Legislative Assembly of Alberta

The 28th Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Tuesday, March 19, 2013
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Standing Committee on Resource Stewardship

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Anglin, Joe, Rimbey-Rocky Mountain House-Sundre (W), Deputy Chair

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Blakeman, Laurie, Edmonton-Centre (AL)
Calahasen, Pearl, Lesser Slave Lake (PC)
Casey, Ron, Banff-Cochrane (PC)
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Strankman, Rick, Drumheller-Stettler (W)***
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* substitution for Laurie Blakeman
** substitution for Peter Sandhu
*** substitution for Drew Barnes

Also in Attendance

Anderson, Rob, Airdrie (W)
Dorward, David, Edmonton-Gold Bar (PC)
Eggen, David, Edmonton-Calder (ND))
Smith, Danielle, Highwood (W)
Towle, Kerry, Innisfail-Sylvan Lake (W)

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Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance
Hon. Doug Horner, Minister
Annette Trimbee, Deputy Minister

7:01 p.m. **Tuesday, March 19, 2013**

[Ms Kennedy-Glans in the chair]

Ministry of Treasury Board and Finance
Consideration of Main Estimates

The Chair: We're ready to start here. Good evening. This is round 2. I just want to clarify. We're considering the estimates for the Ministry of Treasury Board and Finance, just in case somebody's in the wrong room, to the year-end March 31, 2014.

Just a reminder that the mikes are operated by *Hansard*, and if you've got a phone, if you could just please put it below so that it doesn't interfere.

We'll go around the table and ask for introductions. When we get to you, Minister, if you would introduce your staff, that would be appreciated. Again, I'm Donna Kennedy-Glans, from Calgary-Varsity, your chair.

Mr. Anglin: Joe Anglin, Rimbey-Rocky Mountain House-Sundre.

Mrs. Leskiw: Genia Leskiw, Bonnyville-Cold Lake, sitting in for Peter Sandhu.

Ms Kubinec: Maureen Kubinec, Barrhead-Morinville-Westlock.

Ms Calahasen: Pearl Calahasen, Lesser Slave Lake.

Mr. Dorward: My name is David Dorward. I'm the MLA for Edmonton-Gold Bar. I'm not on the committee, but I'm glad to be here this evening.

Ms L. Johnson: Linda Johnson, Calgary-Glenmore.

Mr. Webber: Len Webber, Calgary-Foothills.

Ms Fenske: Hi. Jacquie Fenske, Fort Saskatchewan-Vegreville.

Mr. Casey: Ron Casey, Banff-Cochrane.

Mr. Eggen: David Eggen, MLA for Edmonton-Calder.

Mr. Hehr: Kent Hehr, MLA, Calgary-Buffalo.

Mr. Horner: Doug Horner, Spruce Grove-St. Albert, and I have with me on my right the deputy minister, Annette Trimbee. On my left I have James Forrest, the ADM in our department, and Bruce Perry to my far right, also an ADM in our department.

Mr. Khan: Stephen Khan, MLA, St. Albert.

Mr. Bikman: Gary Bikman, Cardston-Taber-Warner.

Mr. Strankman: Rick Strankman, Drumheller-Stettler, sitting in for Drew Barnes.

Ms Smith: Danielle Smith, Highwood.

Mr. Anderson: Rob Anderson, Airdrie.

Mrs. Towle: Kerry Towle, Innisfail-Sylvan Lake.

Mr. Allen: Mike Allen, Fort McMurray-Wood Buffalo.

Mr. Lemke: Ken Lemke, Stony Plain.

The Chair: Okay. Thanks, everyone.

Minister, do you want to introduce your staff?

Mr. Horner: Did you want me to introduce everybody back there again? You know what? I've got a great big crew back there, and I introduced them last night, so they're in *Hansard*. The same guys as last night.

The Chair: That's fine. You have a great team. Okay. Good.

For the record, we've completed three hours of debate on the main estimates, and as we enter into the fourth hour, I'd like to remind everybody that the speaking rotation is provided for in Standing Order 59.01(6), and we are now in the point in the rotation where any member may be recognized to speak and the speaking times are limited to five minutes.

Members have the option of combining their speaking time with the minister for a maximum of 10 minutes, and please, if you can remember to, let me know at the beginning of your speech if you want to combine your time with the minister for a back-and-forth or take your five minutes as a block.

Again, to restate, six hours have been scheduled to consider the estimates for the Ministry of Treasury Board and Finance. I'll call a five-minute break sometime near or after the midpoint.

Committee members, ministers, and other members who are not committee members may participate, and it's great to see so many here. Members' staff and ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee.

If debate is exhausted, not us but the debate, prior to six hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn; otherwise, we will adjourn at 10 p.m.

Points of order will be dealt with as they arise, and the clock will continue to run.

Any written material provided in response to questions raised during the main estimates should be tabled in the Assembly for the benefit of all members.

As we talked about yesterday, votes on the estimates are deferred until consideration of all ministry estimates has been concluded and will occur in Committee of Supply on April 22, 2013.

I have been advised that there is one amendment, and I'll just go over what happens with amendments. An amendment to the estimates cannot seek to increase the amount of the estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount.

Vote on estimates is deferred until Committee of Supply on April 22, 2013, so, again, we're not voting tonight.

Written amendments must be reviewed by Parliamentary Counsel prior to the meeting in which they are to be moved, and 25 copies of amendments must be provided at the meeting for committee members and staff.

With that, I am going to start the questioning. I will keep tabs here of who has put their hand up for a question. Just to remind you, it's five and five for the whole three hours tonight if we go for three hours.

Who's got questions? Okay. I'm just going to take a few notes here. Keen, keen, keen. What I'm going to do is start now with Ms Johnson, and if everybody who had a question would just leave their elbow up like this for just a second, that will help me.

Ms Johnson, before you start, are you going to combine your time, go back and forth, or are you going to take your block?

Ms L. Johnson: I'm going to take my block.

Mr. Anderson: A point of clarification, I guess you could say.

The Chair: Yes.

Mr. Anderson: What's the rotation going to be? Is it just random?

The Chair: What I probably am going to do, Mr. Anderson, is that based on the reaction, the wide spread of questions, I am going to start with the PC caucus, have a question, then I'm going to go to the Wildrose caucus, then I'm going to go to the PC caucus, then I'm going to go to the Wildrose caucus, then I'm going to go to the PC caucus, then I'll go to the Liberal caucus, and then I'll go to the PC caucus and then go to the NDP caucus and then start all over again. If it looks like we don't have enough questions to make it work that way, then I'm going to change. All right?

Mr. Anderson: All right. Well, just to put it on the record, that's not my understanding of what was agreed to amongst the House leaders with regard to rotation and not what we usually have done in the past in the estimates that I've been involved in. Granted, they were just three hours. We didn't have this extra three hours. But usually it would go around the table once with the Official Opposition, third party, fourth party, government, and then for the 10, 10, 10 it would go around again in that way.

The Chair: I understand your point, Mr. Anderson. We know – and you know better than anybody else – that Public Accounts is managed in a very similar way to the one I've just proposed, and so is it in the House. I don't want to be rigid, and I may do something different tomorrow night. Just saying so that you're warned. I do not believe the chair's hands have been tied in any way by the House leaders, and that's been clarified, so I believe that as chair I have discretion. My goal here as chair is to make sure everybody who has got a question gets to ask it, and if it looks like there are lots and lots and lots of questions from the Wildrose and not from the other caucuses, we would obviously revise things, okay?

Mr. Anderson: Okay.

The Chair: Thank you.
Ms Johnson.

Ms L. Johnson: Thank you, Madam Chair. Mr. Minister, my first question is actually from your fiscal plan on page 9. There's a phrase, "inflation-proofing amount." If you could define that for us, I'd certainly appreciate that.

Then moving on to your comments from last night, a couple of times you used the phrase: our borrowing limit is sensitive to interest rates. I'd like to understand that better.

As well, when we're talking about the amount of government of Alberta debt, what dollar amount or percentage is being carried on behalf of municipalities and our postsecondary and other agencies of the provincial government?

Those are my questions, sir. I have more, but I'll wait till my second turn.

Mr. Horner: All right. You're looking for the ACFA, the Alberta Capital Finance Authority, borrowings that are outstanding to date?

Ms L. Johnson: Yeah.

7:10

Mr. Horner: I'm starting kind of at the back here. On page 135 the $15 billion is the Alberta Capital Finance Authority. That line item there, where you see the liabilities on the balance sheet, would be the outstanding amount. If you go up to the asset side, the Alberta Capital Finance Authority, there is an asset there of $15.196 billion. Those two things net out because we lend it out and we get it back.

You mentioned the comments that I made, that our borrowing cap – the only of its kind in Canada, actually, where legislation actually limits the amount that the jurisdiction can borrow – is interest rate sensitive because the carrying cost is what the 3 per cent relates to, and it's 3 per cent of the operational revenue. If interest rates were to rise, that means that the number that you're paying is going to rise relative to your operating revenue. You're going to end up in a situation, should interest rates start to rise quickly or dramatically or start on a fairly significant climb, where you're going to have to pay down the debt to get the interest rate back in line with your cap. The cap actually moves down in terms of the principal amount because your carrying cost on that principal is going to rise. The cap will actually lower itself as interest rates rise.

The other one, inflation-proofing, is a very simple calculation of the inflation rate based on what the balance is in the fund, and that's how we calculate the inflation-proofing. We're putting an amount into the fund to maintain the principal value relative to today's dollars.

Ms L. Johnson: Okay. Thank you.

Mr. Horner: Yep.

The Chair: Thanks.
We'll move to the Wildrose caucus. Ms Smith.

Ms Smith: Thank you, Madam Chair. Minister, it's going to be nice to talk to you for five minutes without being interrupted.

The Chair: Actually, you want to do five and five, then?

Ms Smith: I sure do.

It will be pretty easy. I've got just seven questions that I'm hoping you will answer for me. I'll go through a couple of documents that I'd love for you to comment on. I'm going to make reference to my favourite page in the budget – it probably won't surprise you – page 141, where it goes through the total amount of liabilities for capital projects, shows the amount of rollover you're expecting to have in 2014-15, shows the growth in the amount of interest charges by $200 million per year up to 2015-16, and, in addition, shows the principal payments that are being set aside for future repayments. I will be making reference to those numbers, and my questions are in the context of all of those numbers.

But I do want to ask you about some of the comments that you've made saying that the CFIB and the chamber have endorsed your budget. I hope I'm not mischaracterizing what you've said. If it's a different word, I'm sure you'll correct me. I think that one of the things that gets missed on that is some of the caveats that the CFIB and the chamber have on your budget. I would like you to comment on whether or not you would commit to meeting some of the objectives that they have laid out for what they think this budget and the approach of smart debt ought to be.

The first thing I want to make reference to is the CFIB document. Now, you have mentioned that they have asked their members about debt, and 67 per cent said: sure; borrowing makes sense. Twenty-five per cent said that when borrowing prevents the delay of infrastructure projects, they think that that's okay as well. But what they also asked was a follow-up question: when should the Alberta government be allowed to borrow funds for infrastructure projects? Forty per cent said: if borrowing has been communicated to the public during an election campaign. Of course, that wasn't the case with your government. Secondly, if a public referendum supports borrowing: 47 per cent said that. For the sake of CFIB could you let us know whether or not you would commit to having a referendum to support your borrowing plan?

Secondly, the chamber has a whole series of things that they had recommended to be able to categorize or qualify for their understanding of what smart debt would be. Now, one of them is that they suggest that you adopt a bandwidth approach to operational spending by targeting increases within a range limited to population and inflation growth, real GDP. I noticed that in your new legislation you do not have any kind of spending limit law. We obviously propose something a bit more restrictive than that, but will you commit to doing what the chamber has asked you to do in putting in a spending limit law?

In addition, the chamber has also said that if you're going to go into debt, you should include an exhaustive list of large one-time capital projects as candidate projects for debt financing, so I would ask if you would commit to revealing what that exhaustive list of projects would be that would qualify for your borrowing over time.

The fourth question is again in the context of what the chamber has recommended. They do qualify that

> only a few capital projects are well-suited for tax-supported debt financing. These include large one-time projects with long asset lives that can leverage additional financing elsewhere.

And they give examples: pipelines, sewers, roads. But they do say that

> operationally intensive capital assets, such as hospitals or educational institutions whose operating costs sometimes exceed the capital costs, are not suitable for smart debt.

Will you commit that you will not allocate any borrowing towards things like educational institutions and hospitals?

The fifth area is when they were talking about the spending limit that they were looking at. They suggested that you have .5 per cent of your operational spending allocated, no more than that, to finance charges. That would have limited your debt to $4.25 billion. Of course, you blew that away last year. But then they increased it, saying that you shouldn't do any more than 1 per cent. That would actually create an effective limit of $12 billion. Will you follow the chamber's advice and limit your deficits to the amount where only 1 per cent of your operational budget is consumed in finance charges?

The sixth area is that they do also say that you should establish a comprehensive repayment plan, and let me just quote here as well. They say that this repayment plan should actually be established in advance of any borrowing. As I pointed out, your repayment plan is incomplete. It does not look like you will have enough money set aside to pay it off when it comes due. Will you commit to the chamber that you will actually produce a comprehensive repayment plan?

My final question: if you won't commit to these six things, in fairness to the CFIB and the chamber will you stop claiming that your budget complies with the recommendations?

The Chair: Okay. Over to you, Minister.

Mr. Horner: First of all, the documents that I've been referring to when I've been answering your questions in the House are the letter and the press release that the Chambers of Commerce issued the day of the budget. And, in fact, they do compliment us on the presentation. They compliment us on the fact that we are looking to the capital markets. They've also been extremely supportive in all of the conversations we've had since the budget about the direction that this budget takes because it does incorporate many of the things that you've talked about.

Are they the same valuations? No, they're not, and I've never said that they are. What I have said is that the Chambers of Commerce fully support and endorse the budget based on what they said after the budget was announced. All of the stuff that you've talked about is in one of their presentations, and there was more than one, Ms Smith, that came to us last summer and last fall. The Edmonton Chamber of Commerce, the Calgary Chamber of Commerce, and the Alberta Chambers of Commerce all gave us input. In fact, I met with all three of those groups individually. I've met with all three groups since then as well, and I think that if you did, you would find that they're very pleased with this budget and the direction we're taking. That, basically, I'm going to say, takes care of a couple of those.

Let's go back to the CFIB. You mentioned that 40 per cent want to have a referendum. By virtue of the fact that 40 per cent want a referendum, the other 60 per cent probably are not that keen on it. But we don't operate on a referendum government basis. They elected us to make those decisions, you and I, and I think it's incumbent upon us to make those decisions. And we will continue to do that.

It also said, as you say, that 67 per cent said: when it makes sense to do so. I'll tell you that in the surveys that we did as well, in the online surveys, Albertans, not just the Canadian Federation of Independent Business – and I don't have the quotes with me because it's not relevant to my estimates, but I'll table it tomorrow in the House, the quote from the Canadian Federation of Independent Business, who does like the direction this budget has taken.

The other piece is the bandwidth approach on expenditures. In fact, I've had some very good comments from the chamber. What we have done is we have put a bandwidth on expenditures in this budget by virtue of the fact that we are redefining what operating revenue is by taking the savings and the debt-servicing costs off the top and then by defining what our operating revenue is – our expenses cannot exceed that – as well as what's in the contingency account. So you've actually limited the amount that you can put into your operating revenue by taking savings off the top.

7:20

We're the only jurisdiction in Canada that has that kind of savings legislation. Again, we're also the only jurisdiction in Canada that has the 3 per cent interest-rate-sensitive borrowing cap, which is also something that they didn't recommend, but they now feel that that's a good cap.

The listing of one-time projects. Obviously, there's no secret to the number of projects that we're going to be doing in terms of the Stoney Trail and some of those other larger projects. There's a list in the capital plan that shows all the projects that we're working on currently. That list is going to be adjusted on an annual and potentially even a quarterly basis.

We have also now put all of those projects that Infrastructure has online – you can view them at your leisure – and we'll continue to do that. It would even be my hope that we would have a listing or online situation where you could take a look at it from a regional perspective and kind of zero in on it with the software. We're not there yet. Maybe one day we will be. I would like to see that happen as well.

Not just the chamber but many folks like the National Bank – I know you made a comment in the House that you don't like eastern banks, but the Canadian Western Bank is not an eastern bank. They also talked to us about using our balance sheet and leveraging those assets. We've got a number of different capital markets financial analysts who've looked at the way we're doing things, and it's certainly been positively received.

You asked me about the format of the budget. I think that when you look at the difference between what we are putting into – I think that was your question 7, wasn't it? The format? What was number 7?

Ms Smith: It was that if you're not going to commit to doing these things they recommended, will you stop saying that they endorse your budget?

Mr. Horner: Oh, no. Again, what I'm reading to you in the House is their press release that I have at my desk there because that's a thing for question period. It isn't normally brought up in estimates, but I will certainly table that for you tomorrow.

The Chair: Okay. Mr. Lemke, did you have a question?

Mr. Lemke: Yes.

The Chair: Would you like to combine your time, or do you want to do five minutes?

Mr. Lemke: No. Combined, please. Thank you.

Just a comment, Doug. Last night you talked about borrowing limits, and I just wanted to mention that this is something that we've required municipalities to have done forever. So for Big Brother to come up and also have to operate by the same rules I thought was really refreshing.

Anyway, on page 84 of the fiscal plan the government states that the business sector is proceeding at a more moderate pace with some oil producers outlining a more cautious approach to investment due to weaker market conditions. In light of recent developments why is the government still expecting healthy economic growth of 2.9 per cent in 2013?

Mr. Horner: The interesting piece about that is that our base economy, the fundamentals underneath, are still very strong. Our housing starts are still very strong. Our personal income growth is still very strong. The business investment is still expected to expand. It's just going to moderate somewhat. We've certainly still got a very vibrant oil and gas sector. It's still moving along at a very good pace. Exports continue to be a key driver. Major oil sands projects are still coming online. Obviously, we're going to have some increases in oil exports. As I mentioned, the household sector continues to show strength. One of the very positive things that we've seen is that that is offsetting some recent moderation in the business activity.

Again, you're attracting a strong labour market. You still have people coming into the province. You've got a hundred thousand people coming in. They're going to spend money. They're going to build houses. They're going to buy goods and commodities. The household spending is rising because you've got solid population growth of 2.6 per cent. You have job growth of almost 2 per cent. In actual fact, the weekly earnings index for the province of Alberta is rising at over 3 and a half per cent.

When you take all of those things into consideration, the strong fundamentals for our economy are going to continue to see that growth, and that's why we're still looking at a growth rate of 2.9 per cent. I would also point out that the Royal Bank of Canada just recently put out some new numbers for Alberta as well. Frankly, they're a little bit higher than ours. They are actually forecasting now higher than what we've put in there because they, too, see that when you have the kind of growth that we have in the household sector as well as the job growth, that rising tide raises all boats. That has certainly helped out the forecast. So we're feeling quite comfortable with that now.

Mr. Lemke: In your economic forecast do you expect pipeline bottlenecks to be resolved even as North American oil production continues to rise?

Mr. Horner: In our three-year forecast we actually do not get the differential back to what it was in January of 2012. The January 2012 differential rates were something in the range of 15 to 17 per cent, that was kind of the range that they would be within. We don't get back to that range because we don't – we're not banking on it, Ken. What we're suggesting is that we think that, you know, entrepreneurs will look to where that margin is and they will go after that margin, but it's going to take some time, things like the rail movement, things like some of the things that we're seeing both in Quebec and even on the Keystone piece. But we're not banking on it. We're basing it on a very conservative coming back into line.

It's interesting to note that today the differential is considerably less than what we have in the budget. But, you know, it can turn, so we're leaving it very conservative. New pipeline projects in the United States, even on the south end, will also help this bottleneck a little bit because even if you drain a little bit out of the bathtub, you're going to actually start to move some from the top side, too.

Mr. Lemke: Okay. Thank you.

Madam Chair, I have other questions, but I know there are lots around the room, so I'll defer.

The Chair: Thank you.

Back to the Wildrose caucus. Mr. Anderson.

Mr. Anderson: Thank you.

The Chair: Do you want to do five and five?

Mr. Anderson: Five and five, please.

Minister, we talked yesterday a little bit about some of the more macro issues, and I kind of want to drill down a little bit into the actual line-by-line estimates. As I said yesterday, when you need to lose 50 pounds of fat, losing zero is not a lot, so not increasing your office expenses and so forth is not good enough. I'm assuming there may be an amendment in a few minutes by somebody from our caucus on something similar to this.

I want to talk about the line items in your budget. In our Wildrose alternative budget, our Wildrose recovery plan, we talk about shrinking what we spend on government bureaucracy by 20 per cent. So there are some ideas here in that regard.

For example, your minister's office expenses could be shrunk by 20 per cent. We would suggest that the assistant minister's office be eliminated, your deputy minister's office shrunk by 20 per cent, and strategic and business services by 20 per cent. In fact, that should be easy because your strategic and business services is actually up 14.7 per cent from 2011 and up 2.5 per cent from last year's forecast. That's what the numbers are, so I think that should be where you should look to first. We talked a little bit about comms. That could be shrunk by 20 per cent, especially since last year it was up 18.8 per cent. No need for that.

Budget development and reporting. You've talked a lot about how you've simplified things and made it so much easier for people and accountants to understand. Well, I would assume that that would make it easier for you to shrink that budget development and reporting line item by 20 per cent.

Air services by 20 per cent.

Fiscal planning and economic analysis, risk management and insurance: these are all staffing positions. I mean, these are highly qualified people that'll eat up a private-sector job the moment that they're let go because they're so highly qualified.

Office of the Controller. You know, you don't have to pay the big bucks to Allaudin Merali, so shrinking that by 20 per cent shouldn't be a big deal.

Corporate internal audit services should be pretty easy to decrease by 20 per cent because it's up from 19 per cent in just 2011, so I would assume that that could be done quite easily.

Tax and revenue management, same thing.

I also noticed the financial sector regulation and policy line item. Certainly, that's up 35 per cent from 2011. So a 20 per cent reduction to even higher than what it was in 2011 seems very reasonable. The Automobile Insurance Rate Board, which is up 50 per cent from 2011, surely could be decreased by 20 per cent.

7:30

Again, we talk about leadership a lot. I think it's important that you lead by example. You're the Finance minister and Treasury Board president. This would be a good way to get started and cut things that aren't on the front lines. I just had an e-mail from somebody in a nursing home today who was just laid off because of the cuts in the budget. One of the questions that a lot of people are asking right now is: why are we laying off front-line workers when we have so much fat in the bureaucracy that could be easily trimmed? Those highly qualified individuals could find very well paying jobs in the private sector given how well the private sector is doing right now.

The next piece is – how much time do I have, Madam Chair?

The Chair: Forty-five more seconds.

Mr. Anderson: The heritage scholarship fund on page 253: your management costs to hand out $35 million in scholarship funds is 10 per cent, $4.5 million. Is $4.5 million to hand out $35 million really reasonable? Could that not be tightened up, those management costs, to hand out the same amount of money?

The same with the medical research department as per page 251. The management costs are over $9 million. That's up from $7.3 million in 2012. They hand out $86 million in grants. Could we not shrink the $9 million that it costs to hand out that $86 million? That's just not efficient in any way, shape, or form.

Mr. Horner: On the endowments, Mr. Anderson, I think what you're referring to is the money that we actually flow through the department. It's not the cost of the money. It's the money that we flow through to those entities that use it. The $436,000, is that what you're looking at?

I know, Madam Chair, we're going back and forth. I want to be clear about what the question was that he asked.

Mr. Anderson, you rattled it off pretty quick on me, and we were figuring out what the other one was.

Mr. Anderson: It's termed management fees. On page 253, under operational expense, management fees. Then the same for page 251, management fees, under operational expense, $9 million.

Mr. Horner: Yeah. Investment management fees are what those are. That's for the money that was earned on the money in the endowments. In each of the endowments there's a management fee that is part of what the investment management group charges for the return that they're going to generate, so the returns on that are considerably higher. The only way that your management fees go up – this is something we talked about last night – is if your returns are going up. The fees are risk-based, so if you earn more money, you pay more fees. It's kind of like taxes. You earn more money; you pay more taxes. That's where those numbers are coming from.

As an example, on the auto insurance piece: again, these are flow throughs of fees that may be collected and then are expensed out of our department. That's the problem with showing only the expense side of a lot of this stuff. It's kind of like the Alberta Capital Finance Authority borrowings. You only see the expense side. You don't see that on the revenue piece you have money coming in as well. So if you had more activity in a particular area – it could be in the auto insurance fees and levies; it could be in revenue that's generated from investment activities – you'll see that on the revenue piece. We don't cross them over right away because we don't net them out. That's just been something that we've always done. I think it's pretty much standard accounting for public entities that we don't net these things out; however, on AGLC we do net.

Dr. Trimbee: Yeah. We just do the revenue.

Mr. Horner: And there are some timing issues that come into play here as well. But we don't net out the expense in terms of AGLC. There are a lot of expenses there that are netted into a revenue number, which is why you wouldn't see the expenses here. So there's a combination of timing issues and revenue that we're generating on the revenue side, which is not in the operational expense listing. So if you have a lot more activity, you're going to pay out a lot more, too. That's why you're seeing those on the Automobile Insurance Rate Board.

As it relates to the 20 per cent thing, because that's where you started, I've never been a big believer – and you know this – that you just do a hack across the board of 20 per cent because you're not doing it in a thoughtful way. It's a very easy way to do things. It's very simple, but what it does is it causes some very interesting problems down the road, which we saw after the '90s.

By simply whacking, say, 20 per cent of management – the interesting piece about management is that we classify people that do various things in government as managers, but they're actually doing front-line type things. A good example is pilots. Pilots are classified as managers, but they're doing front-line type service. That would be forestry, firefighter pilots. In some instances you're looking at professional designations around accounting or finance that we classify as managers. If you just whack 20 per cent of them, you no longer have the capacity in the front line to do the jobs you need to do.

If you look at the different classifications, we haven't been, let's say, as detailed in identifying the roles of some individuals. Rather, we're more in tune with making sure that they're paid on the right pay scale or grade. We've classified a lot of people as managers in government. Should we change that? Yeah, I think we should. I think we should take a very strong look at what people are actually doing and whether or not the classification that we have put on the page for them is something that is appropriate. In our department alone we have a fairly high number of managers to nonmanagement, but a lot of that's because we have a lot of people who are accountants, financial tax people, that kind of stuff, so they're classified in the management categories. So you wouldn't just go through and . . . [Mr. Horner's speaking time expired] Is that my five minutes? All right.

The Chair: Thank you.
Okay. We'll go back to the PC caucus and Ms Kubinec.
Just a heads-up, Mr. Hehr. You're on deck.
Do you want to go back and forth or combine?

Ms Kubinec: Back and forth, please. Thank you, Madam Chair, and thank you, hon. Minister Horner. This is my first time through this process. I found it very interesting last evening. I really learned a lot. I want to say how much I enjoyed that and also tell people that I sit on the challenge panel for economic development and work with the person to your right there and really enjoy that whole process. The group that we're working with, members of the public, brings such value to the whole process of, you know, looking at how we can do things better in Alberta.

My first question is dealing with the targeted balance. On page 53 of the fiscal plan it indicates that a targeted balance will be established for the new contingency account. This targeted balance will be set at 15 per cent of the province's annual operating revenue. Why is this targeted balance for the contingency plan there, and can you tell us what made you set the 15 per cent of operational revenue?

Mr. Horner: Well, the targeted balance is because we wanted to make sure that we had a minimum base that we had to strive for as we started to build better cash flow. We wanted to be able to ensure that we had a target that we were hitting when we started to put the money aside, and we will be starting to do that. During the public consultations on the fiscal framework in 2012 a number of Albertans expressed the desire to us that some limit be established for the size of what is going to be the stabilization fund.

You'll recall, too, I think, Ms Kubinec, that there used to be the sustainability fund, which was actually the combination of two previous funds, one being a sustainability or stabilization fund and the other being a capital fund account. We combined the two. When we did that, we kind of confused the role. The contingency is meant to be the stabilizer for ups and downs in operating revenue that are unforeseen in-year so that you can cover that off. The $5 billion number came because that roughly represented 12 to 15 per cent of what the operating expenditures are today.

We recognize, too, that as our province grows and as inflation takes hold and as things rise, our operating expenditures will rise, so we felt that as a policy we wanted to say that 15 per cent is the target that we want to keep it at as we move into the out-years, and therefore we will maintain that 15 per cent of operating expenditures as kind of the target that we want to have the contingency account always represent.

7:40

Ms Kubinec: Thank you.

My next question. We're doing the savings plan and the capital plan at the same time. I know this is a question that I had in my constituency right after the budget came out. What is the rationale for implementing a savings plan at the same time that we are implementing a borrowing of large amounts for capital? Some of my constituents think, you know, that's not such a good idea.

Mr. Horner: I've been asked that question last night and in other areas as well. It starts from the consultations we had with Albertans. I would say that in just about every one of the venues where we had a public open house or we had surveys out there or we had discussions with people, everybody told us: you need to save both in the good times and in the challenging times, and you need to be able to ensure that some of the nonrenewable resource revenue is recognized every year because it's a depleting asset for Albertans. It makes sense that we should consistently set aside a portion of that asset that we're monetizing every year.

As I said to I think it was Mr. Anderson last night, it is akin to your own home or your own farm, where, yes, you're building and you're growing, so you may be going to the capital markets. In the case of your home the capital markets is the simple idea of going to the bank and getting a mortgage to build that asset, but at the same time you are still putting money aside because you know you're going to need it in the future. So you're going to use your RRSPs. Many people, myself included – I have short-term savings to cover off for short-term problems or short-term things that come up that I'm not aware of, but I still have an RRSP that I put money into every year that is for my retirement savings down the road. This is no different, except that the retirement saving that we're talking about is building an account, and at some point in the future Albertans will be able to make a decision as to what they want to do with that. It could be to replace nonrenewable resource revenue entirely. It could be to diversify the economy. It could be to do a whole raft of different things.

It's the concept of paying yourself first. That's why we developed a framework that says that the savings come off the top. Before you even get to the operating revenue, the savings come off the top. Right behind that come the debt-servicing costs, so we've taken care of both of those two priorities before we start talking about paying for the services and salaries and wages of delivering services.

I think that in just about every place when you talk to people – businesses do that. They set aside a little bit even though they may have some long-term capital debt. Families do that. I think it's only prudent that we do as well.

Ms Kubinec: Thank you.

The Chair: All right. Mr. Hehr, do you want to go back and forth or combine?

Mr. Hehr: Yeah. We'll go back and forth. Thank you very much, Madam Chair. I would like to switch gears a little bit here. I have some concerns brought to me by the small brewers here in this province, people like Drummond Brewing, Alley Kat, Wild Rose Brewery, and the like.

It's my understanding that your department has set up the system here in Alberta regarding dictates to Alberta-based small brewers and the like. Really, the long and short of it is that Alberta-based small brewers face enormous challenges in starting up and growing their businesses. They suggested that additional tiers are needed to be added to the markup system so that a brewer's tax rate on Alberta sales increases more gradually as its beer production grows and that the graduated markup program should only apply to beer brewed in Alberta.

For instance, to point out a specifically egregious incident, at least from their perspective – in fact, I have some difficulties getting my head around it. I find it very troubling that the Alberta small-brewer tax . . .

The Chair: Can I just interrupt you for a minute? Can you make sure you do tie back to the estimates?

Mr. Hehr: Yeah. It's forgone revenue. It's called the forgone tax revenue. You're going to see.

The Chair: Good. Thank you for that clarification.

Mr. Hehr: I find it troubling that we have a small-brewer tax program benefit going to the Minhas brewing company for setting up shop in Wisconsin and then getting, essentially, a $5 million tax break for using Wisconsin products to brew their beer, a Wisconsin labour force to work in their brewery, a Wisconsin tax credit to buy the brewery.

Simply put, it doesn't do justice to our small brewers. When you look at other markets and the way they've structured them, their small craft brewing industry has flourished much better than ours has – B.C. has some 70 or so different local organizations; Portland, I think, has 310 – all because our system is structured in a different way. I know that this is a little bit off what you were planning on discussing, but if you could give me some comments on that.

Mr. Horner: Yeah, I can, Mr. Hehr. First of all, I'll say that in this budget on these estimates, although we did contemplate the possibility last year of doing some round tables around changing the beer markup structure, which was led by the Deputy Premier at the time, they're still kind of in the discussion stages of that. We currently have a four-category liquor markup rate schedule for beer. The lower rates were introduced to help small and mid-size breweries grow and be competitive with major brewers. There's a standard markup rate which applies to large brewers while smaller brewers are eligible for lower markup rates. Alberta's markup rates for beer depend on what their annual world-wide production is. There are some trade issues that you need to be cognizant of in that.

There are issues interprovincially that come into play because both B.C. and Saskatchewan also have different or varying degrees of markups as well. Almost all of the provinces have incentives for small breweries built into their markup structure, and Alberta's small-brewer markup system is among the most generous in Canada. I think the concern that you may have heard from some of those small brewers is that we may be changing that.

In regard to the one company that you mentioned, I would caution that you would recognize their investment in Calgary, that they have made some significant investments in a facility in Calgary that is going to be producing some of their product. I think they will be looking at making sure that they're working in the spirit of what Alberta is looking for.

We have, as I said, a very generous piece with the other provinces. British Columbia's small-brewer markup is applied to all brewers regardless of origin as well. Saskatchewan's markup is applied to all brewers regardless of origin. Ontario's small brewers are eligible for tax credits. Quebec is one of the few where the small-brewer markup is only applied in Quebec, but there are some areas where you can make some changes there, and you can deal with some of their stuff as well.

We're actively engaged, but in the three-year business plan presented this year, we're probably not in a position to comment on whether or not we're going to change any of that right now.

Mr. Hehr: Okay. Honestly, I remember that the former deputy minister, who was in charge of this file, indicated on the record or in the newspaper that he was going to change that tax loophole or tax break, whatever you might call it, going down to the Alberta brewery who's brewing all of its beer south of the border. I look forward to seeing the production numbers out of the new brewery in downtown Calgary. I don't believe the volumes coming out of the tap house may be as voluminous as the minister may be suggesting here. Nevertheless, I hope that I am proven wrong. I sort of hear from you that this is a work-in-progress and that you're not going to do anything on it.

Mr. Horner: What you're hearing from me is that it is a work-in-progress. When you have a work-in-progress, there will be an outcome. I just can't tell you what that outcome is or when it's going to arrive.

7:50

Mr. Hehr: Okay. That's fair enough.

How much time do I have left?

The Chair: Three more minutes.

Mr. Hehr: Okay. This province hosted the Alberta economic summit in Calgary on February 9. I was of the understanding that that was when the Premier was in the mood, I think, from the newspaper, to discuss our revenue streams and the like. I guess there was some suggestion that this was going to be happening again as an annual event. Will it be in the same format? What is the method to the madness? What did you learn from that Alberta economic summit?

Mr. Horner: I thought it was very valuable, and I thank all of the participants that were there. Having it open to all MLAs from all parties I think is a good idea, and bringing people from all walks of society in terms of their views, whether they're left or right, certainly shows the diversity of views that we have in the province on the panels. I think that from that perspective it was a very good exercise.

We will be doing it again. Whether we do it again in February – I think we might do it a little bit further in advance of the budget cycle. That might mean that we'll do it in maybe late spring or early fall as opposed to in a February time frame. But I think it was necessary so that we could have a discussion around what was happening in Alberta at the time and at the time of today, where we are in this situation with the product being discounted at a price. We were involved in it, but it's not something that we've had a lot of discussion about as to when we're going to do it again.

We are looking at how we could maybe collate some of the presentations that were made and maybe put that into some format and perhaps even provide it to one of the research groups to take a look at and do some analysis of the different opinions or suggestions that were floated out there. I think that would be a valuable exercise for us to do and to do it in a very public way and almost like an open-sharing way.

Mr. Hehr: Could you just comment on a legislative budget officer? Would this be something akin to sort of Kevin Page at the federal level? Would this be something your ministry would be interested in, something you think would be helpful?

Mr. Horner: You know, I think the Calgary chamber, actually, was talking about doing something like this. When I talked to Andy and Ben at the chamber and tried to get some idea of what it was they were looking at, they're really looking at something like a challenge group that we have with results-based budgeting in terms of challenging what we're doing in our expenditures in various portfolios. As we go through the results-based budgeting and it evolves, I think what you'll start to see is that the challenge committees should start to evolve into being kind of like that in the areas that they're in because once you go through the first phase, they'll come back to it.

The Chair: I was interested in hearing the answer to that question, too.

I'm going to go with Mr. Casey next. Mr. Eggen, you're following Mr. Casey.

Do you want to go back and forth, or do you want to do block time?

Mr. Casey: I'll go back and forth.

Anyway, again, I'd just echo some of my colleagues here. I just want to thank you for this budget. It never made any sense to me to have capital and operational rolled together. If you want to end up with something as confusing and absolutely impossible to track over time, just roll both of them together. I think this is a great step forward, to separate them. I wish that at the municipal level we'd have had the sense to break out savings on top of our capital and operating. If we'd have broken that out into a separate entity, that would have made us all a little more prudent, I think, over time.

I just have a couple of questions. This will likely throw you off because they're actually on your estimates, so I apologize right away for that.

Mr. Horner: You just woke up all of my staff.

Mr. Casey: Oh, sorry.

This is more just clarification for me because I'm new, so I'd just like to get some clarification. On page 244 – it's in other places, but I'll just go to page 244 of your estimates – the teachers' pre-1992 liability fund, $455 million: could you just explain the root of that? Is there an end to this cost, or is this something that's going to go on forever?

Mr. Horner: Mr. Casey, I wanted to thank you for your comments around the budget. As a former mayor I know you've been looking at these things for a long time, and I appreciate that you see the sense in that.

The other thing. In terms of the unfunded liability, no, there is an end to that. We are obligated to put cash payments towards unfunded pension liabilities, which will be eliminated under a separate legislated plan. As we catch up to that unfunded liability, then it will start to drop off. It's the unfunded pension piece to a lot of currently retired teachers.

Mr. Casey: Yes. Any estimate as to the number of years?

Mr. Horner: It's a long time. It's decades.

Mr. Casey: I was just going to say decades, my lifetime, your lifetime.

Mr. Horner: Yes, it is.

Mr. Casey: The next one is over on page 246. Maybe the easier one is on 255, which is the Alberta risk management fund. Maybe just explain exactly what that fund is utilized for.

Secondly, that risk management fund was showing, well, nearly a $2 million loss. If it's a risk management fund, it does seem a little bit bizarre to not have a balance in a risk management fund.

Mr. Horner: That's an operational result as opposed to sitting in a loss piece. The fund itself was established in the '80s, so over more than 25 years there have been losses in the fund. We're self-insured in many things, so much like private insurance companies do, the fund purchases an excess of reinsurance. We'll go out and reinsure things as well as providing our own loss funds through the risk management.

The fund gets audited by the Auditor General every year based on what we are using, but within that fund you will see that you have payments and premiums that you've paid out, and you've got the management fee that comes out. You end up with a loss. Over time, you know, we've had positives; we've had negatives. It depends on what kind of year you have, as any insurance fund would be.

Mr. Casey: Okay. On Alberta Capital Finance Authority, something that's near and dear to everyone's heart, I guess the one question that's always come up from municipalities is the fact that the government actually makes money, in their minds, in their words . . .

Mr. Horner: I should never have said that.

Mr. Casey: I know.

. . . off the backs of municipalities.

Mr. Horner: I knew that was coming.

Mr. Casey: I know. Imagine that.

What we're seeing here is that there is, well, $277 million, as I read it – but that may be wrong – of interest income. That's from the loans to municipalities?

Mr. Horner: Correct. That is a very telling sheet, I know. It does show that we do take a little bit . . .

Mr. Casey: A little bit? You've been dealing in those billions, I think, too long, Mr. Minister.

Mr. Horner: When we backstop the debt that is out to the municipalities, we will also go out and we'll refinance within Alberta Capital Finance Authority, but the debt that they would have lent out to the municipality might be at a higher rate. We don't necessarily change out the rate to the municipality at that point in time, so we would recognize a gain there in some cases. We do make a little bit of money on it.

Mr. Casey: Yeah. I know.

Just on the Alberta Capital Finance Authority once again, one of the issues around this for municipalities is the fact that you cannot pay your loan off early without paying all your interest up front, so that makes a bank look like a relatively nice group of people to go and borrow money from. No one does understand exactly why that's in place. I guess maybe I'd like to hear that.

Mr. Horner: Yeah. I'm going to take a shot at this, and Rod or one of the guys in the back that does a lot of this can tap me on the shoulder if I'm going down the wrong path. I've actually got the town of Okotoks' consolidated financial statements in front of me. They have: debenture debt payable to the Alberta Capital Finance Authority and the Federation of Canadian Municipalities. I wasn't aware that they were borrowing from them as well. So they would have debentures that are out over periods of time. We then make sure that we borrow based on our portfolio of lending to municipalities because in order to get the best rates possible, the idea is to put all of these smaller borrowings – I know we're talking of millions of dollars; it's not small in anybody's mind. But when you go to the capital markets that we're talking about, it is in hundreds of millions of dollars or billions of dollars that we borrow to get the very best rate.

8:00

In order to get a rate where we can give 3 and a half per cent as a secure rate over a period of time, we might actually do two or three other debentures on different amortizations to cover that off. Then if a municipality comes up and says, “No; we want to pay it all off,” well, we can’t do that on our side – right? – because we’ve bought into debentures that have fixed terms and fixed rates, and that would make it very expensive for the province. So in order to get the best rate, you’ve got to abide by the rules.

Mr. Casey: I guess that would eat into that $280 million a little bit.

Mr. Horner: That would. Yes, it would.

Mr. Casey: With that, Madam Chair, I think I’ll pass it over for now and let someone else have a go.

The Chair: Okay. Mr. Eggen, do you want to go back and forth?

Mr. Eggen: Yeah. That would be fine.

Thanks again, Mr. Minister, and to all your staff for being here. I just have a couple of questions. The first one is in regard to the liquor tax. In 2009 we had an increase in the liquor tax, and then a few months later they reversed the decision. Back then it was $180 million that was forgone revenue annually from what they did and then pulled back on. I’m just wondering why, in a time of your self-imposed austerity, we didn’t make that choice here in this last budget.

Mr. Horner: Self-imposed?

Mr. Eggen: Did I say that?

Mr. Horner: We made a commitment to Albertans that we were going to look to our expenses before we started digging into their pockets. That’s across the board on all taxes. That includes tobacco and liquor taxes. We’re not tremendously out of line in terms of the taxation system across the provinces that are close to us, recognizing that some of them are higher than us and some of them lower. If you look, Quebec has a fairly significantly lower tax on some of their spirits. The AGLC has actually had some discussions about changing the way we do the markup in terms of how you categorize hard liquor versus wine versus some of these other things by ethanol content of the spirit. That’s a discussion that we’re having, but we’ll have to see where that pans out in the future. In these estimates, in this business plan it was considered but rejected because we felt a need to prove to Albertans that we could check our own spending first.

Mr. Eggen: Next year, then, maybe.

This afternoon at the Education estimates we were wondering about this teachers’ tax exemption for purchasing classroom materials that was rolled out as some kind of idea. I was just wondering if that actually came to be in this last budget, or is it gone?

Mr. Horner: We are still discussing it. It did not come into being in this session because you would require some legislation for the tax credit. You know, is it an Alberta tax credit? Is it also a federal tax credit? There are a number of different things that we talked about. You will recall some years ago – I think you were in the Assembly as well – we had a tool credit that we passed, but then the federal government passed one, and it made ours kind of obsolete. I think we’re probably going to wait and see what happens with the federal budget and then wait and see what happens down the road and figure out where it would best fit. It’s not something that we’ve totally walked away from. We’re just trying to figure out where it would best fit into the tax system.

Mr. Eggen: Okay. Thank you.

My third question is in regard to the Auditor General’s report from this past October. He noted a couple of recommendations that were outstanding, some of them outstanding as far back as 2007. One was: we again recommend that Treasury Board and Finance “develop objectives [for all departments,] timelines and targets for reducing deferred maintenance, and include information on deferred maintenance in the province’s Capital Plan.” The second outstanding recommendation was that “Treasury Board and Finance establish a process that enables public infrastructure assets to be properly maintained over [the life of those assets].” I was just going to ask the minister if he would care to comment on the progress that has been made towards implementing these recommendations.

Mr. Horner: Give me the date again on that.

Mr. Eggen: It was the October 2012 report of the Auditor General, and then these were two recommendations. One was from 2010. The other one was from 2007, actually. So he brought them back in 2012. If you can take a look and see what you can find there, it would be great.

Mr. Horner: If you want, we can go there. On maintaining assets over their life, where he talked about requiring life-cycle costing, we have accepted that. With input from other departments we’ll be developing options for the government to consider addressing those maintenance costs. In fact, we’ve accepted all of them, but we’re working on the implementation of those things, so the Finance Internal Audit Committee is reviewing all of those recommendations. We’re triaging what we can do first and how we can kind of stage them in. It’s a work-in-progress.

Mr. Eggen: Okay. Then the last one is from October 2012 as well: “We recommended that the Department of Treasury Board and Finance improve the process to evaluate proposed infrastructure projects that [different] ministries submit” and do comparative analysis on that. Further to that, with the proliferation of these P3 projects around the province, one, are the terms of contracts for those P3s transparent and open for public consideration; two, is there a cross-comparative analysis of a P3, any given P3 project, with a public development of that school, bridge, road, or whatever?

Mr. Horner: Well, I can tell you that all of the P3 projects that we look at have public-sector comparators that we do. In other words, we look at the net present value of what is presented. We look at whether it would give the taxpayer better value if we did it ourselves, whether we used the capital markets or not. Really, with the P3s the biggest benefit to taxpayers is the risk of inflationary cost on the construction as well as the inflationary cost being higher than what we’ve put into the maintenance contract. That risk is all transferred to the proponent and is not borne by the taxpayer. That’s what makes a P3 very appealing as well as the fact that over the life of the project not only are you amortizing the asset itself, but you’re also amortizing the maintenance over the life of the project.

So we do a total life-cycle analysis of the project. We look at it as: if we did it and were in a position to do it, what would be the net present value of the cost to Alberta taxpayers today and then over the life of the project, including the maintenance? Then we compare that, actually, to the bids that come in. We will make a determination as to whether or not there's a valuation there that is above or below the public-sector comparator. It's standard now, but Alberta was one of the leaders on that in 2005 when we developed the process. B.C. does something quite similar and has done for some time.

8:10

Mr. Eggen: Further to that, the second part of my question was: are we able to see the full terms of any given P3 contract when it's signed with the developer?

Mr. Horner: You'd have to check with Infrastructure on the terms of the contracts. We don't do that.

Mr. Eggen: Thank you.
That's it for me.

Mr. Horner: Okay.

The Chair: Thank you, Mr. Eggen.
Ms Calahasen, you had a question.

Ms Calahasen: I have a number of questions.

The Chair: Would you like to go back and forth, then?

Ms Calahasen: No. Actually, I'll do five and five if I may, Minister.

The Chair: Just to give you a notice, Mr. Bikman, you're up next.

Ms Calahasen: Thank you very much. First of all, I can't go without saying what a great DM you have. Not only is she smart, steady, experienced, but she's also a lady. Between you and your DM, what a team. The incredible job that you have both done, of course with your department, pulling together this budget and, I think, making it real was really important for myself as well as my constituents.

Thank you for engaging Albertans. In Budget 2012 you indicated you would do that, and you have kept your promise on that, so thank you very, very much. I did attend one, and it was very, very useful.

I have a few questions. My question has to do the with public-sector pension plan sustainability. The combined employee and employer public-sector pension plan contributions are about 25 per cent of payroll or greater, depending upon the plan. The public-sector plans have total assets of $40 billion and liabilities of $60 billion for an unfunded liability of $20 billion, of which the government shares $13 billion, mostly consisting of the teachers' pre-1992 unfunded liability of $8 billion, as Mr. Casey was referring to. The province is still paying significant contributions each year toward unfunded liabilities that relate to service performed before 1992. This includes $440 million to the teachers' pension plan and $78 million to the public-sector pension liability funding, 2012-13 forecast, of course.

The province's major public-sector pension plans have unfunded liabilities, and all of them are seeing increasing contribution rates. Even from last year to now, it just seems to be exponentially growing. What is the Finance department or what are you doing to make these plans sustainable? Are the statutory expenditures expected to increase? That's my first question. If I can just continue on, I will do that.

My second question has to do with the Canada Health transfers. On page 130 of the fiscal plan the Canada Health transfer from the government of Canada is forecast to grow by 40.2 per cent in 2014-15, from $2.6 billion to $3.6 billion. My question is: why is there such a big jump in that Canada Health transfer in 2014-2015? Are you confident that the federal government will follow through on this commitment? As we know, that has not happened in the past. There were many times when we've had to really push a lot of buttons in order for us to get that transfer. The $3.6 billion: how much of that money was identified for aboriginal people's health services? I get questioned about that a lot, and I'd like to know if there was a breakout to that and whether or not we have outcomes that would identify whether or not we are achieving what we say we're going to do.

My third question has to do with page 76 of the ministry business plans. We're talking about the Alberta family employment/scientific research and experimental development tax credits. I see that's it's growing an incredible amount, so I'm wondering why it's increasing at this huge pace. What have we achieved as a result of the money that we have put in there? At what level has there been any kind of identification of what the achievement has been? Can you tell me how research is determined and who makes that determination?

Thank you.

Mr. Horner: Okay. That was a lot. I'm going to go from back to front here if I may, Ms Calahasen, because I've got it right in front of me. The tax credit piece that you saw on page 76, the Alberta family employment tax credit, is rising because that is a tax credit for families that are working in the province. That's for child care, that kind of thing. As we provide more tax credit, that expense is going to rise. Population goes up, so you're going to have more people taking advantage of the tax credit. It would be fair to assume that as our population rises, as people are working and taking advantage of the credit, so, too, does the credit.

As well, there's the new tax credit of the SRED, the scientific research and development tax credit. For that one we basically mirrored the federal government's eligibility, so a lot of the SRED that was in the province before three years ago would not have been in that line because we didn't actually do it. Now we're doing it, and in part the higher number you see there is good because what it shows is that companies in Alberta are investing in research and development and credit. That's the whole idea.

Now, the feds are doing their budget on Thursday of this week. We'll see what they do with their scientific research development credit. We may have to do something a little bit differently in the out-years.

The CHT, the Canada health transfer, rises dramatically because the federal government – you'll recall the lobbying that was done to get on a per capita basis. We're finally getting our fair share. That will show up in 2014. The federal government has committed to that. It's very good news. That is something we need to support the federal government on because they are under pressure from other provinces to change that. At every meeting that I've been at, the federal government has been very consistent in the sense that we are going to receive those dollars. From everything we're hearing, this Thursday there shouldn't be any change to that. It does make a significant difference to that transfer.

As it relates to the aboriginal components of it, I'm not aware that it is split out in any way, but I would encourage you to talk to Minister Horne about his estimates and what is happening there in his budget as well as Minister Campbell on his budget as it relates to that.

On the public-sector pension plans you are absolutely correct. We have a significant liability outstanding there. Because of that, as we were chatting about last night, we did ask all of the public-sector pension plans that we are the trustees of, which are the local authorities pension plan, the special forces pension plan, the management employee pension plan, and the public-sector pension plan. We've asked all of them. Back in July we said: you have a sustainability issue here because of the unfunded liability. They recognize, as you did point out, that the contributions that their members are paying and that we are paying are rising significantly.

There are some thresholds, if you will, that they feel they do not want to cross. On the one hand, you're kind of bound by that. On the other hand, you're bound by the fact that you have this unfunded liability that needs to be addressed, so what do you do? Do you raise, limit ages? Do you cut benefits? Do you change benefits? Do you do these things? What we said to them is: you go figure it out with your members, come up with the best plan you can, and then bring that back to us, and let's see if that makes some sense on a go-forward basis.

What we said back in July was that we'd give them a year and that I wanted to see something back from them by the end of March 2013. You know, at the time we thought we would be well past the budget and all that sort of thing. Given the delay in passing the budget in terms of where we probably won't be done the process till the end of April, we are probably not going to be getting back to them in the short term. But in the medium term we will make a commitment to get back to them with whatever they've talked about and then have a discussion as to whether that meets the mark or not.

Ms Calahasen: Wow. Very good. Thank you.

Mr. Horner: Thank you.

The Chair: Thank you, Ms Calahasen.

Mr. Bikman. May I ask if you want to combine them, or do you want to do five minutes and then have the minister?

8:20

Mr. Bikman: Five and five. Thank you.

Previously my colleague Mr. Anderson addressed these issues, so I'd like to move that

> the 2013-14 main estimates of the Ministry of Treasury Board and Finance be reduced as follows:
> (a) for the minister's office under reference 1.1 at page 234 by $137,000,
> (b) for the associate minister's office under reference 1.2 at page 234 by $266,000,
> (c) for the deputy minister's office under reference 1.3 at page 234 by $149,000,
> (d) for the strategic and business services under reference 1.4 at page 234 by $2,265,000,
> (e) for communications under reference 1.5 at page 234 by $153,000,
> (f) for budget development and reporting under reference 2 at page 234 by $1,132,000,
> (g) for fiscal planning and economic analysis under reference 3 at page 234 by $1,164,000,
> (h) for risk management and insurance under reference 4.2 at page 234 by $332,000,
> (i) for the office of the Controller under reference 5 at page 234 by $873,000,
> (j) for the corporate internal audit services under reference 6 at page 234 by $827,000,
> (k) for tax and revenue management under reference 7 at page 234 by $6,956,000,
> (l) for the financial sector regulation and policy under reference 8.1 at page 234 by $1,322,000,
> (m) for the Automobile Insurance Rate Board under reference 8.2 at page 234 by $290,000, and
> (n) for air services under reference 9 at page 234 by $908,000
> so that the amount to be voted at page 233 for operational is $114,531,000.

The Chair: Do you have copies to distribute to everyone?

Mr. Bikman: Yes.

The Chair: Thank you.

Do you have any further comments to make in your time?

Mr. Bikman: I do. I wouldn't pass up this opportunity. Thank you.

My questions, Mr. Minister, will be regarding corporate welfare. Why does the government need to donate research to private corporations? Why does Shell, a company with more money than God, need a three-quarters of a billion dollar grant? Why do companies like PepsiCo, one of the world's largest companies, need welfare of $419,600? Troika Foods, $132,414.

Why don't we replace the multimedia fund with a tax credit regime instead of investing $128,911 in *Burlesque Assassins*? I assume that's artificial inspiration. *Love Lies Bleeding*, $249,509; $419,196 for Janet and Greta's food bytes. Unicorn: Legend of the Sky Horse got $18,441; Fabulous Furballs, $40,689; *Truckstop Bloodsuckers*, 20,000 bucks.

It seems to me that there are better ways to do these kinds of things. I think that when we engage in corporate subsidies, we unintentionally create a consequence of producing additional inflation. I'm sure you're aware of it because when a company can act as if it's popular and as if its products are popular and being chosen by people, in other words act as if it's profitable, then when they try to expand and grow, they're using taxpayer-subsidized money paid by their competitors who, in fact, are popular and profitable. Then when those popular, profitable companies go and try to buy products in the marketplace to grow and expand, they find that there's a shortage of them because the subsidized companies have already entered the market to buy them, and that creates inflation. The government is doing that, I'm sure, unintentionally; nevertheless, that's a consequence.

I think that when government subsidizes projects, for example unproven things like carbon capture and storage, as wonderful as the purpose of that is, it doesn't address the roots of the problem. It has the potential to create another world-class magnesium plant.

Any comments on that?

Mr. Horner: I wouldn't pass up the five minutes either, Gary.

I know the list which you're reading from is the same list that, I pointed out today, had an erroneously listed Telus grant, which you didn't mention. I noticed that. What we've discovered is that they never did get the $1.8 million that was listed there.

I would also note that, as I recall – and I don't have the document in front of me – there are grants there that are related to forestry research in the biomass area, which is actually something that the forestry industry and the agriculture industry in our province are very actively engaged in to try to find new markets. When we talk about new markets, it's about new product development for things like oat fibre, things like wood fibre, cellulosic fibre. I think that you would agree with me that that's the kind of research and development that we should be doing in our province and that we should be encouraging Alberta companies to do.

I recall that when I was the minister of agriculture, we provided some grant funds to some very large agriculture endeavours because we were trapped in the sense of a marketplace for our beef. I know that you folks will remember some of these. Cargill did a lot of research around how we were going to be able to extricate the specified risk materials from a carcass when you're running a plant at 5,000 head a day for the Canadian and the Albertan industries in beef. That research and development grant, I think, was very well spent. Given the list that you just gave and the reasoning behind it, your list would categorize that as corporate welfare. I would not. I would categorize it as an investment in the future of our province.

Now, some of the other things that you listed there with some very interesting names. I know some energetic researcher went through to find the names that would come out the most because you obviously didn't list all of the grants that we did in the cultural sector, which I find is a bit more of a stunt than it is a statement.

I would say to you that it's probably a better question to ask the Minister of Culture and even better to ask some of the rural cultural groups that I've handed out grants to that are doing plays in their communities. You know, my daughter was a member of the Cavalier Players. It was a roving group of wannabe actors – she was pretty good – that would go from town to town, small halls, creating some interesting plays. They would charge at the door, but they also got grants because it costs a lot of money to move things around. I know my truck was used quite extensively to move stuff around, but they would get a grant to pay for their fuel. Do you know why we gave them grants? It was because the door charge was donated to the local charity in town. I think that's a good thing, and I think that it's something we should continue to do.

I also happen to know of some grants that we provided to some of the faith-based organizations in our province. Some don't take them because of where they believe it might come from. Others do. I know in my church that I've been involved in, we've looked at various things that we've done from a community organizational perspective. We do a thing that's akin to Santas Anonymous every year. We buy gifts for groups. The grant actually runs through the Tri-Community Health & Wellness group.

By looking at a list of grants that have been sent to that group, you would not know that that helped 248 families in Spruce Grove get gifts for Christmas. To put it on a list because of the name and say, "I disagree with that": I don't think is appropriate, and I don't think it's honourable. That's why I have difficulty with your list.

I don't have difficulty with your amendment. I think it's entirely appropriate for you to try and whack my department. That's why we're all here tonight. But I think that when you start to talk about things like research and development to create new economies in our province as being a bad thing, I would suggest to you that that's one of the things that we should be doing more of because it creates the marketplace where you don't have to have a subsidy for agriculture. If we had markets for a lot of the products and the byproducts that are created on a farm, you wouldn't need ag stability. You wouldn't need to have a lot of the other programs that we do.

If you're going to use the argument that you have corporate welfare, what about the drilling incentives we do for the oil and gas sector? Should we be going after those, too? Should we be going after the crop insurance program? Should we be going after all of those other things that we do?

The Chair: All right, folks. Mrs. Leskiw had a question. Does the Wildrose caucus have a question? Okay. Mr. Anderson after that.

Mrs. Leskiw. Would you like to go back and forth?

8:30

Mrs. Leskiw: No. Just one short question to be asked. It's about the corporate income tax revenue. With our population increasing steadily, one can assume that business in our province is also growing steadily. But the corporate income tax revenue is forecast to decrease from $5 billion in 2012-13 to $4.8 billion in 2013-14. This doesn't seem to follow the trend of what's happening in our province. Why does the corporate income tax revenue decline for the next year?

Mr. Horner: Corporate income tax revenues are declining – well, they're expected to grow, but a small decrease in 2013 is due to the fact that some of the strength of the 2012-13 collections is from some tax changes, and there's a one-time fiscal impact to that, which I know happens fairly regularly, it seems, but there are different things that happen in-year where you get these lumps of tax consequence, and that always flows through. Remember that a lot of this stuff is kind of a year echo from what happened, say, a year and a half ago. We then see it come into our numbers in the year and a half following.

Particularly impacting revenues in 2013 are some tax deferral eliminations that were features of partnerships as well as the elimination of income trust tax advantages, which precipitated the conversion of many of those trusts back into corporations. That had a fairly significant impact on a year. We do expect that the corporate income tax profits are going to grow, and in subsequent years we believe that they're going to grow fairly robustly, at 6 and 10 per cent.

Mrs. Leskiw: Good. Thank you.

The Chair: Thank you.

Mr. Anderson, do you want to go five and five or back and forth?

Mr. Anderson: Five and five.

Minister, I appreciate your waxing eloquent about the need for corporate welfare. I would just say that, you know, for every $200 or $300 that you find that's helping to feed children, which is a good thing, I give you $800 million that's feeding Shell. There's always going to be an excuse. It's always about: "Oh, there's good research that will come out of this. Oh, you know, it's great because the theatre troupe got to perform, and everyone is happy." One dollar taken out of that is one more dollar not only on the deficit and on the backs of future generations, but it's also one dollar taken out of health care, out of education, out of all these other places that, frankly, are more the priority areas.

At some point you have to say: "We're not going to fund everything. We're going to fund what we should be funding, health care, education, the important things that government needs to fund, and then we're going to rely on communities, families, and others to do the good work in other places and ask them to fund raise and pull themselves up by their bootstraps." We cannot do everything for everybody. It's not possible. That's why we're in the financial mess we're in. We have a problem in this province of putting needs before wants and prioritizing our money appropriately.

Now, I would like to move on to the issue of taxes. In particular, Minister, you know, I'm a sucker for clarity. You've been very good on your answers. You've given lots of clear answers tonight and last night. A lot of people are still wondering if new taxes are on the table. No doubt there are no new income tax or corporate tax increases, sales taxes, et cetera in this budget. I completely understand and am thankful for that. That's great. But there still seems to be an unwillingness on the part of your government to outright say that you are not going to introduce any new taxes or a return to health premiums or an increase in existing taxes before the next election, in 2016.

I think it's important because you were tripping over yourselves during the election. It was like a stampede of antitax PC zealots all of a sudden found their backbone and said: "We are not going to raise taxes under any circumstances. We are not going to raise taxes or add new taxes." That's great. That's fantastic, but the problem is that that zealousness has completely disappeared since then, and all of a sudden we're having conversations about taxes and we're having conversations about revenue problems and all this sort of thing, and you're not outright saying that you're not going to raise taxes.

So I hope that in your five minutes, when you speak here, you can just tell us as Finance minister if your government is completely committed to not raising taxes or introducing new taxes or health premiums, et cetera, before the 2016 election, as you promised, clearly, before the last election. I think that's something that you owe the people of Alberta.

How much time do I have?

The Chair: You have about a minute and a half. I just want to remind you, too. I understand your points. I just want to make sure you tie back always to the estimates. Okay?

Mr. Anderson: Yeah. The estimates are regarding the line on revenue. I want to make sure that the revenues don't go up through taxation. Again, completely on point.

One way that you can increase the revenue line, though, in the estimates is equalization, and I think we're actually pretty close on this one. I agree with you, Minister, that we do have a responsibility to the rest of Canada to share some of our natural resource wealth, and I think that that's a good thing as it pertains to making sure that there's a reasonable amount of basic services across the country at reasonably the same level. But I think you and I both understand that that formula, that equalization formula, is completely out of whack, and it's turned into a way of subsidizing poor government choices, frankly, and poor decisions on the part of government to be dependent. There has been literally a plethora of studies showing that, and I think we would agree on most of that.

I would like to know – Quebec has put out a position paper on what the new equalization formula should be, and it involves taking more of our money out of Alberta and not returning it. What is your department and the Premier doing to make sure our position is clearly articulated?

Mr. Horner: First of all, on the $800 million I would ask you where that is in my estimates because there isn't $800 million in this year or even in next year or throughout probably the next 10 to 12 years. There's a commitment that's out there, arguably, that would be there, but to suggest that you could cancel CCS and somehow balance this year's budget is frankly ridiculous because it's not there. That has been suggested in the past.

The other thing that I would suggest to you – and I'm going to go back to front because it's in my head about the equalization piece you talked about. You're right. We're not, I would say, on the same page as some of the other jurisdictions that might want to look at changing the way that works. We believe that we are proud partners of the Canadian Confederation. We're willing to do our part. We understand the concept, and we believe that there are some good arguments to be made that this is what Canada was built on.

At the same time we will protect Alberta's interests, and we are at the table. As a matter of fact, I will be heading out east shortly to talk about a number of things, one of which will be securities, another of which is going to be some of the other areas of national distribution. It'll be interesting to see, you know, what happens this Thursday with the federal budget and where the federal minister is going. I don't think, frankly, that changes to equalization are high on his agenda right now because he's got some other issues to deal with similar to what we've got to deal with. So it's a longer term situation.

Are there billions of dollars of savings in there? That would be a tough one given the way that the system works, unless you wanted to really go out and try to change what has been a very difficult negotiation up to now. I don't think you'd see billions of dollars of savings in a short period of time there. Maybe over a medium term you might capture some of that, but that would be very optimistic, I would suggest.

In terms of, certainly, protecting Alberta's interests, of course we're going to be at the table. Of course, we have people that are working in Ottawa on a regular basis. We have the Ottawa office now, which is going to be valuable for us in representing that.

8:40

We talk about taxes. As the Finance minister for our province I am always and always have been of the belief that the best way for me to raise taxes is to get Albertans to make more money. I fundamentally believe that as a businessperson and as an Albertan. When I look at what is happening with our revenue from our tax side, if we can maintain a sound business environment, if we can maintain a low corporate tax and personal tax regime, if we can maintain the logistics that we need for businesses to thrive, and that means infrastructure investment, if we can maintain the ability for those products to get to market or even be done here, and that means investment as well, if we can continue to attract people to work in those industries so that you actually grow the number of people that are paying taxes, and that means building schools, roads, and hospitals – I have always said that if you don't build those assets, they don't generate revenue. You won't generate revenue from a public sense because our revenue is generated from tax. Everything that we can do to get more people here to make more money to generate more tax is what we should be doing as a sound financial investment. That means that you're going to invest in those schools, roads, and hospitals.

From Budget 2012 the ministry revenue has increased. About a billion and three-quarters is due mostly to personal income tax growth. There's obviously investment growth. We've had a $353 million increase in corporate income taxes. That's, again, due to the projected growth of the corporate taxes from operating. That means that it's working. We have a growing economy. That's where we want to go. I have no desire to look at increasing the rate when I have my focus on increasing the amount in terms of the volume. That's kind of where I'm at.

Mr. Anderson: Wow. Total agreement there.

Mr. Horner: Let's end it on that.

The Chair: All right, folks. We're at a halfway point in this meeting. I'm sensing that we don't have a lot of questions still on the table.

Mr. Anderson, do you have more questions?

Mr. Anderson: I always have more questions.

The Chair: Okay. Would you like us to take a break and then come back and have your questions, or do you have one more round of questions?

Mr. Anderson: Oh, I've got infinite rounds of questions.

The Chair: Well, I think we should probably take a break, then. We'll take a five-minute break and come back and listen to an infinite number of questions from Mr. Anderson.

[The committee adjourned from 8:43 p.m. to 8:49 p.m.]

The Chair: Okay. Mr. Anderson, I think you are ready to go again. Do you want to do five and five or back and forth?

Mr. Anderson: Five and five.

The Chair: Fire away with clarity, though. You mentioned clarity. Let's make sure the tie to the estimates is really clear.

Mr. Anderson: Always. Always tied to the estimates. It's important.

All right. We'll start with assets, net assets. Now, on page 135 of the document – see how tied in that is?

The Chair: That is delightful.

Mr. Anderson: All right. On page 135 of the fiscal plan, as you can see, net assets look to be roughly $41 billion now. In 2007 our net assets were $53 billion. During that same time, if you want to look at just the financial assets of our province, they were $36 billion in 2008. Net assets will be $6 billion at the end of 2013. That is a shocking draining of our wealth in a very short period of time.

Again, your financial assets are being drained at a huge rate, so those are those liquid assets. They're going from $36 billion to $6 billion. A lot of the net assets that we have, as we discussed yesterday, are not really that liquid. There may be a few that we can get rid of down the line – buildings, land, things like that – but most of that value is tied up in schools and hospitals, which, of course, we would not want to sell because they're performing what schools and hospital do, which is important. That seems to me like a flood of outgoing wealth in just the last five to six years, a shocking amount.

Now, you talk about your capital assets increasing over the next three years by $6 billion on this chart, but that increase in capital assets is going to be obtained by taking out $12 billion in new debt, bringing us up to $17 billion. Over the next three years it's $12 billion in new debt to increase capital assets by $6 billion. Sure, we're increasing our assets but at the cost of going into debt by double. In other words, we're taking on debt twice as fast as we're taking on assets.

Minister, I don't understand how we can even think about bragging about our record on net assets. I understand this government has inherited a legacy of a large amount of financial assets and net assets from the Ralph Klein administration, but what has happened over the last five years is really something to behold. It's been a huge, massive outgoing amount of wealth from our province when you talk about net assets and financial assets, and now, of course, there's the whole issue of debt.

So there is that issue that I'd like you to address and explain how that's justified, how in five years we can essentially drain our assets by, you know, at least 20 per cent, lose 20 per cent of our wealth. Most people would consider that a failure in the management of the finances.

There was an issue brought up earlier that I thought was very important.

How much time do I have?

The Chair: You have one minute.

Mr. Anderson: One minute. Well, you know what? That's the question. Why don't we just hear the explanation on that.

Mr. Horner: Okay. I'm glad, actually, hon. member, that you are starting to look at what the differences are between net financial assets and net assets because there are some fundamental accounting principles that are built into our cash requirement versus what the change is in your net asset position. When you look at the changes that we've had over that period of time and take the total financial assets that we have and you look at the 2012 actual going to the 2014 actual, we have lost in that sense. We're not hiding that. We're not saying that we didn't. In fact, we've had some very significant down years.

The other piece that we've done – and this is where my point comes through – is that we've taken net financial assets, cash, and we've put them into capital in a big way. What I'm suggesting is that we should have kept a lot of that cash and used the capital markets to build assets. That is partly why your net financial assets have gone down and your fixed assets have gone up.

We've also used that capital to provide capital for municipalities. Part of the issue of consolidated SUCH sector accounting is that many of these assets are on the books of the municipalities, but the liability is still on our books. We put the cash out; the asset rests in their balance sheet. We're slowly working that situation through, as are all other jurisdictions. But that's why you have a difference, because we've expensed it essentially. When you expense an asset, even though you built an asset and you put it on somebody else's books, the taxpayer still has the value of that asset.

8:55

I'll refer again to the town of Okotoks. I have their financial statements here because I brought them as a demonstration, that this is how they do it, too. When you look at the assets that they would have on their books, they're going to have the grants that they got from the government as an asset. That's what's reducing your net financial asset, which, again, is the reason why using a cash requirement as a bellwether is not as accurate as using the change in your net asset position. If you're going to change the format of how you do things – in other words, if we had said that all assets that we paid for will be on our books – you would not see the type of reduction that you see here, because all of those assets would be reflected in our balance sheet, but they're not.

Again, I come back to you. This is the confusion of the way we used to present. By blending those asset capital grants into our operating expense, we were not showing what the value was of what we gave out. The municipalities were able to show it, the postsecondaries were able to show it, the schools were able to show it, but we were not.

Mr. Casey, being a previous mayor, understands this very well. We told the municipalities: "You guys have to show us exactly what you're spending on your operating. Don't throw any capital in there. It's got to be just operating. And separate your capital out because we also want to see what you're doing under depreciation, whether you're depreciating appropriately." All of those kinds of sound financial accounting principles are inherent in that, and I think it's only fair, transparent, and right that we as a government would do the same thing.

We can talk about where those assets went. They're still in the province of Alberta. They are built. They're in a community, probably in your community, Mr. Anderson. But they're in their balance sheet, not our balance sheet.

The Chair: Okay. I think, Mr. Anderson, you are the only person left with questions, so carry on.

Mr. Anderson: Oh, good.

The Chair: Would you like you do five and five or back and forth?

Mr. Anderson: Five and five is fine.

Well, we'll go to the second-last question, then. We're almost ready on the last question. We just wanted to verify something.

I want to go back to the issue of accountability. Now, I'm on the heritage fund committee. The heritage fund committee was set up to oversee the heritage fund and approve its annual reports and business plans and so forth. I think it's important. I think it's actually a really fantastic committee because what it does is make sure there's multiparty agreement on what's going on and oversight from all parties, opposition and government members, of this fund, which has kind of come to represent some of Albertans' main aspirations, to leave something for our kids and grandkids out of what we have in the ground, the incredible wealth that we have.

I think it's important that we have that oversight, yet I notice that your new financial legislation contemplates getting rid of that oversight, that we do not need to approve those business plans anymore for the heritage fund. If I'm wrong, please correct me on that. But I think that that would be a real mistake, and I'm not understanding why we would do that.

The second piece we talked about yesterday. The CTF, the Canadian Taxpayers Federation, today put out a detailed analysis of how the new Bill 12 will impact government accountability. They noted, as I did yesterday, highlights of information that the Minister of Finance will no longer be required to provide in the annual provincial budget: consolidated net revenue and expenses, so a consolidated deficit or surplus; revenue sources by category; expenses by category; a breakdown of liabilities and assets; borrowing debt requirements; and details of capital spending by ministry. We've also noticed that in your new budget you don't have price sensitivities either. I don't know if those were legislated before anyway – they might not have been – but you still had those sensitivities and how they affected the budget. So when the oil would go up a buck, that would be X amount in increased revenue, down a buck, and so forth. Oh, it is in there?

Mr. Horner: Yeah. Page 31.

Mr. Anderson: Good. Fantastic. I take back that last question.

Anyway, certainly those six things that we just mentioned – again, I would ask primarily about the heritage fund oversight issue because you did address those other six things.

We'll just have to agree to disagree – I think Bill 12 makes things less transparent; you obviously think it makes them more transparent – and that's fine. We'll agree to disagree.

But on the heritage fund could you please address the change in that regard?

Mr. Horner: Yeah. The heritage fund is a bank account. It is a fund that actually does not transact business. It's a fund that does investments. We've had, you know, committee oversight, which is absolutely important. The standing committee has been looking at that, well, ever since its inception. In fact, in the Alberta Heritage Savings Trust Fund Act it states that the statement of investment policy or the business plan, to which you refer, must be approved by Treasury Board. So there is an oversight of the statement of investment policy, that it has to be approved. The committee itself is the approval process by virtue of the fact that it's an all-party committee that sits in the Legislature. To have a business plan of a bank account is a bit of a double whammy, if you will, in that sense.

The work of the committee is the same. Everything is there. But frankly, Mr. Anderson, to approve a business plan of a bank account – when did it ever not get approved? It's a bank account. The statement of investment policy, which I know the committee gets, is something that is a much more important document because that's the investment policy that the committee directs in terms of where those funds are going to be invested. I'm quite certain that the committee has very good discussion about that in terms of where they're headed. The fact that Treasury Board approves it is simply because under the purview of Treasury Board and as an asset of the books we approve it. I'm not concerned that we're losing a piece of oversight over an operational aspect because it's a bank account, right?

What was the other one you asked?

Mr. Anderson: We just agree to disagree on Bill 12.

Mr. Horner: Well, let me come back to that. Fundamentally, all of the elements in the existing legislation have been maintained in what is called Bill 12. We don't list the items that would be in a consolidated fiscal plan because generally accepted accounting principles dictate what you're going to put in there anyway. The reality is that when you do your fiscal plan and you present your consolidated financial statements, you can't not put stuff in there because that would be against the accounting rules that we have.

When we talk about an operating plan, which is what we're talking about now, the operating plan is very much what you see in this document, and this documents lists all of the information that you talk of, including some more that was in the other plans previously. We're not changing in terms of generally accepted accounting principles. What we're saying is that this is an operating plan.

We have a savings plan attached to this. We have a capital plan attached to this, which actually was not a requirement of the previous legislation, nor was there a requirement for a savings plan, legislated savings. We've maintained the 1 per cent in-year spending limit. We've maintained almost all of the other pieces of the old acts that combined. We've changed a couple of things, obviously. The sustainability fund is now the contingency account. We've actually included the borrowing cap and enhanced it by making it interest-rate sensitive, which we talked about a little bit earlier.

9:05

All of the annual report and business plan requirements: those are all maintained. Quarterly reporting: we've actually added quarterly budgets into this, which we didn't have before, and you'll see this in the upcoming quarterly reports. This is going to make the quarterly reports very, very germane to that period in time, and that's what a quarterly report should be, right? You're going to be able to compare and contrast. You're going to be able to look at where we are versus the budget. You will also be able to make a very good estimation as to where we're headed. You'll also see on a quarterly basis now the actual change in net assets, which is something we didn't do before, which I think is very valuable.

Mr. Anderson: Thank you for that.

The Chair: Do you have another series of questions?

Mr. Anderson: Yeah.

The Chair: Okay, Mr. Anderson. Do you want to go five and five, or are you going to go back and forth?

Mr. Anderson: The same, five and five.

I will take you at your word, Minister. What I understood you to say there was that these things that are now not mandatory in the legislation, that were mandatory in the legislation before and aren't now, you're still going to put in there. Because you had to comply with that act prior to Bill 12, I'm assuming that that's why they're in there now, but you're not going to change it once Bill 12 is passed.

Mr. Horner: No. This actually applies to Bill 12, and even the budget that we presented today would be satisfying the requirements in the legislation that we're replacing.

Mr. Anderson: Okay. All right. Good. I'm looking forward to seeing that there.

The Chair: I'm just going to remind you. Are you finished with that series?

Mr. Anderson: No. We're just being flexible.

Mr. Horner: He's the only one that's asking questions.

Mr. Anderson: We're good.

Okay. The second-last set of questions.

The Chair: Are you going to go back and forth or five and five?

Mr. Anderson: Whatever. Let's go five and five.

The Chair: I'm just trying to be clear.

Mr. Anderson: I know. Clarity is so good.

Mr. Horner: We'll go five and five.

Mr. Anderson: Five and five is good.

The Chair: Oh, he gets to decide.

Mr. Anderson: I get to decide something. Sweet.

All right. Corporate welfare again. You seemed puzzled over my number of $800 million. You were right. It's not $800 million. It's $745 million over a 15-year period as per this government of Alberta news release dated June 24, 2011, Alberta Inks Deal for Shell Quest CCS Project, so $745 million to one of literally the most wealthy corporations on the planet. I would note that many corporations applied for this and didn't get it, so you were picking a winner over many, many losers in this. That's what I was referring to there.

Just to give, you know, folks an idea of the number of grants that we give out, this is a stack of papers here, with about 12 on each line, with the grants that we give out.

Mr. Horner: The blue book. You can get it online.

Mr. Anderson: The blue book. That's right. The blue book online. Very transparent. Absolutely.

Here it is. It's a thick thing, pieces of paper. What we did is that we went through all of that – and I know our researchers really enjoyed doing that – and we got all of the grants that were just for for-profit corporations. That was a page this long, this thick, with about, you know, 35 or 40 on each page.

Minister, it's going to be very difficult to balance the budget going forward if we cannot get out of the business of this. It's insane. I mean, I know you didn't like the list earlier. The reason we didn't read you the whole list is because there are thousands and thousands and thousands of companies worth hundreds of millions of dollars in grants.

Just to be clear, these are not fee-for-service contracts that we're talking about here. This is not fee for service. These are straight grants. We double-, triple-, quadruple-checked that. These are grants.

That's going to be a problem. It's not like these are great needs that Albertans have right now. You talked about a couple that Mr. Bikman focused on. Troika Foods, a Ukrainian food producer. Tea Affair, a tea wholesaler out of Calgary: $13,000. Pepsi, as we noted. Enbridge: what does Enbridge need $350,000 for? *Burlesque Assassins*: we went on that. *Love Lies Bleeding*. *LARPING: The Knights of Awesome*. *FUBAR 2*: you know what FUBAR means. Fabulous Furballs for $40,000.

The Chair: You're being repetitive.

Mr. Anderson: Well, these are new. These are in addition.

The Chair: We've heard them already tonight, sir.

Mr. Anderson: No, no, no. They're different ones. He only picked five. I was just picking another five.

The Chair: Actually, we recognize the names, sir. So just as long you're not repeating yourself.

Mr. Anderson: Okay. You're right. I wouldn't want to do that.

Rodeo: An Eternity of Seconds. There are all of these examples. I don't have to be repetitive. I mean, I could go through all 2,000 of these.

The point is, Minister, that we're not going to be able to balance your budget. Well, let's put it this way. We're not going to be able to stop our borrowing for capital and be able to pay by using funds that we have instead of just building up the debt. Eventually we'll have to stop the debt because you have a debt ceiling. I'm assuming you're going to stop at some point. How are we going to do that when we continue to spend hundreds of millions of dollars on for-profit corporations, just giving out money hand over fist?

What it looks like here is that you're essentially spreading out, to every corporation that you can find, enough money so that everyone has a little bit of loyalty to the Alberta government because they're all getting a little piece. That's what it looks like it. That's the appearance. Minister, I know that can't possibly be the case, but how can you not think that when you look through all of these many, many, many corporations? You've got everything. You've got ski firms in here. You've got all kinds of different start-ups. These are great businesses. There's nothing wrong with these businesses. We support these businesses. But can't they stand on their own two feet? Why do they need us matching their grants or giving them start-up funds? You know, I have a friend. He got a big grant from the Alberta government for a business that went out of business two years later. When is it going to stop?

Mr. Horner: Mr. Anderson, you have a list there of grants that were paid to for-profit corporations, which we do, and I don't deny that. I have one in my constituency that I'll use as an example. They got a very sizable grant. It was in the millions of dollars, actually. What they're doing is building affordable housing in the city of Spruce Grove, and we grant them up front so that it reduces the capital cost of those facilities and so that those who cannot afford rental accommodations are able to rent those facilities.

For how many on that list did you actually go and look to see what the grant was actually for? Given the error that I discovered today with Telus Corporation, I would hazard a guess that you didn't check very many of them because if you did, I'm sure that you would find that there are things in there where we are providing services to Albertans through a for-profit corporation, which your party actually had as part of their platform, that you would use third-party, for-profit delivery of services. You would give them a grant to make that happen. I would point out to you that one of them is in child care and education for early childhood development. That's on your list.

I myself may disagree with some of the cultural ones that you list. I may disagree with those as someone who would look at that and go: why the heck are we giving a grant to that particular organization? Frankly, if you choose a set of criteria for culture and community spirit grants, you're not going to say no to any organization that is doing something that fits the mould or fits the application process. You're going to do the grant because that's how you operate in a fair democracy.

I find it absolutely amazing that to make a political point, you would drag companies through the mud, suggesting that they are getting some sort of corporate welfare, when they may very well be doing something that is of societal good, societal use, or something that's actually saving us money by sharing the cost with them, simply because you want to make a point in *Hansard*. I find that, frankly, somewhat beneath you. You know, I do.

I would be more than happy to take a look at your list, pick randomly 20 – and I'll probably get somebody to do that. We'll pick randomly 20, and we'll just find out what those grants are for. In fact, the other piece – a note was just slipped to me. We are cutting a bunch of the grants, too, so there are cuts coming to grants. Big news there. But they are in areas where – you know, I mean, the CFEP program and the CIP program, both very good programs that we've used, you know, in my riding. There have been a lot of playgrounds built with CFEP. We've done a lot of good work with CIP in terms of the fish and game and all that sort of stuff. It's just that I caution you. That's all I'm putting on the table. I don't doubt your feelings around giving for-profit companies grants. Let's just make sure that we're looking at the reason why they might be getting one and when, in fact, they may be sharing the cost with us of doing something for the societal good.

9:15

The other thing, too. When you talk about Shell, you're talking about one part of what their investment is, and you're not talking about the dollars that they have at risk in that project. I don't think that it's fair to simply single out the risk that one party has without recognizing that, you know, with the technology and the investment that they're making, there's a significant amount of risk. We've seen in some of these projects where they've actually not gone forward because the proponent even with our grant money has said, "We're not putting our money at risk," and we've not proceeded. So to suggest that Shell is getting a gift, again, would belie the understanding of the business case and the risk assessment that they have done themselves on the money that they're putting on the table.

You know, it's all great to have the political rhetoric and go back and forth on that stuff, but I think we really do want to ensure that we are checking out what it's all for.

The Chair: Mr. Anderson, do you have more questions?

Mr. Anderson: I do.

The Chair: Back and forth?

Mr. Anderson: Five minutes.

The Chair: Five and five.

Mr. Anderson: I appreciate it. This is a good debate to have, and I will take you up on that idea. We are somewhat limited because we don't have the same access that you do to what these grants are about. It's hard for me to imagine, for example – and I'm really going to spare the committee my going through all these, but, you know, this is just . . .

Mr. Horner: Unless you have what they're for, there's no reason to read them into the record.

Mr. Anderson: Oh, they're not doing anything wrong by applying for grants. Let's be clear. They're not doing anything wrong. The grants are out there; apply for them. My friend didn't do anything wrong when he applied for them.

Mr. Horner: What was his grant application for?

Mr. Anderson: It was for a GPS tracker for pets. Didn't work out. Can't figure out why.

Kinnikinnick Foods, Kitchen Partners Limited, Edelweiss Dairy, Highwood Distillers, Honey Bunny . . .

The Chair: Mr. Anderson, we've gone through this. This is the third time tonight we've gone through this list.

Mr. Anderson: There's nothing wrong with – my questions are totally in order.

The Chair: You actually are getting repetitive, to be quite candid with you. If you've got questions, you can ask them. We've given you lots of latitude here.

Mr. Anderson: Okay, Madam Chair.

. . . and Wow! Factor Desserts. We could go on, and if I had the ability to read more into the record, I would, but it is obviously embarrassing for some people.

Mr. Horner: No. It's already tabled in the House.

Mr. Anderson: Well, it's not tabled. This isn't tabled. Maybe we should table it in the House.

Mr. Horner: No. The blue book gets tabled every year.

Mr. Anderson: Yeah, the blue book. I'm talking about the list of grants that I have in my hand.

Mr. Horner: That's part of it.

Mr. Anderson: Well, okay. But it's not separated out.

Anyway, we're not talking about fees for services. That's not what this is here. These are grants. Now, we're also not talking about nonprofits. That's not what these are. The nonprofits are all in this big stack here. We're not saying that there's anything wrong with providing a grant to a nonprofit housing co-op or what have you, but we're not for putting private money into for-profits. I don't know too many housing co-ops that are for-profit housing co-ops. If they are, maybe we should be thinking about just giving them to ones that aren't for-profit housing co-ops, for affordable housing builders. You know, maybe there are some. We'll certainly go through this, and you can tell me which ones are, the ones that you've given grants to that are for-profit housing co-ops and so forth.

Again, I'm looking through the list. It's a long list. Is there any way your ministry would be willing on a go-forward basis: when you do give out a grant, instead of just publishing it in the blue book, could you say what it's for? Without having to go through this activity, could we figure out what each of these is for? Why is PepsiCo getting $419,000? Why? Then we can let Albertans decide. That's the first question.

The second question is around this independent financial budget officer that was talked about earlier. I think it would be a great legacy for you to leave, apart from the great legacies you've already left us.

Mr. Horner: Am I leaving?

Mr. Anderson: No, no, no. Down the road.

I think it would be fantastic for you to have an independent budget officer because the great thing about independent budget officers: they're independent. When a program is announced, for example, they can do an analysis of what that program is actually going to cost and how it's going to affect the budget, and everyone can be happy with the numbers that are out there, as opposed to right now, which is kind of: is the government really telling us the full story? Maybe they intend to only spend this much, but how much is it going to actually cost? The United States, the federal Canadian government have these independent budget officers, and I think they have done a great service by giving the public some independent numbers on what things cost.

Again, for the purposes of transparency, when you publish the blue book, can you please publish at least a one-liner or something about what that grant was for, and would you be interested in perhaps setting up an independent budget officer?

Mr. Horner: Let me understand this, Mr. Anderson. Is it your party's position that only not-for-profit companies should be getting grants to build affordable housing, seniors' lodges, those sorts of things? That's what you said.

Mr. Anderson: Do I need to answer that?

Mr. Horner: I'd like him to, Madam Chair, if that's all right. I don't know. It's part of my five minutes. Give me a break.

The Chair: We'll call it the sixth round of questions since the break here.

Mr. Anderson: If it's a fee-for-service contract, if we're paying them to do something, to build it, if we're saying: "Here, you take this and build affordable housing," that's fine. That's a fee for a service. No problem with that.

Mr. Horner: No. Because of the way the affordable housing piece works, the capital cost is lowered so that they then can afford to charge the rents that we set, so that they don't have to recoup that capital. The way it works is that we actually give them a grant up front.

Mr. Anderson: Great. Okay.

Mr. Horner: You're okay with that?

Mr. Anderson: Fine with that.

Mr. Horner: Okay. That's different than what you just said earlier. Some of those will be on your list.

Mr. Anderson: Okay. We'll take those out once we know which ones are which.

Mr. Horner: Good. You're also not big on research grants either, then, I take it. You don't want us to give grants for research.

Mr. Anderson: To for-profit companies.

Mr. Horner: To for-profits, no.

Mr. Anderson: No.

Mr. Horner: It should all be done in our universities?

Mr. Anderson: Mostly be done in our universities, if possible.

Mr. Horner: Okay. I'm glad you said that.

The independent budget officer. As I understand it right now, you're saying that everyone would agree with what he says and everybody would be happy. I'm pretty sure the Canadian government right now is engaged in a bit of a debate with the person that they think is not providing the appropriate information, so you've got this tension, this argument there.

We have an independent officer of the Legislature called the Auditor General, who goes through all of these books. We have a process around the estimates where all elected members – elected members – because I think it's important that a lot of this is held in the elected hands, not in the appointed hands but in the elected hands. Everyone in this room who got the trust of their constituents gets to come and look through all of this and make sure that what we're doing they're comfortable with. If they're not, they get to ask the questions and to challenge, and it's on the public record. That's pretty independent.

We have a challenge panel, which we brought up a little earlier. Ms Kubinec was talking about the fact that she sits on a challenge panel with a whole raft of outside people who get to challenge what we're doing. We have a whole bunch of independent budget officers in that sense because they are going to go over every line item, every dollar that this government spends. They're going to review whether we're getting the value for that dollar, and really that's what you were talking about with this independent budget officer. You could have one guy versus a whole group of teams being able to review everything on what is now two-year cycles. Now, it'll expand out to three. We've compressed it this time, but it will expand out at three. It will be an ongoing process where you have outside eyes, with the elected officials looking at everything we do as a government. I think that's actually superior to trying to get one guy that everybody is going to agree with, that he's going to try and see everything. You mentioned the limited resources that you have for doing exactly what you're talking about doing.

9:25

The other thing I would put on the table that I do think is important, that kind of goes along with this, is that we've talked about providing a more open and public process around how we do the forecasting and how we set the numbers. I do intend to bring in a group of the forecasters, the analysts, whomever we can think of. The Conference Board of Canada: we've already discussed it with them. We'll bring some of the, you know, think tank types that we want to have around the table, and we will put on the table how we do it today. We'll be very open and honest about how we do it, what we look at. Then we're going to let them chew on it for a while. If they can make some recommendations as to a different way that we should do it, we're going to do it that way. But if they come back to us and say: "You know, the way you're doing it is probably the best way you could do it; you just need to tweak it a little bit," then that's the way we'll continue doing it.

You have twofold, on the revenue side and then the expense review on a line-by-line basis with a group that is probably much better resourced than an independent officer, and it would make a lot more sense.

Mr. Anderson: Fair enough.

The Chair: Do you want another round?

Mr. Anderson: One more round, I think, ought to do it because I promised – well, see? It didn't matter. I promised 15 minutes.

The Chair: One more round. Five and five, or are you going to go back and forth?

Mr. Anderson: Five and five.

Okay. I don't think the independent budget officer would be like the Auditor General and would assess whether people were getting good value for money. All they would assess – because I agree that your zero-based budgeting process, or your value-based budgeting process, is a good model, but an independent budget officer wouldn't be doing that. He'd just be assessing whether the numbers being given by government were accurate on a program announcement or on the budget in general and so forth. Anyway, I think that'd be a good thing. But fair enough. Your explanation is on the record.

The last thing. I just want one undertaking because we've been here for a little over five and a half hours, and we've had a debate on corporate grants and how some corporate grants may have a good purpose and how some might not. I think you agree with that because you said: we are cutting a lot of grants. Just so people know, there are also some nonprofit grants that probably shouldn't be given, and you've alluded to that there'll be some cuts there, too. There are things even in the nonprofit sector – just because they're a nonprofit, it doesn't mean that every grant given to the nonprofit is wonderful and peachy. That's not the case. But for-profit is certainly worth more scrutiny.

Minister, could you at least take under advisement or take back to your caucus, many of whom are sitting here today, including a great accountant, my deputy chair of Public Accounts – it would be such an amazing thing . . .

Mr. Dorward: Nice shout-out.

Mr. Anderson: A shout-out. That's right.

Mr. Horner: I wondered why you were here, Dave.

Mr. Anderson: He's keeping an eye on me. That's my former bishop, that guy. You see? He's keeping an eye on me.

Anyway, could we get on a go-forward basis – I really don't think it would be a big deal to just have another line; you have to list it anyway – just one line, half a sentence on what each grant given out, that's in the blue book that you publish online, was for. You're very transparent about that, but if you could have actually what each grant was for, even if it's just a one-sentence summary or half a sentence just so that we have an idea. Is that not a reasonable thing to do?

Mr. Horner: You know, Mr. Anderson, I think the information is available. It may just be that it's hard to co-ordinate. I'll give you this. We are going to go and look at what is out there. If there's a way that we can do it quickly, we will. But I can't give you a timeline because I don't know off the top of my head where we're going to go with it. It may be in Culture and community. It's probably in Municipal Affairs. It's probably in all of these different places, and when the blue book is done, all they do is: was it a fee for service, or was it a grant? That's why you have the list you have. My guess is that we would have to go and pull it from the various departments.

Having said that, I have some empathy to the thought that you're putting out there around the blue book about, you know, maybe we can just put it as a category in the middle. I don't know. But I will take a look at that because I agree with you in terms of the transparency of the list. I mean, just the simple fact that you printed all of that off – we should have it online; I think it is online. You killed a lot of trees there, my friend.

Mr. Anderson: Well, hey; we recycle in the Wildrose.

Mr. Horner: Excellent.

At any rate, I will look at that.

Mr. Anderson: Excellent.

The Chair: So you have one more round of questions?

Mr. Anderson: Well, just one more statement. Minister, I've got to say that I want to thank you for the last six hours. It was the most productive six hours in our relationship thus far. I think it was really good. I appreciate the feedback. A category would be good, but since you agree with the principle of it, you know, even if it just had, like you say, for housing, just things like that, that would be a huge upgrade that would allow us to come to these estimates even better prepared and to debate whether we're getting value for money.

Thank you very much for your time. I really appreciate it.

Mr. Horner: If I may, Madam Chair, if we're closed now, I just want to say a thank you to all of the members around for some very, very good questions. It definitely kept me on my toes for five and a half hours.

I, too, want to express my gratitude to my critic from the Wildrose. I appreciate the very respectful tone and the good questions. Thank you very much. I appreciate that. Thanks, guys.

The Chair: On that cheery note, I almost hate to close this meeting, but I will. Pursuant to Standing Order 59.01(8), the estimates of the Ministry of Treasury Board and Finance are deemed to have been considered for the time allotted in the schedule.

Thank you to everyone for your professionalism.

I'd like to remind committee members that we meet tomorrow morning at 8 o'clock in committee room B to look at the estimates for the Ministry of Aboriginal Relations.

Thanks very much and good evening.

[The committee adjourned at 9:33 p.m.]

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