can you explain its strategy in more detail? Are you encouraging diversification or responding to the direction the markets are heading in?

Mr. Stange: Yeah. Important. And there is a connection here back to some of the commentary earlier on loan-loss provisions. Because we are geographically restricted to Alberta, that, you know, inherently increases our risk exposure to higher provisioning during times of economic downturn, so we have had a balance sheet diversification strategy for a while.

I think, you know, one of the biggest examples for ATB in the recent past was life sciences. We can't say "cannabis" as bankers; we have to say "life sciences." I think there's no doubt that with the federal legalization, with an abundance of highly capable people, largely from some downsizing in the energy business, with low electricity rates, with an abundance of expertise in agriculture, many companies flock to Alberta to start up operations.

We had a choice to make. The large Canadian financial institutions were restricted or chose not to enter into the life sciences space. ATB did, and we did it in a very risk-prudent way. We grew our internal capability. We learned about the industry and can proudly say that we've supported many companies, large and small, in the life sciences industry all the way through to our capital markets business right to our branches and, again, have done it in a very effective way and have diversified our loans and our balance sheet in the process.

Mr. Rowswell: Okay. Good.

Given that there's some risk-related type stuff, what does ATB mean when it says that it wants to "rely less on margin-based revenue"?

Mr. Stange: Yeah. That is the spread revenue that I referred to earlier.

Mr. Rowswell: Okay.

Mr. Stange: The margins are contracting. I think the biggest example would be the residential mortgage, and again 44 per cent of our total loan portfolio is residential mortgages. The spread on that mortgage product five years ago, so the difference between the cost of a deposit and the yield on that mortgage, was about 160 basis points, or 1.6 per cent. Fast-forward five years later, that same spread is under 50 basis points and heading toward 45 and 40 basis points.

Banks fundamentally have lived on the spread business and the margin business, and no longer is that the case. There are just too many online residential mortgages available. It's very competitive. As such, again, we've had a strategy for the past several years that's meant to diversify our top-line revenue away from margin or spread business to fee-based, advisory-based other income: wealth management, credit advice, capital markets advice. It's very important for us as an organization.

Mr. Rowswell: So then your measure of success would be a reducing measure on the margin side and an increasing one on the other?

Mr. Stange: Completely. Yeah. Over the last several years we've taken it, you know, from 80-20 to 70-30, and we're headed to 60-40. Some of the most effective regional banks – there aren't many competitors like ATB in Canada, but the Bank of Oklahoma, a state-restricted, energy-based, resource-based entity, has a very similar balance sheet to us. We hold ourselves comparable to the Bank of Oklahoma as an example, as a proxy. They would be at that magical 60-40, so they can withstand some economic shock in the energy business and rely on fee-based income in their wealth management business better than what we can. We're driving towards a 60-40 mix.

Mr. Rowswell: Okay. Great.

The third strategy is "reimagine banking," and the stated goal of the strategy is "to become a digital company" that offers banking services. I assume this is in contrast to a bank that offers digital services. How does ATB fit its network of rural branches into the strategy of becoming a digital company?

Mr. Stange: Yeah. This is where the magic happens. It's not easy to do, but fundamentally we believe that the primary focus for us is delivering a remarkable experience to our customers, full stop. That's the sustainable differentiator of ATB. We are not big enough to compete at scale, so we can't be a low-cost provider. We cannot manufacture products that will be competitively different than our competitors for any long period of time, so fundamentally as a regional bank, focused on Albertans and Alberta business, the experience that we deliver to our customers is it.

Underpinning that, enabling that remarkable experience delivery are our team members and advanced technology, and this is the magical balance that we have, investing in our culture so that we attract the best and most effective talent and investing in the most leading and disruptive technologies. We bring the incredible empathy that a human can to a relationship and power that individual with artificial intelligence and machines that can learn. That's the magic.

9:50

Mr. Rowswell: Thank you. Excellent.

The Deputy Chair: Thank you to our presenters.

We're now moving to a three-minute read-into-the-record rotation. We'll start with three minutes for the Official Opposition.

Ms Phillips: Thank you, Mr. Chair. I'm wondering if Treasury Board and Finance can provide some written follow-up on how they bring climate risk into the capital planning process and how that, if at all, formed part of the response to the Auditor General recommendation around capital risk management and the capital planning process.

I'm wondering from ATB if you might want to provide some written follow-up on your diversity and attraction and retention policies, in particular of women and people of visible minority into the banking sector.

I'm wondering if ATB might want to follow up in writing on any of their policies or moves towards providing loans outside of Alberta and any business planning or risk management that may have happened in order to achieve that policy objective or if it's been under consideration.

I'm also wondering if Treasury Board and Finance could provide an analysis of what executive compensation at the annual, long-term, and restricted fund unit bonuses would have been based on the returns of ATRF and WCB, so if those funds over the 2015-2019 period were added based on those fund performances and the total value of those funds, what their addition to the calculation of executive bonuses would have been in that period and what the 2018 payouts, then, would have looked like.

I'll now move it over to Mr. Dach.

Mr. Dach: Thank you, Chair. I'm wondering with respect to rural lending, because it's not a chartered bank, what advantages has this given to ATB in terms of its lending practices to customers, rural customers? Has it given them an ability to be more flexible than their chartered bank competitors?

Secondly, I wanted to ask about ATB, if they've actually altered any of their business practices since the 2019 mandate changed. There are significant direction changes mandated there, and I wanted to know specifically what alterations ATB made to their business practices as a result of that implementation of that mandate change. Has it helped or hindered your competitiveness versus other lenders in Alberta?

I also wanted to confirm that the farmland purchase lending that ATB is doing is focused on transitioning from intergenerational purchases from father to son or from mother to son or daughter in purchasing a farm from one generation to another. I know that AFSC is involved in this. How are they dovetailing with AFSC to offer transitional or intergenerational purchases?

The Deputy Chair: Thank you.

Now to a final three-minute read-in rotation for the government side. MLA Rosin.

Ms Rosin: All right. I've just got three, so I'll be quick. Page 78 of the ATB annual report for 2018-19 states that AltaCorp Capital has now been a wholly controlled subsidiary for the entire fiscal year, so can you please speak to the advantages of wholly controlling AltaCorp Capital and its expertise in capital markets?

Given ATB's mandate to operate in Alberta, can ATB speak to its expertise and experience in attracting and facilitating investment from outside the province from Asia and other key markets for the betterment of Alberta's economy? Specifically, maybe touch on the investments such as Nexen and CNOOC and any others that you may have.

Finally, if you could speak further to the issue of facilitating foreign investment, does AltaCorp Capital also play a role in any investment attraction initiatives?

The Deputy Chair: Great. Are there any other read-ins? Member Rowswell.

Mr. Rowswell: I'll do one. Yeah. I'd just like to give you a chance to brag a little bit. If you could describe – I've learned some of that here in your discussion today – the niche that you fill or feel that you fill relative to federal chartered banks or private alternatives like credit unions, you know, the provincially regulated ones like credit unions. What's your niche? Like, the Four Directions and the Cashco, you were unique there. If you could write just kind of a broader list of those types of things, I'd appreciate it.

The Deputy Chair: We still have a minute left. MLA Loewen, any further comments?

Mr. Loewen: Yeah. Maybe I'll just jump in here, too. Of course, I like the idea that ATB represents and provides services to rural Alberta and some of the smaller communities. In the constituency I represent we have several branches, including I think one of the smallest in Alberta, the Cleardale branch. It's probably around 100 square feet. I just want to ask you to provide, I guess, assurance that ATB will continue to serve these small communities across Alberta as they have in the past. Again, I think that's really important for my constituents and for much of rural Alberta.

The Deputy Chair: All right. Are there any on the phones from the government side?

Mr. Barnes: Yeah. Excuse me, MLA Gotfried. Drew Barnes, if I could.

The Deputy Chair: Yes. You have 30 seconds.

Mr. Barnes: Okay. The Redwater-Sturgeon upgrader corridor announcement: how did it affect these financial statements?

Thank you.

The Deputy Chair: All right. Thank you, MLA Barnes.

I'd like to thank officials from Treasury Board and Finance and ATB for attending today and responding to committee members' questions. We ask that any outstanding questions be responded to in writing within 30 days and forwarded to the committee clerk.

Thank you to our attendees today.

Hon. members, as you are aware, the June 16, 2020, meeting of the committee was cancelled at the last moment due to an emergent situation. The ministry officials invited to attend the meeting that day were unable to join us. The deputy minister's office has told the committee that they are prepared to appear should the committee wish to reissue an invitation to them to do so and are available to attend as early as June 30, 2020. Is there any discussion on this matter as we relate to rescheduling that missed meeting?

Hearing none, I have a possible motion . . .

Ms Phillips: I believe Mr. Dach had some concerns. Sorry, Chair.

The Deputy Chair: Okay. Certainly.

Mr. Dach: Yeah, just on the meeting there. Thanks, Chair. Definitely, like most MLAs, I consider the constituency time to be pretty precious. I for one and I know a lot of my colleagues are already fully booked during that week. I'm tight as a drum as far as scheduling goes. So I'd prefer to schedule it into the fall, when we're sitting once again, and catch up then. I think it would take a lot of rescheduling on an MLA's part to accommodate this meeting. It's my preference anyways to schedule it in the fall.

The Deputy Chair: All right. Are there any other comments or discussion at this point?

We have a possible motion here. The will of the committee I think will drive whether we move forward with this. One of my concerns is that our research services and the office of the Auditor General have given us information, reports relative to this ministry joining us. If we delay this, it will precipitate another round of work, and we are trying to reduce red tape and additional burden on our staff and committees. So I would entertain a possible motion that

> the Standing Committee on Public Accounts invite officials from the Ministry of Children's Services to attend a meeting of the committee on June 30, 2020, in relation to the ministry's 2018-2019 annual report and outstanding recommendations from the Auditor General.

Mr. Reid: I'll make that motion.

The Deputy Chair: Thank you, MLA Reid.

Any discussion on the motion?

Any further comments or discussion? Certainly welcome to have that if there are any other comments or concerns with respect to constituency week. MLA Reid.

Mr. Reid: I guess I just want to reiterate your comments, Chair, in terms of the amount of work that this committee has to do. In light of kind of where we're at, I think we need to do the service of addressing the ministry and get some answers to our questions.

The Deputy Chair: Yes. Briefly, the deputy minister has agreed, even though they've obviously had an emergent situation, to join us and are prepared. So I would suggest that that would be something that we would move.

I will ask again: are there any other comments or discussion?

All right. Before the committee votes, I will ask all members to unmute their microphones, for those on the phone. All in favour? Any others on the phone? Any opposed? Duly noted. Thank you.

I believe the motion is carried.

Members, please remute your microphones.

10:00

In brief discussion with the committee clerk, what we may do – I think the date has been set, but the timing of that meeting is subject, I think, to polling of the members. I think the idea, then, is that the clerk will send out a note to members on whether we may wish to commence at 9 a.m. or some other time than our normal 8 o'clock. We'll just poll that through the members and find out what is most convenient and the majority view at that time.

Ms Phillips: Can I just maybe suggest that when we do that, we provide a couple of different times over the course of the day? If people are busy with constituency work, perhaps an afternoon might work better. If there is a time that is okay for LAO, IT, and others, that that be considered as one of the options as well. I think that's probably the best way to meet some of the concerns that came from Mr. Dach.

The Deputy Chair: Thank you, MLA Phillips. Maybe we can challenge our clerk to use Doodle or one of these technology-driven things to find out.

Ms Phillips: It's more of a challenge for us, Mr. Chair.

The Deputy Chair: Of course. Hon. members, the committee has received written responses to questions asked of the Ministry of Seniors and Housing, Capital Region Housing, and the Calgary Housing Company at the May 12, 2020, meeting. These are posted to the committee's internal website, and as per usual practice they will be posted to the public website for the committee.

Are there any other items for discussion under other business today?

Hearing none, the date of the next meeting will be with the Ministry of Children's Services, as just voted, on June 30, 2020. So that's the next meeting. Then, of course, the subsequent meeting is with the Ministry of Economic Development, Trade and Tourism on Tuesday, July 7, 2020, commencing at 8 a.m. That's during session.

I will call for a motion to adjourn. Would a member move that the meeting be adjourned?

Mr. Rowswell: So moved.

The Deputy Chair: Member Rowswell.

Please unmute your phones, on the lines. Moved by Member Rowswell that the meeting be adjourned. All in favour? Any opposed? The motion is carried.

Thank you everyone, The meeting is adjourned. I look forward to our scheduling of the meeting for June 30. Thank you.

[The committee adjourned at 10:02 a.m.]

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of the Legislative Assembly of Alberta