Legislative Assembly of Alberta

The 29th Legislature
Fourth Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Wednesday, April 4, 2018
9 a.m.

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Fourth Session

Standing Committee on Resource Stewardship

Loyola, Rod, Edmonton-Ellerslie (NDP), Chair
Drysdale, Wayne, Grande Prairie-Wapiti (UCP), Deputy Chair

Babcock, Erin D., Stony Plain (NDP)
Barnes, Drew, Cypress-Medicine Hat (UCP)*
Dang, Thomas, Edmonton-South West (NDP)
Fraser, Rick, Calgary-South East (AP)
Hanson, David B., Lac La Biche-St. Paul-Two Hills (UCP)
Kazim, Anam, Calgary-Glenmore (NDP)
Kleinsteuber, Jamie, Calgary-Northern Hills (NDP)
Loewen, Todd, Grande Prairie-Smoky (UCP)
Malkinson, Brian, Calgary-Currie (NDP)
McPherson, Karen M., Calgary-Mackay-Nose Hill (AP)
Nielsen, Christian E., Edmonton-Decore (NDP)
Rosendahl, Eric, West Yellowhead (NDP)
Turner, Dr. A. Robert, Edmonton-Whitemud (NDP)**
Woollard, Denise, Edmonton-Mill Creek (NDP)
Vacant

* substitution for David Hanson
** substitution for Jamie Kleinsteuber

Also in Attendance

McIver, Ric, Calgary-Hays (UCP)

Support Staff

Robert H. Reynolds, QC	Clerk
Shannon Dean	Law Clerk and Director of House Services
Stephanie LeBlanc	Senior Parliamentary Counsel
Trafton Koenig	Parliamentary Counsel
Philip Massolin	Manager of Research and Committee Services
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of *Alberta Hansard*

Standing Committee on Resource Stewardship

Participant

Ministry of Treasury Board and Finance
Hon. Joe Ceci, Minister

9 a.m. **Wednesday, April 4, 2018**

[Loyola in the chair]

Ministry of Treasury Board and Finance
Consideration of Main Estimates

The Chair: I would like to call the meeting to order and welcome everybody. The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2019.

I'd ask that we go around the table and have all MLAs introduce themselves for the record. Minister, when we get to you, please introduce the officials that are joining you at the table. I'm Rod Loyola, MLA for Edmonton-Ellerslie and chair of the committee. We'll start here to my right.

Mr. Drysdale: Wayne Drysdale, MLA, Grande Prairie-Wapiti.

Mr. Loewen: Todd Loewen, MLA, Grande Prairie-Smoky.

Mr. Barnes: Drew Barnes, MLA, Cypress-Medicine Hat.

Mr. McIver: Ric McIver, MLA, Calgary-Hays.

Mr. Ceci: Joe Ceci, MLA for Calgary-Fort.

The Chair: And those joining you, Minister.

Mr. Ceci: Thank you very much. On my right is my Deputy Minister of Treasury Board and Finance, Lorna Rosen; to her right is Corey Hogan, managing director, communications and public engagement; to my far left is Dean Screpnek, assistant deputy minister, labour and employment, Public Service Commission; and here on my left is Darren Hedley, assistant deputy minister, strategic and business services division of TBF.

Ms Kazim: Good morning. Anam Kazim, MLA for Calgary-Glenmore.

Dr. Turner: Bob Turner, MLA, Edmonton-Whitemud.

Mr. Rosendahl: Good morning. Eric Rosendahl, MLA, West Yellowhead.

Ms Woollard: Good morning. Denise Woollard, MLA for Edmonton-Mill Creek.

Ms Babcock: Erin Babcock, Stony Plain.

Mr. Dang: Good morning. Thomas Dang, MLA for Edmonton-South West.

Mr. Nielsen: Good morning, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

The Chair: I'd like to note the following substitutions for the record: Mr. Barnes for Mr. Hanson and Dr. Turner for Mr. Kleinsteuber.

Please note that the microphones are operated by *Hansard*, and the committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates, including the speaking rotation. As provided for in Standing Order 59.01(6), the rotation is as follows. The minister or the member of Executive Council acting on the minister's behalf may make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes members of the third party, if any, and the minister may speak, and for the next 20 minutes members of any other party represented in the Assembly or any independent members and the minister may speak. For the following 20 minutes private members of the government caucus and the minister may speak. For the time remaining, we will follow the same rotation just outlined to the extent possible; however, the speaking times are reduced to five minutes as set out in Standing Order 59.02(1)(c).

Members wishing to participate must be present during the appropriate portion of the meeting. Members may speak more than once; however, speaking times for the first rotation are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 20 minutes. For the rotation that follows, with speaking times of up to five minutes, a minister and a member may combine their speaking time for a total of 10 minutes. Discussion should flow through the chair at all times regardless of whether or not the speaking time is combined, and members are asked to advise the chair at the beginning of their rotation if they wish to combine their time with the minister's time. If members have any questions regarding speaking times or the rotation, please feel free to send a note or speak directly with either the chair or the committee clerk about the process.

A total of three hours has been scheduled to consider the estimates of the Ministry of Treasury Board and Finance. With the concurrence of the committee, I will call a five-minute break near the midpoint of the meeting; however the three-hour clock will continue to run. Does anyone oppose having a break? Hearing none, we'll have a break at the mid mark.

Committee members, ministers, and other members who are not committee members may participate; however, only a committee member or an official substitute may introduce an amendment during a committee's review of the estimates. Ministry officials may be present and at the direction of the minister may address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area. Ministry officials are reminded to introduce themselves prior to responding to a question.

Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery should not – I repeat: should not – approach the table. Members' staff may be present and seated along the committee room wall, space permitting. Opposition caucus staff may sit at the table to assist their members; however, members have priority to sit at the table at all times.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and the committee will adjourn. The scheduled end time of today's meeting is 12 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 by the minister in the Assembly for the benefit of all members.

The vote on the estimates and any amendments is deferred until consideration of all ministry estimates is concluded and will occur in Committee of Supply on April 19, 2018. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. The original amendment is to be deposited with the committee clerk, and 20 copies of the amendment must be provided at the meeting for committee members and staff.

I now invite the Minister of Treasury Board and Finance to begin his opening remarks. Sir, you have 10 minutes.

Mr. Ceci: Thank you very much. Mr. Chair, Mr. Vice-chair, and members of the committee, I'm pleased to be here with you today to share the business plans and estimates of the Ministry of Treasury Board and Finance, which includes the Department of Treasury Board and Finance, the Public Service Commission, communications and public engagement, and the boards, agencies, and commissions that report to me as minister.

There are a number of other staff from my department I didn't have the opportunity to introduce, and some are representing entities that report to me. They include from AGLC, Kandice Machado, vice-president, corporate services and chief financial officer; from AIMCo, Robin Heard, chief financial officer, and Mark Prefontaine, senior vice-president, client relations; and from ATB Financial, Amanda Vella, forecasting and planning. I want to take a minute to thank all of the public servants who have done so much to bring together Budget 2018. There have literally been hundreds and hundreds and hundreds of staff working thousands of hours to make this presentation of Budget 2018.

First, the context for Budget 2018. After the worst recession in a generation our economy is recovering, and things are looking up. In fact, Alberta led the country in economic growth last year at 4.5 per cent GDP. We saw nearly 90,000 full-time jobs created last year, primarily in the private sector, and with 2.3 million jobs in the province now, there are more Albertans working today than ever before. Exports are up almost 30 per cent. Manufacturing is up. Housing starts grew by 20 per cent, and we're expecting to be near the top of economic growth in Canada again in 2018 at 2.7 per cent. This is all good news, but we're not patting ourselves on the back just yet. There's still lots of work to do to make sure all Albertans feel the positive effects of this recovery. That's why we continue to fight for market access.

Budget 2018 is built on three pillars. The first is diversifying the economy by fighting for market access, adding value to our energy products, and supporting new and developing industries; next, protecting vital public services by making sure loved ones get the care they deserve, young people get the best education possible, and no one is left behind; finally, returning to balance by investing tax dollars where they are needed most, eliminating waste, and controlling spending to return to balance by 2023-2024. My department supports these activities by leading economic analysis, fiscal planning and accounting activities, managing cash and costs effectively, collecting revenue, and providing rebates and tax credits that benefit Albertans and Alberta businesses.

Over the next few years Treasury Board and Finance will play a key role by providing support, expertise, and advice to other ministries on important initiatives to help ensure that every Albertan can feel this recovery so that this is a recovery built to last.

There is more to TBF than just the budget. In addition to financial management and accountability, the ministry also focuses on human resource leadership and regulates Alberta's liquor, gaming, financial, securities, insurance, and pension sectors. Most recently TBF is responsible for the regulation of Alberta's cannabis market.

The ministry also collaborates with departments and public agencies to promote a consistent approach to public agency governance, recruitment, and compensation. As these sectors continue to evolve, the policies we develop and the regulatory framework we administer must evolve, too. We're coming out of very turbulent economic times, and TBF continues to play a key role in managing these changes with very skilled and knowledgeable experts with regard to the business plan. So that's a little bit of the context for you.

9:10

I'd like to spend a few minutes speaking to the ministry's 2018-2021 business plan. I've organized my remarks to correspond with the five business plan outcomes, which begin on page 153 of the business plan. Outcome 1, the first outcome: "a strong and resilient financial foundation that supports government services for current and future generations."

As the business plan points out, TBF is the government's chief economic and fiscal adviser, the central connection between government ministries in relation to financial decision-making. The ministry manages the province's financial system and works to support a strong financial foundation. The government has taken a long-term view towards managing the province's fiscal position rather than making deep and reckless cuts that would only make the challenges that Albertans currently face more difficult. Making drastic cuts to public programs and services Albertans count on, as some have suggested, would damage the economic recovery our government has supported. Budget 2018 is controlling costs and staying on a path to balanced budgets. This involves eliminating waste and finding efficiencies, returning capital spending to more normal levels, and taking a practical approach to public-sector compensation. These measures along with ongoing financial discipline will keep the rate of growth in government operating expenses below the combined rate of population growth plus inflation to achieve lower year-over-year deficits.

Other key strategies in support of outcome 1 include providing reliable economic information and analysis. As part of the budget planning process TBF's team of economic experts consults with other private-sector economists as our quarterly economic forecasts and updates are prepared.

Monitoring the competitiveness of Alberta's tax system. Albertans enjoy the lowest overall tax burden among the provinces, with no sales tax or health care premiums.

Collecting and administering revenue fairly, effectively and efficiently. TBF is instrumental in the small-business tax cut, the dividend tax credit, and the carbon levy and the accompanying rebate program as well as other important initiatives like the enhanced Alberta family employment tax credit and tax incentives designed to encourage investment and diversify the economy through small and medium-sized businesses.

Rounding out the list of strategies, TBF will lead financial planning to ensure that ministries' initiatives are aligned with government priorities and make efficient use of funds and borrow prudently and invest strategically to sustain robust government finances, ensuring that when it has to, government is borrowing at the lowest possible cost. I'd like to add that this government is committed to keeping our debt-to-GDP ratio amongst the lowest of the provinces, ensuring that Alberta has the capacity to invest in people to make their lives better. Alberta continues to have a strong balance sheet with the lowest debt to GDP among the provinces and a plan to return to balance by 2023.

Lastly, modernize government's finances and accounting policies, processes, and structures to improve efficiency and functionality.

Outcome 2 relates to policy and regulatory oversight for a variety of sectors, including liquor, gaming, cannabis, financial, securities, insurance, and pensions. The goal is to ensure that these policies and regulatory structures are fair and effective, but above all they must serve the interests of Albertans. Regulatory oversight must constantly keep up with emerging technological advancements that are changing the kinds of products and services industry provides, especially in the financial marketplace.

Government will work to ensure it's keeping current so we can provide effective regulatory oversight to ensure well-functioning markets and to protect consumers.

TBF will undertake six key strategies to support outcome 2. They are to continue to watch for emerging trends that have impacted on these sectors; second, lead and implement changes that keep policy and regulation current and based on best practices; next, work co-operatively with other jurisdictions to continuously improve our provincially led securities regulation system; fourth, improve access to capital for small and medium-sized businesses; fifth, continue to promote responsible growth of Alberta's liquor and gaming industries; and last, implement a responsible cannabis regulatory framework that reflects the recommendations of Albertans and our federal partners.

Outcome 3 relates to government's accountability and transparency. The ministry sets policies and standards to promote responsible financial practices and conducts internal audits to ensure compliance, manage risks, and safeguard public assets in keeping with recommendations from the Auditor General and public-sector accounting standards. These activities enhance public confidence in government.

Key strategies outlined in the business plan include providing timely, reliable, and relevant accounting, budgeting, and policy advice to ensure Alberta's finances are presented in a clear format that reflects public-sector financial reporting standards; next, reporting on government's performance and progress on priorities in a transparent and balanced manner; next, ensuring government programs and services meet the purpose intended and achieve efficiencies through internal audit and risk management; next, developing policies and providing assistance, tools, and advice to government departments and public agencies to support best practices in public agency governance, reporting, accountability, and evaluation; and last, providing support and guidance in ensuring an effective and transparent process for recruitment and appointment of a diverse range of qualified candidates to public service.

The Chair: Thank you very much, Minister.

Mr. Ceci: I'll finish those later.
Thank you.

The Chair: Now the Official Opposition will have an hour. Would you like me to set 20-minute intervals for you as a reminder?

Mr. Barnes: Yes, please.

The Chair: Yeah. And you'll be going back and forth with the minister?

Mr. Barnes: Minister, is it okay to go back and forth?

Mr. Ceci: It's fine.

The Chair: Please go ahead, Mr. Barnes.

Mr. Barnes: Okay. Thank you, Mr. Chair. First of all, thank you very much, Minister and your staff, for being here today. I appreciate you all taking the time to come down and help us with this discussion and all the work that you do. Minister, we've got a lot of ground to cover today, and if at any point I've asked my question and feel I've gotten the answer, please don't take offence if I interrupt and ask to move forward. We simply have a lot of information that we have to go through, and I will be asking to move forward if that's okay.

Today we'll be referencing the following documents: the 2018-19 Treasury Board and Finance budget estimates, your 2018 fiscal plan, the 2018 through 2021 Treasury Board and Finance business plan. Lastly, Minister, Treasury Board and Finance and affiliated organizations' websites are where we'll spend our time today.

I want to start with your third pillar, returning to balance. On page 141 of your fiscal plan it's clear that Albertans are going to be \$55 billion in debt by the end of your budget. If you couple what the rest of page 141 shows for future deficits and then page 86 for future deficits and capital spending, we're going to be an incredible \$96 billion in debt before you even decide to return to balance in 2024. I want to start my questions by talking about what that is going to cost Albertans, what that is going to cost the Alberta economy, what that is going to cost job providers, and what that is going to cost future generations.

Minister, according to page 13 of your budget we are paying \$1.9 billion in interest this year, \$2.4 billion next year, \$2.9 billion the year after that, and \$3.7 billion in 2023-2024. Do these interest costs include the increased cost of borrowing due to the almost certain downgrade you and Albertans will receive from credit agencies?

Thank you.

Mr. Ceci: Well, first, let me start with regard to the commitment this government has. We're committed to balancing the budget by 2023, and that path is demonstrated in our budget book. We will eliminate the deficit without extreme and risky cuts to programs and services. Albertans don't want that. We won't do it. Our government has done significant work to carefully find savings while continuing to support the public services that all Albertans rely on. For instance, in finding savings, we're managing compensation through practical labour agreements, salary freezes, and a continued hiring restraint. We're cutting salaries and eliminating bonuses and perks for the top executives. We're keeping health spending, which is the largest part of our operational budget, at 40 per cent below population plus inflation. We're continuing to manage discretionary spending right across government such as travel and conference expenses.

With regard to the costs that you're talking about, debt markets are forward looking, and debt pricing is driven by many factors. It's difficult to determine the cost that a credit-rating downgrade will have; however, for each billion dollars of borrowing, an additional basis point costs \$100,000 annually in interest. It's important to view these costs, of course, in context. Responsible use of debt financing drives the capital plan and the jobs plan and other important initiatives forward.

9:20

We are carefully, as I said, managing those costs in our operational spending. We have worked with the former governor, David Dodge, on the best advice for how to put our capital spending back in shape. As a share of the 2018-19 budget revenues, our debt-servicing costs remain some of the lowest in the country. We expect to spend 4 per cent on debt-servicing costs compared to 5.1 per cent for B.C. and 8.3 per cent in Ontario based on their latest financial updated figures. These costs are manageable and speak to our prudent approach to management.

Mr. Barnes: Okay. Thank you for that, and thank you for moving forward. I appreciate it.

Page 14 of the budget says that the economy is forecast to expand by 2.7 per cent, that employment growth is 2 per cent, that population will grow 1.4 per cent, and that GDP growth will be 2.5 per cent. Yet for some reason this budget has our largest expense, health care, increasing its spending by 3 per cent, higher than employment, population, the economy, and GDP. When you couple that with the fact that you just stated that we really can't control the forward credit agency ratings and we really can't control the forward interest costs, I'm concerned about all Albertans' priorities and the risk that's involved in the fact that in three years you've borrowed more money than all of Alberta's previous Finance ministers combined. I'm really wondering why your government could not control spending to be within one of those variables: population growth, the economy, or employment. Why are you again increasing our largest expense by the most?

Mr. Ceci: Three per cent: I just want to remind the member where this has come from with regard to health spending in this province. Prior to this government being elected, the previous government had much higher spending. Members of your party are formed with them.

Population plus inflation in this budget will be 3.5 per cent. We are targeting health spending at 3 per cent. Where we came from, prior to this government being elected, was 6 per cent year-over-year increases to the Health ministry, Health Services. So we are doing a much better job than the previous government. Going forward, we will continue to wrestle this down, but as you said, specific questions about Health should probably be directed to the Health minister. She's doing a hell of a job.

Mr. Barnes: Thank you very much, Minister.

I have some concerns with the fact that, you know, again, you've increased Albertans' debt so much and with the credit-rating downgrades and where we'll truly be in a year from now and potentially four or five years from now. Page 82 of your budget says that the plan is to keep operational spending below inflation plus population growth. Last year your government – you – made the same promise, and you didn't achieve it. Why did you not keep your promise last year?

Mr. Ceci: Again I want to let you know that we inherited a broken system in many respects.

Mr. Barnes: You promised.

Mr. Ceci: So we are forecasting, targeting, working hard to bring many of those things into line. For instance, just on the remuneration of the highest paid executives for agencies, boards, and commissions, we are changing all of that. But it was broken when we got here. The previous government let those run out of control, and we're changing that.

Mr. Barnes: Sure.

Mr. Ceci: It's taken some time. I agree that you don't turn around the *Titanic* by just, you know, saying that you want to go left. You have to plan, and you have to kind of stick with the program.

You know, we've taken a long-term view on targeting operating spending below population plus inflation while avoiding the volatile, year-to-year spending swings that the previous government put in front of us. Growth in population plus inflation is expected to average 3.5 per cent over the next three years while operating expense growth is estimated at 3 per cent in '18-19, 2.7 in '19-20, and 2.5 in '20-21. Those are ambitious. We're going to make it happen by continuing to redress the excesses of the previous government, by continuing to diversify our economy and continuing to get good value and making sure the waste is cut out of the system.

Mr. Barnes: Okay. Thank you.

I'm concerned about two things with that. Number one, the economy is only expected, your number, to grow by 2.7 per cent next year. And what will happen, Minister, if for the second year in a row you're unable to keep your promise?

Mr. Ceci: The economy in '18 and '19 in Alberta is expected to be among the leaders in the country. I'm told by the economists here that that's a really good cruising rate for the economy. We want to make sure that we build off the surge of activity that's, frankly, happening in 2018. It's a solid 2.7 per cent this year. We've seen a solid rebound in business activity. A continued growth in oil production and manufacturing will drive exports and boost growth this year. The labour market is on a much stronger footing than a year ago, and of course you know that the 90,000 jobs, mostly in the private sector, are starting to fuel a good recovery as well. That job growth gain is forecast to continue in '18.

There are a number of things that I could go to, that I talk about daily in the House in terms of being up. For instance, non res construction is expected to improve in '19, supported by several new measures introduced by Budget 2018.

We're committed to staying under population growth plus inflation. That's our target. That's something we will keep measuring ourselves against, and you can, too.

Mr. Barnes: Okay. Well, thank you, Minister, but that's the essence of my concern right now, that last year you broke your promise and didn't do it. So why should Albertans trust you this year to keep your promise? You're talking a lot about estimates and forecasts. Yeah, it's hard to predict the future, but the one thing we can know with certainty is that it cost Albertans $1.9 billion in interest last year because of our $55 billion of debt, the most debt that Alberta has ever had by far.

I want to talk a little bit more about your operational spending increase, just a couple more questions before I move on. While you're talking a path to balance, your budget actually promises an increase in operational spending as a form of percentage from last year. On page 7 of your previous budget your government promised to keep spending at a 2.7 per cent increase for 2018-19 and again in 2019-20. Yet on page 22 of this year's budget operational spending has increased 3.1 per cent and every year following, all the way to 2023-24. Why could you and your government not keep the promise made in the last budget and keep spending to a 2.7 per cent increase? Can you go back to your promise and keep the spending increase only to 2.7 per cent? Why have you failed?

Mr. Ceci: What I can promise is that if you look at page 82, the path to balance, and see chart 10 there, you see where the previous government's operational expense growth was a jagged amount, sometimes as high as 6 and a half per cent. Since this government has come in, we have not replicated anything close to that. We will continue to drive down operational expenses, but we're continuing to do that in a compassionate way. We're not doing the kinds of things the previous government did, which was to lay off whole hordes of teachers and nurses and others. We're going to make sure that government provides stable funding for core public services, including the things Albertans want, which is health care, education, and social services, while staying on the path to balance.

Mr. Barnes: Okay. Thank you. I guess my concern, though, is with the specifics. You know, so far the path that you're taking seems to be three-tenths or four-tenths of a per cent higher, spending without constraint. The projections mean little if you're unwilling to stick to the plan. Should we just take the budget that you presented here two weeks ago and add .3 per cent across the board to each year so

Albertans will truly know where we're going to end up, increasing the deficit and spending all the way along the line?

Thank you.

Mr. Ceci: I'm not sure what the question is, but I can tell you that we're working with key public service partners to constrain costs, and some of those actions taken in Budget 2018 are important and include managing public-sector compensation, which is over half of government's annual operating budget.

9:30

We're reaching practical agreements with labour unions. You know the unions. There are nurses, there are teachers, and there's HSAA, which is the allied health professionals. Those practical agreements have come in under because of our work. We're continuing to freeze salaries for non-union employees in the public sector – that's no small thing – and cutting salaries and eliminating bonuses, again, for those arrangements left behind by the previous government is taking our focus as well. We're keeping the size of Alberta's public services flat.

I talked about controlling health spending, I talked about returning our capital spending to more normal levels, and I talked about developing a new fiscal relationship with municipalities in the past. We're doing that.

Mr. Barnes: Okay. Thank you, Minister. I appreciate that. I appreciate your brevity.

Unfortunately, I can't get a commitment that you won't be three-tenths or four-tenths over budget spending again, so let's go to what you just mentioned, and that's where you're at with public-sector compensation. You talked about practical agreements with labour unions. What do you mean when you say "practical agreements"?

Mr. Ceci: I think it's fairly straightforward. Contracts we sign with our labour partners are predicated on the recognition of the fiscal realities the government of Alberta is in at this point in time. That means they and we are stressing job stability as opposed to increases in pay for people in their positions, so job stability, making sure that they continue to deliver the public services that they are great at. The mood at many of the tables is positive, and the parties have worked diligently through the table proposals. The Public Service Commission is working closely with the provincial collective bargaining office to negotiate agreements within the mandate provided by the public-sector compensation committee. I mentioned health, nurses, and teachers. All of those have reached collective agreements and are starting implementation of those.

That's what I mean by this statement of public services being practical, so from this perspective of what we can afford and the stability we can offer.

Mr. Barnes: Thank you, Minister.

The agreement reached last year with teachers included a me-too clause. This ensures that any negotiated raise that the United Nurses of Alberta, the Health Sciences Association, and the AUPE receive, teachers will also receive. Have negotiations with any of these three unions been completed since teachers negotiated their contract, and what is the mandate of your negotiations?

Mr. Ceci: Well, I think I touched on those things just a second ago. Both UNA, the nurses, and HSAA have been settled at zero for '17-18, '18-19, and '19-20. On the me-too because teachers were the first to go, first to settle, at those amounts, they took a risk doing that, but they also wanted to know that if their risk was not supported by other labour settlements going down the road, they would be able to open that up in the third year. But we have concluded all of the labour agreements with the same conditions.

Mr. Barnes: Okay. Thank you.

Two questions that still pertain to that. Of course, a freeze isn't going to result in a total freeze for the total budgeted amount because of people moving up in their salary levels for experience and that kind of thing. Can you give me a number, Minister, please? How much higher are these wages going to be next year in spite of what you just said?

Mr. Ceci: Sure. The only people moving up on grids are union staff. I've said that management opted out and others in APS are frozen. Frozen means frozen. So the grid movement was not negotiated out if that's what you're asking. We have concluded no increases as a result of the settlements for those three labour contracts that I mentioned.

Mr. Barnes: Okay. Thank you.

Is there anything right now that will trigger the me-too clause, or is there any potential to have a deal that will trigger the me-too clause?

Mr. Ceci: We haven't concluded our work with the Alberta union of public employees, so negotiations are ongoing there. I can report that at this point in time there is nothing that triggers anything.

Mr. Barnes: Okay. Thank you.

Is the grid as it was in the prior year, or are there any new grid movements that have been included and negotiated for teachers, nurses, all of our good front-line workers?

Mr. Ceci: You know, I'm not exactly sure what you mean. Perhaps you could just clarify what you mean.

Mr. Barnes: Okay. Not a hundred per cent sure, but a teacher, like, as they gain in years of experience, as they gain in years of education, of course, moves up the grid and is entitled to do that. Is that exactly as it was under your freeze plan, or has the grid been changed? Is the increase wider? Are there any mechanisms that change the grid?

Mr. Ceci: It has not been changed.

Mr. Barnes: Okay. Thank you.

Another 20 minutes the same way, Minister. Does that work for you, please? Thank you.

Okay. You talked about freezes on the salaries of managers and non-union employees in the government and agencies, boards, and commissions, and I certainly applaud you on your prudence and your efforts there. Thank you very much for that. You've saved the province $204 million since the hiring restraint – that is the number I have – enabling Alberta to have one of the smallest and most efficient public services per capita. That is your quote. Yet Alberta has the most expensive government per capita in Canada. Minister, how is it possible to be the smallest and the most expensive yet be the most efficient? A lot of words that have contradictory meanings there.

Mr. Ceci: With regard to size, you know, let's be clear. The size of the Alberta public service, which is not Health and not Education: we have one of the smallest public service bureaucracies in the country. Albertans have said repeatedly that they want quality health and education services for their loved ones and children respectively, and we will continue to invest in those things.

I think I'll stop at that point.

Mr. Barnes: Okay. Thank you.
Of course, Mr. Minister, you said: not Health and not Education. I'm not sure if you mean not Advanced Education as well.

Mr. Ceci: Sure.

Mr. Barnes: Okay. My goodness, we're probably at 60 per cent of our budget there. So 60 per cent of our budget is not under your statement of being the most efficient or the smallest in Canada.

Mr. Ceci: No. I didn't say anything about efficiency, I don't think.

Mr. Barnes: Can you elaborate on why you excluded Health and Education from your comments?

Mr. Ceci: Well, I just need to be clear. The Alberta public service is made up of about 27,000, 28,000 bureaucrats in different departments and ministries. The other ones you've mentioned – postsecondary institutions, school board employees, teachers and support staff, and health services – are under other entities that, of course, are connected to the province of Alberta but are not direct employees of the province of Alberta.

Mr. Barnes: Mr. Minister, do you have any idea of the total number of staff that are paid from the public purse, whether it's government departments, Alberta Health Services, Alberta Education, Alberta Advanced Education, the total number of staff?

Mr. Ceci: We'll look those up.

Mr. Barnes: Okay. Thank you.

Mr. Ceci: Of course, the efficiency that we're working towards in the health area has driven down the operational growth costs from 6 per cent, as I mentioned before, down to – our target is 3 per cent.
With regard to total full-time equivalent employment in '17-18 on page 151 of the budget we were budgeted at 207,704 staff.

9:40

Mr. Barnes: Okay. Thank you for providing that answer so quickly. I appreciate it.
I just want to switch gears for a couple of minutes and talk about MSI and Municipal Affairs. On page 13 of your strategic plan it states: "The government is committed to working with municipalities, over the coming months, to replace the MSI with a new infrastructure grant program, with a funding formula based on revenue sharing." I imagine that you already know what that new MSI agreement looks like, as you're committed to basing it on revenue sharing. That phrase "revenue sharing" has caused quite a bit of concern. What does revenue sharing mean, Mr. Minister?

Mr. Ceci: You know, you'll have an opportunity to dig more into that – I want to give you an answer – with my colleague from Municipal Affairs when they are here. We have not concluded any agreement with municipalities. You probably are aware that the two large cities have been in discussion with the government of Alberta, and they are looking to the future, after MSI sunsets in 2021. The $11.3 billion, that was the amount of money a previous Premier identified as going to MSI throughout the province and municipalities, will be completed in terms of being exhausted or paid out by 2021. We haven't defined with our partners what revenue sharing will be at this point. We're doing that work, and we have time to conclude that work. Obviously, before 2021 it has to be in place, but it's not there yet.

Mr. Barnes: Okay. Thank you.
In supplementary supply under Municipal Affairs you, of course, had $800 million moved forward. It's not an increase in the amount of money to our municipalities but $800 million moved forward.

Mr. Ceci: Right.

Mr. Barnes: What were you thinking?

Mr. Ceci: Well, you know, in discussions with municipalities we were thinking, like them, that it would be useful if they had the flexibility of those monies now, today, so that they could continue to take advantage of their capital plans that they have in place. We were thinking that we were cutting grants in '18 and '19, as a result of an understanding of what our revenues would be like. This would give us more flexibility in those years, in 2018 and 2019, and give more flexibility, frankly, to the municipalities, as I've mentioned, to do more on what they want to build, on what they want to invest in their own cities and towns and villages now.

Mr. Barnes: Okay. Thank you.
I'm guessing that our borrowing costs are at 4 per cent. The $1.9 billion in interest that Albertans are paying this year is based on the $55 billion owing at year-end. The $3.7 billion that Albertans will be paying in 2023-2024 is based on the $96 billion of debt that your government will have run up. Did you do a cost-benefit analysis or at the very least talk to municipalities? You know, that $800 million given earlier, of course, at 4 per cent interest will have an accompanying interest cost to it, as everything that this government is doing now. Did you weigh the cost of the money in your decision to advance the money early?

Mr. Ceci: Our interest costs are 3 per cent, not 4 per cent, just to clarify. What we are – I want to clarify that it's 3 per cent, not 4 per cent.
Secondly, when working with our municipal partners, you know, we all have in some ways conflicting but important priorities we want to address. We are working with our partners and municipalities, bringing forward monies that they have a need for now as they continue to expand the infrastructure needed for Albertans. We had the opportunity to bring those monies forward and to avoid paying that bill in future years, when we know our revenue situation is going to be a little tighter.

Mr. Barnes: Okay. Thank you.
I want to talk about the interest costs for a while. I've seen 2.5 per cent on some budget stuff, and of course now you just said 3 per cent. But if I take the $1.9 billion in interest next year from your numbers and the $55 billion from your numbers, that's 3.45 per cent. If I look at $3.7 billion and the $96 billion in debt that Treasury Board and Finance seems to agree with in 2023-24, that's 3.86 per cent. Are there extra costs that are past the interest rate? Are you anticipating almost a full point interest rate increase that'll be on the backs of Albertans? How do these numbers compare to the 3 per cent you just mentioned?

Mr. Ceci: I just need to reinforce that currently our costs are 3 per cent, and they won't change from the current costs. That number won't change from the current costs because of the additions you're making.
That pulling forward monies to disburse in grants early was something other governments have done. Most notably, the Harper government did the same thing with provinces. We're addressing the needs locally by using our capacity that we have, and in the future we're not going to be having to pay that as well,

which will free up those monies for other things or reductions in borrowing.

Mr. Barnes: Okay. Did you compare the benefit of getting the money out early to the interest cost, and were municipalities saying that this was an opportunity they could take advantage of or some services that they needed?

Mr. Ceci: Yes.

Mr. Barnes: Okay. Thank you.

Ninety-six billion in debt by 2023-24. We talked earlier about how you've been unable to meet your spending increase promises, so I and Albertans wonder if it will be only $96 billion. Please tell me, Mr. Minister: under your plan when would the province return to debt-free status? Will we ever see debt free again under your plan?

Mr. Ceci: What we've provided is a path to balance, six years. We have identified what our fiscal metrics and the fiscal situation will be in that path to balance. I'm really, really focused on getting to balance so that we can be sustainable as a government in terms of the many programs and services Albertans want. That's what my focus is – path to balance, getting balance – and once we're balanced, we'll start to focus on the debt.

Mr. Barnes: Thank you, Minister.

Two things I hear from Albertans a lot out there. Number one, they're concerned that you've raised tax rates of all kinds and then collected less total tax revenue. They wonder: what's the way out of this? But they're probably as much or more concerned with the fact of all the capital spending, with no plan to pay it back. They're worried about a hundred years of capital debt. Have you any plan to start paying back the money that your government is spending on capital in particular?

Yeah. Go ahead. Please answer that.

Mr. Ceci: Thank you. I think that earlier I mentioned that we're returning our capital spending to more normal levels after significant investments during the depths of the recession, and we have contributed to the economic recovery as a result of that capital investment or spending, as you call it. The number of people working as a result of that incremental increase of 15 per cent to the capital plan was 10,000 people per year. That has helped Albertans and their families weather this recession.

We also changed tax rates in June 2015. They have not changed since then. We are of course coming through one of the worst recessions in a generation. We will be seeing increased PIT, personal income tax, and corporate income tax in this budget. Corporate tax is going to be identified as being up $700 million in '18-19, and personal tax will be up half a billion in '18-19. That's indicative of the recovery starting to lay in and be felt more across the economy, with businesses being profitable and people's take-home pay getting higher.

9:50

Mr. Barnes: Okay. Thank you, Mr. Minister.

Capital spending: in your plan on page 86 you have $5.9 billion next year, $6 billion the year after, $6.4 billion, and then falling to $5.2 billion and $4.8 billion. Does that adequately reflect what may be cost increases, and does it adequately reflect things that your government has talked about like the Calgary cancer centre, the Edmonton hospital, and many, many transportation needs? It was a little interesting in your budget to see $600 million cut from Transportation.

Mr. Ceci: Yes, it does adequately prepare us for the needs of this province, whether they be roads, hospitals, other infrastructure. I said that it's returning spending to more normal levels. If we had a longer term timeline back, you would see what those more normal levels were.

The core capital plan identified in Budget 2018 is $26.6 billion over five years, and it provides for $4.6 billion over five years for health infrastructure, including the new Edmonton hospital and the Calgary cancer centre, which you were just asking about, and $2.2 billion over five years for schools that support student learning and well-being. That's $400 million for 20 new school projects and $25 million to fund the continuation of school mod programs to address enrolment needs. There are other things here that will obviously be benefited through the capital plan in postsecondary, in capital maintenance renewal, in new housing projects across the province and elsewhere, and in municipalities with regard to light rail transit.

Mr. Barnes: Okay. Thank you, Mr. Minister.

The question still begs: like, what are normal levels? You know, you're from $6 billion to $4.8 billion. You've talked about the David Dodge plan. What do you mean by a normal level?

Mr. Ceci: Well, I think that if you look at page 86, as you were referencing, you'll see $6.2 billion, $6.6 billion, $6.6 billion, and then we brought in a higher amount at $9.2 billion. So we have upped that capital spending, and we're returning it to more normal levels. For part of 2015 it was in the $5 billion range, so we will be targeting that as we go forward.

Mr. Barnes: Okay. So in the $5 billion range is normal level in spite of the economy, in spite of how much interest Albertans are paying?

Mr. Ceci: You're talking about other factors that might affect how far the dollar goes in capital spending. We have fiscal challenges, and we are going to return to normal levels, and those, in our estimation, are around the $5 billion mark.

Mr. Barnes: Thank you for your answer.

Your first pillar, diversifying the economy: I'd just kind of like to switch gears and talk about that for a sec. In the fiscal plan, page 7, you state:

> Budget 2018 is focused squarely on extending the recovery to all Albertans and continuing to build a more resilient, diversified and stable economy that is less vulnerable to oil price shocks – a recovery that is built to last for working people.

However, on page 47 of the fiscal plan it states:

> Non-renewable resource revenue in 2018-19 accounts for 8% of total revenue, and its share is expected to grow to 9.3% by 2020-21.

Please explain how increasing our province's reliance on nonrenewable resource revenue by that 16 per cent by 2020-21 makes our province's finances less reliant on nonrenewable resource revenue.

Mr. Ceci: You see where the 20-year average is on all of that. This is still below the 20-year average. We will be seeing increased supply in this province, so there will be more production from oil sands and other kinds of conventionals happening.

But, really, we believe the recovery that is built to last is by investing in this province and investing in the development of schools across the province; investment in hospitals, both in Calgary and Edmonton; in continuing care so that we can ensure that people are in the right place when they need care and not in, you know, more acute settings; in seniors' lodges, for instance; in affordable housing. That is what a recovery built to last is. It's not by focusing entirely on the nonrenewable part. It's ensuring that we build in this province.

Previously there was 37 per cent. I'm just looking at the total of nonrenewable resource revenue in the 2006-2007 time frame. That's what the previous government relied on in terms of revenues. We're down in the 7 per cent area at this point in time. I think, you know, any regular person would say: yeah, this is not relying on nonrenewables to the extent they used to, so there must be some focus. We are putting a focus on diversifying the economy, and that's starting to take hold. It's not an immediate throw.

Mr. Barnes: Thank you for that answer.

Twenty minutes the same way, please, Mr. Minister?

Mr. Ceci: Sure.

Mr. Barnes: Thank you again. Okay. I've read estimates from $35 billion to $45 billion of investment leaving Alberta. Do you have any concrete numbers on how much investment has left Alberta? You know, when I talk to Albertans in coffee shops and oil and gas guys talk about a company in Calgary going broke every day or a total reluctance to do oil or gas exploration in Alberta when they can do it in B.C., Saskatchewan, or South Dakota, I wonder if you have any numbers on how much investment hasn't happened in Alberta in the last three years.

Mr. Ceci: Well, what I can tell you is that investment in the oil sands is still lagging behind investment in conventional oil. The unprecedented decline in corporate profits caused by the oil price plunge and the relatively muted oil prices are hampering oil sands investment and private-sector construction spending. Several large projects that broke ground in the oil sands prior to the oil price drop have been completed. This is weighed on oil sands investment and industrial and commercial construction. Conventional oil and gas investment is expected to increase 6 per cent in 2018, following a rebound of almost 60 per cent in 2017, partially offsetting declines in oil sands investment. There has been, obviously, an impact on investment in this province, but as I was just alluding to, that is starting to turn around.

Mr. Barnes: Okay. Thank you.

Do you have a number? I remember reading and hearing that oil sands leases bigger than Prince Edward Island have been turned back, and I think one of Alberta's last attempts to sell leases in the market met with very, very little response. Has your department done any analysis on losing all the multinationals and the international money, what that is costing Albertans and our ability to sell the rights to explore oil leases?

Mr. Ceci: Of course, the minister and ministry that is on top of all of this with regard to the energy sector – oil sands, conventional, gases – is the Minister of Energy. You are probably better directed in terms of Committee of Supply to that person. But I can share with you that up to $13 billion in downstream investment will be supported by energy diversification supports, including $1 billion for partial upgrading over eight years, beginning in 2019-20; $500 million in royalty credits to initiate a second phase of the PDP, a successful program; and $500 million for a petrochemical feedstock program to build natural gas liquids extraction facilities on major pipelines. That's what I'm kind of talking about when I say adding value to our most important resource in this province, which is energy resources.

Mr. Barnes: Great. Thank you.

Two things. Are you saying that Treasury Board and Finance doesn't have any approval or oversight on what the Energy department does and what the consequences of these changes could cost the Alberta taxpayer?

The other thing, Minister, that I hear about almost every day is how Alberta's regulatory burden on our oil and gas companies and our businesses is a thousand times more onerous than in Saskatchewan or in U.S. oil-producing states. Have you ever done an analysis on that, and does Treasury Board not have some oversight and an idea of what this costs Albertans?

10:00

Mr. Ceci: Thank you. We work together with the Minister of Energy and that ministry. We work closely. Our economists, our officials, of course, are always in contact with each other. The Minister of Energy comes to cabinet, and cabinet has the final say on all of these things. We will continue to work closely with each other to present the best policy options for this province and ensure that we get the highest value for the nonrenewable resources that are in this province, that are owned by Albertans.

Mr. Barnes: Thank you.

You speak a lot about how we're still slightly the most favourable, competitive tax jurisdiction compared to our Canadian partners. Does your department ever do an analysis on how we compare to American energy-producing states? Do we ever look at how competitive we are compared to American states that are also in the energy business?

Mr. Ceci: Yes, we do look broader than jurisdictionally across Canada. We are very competitive with the States, with other jurisdictions beyond the United States. Most recently KPMG did a review of oil-producing jurisdictions and found that we were incredibly competitive with the States in particular. So, yes, we do that work.

Mr. Barnes: Okay. Thank you.

Back to diversifying the economy, at the bottom of page 7 it states that a $1 billion investment by government will result in the construction of five new upgrading facilities. I'd like to ask you: what is that assumption based on, what stages are those five projects at currently, and when can we expect these five projects to actually come online?

Mr. Ceci: Again, the Energy minister and that ministry are probably the best to tell you where those projects are. We work together, of course. The Ministry of Energy and my ministry work together to put in place the financial tools such as loan guarantees and grants to be attractive to proponents out there, and we will be releasing that information when we have concluded those discussions.

Mr. Barnes: Thank you.

Let's talk carbon tax, please. According to page 142 of your fiscal plan you're expecting to see increases in the carbon tax revenue each year through 2020-21. How much are you expecting carbon tax revenue to be for each year right through 2023-24?

Mr. Ceci: Just give me a second.

Mr. Barnes: Okay.

Mr. Ceci: Let me start with over the next three years. Over the next three years $5.4 billion in gross carbon pricing revenue will be reinvested to reduce emissions, save energy, diversify the economy, and help households, businesses, and communities adjust to the carbon price. We have brought forward the carbon leadership plan as a strong, made-in-Alberta strategy to reduce those things that I just talked about. We're fully reinvesting revenue from the levy to reduce emissions and help families and small businesses. We used some of that money, as you probably know, to cut the small-business tax rate 33 per cent last year, which will save business owners more than half a billion dollars over three years. Even with the levy in place, we're going to still be the lowest taxed jurisdiction in the country at $11.2 billion from the province of B.C.

I just want to tell you that we can get you those figures for the last three years.

Mr. Barnes: Okay. Thank you very much. I'd appreciate that.

Just a little bit of a contradiction I'd like you to help me with, please. Your fiscal plan states on page 35 that "over the next three years, $5.3 billion," as you mentioned, "will be spent to advance climate leadership initiatives including public transit, innovative research, energy efficiency programs, infrastructure . . . and support to Indigenous communities." That verbiage, though, doesn't match the table at the bottom of page 35, your climate leadership plan budget details. That table shows that your government is planning on spending only $3 billion, not $5.3 billion. The rest of it appears to be in household and other rebates and electricity transition costs. So why does it say that you're spending $2.3 billion higher than you actually are?

Mr. Ceci: I'm not sure where you're looking. If you look to the subtotal, the three-year total, it says $5.3 billion. Is that what you're looking at?

Mr. Barnes: Yeah.

Mr. Ceci: Which is what I said.

Mr. Barnes: If you add up energy efficiency, indigenous communities, infrastructure and transit, innovation and technology, program delivery, and other initiatives under your targeted programming, Minister, leaving out household and other rebates and electricity transition, we come up with $3 billion, not $5.3 billion.

Mr. Ceci: Oh. Okay. The verbiage is not an exhaustive list. This is the exhaustive list.

Mr. Barnes: Okay. Then I'm wondering, though. You're projecting that spending on household and other rebates will be $536 million this year, $518 million next year, and $506 million in 2020-21. So while the carbon tax revenues are growing, we think – you mentioned in your plan to diversify, to focus squarely on extending the recovery to all Albertans.

Mr. Ceci: Sure.

Mr. Barnes: Mr. Minister, what all Albertans are telling me is that they're noticing that the cost of the carbon tax is baked into everything. Costs are going up, whether it's from fast foods or in the grocery store, whether it's in their services. Yeah, we're concerned about all Albertans and families and communities and their ability to make ends meet and live the type of life that they want to live, but at the same time that your government is increasing costs dramatically on these families and these Albertans, it appears that you're reducing support. Can you please elaborate on that for me?

Mr. Ceci: Yeah. Just with regard to the figures that you're talking about, household and other rebates, that is showing that there is non-indexing of incomes. So over time, as people's incomes grow, a few are falling out of the household carbon rebate. But I can tell you that the benefits of the climate leadership plan do outweigh the costs of carbon pricing. There are tables, not in here, of course, but elsewhere, that show what a single individual will pay, what a couple with two kids will pay. The subcommittee that looked at all of this and priced it all out said that it would more than cover the costs associated with carbon pricing.

Mr. Barnes: Okay. Thank you. I'm very, very concerned about the unintended consequences and where it ends up on our families and communities, but let's move on.

When the carbon tax was introduced in 2015, the Premier promised it would be revenue neutral. Then it became clear that it was never your government's intention, and the Premier pivoted, saying that it would be revenue recycled, that every dollar raised by the carbon tax would be recycled back to Albertans in the form of rebates or green initiatives. In your budget we find out that that's not true either, that you're planning on getting back to balance by huge increases in revenue from the carbon tax. Again, Mr. Minister, why has your government repeatedly broken their promise to Albertans, similar to your desire to hold spending down?

10:10

Mr. Ceci: Thank you very much for the question. You know, beginning in 2021, additional revenue from the federally imposed carbon price tied to the Trans Mountain pipeline construction will be used to support vital public services like health and education, and by doing that, we'll be able to address the needs of Albertans and help cut further into the deficit.

We're not going to apologize or say that funding and protecting our schools and services that Albertans rely on is a bad thing. We think it's a good thing. We think it's a worthy trade-off. This will be used to fund programs and services all Albertans rely on such as education and health care, as I've said. Eliminating the carbon levy not only means that the funding for things like the green line LRT in Calgary would be cut, but longer term programming for our kids and seniors would also vanish as well. We're not going to do that. We're going to keep funding the important things that Albertans need.

Mr. Barnes: Thank you, Mr. Minister.

The fiscal plan, page 86. How much of the revenue from the $40, then $50, and subsequent increases to the carbon tax is being directed to general revenue starting in 2020-2021? How much of the carbon tax is just going to go into the big pot?

Mr. Ceci: At its peak, which is at the $50 amount, $1.1 billion.

Mr. Barnes: Okay. Thank you.

In 2021, when the carbon tax is increased to $40 a tonne, how will that be done? How is it done now? Is it slated to match just gasoline and diesel costs for Albertans, or is your plan to let Prime Minister Trudeau introduce a $10- and then a $20-a-tonne federal carbon tax on top of Alberta's existing tax? Is your plan to increase from the $40, or are you just going to let the federal one go on top?

Mr. Ceci: It will be federally imposed.

Mr. Barnes: Okay. A major component, of course, that we've discussed of your path back to balance relies on the carbon tax being increased. What will you do if the federal government fails to follow through on the carbon tax increases in 2021 and 2023? What if the mandate from Justin Trudeau to you changes?

Mr. Ceci: Well, we'll take the appropriate actions at that time. All things being equal, though, the federal government has said that there will be an additional $10 charge and then a $20 charge in the subsequent year, starting in 2021. If things change, we will review and see what our options are.

Mr. Barnes: Okay. Thank you.

How is the revenue from carbon tax calculated, and how do you calculate the rebates back to Alberta families? Do you include more than just gas and diesel costs and electricity costs? How do you calculate the carbon tax to charge, and how do you calculate the rebates?

Mr. Ceci: You know, I would point you to our website if you want to dig into all of those things. The 2018 rates on major fuels include diesel, gasoline, natural gas, and propane. Those are things that have carbon in them, obviously, and that people consume for their transportation or home heating or businesses. Those amounts for major fuels: diesel is 8.03 cents a litre; gasoline, natural gas, and propane respectively are 6.73, 1.517, and 4.62. Those more than cover the indirect costs to Alberta households in the form of higher prices on nonfuel goods and services. We are providing rebates back, as I said. The full rebate for a couple with two children is $540 a year. The levy cost that they directly or indirectly pay is $508 a year, so it more than covers. I think a typical family of four will pay an average of $14 more per month as a result of the carbon levy in 2018, but they'll receive that fully back.

Mr. Barnes: Thank you for that. We can dig up that information, too.

Of course, one of the big criticisms of the carbon tax from one of your own experts is carbon leakage to other jurisdictions, the movement of jobs to neighbouring provinces, neighbouring countries, to other areas that don't have the carbon tax, and that we lose our jobs and still end up with as much carbon being emitted. Has your department done a study and analysis of how much carbon leakage has cost Albertans in terms of jobs and if it's done anything to make a difference in emissions?

Mr. Ceci: Well, I just need to remind you that we cut the small-business tax rate from 3 to 2 per cent as a result of this climate leadership plan to help them adjust to the cost of carbon. That will benefit small businesses by $600 million over the next three years. The benefits of the climate leadership plan are expected to outweigh the costs of carbon pricing. Improved market access, a reduced risk of federal policies being imposed in Alberta, and investment in economic diversification all support businesses in this province. We still, even with the carbon pricing, have an advantage of $11.2 billion.

The Chair: Thank you, Minister.

We'll now move on to a member from the third party. Member McPherson, would you like to go back and forth with the minister?

Ms McPherson: Yes, please, if you're okay with that.

Mr. Ceci: Sure.

The Chair: Please go ahead.

Ms McPherson: Great. Hello. I'll introduce myself. I'm afraid I missed introductions. I'm Karen McPherson. I'm the MLA for Calgary-Mackay-Nose Hill.

Since time is money, let's just jump right into it. Outcome 1 of the business plan – this is on page 155 – refers to a strong and resilient financial foundation that supports government services for current and future generations. In the context of security in particular I'd like to talk about that in 2016 there was a ransomware attack against the University of Calgary where the ransomers reportedly asked for a payment in cryptocurrency. Does the government of Alberta hold cryptocurrencies in reserve or hold them directly or indirectly right now?

Mr. Ceci: No.

Ms McPherson: No. How often has the government of Alberta paid ransoms either in cryptocurrency or in other currencies?

Mr. Ceci: Never.

Ms McPherson: In the same vein, blockchain in particular would certainly offer an opportunity for the government to ensure against some ransomware attacks. Is the government either now or in the future looking at implementing blockchain for their financial transactions?

[Mr. Drysdale in the chair]

Mr. Ceci: The IT security of the province of Alberta is under Service Alberta and that minister. It's probably best to direct your questions that way.

Ms McPherson: But as, like, a 360 analysis of what your risks are, I would certainly suggest that being vulnerable to attack is one of those and that you'd certainly have some skin in that game. If it's not something that you're looking at right now, I'd really like to encourage you to take a look at that. I think it's really important.

Mr. Ceci: We are looking at it but through Service Alberta. I'll take your views under advisement.

Ms McPherson: Thank you very much.

Again referring to outcome 1, the strong and resilient financial foundation, I want to refer, actually, to the February 2018 Auditor General's report. This is from page 121. It's talking about the government working towards implementing an ERP and developing standardized processes that departments must implement. In the short term the Auditor General encourages Treasury Board and Finance to share with all departments and ministers' offices the good practices that have been identified so that they can be implemented. What is the status of the ERP system right now?

Mr. Ceci: I'm advised it's in procurement at this time.

Ms McPherson: So a third-party vendor, or will it be bespoke?

Mr. Ceci: Yes.

Ms McPherson: A third party? It's not SAP, is it?

Where in the budget is that being funded?

Mr. Ceci: IT capital.

Ms McPherson: IT capital. Thank you.

If it's in procurement, I imagine you've done an analysis of where you are right now and where you want to be in the future. Do you have any more that you can share in terms of where the process is at?

10:20

Mr. Ceci: I think the Minister of Service Alberta would be able to do that.

Ms McPherson: Okay. Thank you very much.

Referring to standardized processes, can you help me to understand what kind of progress has been made in terms of developing and implementing standardized processes across departments and ministries?

Mr. Ceci: The processes will be implemented with the ERP when that is concluded.

Ms McPherson: Do you have a target date from Service Alberta for when the implementation should be under way or completed?

Mr. Ceci: Again I would hope you would direct that to the Service Alberta minister.

Ms McPherson: For such a monumental change – I've been through some ERP implementations – I again would really encourage you to get onboard in that conversation. It will have a really profound effect on your work, and being apprised of those dates I think will be extremely important.

Mr. Ceci: I understand that our ministry is part of a transformation office. Our officials are onboard, and the minister keeps cabinet aware of the activities.

Ms McPherson: Thank you.

Outside of ERP, is there any progress that you can report on in terms of implementing better systems across ministries?

[Loyola in the chair]

Mr. Ceci: Yes, I can. We have been moving to consolidate and be more efficient on the HR side. That work is ongoing in the Public Service Commission's area. We're also working to be consolidated and more efficient on the communications and public engagement side, and Mr. Hogan is leading that. IT is another area, that we're just talking about, and we're working to be more consolidated and efficient there. Financial is another consolidation. We're working, frankly, with the Auditor General to improve our processes.

Ms McPherson: Thank you very much.

Well, I would assume, then, that the financial aspect of it would be the treasury management system, and bids opened for that in April 2016 if I'm reading the information correctly. Do we have any information about implementation, where that's at in the process, what the costs are? Do you have measurable outcomes? Are you meeting the goals of the February 2016 AG report recommendations?

Mr. Ceci: Yes. We are rolling that into the ERP. It'll be done in conjunction with that and rolled out with that.

Ms McPherson: Did the bidding go public at the same time as the ERP, then?

Mr. Ceci: Yes.

Ms McPherson: Okay. From what I know – and I could be very ill informed – they were separate projects, were they not?

Mr. Ceci: I'm advised no.

Ms McPherson: Oh. Okay. All right. Thank you very much.

Moving to page 153 in the business plan, the second-last paragraph talks about: "Alberta's economy is in a broad-based recovery following a significant and prolonged downturn caused by the historic collapse in global oil prices." How can Alberta be in a broad-based recovery? The economy doesn't necessarily lack diversification, but certainly the revenue for the government does lack diversification, and while it's a broad-based recovery, are we able to understand the kind of impact that that has on the government's revenue?

Mr. Ceci: Greater stability. We do know that the economic recovery and a growing population will increase our revenues in the coming year, but more must be done in order to put the budget on the path to balance by 2023. Our recovery and, as I said, our growing population are helping to increase revenues, but these factors alone are not enough. That's why we're focusing our attention on tax dollars and where they're needed most, and we're focusing on eliminating waste and controlling spending and finding efficiencies on our path to balance.

We know that the economic recovery is touching many sectors: manufacturing, exports, residential home sales, others that I've mentioned repeatedly. That is what is referred to as the economy is looking up and is broad based. Oil prices, of course, are increasing. Consumer spending is getting stronger. That's why we expect this recovery to continue into 2018 and to top the country in GDP growth in '18 and '19.

Ms McPherson: Thank you.

The path to balance anticipates that nonrenewable resource revenues will rise from $3.8 billion out of a total of $47.9 billion this year – and this is from the fiscal plan, page 86; sorry; I jumped around a little bit – which represents 7.93 per cent, to $10.4 billion out of a total of $66.3 billion, or 15.6 per cent, in 2023-24. Tax revenue is projected to hold steady at 48 per cent of the total while other revenues fall from 44 to 37 per cent of all revenue. How does increasing the nonrenewable resource revenue portion of provincial income make government revenues less dependent on oil?

Mr. Ceci: Well, I think I showed a historical chart that talked about, at one point in time, that 37 per cent of government revenues came from nonrenewables. We're down in the 7 per cent amount, increasing to 16 per cent, versus the average over 20 years, which has been 22 per cent. You know, I'm trying to get across that we're not as reliant on nonrenewables as previous governments have been and that we're focused on diversification at this time and partial upgrading so that we get better value for the nonrenewables that are shipped out of this province.

Ms McPherson: Thank you.

I'm going to go back to the business plan – and this is referring to page 154, in the second paragraph – and the targeted tax credits and business development programs, including the petrochemicals diversification program, the capital investment tax credit, the Alberta investor tax credit, the scientific research and experimental development tax credit. What other programs are going to be introduced or enhanced this year that will be funded by the budget?

Mr. Ceci: Sorry. What other ones?

Ms McPherson: Yeah.

Mr. Ceci: There is no plan to introduce others at this time. We've laid out our plan in Budget 2018 as you have read it, as you see it, and this is what we will be sticking to going forward. Of course, you know, we will adjust based on the success or challenges we find in the available programs we've identified, and Budget 2019 may look very similar or somewhat different.

Ms McPherson: Thank you.

On page 154 – this is near the end of the second paragraph, talking about minimum wage – what increase in personal income tax revenue do you estimate will come from the final minimum wage increase this year?

Mr. Ceci: The personal exemption for taxable income is $18,600 or something like that, so that's too low to be affected by the increase in the minimum wage.

Ms McPherson: Okay. All right.

Mr. Ceci: Sorry. The minimum wages a person would make are lower than the personal exemption, so they wouldn't be taxed.

Ms McPherson: It wouldn't be reflected.

Just in keeping with the minimum wage, has the ministry or any other department estimated the change in the total number of workers who work for minimum wage before and after the minimum wage changes?

Mr. Ceci: You know, I'm pretty sure that the Labour minister has and that that information could be easily garnered from that person.

10:30

Ms McPherson: I wonder also if there's any kind of analysis comparing the minimum wage increase – it'll be $15 this year in October – to a minimum income scenario and understanding both what the best outcomes are for the people who would be affected by that as well as what the impact on both the revenue and the output of the government would be.

Mr. Ceci: You know, I know many civic leaders – I guess I'll put it a different way. More people in the nonprofit community have been talking about this and urging all governments across Canada to do more. We, of course, have a Community and Social Services ministry that probably hears these requests on a regular basis. I've not initiated any work on that myself. There are pilots going on across Canada, both in Ontario and, I think, in New Brunswick, and I think it would probably be wise for us to see what the outcomes of those pilots are before we initiate any of our own activities.

I can tell you that we have increased monies to Community and Social Services for the income support programs because of the spike in individuals and families that came forward through the recession and, subsequently, the early part of the recovery needing income support. We are there supporting Albertans.

Ms McPherson: I would think that understanding what those two different approaches look like would really be important in terms of your outcome 1 and being able to advise the government overall as to what the most effective policy is going to be. I would really hope that at some level the government is taking a look at that to understand, comparing the two of them and contrasting what outcomes there might be.

Mr. Ceci: It's one of the wishes I have. If I had a magic wand, I would be starting work on that. But we have much work to do repairing the problems left by the previous government.

Ms McPherson: On page 154 there's mention of the adoption of gender-based analysis plus, or GBA plus, and being committed to advancing gender equality. In what specific ways does GBA plus budgeting show up in your ministry's measurable outcomes?

Mr. Ceci: Just give me a sec. Of course, the Status of Women ministry and the minister have pushed this. I think there's a subcommittee working with GBA plus budgeting analysis. We do have some information which I can share with you, but we're just locating it.

We are of course committed to advancing equality by allocating resources based on the needs of Alberta's diverse populations. We've got to ensure that all government initiatives – this is more by way of background – programs, policies, and services are delivered effectively to every Albertan. Every Albertan. Our province and economy will not reach their full potential without everyone being empowered to participate fully in life in Alberta. Several initiatives are under way to promote economic security for women, indigenous people, those with low incomes, and persons with disabilities. You might know that the Alberta Status of Women grant program provides half a . . .

Ms McPherson: If I could just interrupt you, Minister. I'm looking specifically for Treasury Board and Finance. What kinds of measurable outcomes are being measured against GBA plus?

Mr. Ceci: Uh-huh. We'll be ensuring that the monies that get identified for the suite of programs to assist Albertans are properly dispensed and accounted. For instance, there is money going to charitable nonprofit organizations to enhance women's security and democratic participation. We'll make sure that that occurs. We're going to ensure that the learning and child care centre program, which assists Albertans with early learning, is properly expended and accounted for. We're making sure that the Alberta child benefit monies come directly out of TBF and go to lower income families.

Ms McPherson: Mr. Minister, is there a specific metric that can be identified in your budget that says that this is as a result of GBA plus budgeting?

Mr. Ceci: The metric we'll be looking for is the successful implementation of the programs that are budgeted for.

Ms McPherson: Okay. Thank you. I would encourage you to take a look at, you know, if there is a metric that you want to develop that is a lot more clear for people about: we can quantify that GBA plus has had this effect on our budget. I think that would be really useful.

On page 155, key strategy 1.5 talks about making the best possible use of public dollars, operational expenses, finding savings. With debt-servicing costs climbing up to be the fourth . . .

The Chair: Thank you.

We'll now move on to the private members of the government caucus. Mr. Dang.

Mr. Dang: Thank you, Mr. Chair. I'd like to share my time with the minister and Dr. Turner as well if that's permissible.

The Chair: Sure.

Mr. Dang: Well, thank you, Minister, and thank you to everyone who's joined us here today. It's really great to be able to have this opportunity to talk to you and hear from you. I'm going to go through a number of questions here, and then when I run out of time, I'll switch it over to Dr. Turner.

Could you give me a 10-minute warning?

The Chair: Sure.

Mr. Dang: Thank you. My initial questions are going to stem primarily from the TBF business plan, and I'm interested in your revenue projections that are on page 161. Obviously, a solid revenue base is essential for the province to continue to provide the level of services that it does, and you project that income tax and corporate income tax will increase significantly over the next three budget cycles. Could you elaborate on how the department has reached these projections and how those rates will compare to the last few years?

Mr. Ceci: Certainly. We, of course, have kept stable the corporate income tax in this province, at 12 per cent, and it is forecast to increase by $699 million, or 18.1 per cent, in the 2018-19 year compared to budget 2017-18.

Corporate income taxes are highly volatile and difficult to predict. Corporate income taxes are influenced by several factors, including oil prices, the state of the economy, and corporate discretion over the timing to write off corporate losses by reducing past and/or future taxable income. The delayed response is due to the discretion corporations have when they pay their corporate income taxes owing. Losses can be carried forward by corporations, which reduces corporate income tax collections in future years, or carried backwards, which allows corporations to recover taxes paid up to three years prior.

During the 2015-16 downturn businesses with operations in Alberta, largely those tied to the oil and gas extraction sector, accumulated an unprecedented amount of loss. Corporate profits as measured by corporate operating surplus shrunk by 64 per cent in 2015, followed by a further decrease of 46 per cent in 2016, before bouncing back in 2017 with an estimated 91 per cent growth. The largest impact on corporate tax revenues from the loss writeoffs is expected in ’17-18. The impacts are expected to ease off in 2018-19.

Mr. Dang: Thank you.

Now, you project that investment income and other taxes will also increase, from approximately $2.6 million to $3 million, over the next three budget cycles. Could you also elaborate on how the department reached those projections?

Mr. Ceci: Can you point to the line on page 161 that you’re looking at?

10:40

Mr. Dang: It’s line 4, investment income and other taxes.

Mr. Ceci: Oh, investment and other. Okay. We’ll have to get back to you on that specific question.

Mr. Dang: Sure. Yeah. Well, I want to switch gears a little bit, then. I have a couple of different issues I want to talk about, in particular things like cost-containment measures.

Mr. Ceci: Cost containment, yeah.

Mr. Dang: Yeah. Spending that the government does is going to programs such as schools, hospitals, sexual assault services, tackling rural crime, and whatnot. All of these services are, I think, essential for the government to be providing. When I look at the business plan here and the strategies, key strategy 1.5 is “to find savings in operational expenses and ensure that initiatives undertaken by departments and agencies, boards and commissions . . . make the best use of government’s financial assets.” As well, performance measure 1(a) states that our operating budget “will not exceed population plus CPI.” These types of cost-containment measures are crucial, yet on the other hand, we have these essential services, I think, that the government must focus on providing. How, specifically, are these savings being found and managed along with these programs?

Mr. Ceci: Thank you. Well, our government has done significant work, as you know, to carefully contain costs while continuing to support and protect the public services Albertans rely on. Some steps taken to date include negotiating practical agreements with public-sector unions such as the Alberta Teachers’ Association, the United Nurses of Alberta. Additionally, we’re extending the management salary freeze to the public sector along with hiring restraint across the core public service. Then we’re consolidating government corporate services such as communications, which I mentioned – IT is another one; HR is another one – and we’re cutting salaries and eliminating bonuses for the highest paid executives of agencies, boards, and commissions in this province. We’re restraining discretionary spending such as expenses for travel across government.

Those things have had – I like to think of them as areas where it does not affect the public service that Albertans expect and that public servants provide. These are things that we’re trying to ensure get carefully looked at, and we address them within the avails of our fiscal situation in this province and practically go to people and say: you know, this is what we can afford, and we can’t afford what you’re hoping for at this point in time.

On the investment income side, to your previous question, I guess, that is forecast at $2.9 billion for this year. It’s a $177 million, or 6 per cent, decrease from the previous year, mainly due to lower heritage and endowment fund income as financial markets reset after several years of strong returns, which enabled significant gains to be realized in those asset sales.

We’re doing a number of things on the cost-containment side. We’re being conscious of what investment income will mean for us as a province, and we’re living within the means that are available to do that at this time.

Mr. Dang: Thank you for those details.

Could you give us examples of how much money will be saved from those measures in cost containment?

Mr. Ceci: Well, yes. Specifically, I can tell you that in the area of consolidating; for instance, in the review of our agencies, boards, and commissions that we started in November 2015, we identified in Budget 2016 $33 million over three years by dissolving or combining ABCs.

On the discretionary spending side we have reduced the ministerial expenses significantly from the previous government’s kind of standard operating procedure. Let me see. The ministerial expenses were $309,000 compared to the previous government, which was $374,000 in ’14-15 and $716,000 in ’13-14. We asked that discretionary spending reductions be 10 per cent lower in the ’17-18 year from the previous year of $8 million, so that’s $800,000.

We froze salaries, and that will save us $29 million a year since it was introduced within the APS. Those savings are much larger across the public sector of all of the allied inputs to public services.

Then there’s another $750 million in in-year savings that we took out from the ’17-18 budget.

So you start to add those things up, and they, over time, show great restraint.

Mr. Dang: Thank you, Minister. That’s actually quite good to hear.

What kind of long-term cost-saving practices are being implemented across government, and how is your ministry ensuring compliance from the other various ministries?

Mr. Ceci: So on long-term savings I think I talked about the consolidation of several back-of-house entities that, frankly, were scattered across government. We’ve pulled them back into more of a central approach, consolidating their efforts, becoming more efficient in communications and public engagement. There's an 11 per cent reduction in the total amount of monies that will provide the same or better services with a reduction in the amount of the cost.

I point you to page 82 of the fiscal plan again, where chart 10 talks about stable expense growth below population growth and inflation by doing some of the things I talked about in those savings prior to this answer. Going forward, we'll continue to drive those costs down, really big ones in the area of Health, of course. That work is ongoing, but it is targeted at 3 per cent growth this year as opposed to, as I said before, the 6 per cent year-over-year growth of the previous government.

All of the ministries, of course, report quarterly on their budgets, and at Treasury Board and Finance we review those updates on a regular basis. So we have oversight and are able to work with ministries where there are difficulties in meeting their budgets and look at in-year revisions both across government and within specific ministries to make sure that they meet their targets.

Mr. Dang: Thank you, Minister. Hopefully, I'll have the opportunity to ask you a few more questions, but I promised my colleague to my left here, Dr. Turner, that he'd have a chance.

Dr. Turner: Thank you very much, and thank you to the ministry for being here. I actually sit on the Alberta Heritage Savings Trust Fund Committee and on the Public Accounts Committee, so I've had many opportunities to review the excellent work that is being done in Treasury Board and Finance. I particularly want to mention AIMCo. AIMCo is responsible for the investments of the Alberta heritage trust fund and also for the investments of many of our public pension plans. Results that AIMCo has been achieving over the last many years, but particularly over the last couple of years, have been remarkable given the recession that we're going through.

I also want to congratulate the Public Service Commission. I'm very proud as an Albertan that we've got the most professional Public Service Commission and public servants possible. I certainly am concerned when I hear aspersions made on the motivation of those public servants. I think we have the best public servants in the country. I wish that we could reward them more fulsomely, but I understand that there is a pay freeze on.

10:50

I want to talk about the path to balance aspect of the budget. Historically Alberta has relied on nonrenewable resource revenue to fund the government's day-to-day operations. Can the minister explain how reliant the 2018-21 business plan is on nonrenewable resource revenue moving forward compared to historical levels?

Mr. Ceci: Thank you for the question. I know that there have been a number of questions about that and challenges around, you know: are we really getting off the resource royalty roller coaster as a government going forward? The answer is that, yes, we are starting to do that. Through the efforts on diversification, which will provide value-added expertise to the most valuable resource we have in this province, which is our oil and gas sector, we're doing that.

It takes some time for that to happen, but the uptake of petrochemical diversification program 1, which will invest approximately $5 billion or more into the heartland region as a result of our tax-credit investments, which only get paid out when those facilities are in place and producing, is a really good start in that direction. By 2023-2024 16 per cent of the revenues to the government of Alberta will be from nonrenewable resources versus the 20-year average of 22 per cent. We have a focus on diversification, adding value here instead of shipping those raw resources out of this province. We're going to continue to do things like that and other things that diversify our revenue streams.

Agribusiness is critically important in this province. That's something that is a focus as well.

You know that we put in the interactive digital media tax credit this year because of the great number of entrepreneurs who were starting studios or have studios in this city, in particular, and others that, frankly, were being poached by other provinces. We're going to keep those people here, keep their income happening in this province, and keep their profits in this province so that we can continue to diversify.

Those are just a few of the examples on the path to balance.

Dr. Turner: Thank you very much. Actually, you've led into my next question, which I think you've fully answered. The targeted tax credits, including the digital economy but also the petroleum diversification ones and research ones, are supporting economic growth. That's on page 154.

Maybe I can turn to a question I had that's basically related to page 278 of the estimates, and this relates to pension obligations. I thought that there was some really good news in that our pension obligations actually have come down by, it appears to be, $149 million in this one year. I wonder if you could expand on the impact of that on the province's net debt as well as on what we have to do to assure Albertans that their pensions are safe for the future.

Mr. Ceci: Sure. Just give me a second, and I'll be able to speak to that more specifically.

There are fluctuations. The largest component of the unfunded pension obligation is related to the teachers' pre-1992 pension plan, which is closed. The total obligation is made up of the expected value of all future pensions to the plan members after retirement. Expectations surrounding life expectancy, age of retirement, manual adjustment for inflation all have an impact on the expected future payments. Since payments are expected for the next 30 years, small fluctuations in the average interest rate can have a large impact on the total.

As you intimated, we are pretty solid in terms of the pensions that the government of Alberta is responsible for and the retirees that depend on those pensions in the future. We still have the lowest net debt to GDP of any province. Going forward, even as we get to balance, we will be the lowest or among the lowest of the provinces around net debt to GDP, which means that we're in fiscally sound shape. Any pensioner who has the expectation that after years and decades of work with the province of Alberta their pension won't be coming: that is not accurate. It's going to be there when they need it because of the sound work of the pension administrators both at APS, Alberta Pensions Services, and other pension entities.

Dr. Turner: Thank you very much. That's very reassuring as a pensioner myself.

I want to turn to maybe your favourite industry.

Mr. Ceci: Beer?

Dr. Turner: No. I was going to ask about cannabis, but I will ask about beer. The government has put in some phenomenal policies to support the growing beer and liquor industry. I'd like you to speak to the impact that is going to have on the economy of Alberta.

Mr. Ceci: Yeah, with pleasure. I can tell you that the previous government's removal of the hectolitre amount for people to call themselves a brewery has been helpful. We have also been able to support the development of that industry. Brewers who sell no more than 300,000 hectolitres annually are eligible for something called the Alberta small-brewers development program and grant. Since we introduced that in the summer of 2016, we have encouraged the growth of that industry and helped Alberta brewers transition towards becoming larger and more economically sustainable.

The Chair: Thank you.

As agreed, we will now take a break. We'll reconvene at 11:04. Thank you very much.

[The committee adjourned from 10:57 a.m. to 11:03 a.m.]

The Chair: Okay. Minister, you're ready to go?

Mr. Ceci: Yes, Mr. Chair.

The Chair: Okay. We'll now move on to the members of the Official Opposition. Just a friendly reminder that you will either have 10 minutes combined, or you can take five minutes to speak and the minister can respond for five minutes. It's up to you, Mr. Barnes. How would you like to continue?

Mr. Barnes: Mr. Chair, I'd like to go back and forth still, please. Minister, thank you. Thanks for your good responses.

Like the Member for Edmonton-South West, I want to talk about corporate tax. As seen on page 45, corporate income tax in 2016-2017 was $3,769 million and increased only $83 million according to your forecast for 2017-2018. How come this government is estimating that corporate taxes will increase $699 million from the forecast given? That is an 841 per cent increase over last year's growth. Mr. Minister, do you have any evidence that can back up your claim that corporate taxes will increase 841 per cent more than they did last year?

Mr. Ceci: Could you just identify the page again and the book?

Mr. Barnes: Page 45. It's this chart right here under Revenue.

Mr. Ceci: It's in the fiscal plan?

Mr. Barnes: The book is the fiscal plan, yeah.

Mr. Ceci: Okay. It's in millions, of course, so we're talking billions, right?

Mr. Barnes: Yeah. So corporate taxes increased $83 million last year, and now you're estimating corporate taxes to increase $700 million. That's a huge change, a huge increase of 841 per cent based on that original increase of $83 million. As you said in your earlier answer to Edmonton-South West, there are many, many variables. I'm just saying, you know: what are you basing that increase on?

Mr. Ceci: I'm basing it on the fact that we're coming through one of the worst recessions in a generation and that things are looking up. Alberta's corporate tax revenue is slowly recovering along with the economy. Alberta's economic recovery and a growing population are helping increase revenues. They're improving and contributing to higher cash collections. The recession really hit Alberta businesses hard, and revenues are not expected to surpass prerecession levels until 2019-2020, but corporate income tax is forecast to increase by $699 million, or 18.1 per cent, in 2018-19 compared to 2017-18. As I said before, they're highly volatile and difficult to predict. They're influenced by several factors, and we are doing our best to predict or forecast where they will be.

Mr. Barnes: Okay. Thank you.

Minister, you must have based your forecast on something, though. I mean, it's an 18 per cent increase from the base, but it's an 841 per cent increase from what increased last year. Can you tell me and share with us: what are the top three industries that will see the highest growth and enable that huge increase?

Mr. Ceci: Hon. member, I'm not sure where that second number you have dug out comes from.

Mr. Barnes: It comes from the fact, hon. minister, that last year corporate taxes actually increased $83 million, and this year you're expecting an increase of $700 million. So you take that, an 800 per cent increase from what actually happened last year, and that's a huge difference. You see it now?

Mr. Ceci: Well, yeah. I don't think of it the way you do. But things are looking up in this province, so there is growth in our corporate income tax forecast as a result. We believe that there'll be more companies that are profitable, and we can see higher growth in our corporate income taxes than we saw the previous year, that you're reflecting.

Mr. Barnes: Okay. Thank you.

Again, not looking at it the way I look at things, I've talked to a lot of Albertans in the oil and gas industry, in manufacturing, in import and export, and my initial feeling was that your government's managed decline of the economy, the cap on emissions, and the carbon tax were the biggest impediments to growth and to investment and to creating jobs. But when I've said that to a lot of these job and wealth creators, they say to me: no, no, it's the 20 per cent corporate tax increase that you levelled on them that has done more to harm job growth. Have you done any cost-benefit analysis of what your 20 per cent increase in corporate taxes has done to our jobs?

Mr. Ceci: Well, what I can say right off the bat is that the 20 per cent you talk about is actually moving from 10 per cent corporate taxes to 12 per cent corporate taxes, so it's a 2 percentage point change in corporate taxes. If you look at the tables that are in the fiscal plan that crossjurisdictionally compare us to other provinces, you would see 12 per cent as the most frequent number that all provinces have put in for their corporate tax amount. Really, we're not doing anything that's different than the majority of provinces, and frankly it should have happened a long time ago to put our province on a more stable level.

But I can tell you that the biggest thing that's affected corporate tax revenue is the recession. The recession was the biggest recession in Alberta's history in generations. Our corporate income tax rate is tied for the third lowest among provinces and continues to be competitive. We know that the shrinking of the economy, 3.5 per cent in both '15 and '16, again, had the biggest impact on jobs, corporate profits, and decisions corporations were making. It was not the government of Alberta.

Mr. Barnes: Thank you for your time and your answer.

But, you know, let's not forget that that 12 per cent provincial tax rate, that 20 per cent increase on the provincial tax rate, is on top of the federal tax rate of 15 per cent. I'm sorry, but investors everywhere tell me that your 20 per cent increase is the number one thing that has prevented them from investing.

11:10

There are a lot of economists predicting that the American tax change will be more devastating to capital and job creation fleeing Alberta and fleeing Canada than even, you know, if NAFTA, unfortunately, was discontinued or drastically changed. Again, just one simple question: have you done any analysis, any cost-benefit study of what your 20 per cent tax increase has done to our job creation?

Mr. Ceci: I guess the analysis is in terms of where we forecast corporate income taxes to be this year. It's, in your estimation, 800 per cent higher. It grew 800 per cent more than the previous year, so that's pretty good feedback. The fact that Alberta's tax rate is the third lowest among provinces and continues to be competitive is pretty good feedback. The federal Finance minister dealt with this question extensively, and he said that unequivocally Canada is competitive with – and, by that, Alberta is competitive with – the rest of the countries in the world.

Mr. Barnes: Okay. Thank you. I guess time will tell.

I want to switch gears, in the last few minutes I've got left, to the Alberta heritage savings trust fund. How much investment income are you projecting the heritage trust fund will make this year, and what are you planning on doing with the revenue? Are you planning on transferring all of it to general revenue?

Mr. Ceci: We will protect the heritage trust fund. Inflation-proof it is what I mean. And we will use additional investment income in – it'll be revenue for the government of Alberta, yes.

Mr. Barnes: Okay. Insurance taxes.

Mr. Ceci: Insurance?

Mr. Barnes: Insurance taxes in the estimates on page 284.

Mr. Ceci: Yeah.

Mr. Barnes: My understanding is that insurance companies are prohibited from disclosing insurance taxes on a separate expense on their bills like GST. Is that accurate? Why is that the case? You know, insurance is an essential element for young families and for business and asset protection. Of course, I prefer to be on the side of transparency. Can you comment on that, please?

Mr. Ceci: Just let us find it.

Mr. Barnes: I guess specifically the premium tax, taxes on all different types of insurance and their premiums. Yeah. Take a second, please.

Mr. Ceci: Sorry. I'll get that answer to you.

Mr. Barnes: Thank you.

The Chair: Please go ahead, Member McPherson.

Ms McPherson: Back and forth if you're okay with that, Mr. Minister?

Mr. Ceci: Sure. It'll be quicker.

Ms McPherson: Great. Thank you. It'll all be over soon. Only 45 minutes to go.

On page 157 there's performance measure 2(a), ATB Financial return on average risk-weighted assets. To what extent does ATB have higher tolerances for some risks than others?

Mr. Ceci: Give me a second to find that in my materials.

Ms McPherson: Sure.

Just while you're taking a look for that, there does seem to be some disparity between the risk tolerance that ATB is empowered to undertake and that of credit unions. I have heard from credit unions, specifically in rural areas. They feel they're at a competitive disadvantage with ATB because ATB's risk tolerance is quite a bit higher. I'm sure you share my sentiment about credit unions. They're very important. They're really integral, especially to small communities, large communities as well. Understanding what the ATB risk tolerance is and comparing and contrasting that to credit unions I think is really important to understand the overall health. Like, I understand that ATB represents a revenue stream for the government, but it has to be at least a fair playing field along with the credit unions.

Mr. Ceci: Yes. In addition, ATB is in many, many communities across Alberta that don't have credit unions. They have hundreds and hundreds of storefronts across Alberta. The number of credit unions relative to ATBs is very small. We, of course, have capitalized ATB with monies in a previous budget to help cushion the downturn and ensure that businesses could continue to borrow capital at good rates.

We're anticipating that ATB's risk tolerance will relate to increased revenues for ATB, but I'm confident in the direction and the people who are at ATB in terms of their growth and ability to address the capital needs of businesses and individuals in Alberta.

Ms McPherson: I'm just going to jump in here. Does ATB have a higher risk tolerance in certain areas, like green energy, economic diversification, indigenous or rural initiatives, and to what extent do the ATB investments in those areas align with the provincial strategy, the strategic priorities, and providing returns for the government?

Mr. Ceci: Of course, with ATB being backed by the government and credit unions being member owned, the risk tolerance for those different entities are different. We want to make sure that credit unions are there for the long term and for their members, so ATB would not do anything to destabilize that. That's why for credit unions we increased the array of services that they could provide their members, like insurance should they choose, so that they can better compete with ATB and banks. We also guarantee the credit unions all of their deposits, so it's a level playing field in that respect.

Ms McPherson: I'm going to move on to page 157 concerning the stability of insurance companies. I'm wondering: what impacts have you noticed on Alberta's insurance sector as a result of legalizing and insuring Uber and other ride-sharing or taxilike services?

Mr. Ceci: Is that a key strategy or a performance measure?

Ms McPherson: There's a performance measure, and there's also a key strategy. The performance measure is 2(c), and the key strategy is 2.1.

Mr. Ceci: Oh, 2(c), there it is: "ensure insurers remain solvent and have funds to pay claims." We have a superintendent who monitors all of this work and keeps an eye on . . .

Ms McPherson: Do you have any information regarding Uber and other ride-sharing services specifically?

Mr. Ceci: The credit union insurance industry has not let us know that there's been any specific impact with regard to those entities.

Ms McPherson: And the insurance industry overall: have they been receptive or resistant to offering those kinds of products?

Mr. Ceci: They're working closely with Transportation, of course, and that minister. I think there's an interest in all of that, yes.

Ms McPherson: Okay. Thank you very much.

Moving to page 160, there's a table at the top of the page. This is regarding engagements on alberta.ca. How does measuring alberta.ca sessions per capita tell you who's accessing the information online, what information they're accessing, or why they're going there?

Mr. Ceci: Okay. I'm just going to confer. The analytics Google provides tell us what people, who they are – it doesn't identify them but the demographics around those people – and why they're going to our sites. We track people so that we can better reform and revise our presentations to Albertans.

11:20

Ms McPherson: In the overall context of social media as a whole I'm trying to understand. For most people I know, mobile devices are the way that we gather our information, and things like Twitter and Facebook are certainly primary sources whereas for a website the traffic is usually more driven there if you need to interact in some way, if you need to fill out a form or request information or that sort of thing. I'm just trying to get a sense of why the alberta.ca website is being specifically highlighted in your business plan rather than having a context of the overall impact that the Alberta government and your public engagement strategy has through social media as a whole.

Mr. Ceci: Websites are a stable foundation for understanding how Albertans are engaging with the province, but we certainly engage and try and understand what Albertans are doing on social media, whether it's on Snapchat or Facebook or other things. Communications and public engagement has the ability to do research and continue to be up on what Albertans are using and why and how they're engaging with us.

Ms McPherson: Thank you.

I'm going to jump to page 157. Outcome 2 concerns policy and regulatory oversight for liquor, gaming, cannabis, financial, securities, insurance, and pensions sectors. We're hearing from community members that AGLC is gaining a reputation for not communicating or interacting with community organizations in culturally competent ways. Where in the business plan do you see a commitment from the government to address the lack of cultural competence at AGLC and to be able to support inclusion?

Mr. Ceci: Well, I as a minister have been engaged directly with community groups in the Calgary area with regard to AGLC and charitable gaming. I met directly and involved the CEO and president of AGLC to help inform, help understand what the issues are, and then address them through revised policies.

Ms McPherson: But there's no line item in the budget to address that particular issue?

Mr. Ceci: No. What there is is AGLC's commitment to be a part of constantly improving their offerings to Albertans and engagement with Albertans, whether they be around cultural issues or cannabis issues or other things.

Ms McPherson: How is Treasury Board and Finance helping nonprofit organizations to better access and use AGLC funds for charitable programming?

Mr. Ceci: How is TBF doing that? Through the good work of AGLC. They are the lead department in all of that. We, of course, want to continue to assure Albertans that the charitable gaming model supports community organizations.

Ms McPherson: Thank you, Minister.

The Chair: Thank you, Minister.

We'll now move on to Dr. Starke. You have either five minutes to ask questions and the minister can respond, or you can go back and forth for 10 minutes. Which would you . . .

Dr. Starke: Chair, we could combine the time if that's permissible.

The Chair: Perfect. Please go ahead.

Dr. Starke: Well, thank you, Chair. Thank you to the minister and to the officials from Treasury Board and Finance. I've not had this pleasure before, Minister, to question you in estimates. I appreciate the opportunity.

I want to talk a little bit today about – and perhaps this has been covered by earlier questions; I apologize if it is repetitive – the debt-to-GDP metric. Now, it's stated clearly in the fiscal plan, I believe on page 78, that Alberta has clearly the largest per capita GDP of any province, some 34 per cent higher than the national average, according to what you have on page 78, the path to balance, in the fiscal plan. Alberta has a high GDP to begin with, certainly much higher than the national average on a per capita basis. When we measure debt as a debt-to-GDP ratio – I'm not an economist, and I'm certainly not a mathematician – the denominator of that calculation is 34 per cent higher than the rest of Canada on average. Now, is there something flawed in my logic here? Even if our debt was a third higher, or 34 per cent higher, our debt-to-GDP ratio would be, you know, roughly equivalent. Is debt to GDP the best measurement we can use in terms of measuring our debt?

Mr. Ceci: It's the measure that's used by economists and by bankers. It's a good measure. It's a measure of the economic and fiscal health of the province.

Dr. Starke: Okay. Then help me out here a little bit because I'm finding two sets of numbers here on the debt to GDP in different parts of the fiscal plan. It's probably just a difference in definition. On one page we've got the debt to GDP in the table in the fiscal plan peaking at 13.1 per cent, right? I think you know the whole series of numbers. We go from minus 3.5 to minus . . .

Mr. Ceci: What page in the fiscal plan?

Dr. Starke: I'm sorry. It's page 86 of the fiscal plan.

On that page we have the path to balance fiscal metrics and on the bottom line of that table the net financial debt going from negative 3.5 to negative 1.2. This year, the highlighted column, it's at 8.7 per cent, peaking at 13.1 per cent in the '21-22 projection, and then sort of going over the hill and dropping back down to 12.3 per cent, okay? You know, that's the number that I think you've consistently told Albertans, "Look, we have the best balance sheet; we have the healthiest balance sheet," which we do, and we're very glad of that.

But on page 141, most of the way down the page, when you actually consider the actual total liabilities for the capital projects and fiscal plan – and this is only extended out to 2020-21 – the percentage of the nominal Alberta GDP represented by those total liabilities now is at 19.9 per cent in the '20-21 target. Of course, we know that the $77.1 billion is going to go up to $96 billion. What's the difference in those numbers? Is it because one is just measuring total liabilities as opposed to net debt, and if so, I'm certainly glad that Alberta has assets, although unfortunately most of those assets, as I'm sure you know, Minister, are not exactly liquid assets.

Mr. Ceci: Yes. The answer is: you're correct. The net fiscal assets as a percentage of nominal GDP include the positive side of the balance sheet, the assets.

Dr. Starke: Right.

Mr. Ceci: The other one that you're identifying here is the total debt.

Dr. Starke: Okay. I guess getting back to that whole total debt number, I find that the debt-to-GDP ratio, when I try to explain that to, you know, folks on the street, I mean, when you try to explain it to me, eyes just start to glaze over.

Mr. Ceci: Yours in particular?

Dr. Starke: Mine in particular.

It's an economist's term. A metric that I've used that seems to help in terms of explaining the size of the debt, because most people don't really have a handle on what a billion dollars or $10 billion is, is a per capita debt measurement. When I explain that to people, I say: you know, based on a projection of an Alberta population of about 4.4 million by 2023, with a $96 billion debt we're looking at roughly $20,425 per person for debt.

I guess I wonder: how does that per capita debt number compare to other provinces? I know we have comparisons to the other provinces with regard to debt to GDP, but because Alberta's GDP is high – I won't say artificially high; it didn't get there by phony means. The GDP is high because we have a great economy. Alberta's GDP is higher than the other provinces, but how does our per capita debt compare to other provinces?

Mr. Ceci: You know, I know those measures are out there. I know they're often used, and I can tell you that the most frequent comparator for a province's fiscal health is what you're looking at on page 140, the net financial assets as a percentage of nominal Alberta GDP. That is what, as I said, economists, bankers, and some credit-rating agencies utilize to compare one province to another. The ones that you're talking about, frankly, aren't comparators that I use because they're not requested. They're not seen as the relative fiscal health of a province.

Dr. Starke: Okay. I appreciate that. Most Albertans aren't bankers or bondholders or bond-rating agencies, but most Albertans do operate either a household or a business budget. I think that the per capita or per person calculation or metric is one that is useful to them to help them understand what the overall debt burden is. I guess I am wondering if that metric is available. It doesn't have to be today, but if at some point in the near future you could provide the debt per capita percentage in Alberta compared to other provinces, I think that would be great. I'd appreciate that.

11:30

Mr. Ceci: I can provide it to you.

Dr. Starke: Okay. Just following up on the Member for Cypress-Medicine Hat, we've had this conversation before, Minister, and that is with regard to the various adjustments in tax rates. The corporate tax rate, as you just said here a few minutes ago, went up two points, from 10 to 12 per cent. Now, I notice that you certainly, resolutely and consistently, refuse to acknowledge that that's a 20 per cent increase, but I think most people would acknowledge that it is. Yet you are every bit as consistent in . . .

Mr. Ceci: It's just that it confuses people because it could lead to people thinking it's a 20 per cent corporate tax rate, and it's not.

Dr. Starke: No. It's a 20 per cent increase.

Mr. Ceci: But that's not often how it's perceived.

Dr. Starke: Okay. So, clearly, perception is something that's a critically important thing to you, and I appreciate that. You know, it's a complicated enough situation dealing with these large numbers and fiscal matters.

On the small-business tax rate, when we eventually did convince you to go from 3 per cent to 2 per cent, you have been equally resolute in explaining that that's not a 1 per cent decrease; that's a 33 per cent decrease. I'm puzzled, Minister. If you could help explain why the difference between those two explanations.

Mr. Ceci: Say that it was $565 million over three years. That drop in small-business taxes is significant to small businesses. Forgive me if I have taken on the wrong approach for my friends on the other side.

Dr. Starke: I guess, like I said, I just find it curious, the inconsistency.

Let me then ask this question. I think I'm hearing you say that the drop from 3 per cent to 2 per cent was a good thing and that it's been a positive aspect and certainly something that the government likes to, you know, talk about a great deal. Is there any plan by the government, certainly not within the next five-year projection, to eventually reduce that small-business tax rate further, to perhaps even a zero per cent small-business tax rate as they have in the province of Manitoba?

Mr. Ceci: You know, that's something that is interesting. I have not booked those expenses. We have not gone down that road. We have done what we've done because we believe it is in the interests of small businesses, and further actions will be something cabinet takes up and discusses.

Dr. Starke: Okay. Minister, just in the time that I have remaining, I've walked through the fiscal plan tables and taken a look at the contingency account – that's on page 141 – and watched as the balance consistently dwindles year to year. Now, the peak of the contingency account, shortly after you took office, Minister: what was that number? I believe it was $6.5 billion at the end of fiscal 2014-15 but that it went slightly up after that. What was the peak number? Because I see you going from $3.6 billion to $2.3 billion to $1.6 billion to zero this year.

Mr. Ceci: It would be in previous fiscal plans. I don't have it here.

Dr. Starke: Okay. If you could provide that number to me, that would be great.

Mr. Ceci: Sure.

Dr. Starke: I would appreciate knowing just how much has disappeared from that account.

Thank you, Chair.

The Chair: Thank you, Member. Thank you, Minister.

We'll now move on to the private members of the government caucus. Please go ahead, Mr. Dang.

Mr. Dang: Thank you, Mr. Chair.

The Chair: You'll be going back and forth?

Mr. Dang: Yes, please. I'd like to go back and forth and possibly share some of my time with Dr. Turner as well if that works.

The Chair: Okay. Thanks for letting me know.

Mr. Dang: How much time do we have this time?

The Chair: Ten minutes.

Mr. Dang: Ten total? Okay. Thank you.

Going back to cost containment if that works, Minister, I noted in the numbers for capital investment on page 162 of your business plan there that the government has made significant capital investments from 2017 to 2019. But if you look at the capital investment line item, it's going to be lower than in the 2019 and 2020 budgets. Could you elaborate on the government's capital investment strategy and why the plan is structured this way?

Mr. Ceci: You're looking at page 162, and you're talking about the estimate for '18-19?

Mr. Dang: Yeah, and then moving forward to '19 and 2020 as well. I'm just seeing a decrease in that, and I'm wondering if you could elaborate on why you structured your strategy this way.

Mr. Ceci: Sure. Just to be clear, the decrease goes from $20 billion to $13 billion and stays at $13 billion?

Mr. Dang: Yes. That's correct.

Mr. Ceci: Okay. With regard to ministry support services are you talking specifically from budget to forecast or forecast to estimate?

Mr. Dang: Well, I think I'm just wondering why if you look at the totals, even, they're decreasing as they move forward. I'm wondering why you're decreasing them, I guess.

Mr. Ceci: Okay. The decrease in the first part, which is ministry support services, is due to a combination of completion of the transfer of completed IT systems, development assets, including Service Alberta, to TBF. There are a number of things that are being completed generally. The assets are coming to completion, so we're not needing as much capital to complete them, but we will need monies to maintain them. We'll get the specific answer on that question to you.

Mr. Dang: Sure. Cool. Thank you.

I guess in looking at the 2019 target and the 2020 target, given that significant decrease that you were talking about, it's returned to more of a normal, you would say, level of capital investment. Where does that stand compared to historic levels of investment of the government?

Mr. Ceci: Historic levels, if you go back to '16-17, were in around that amount. The AIMCo increased investment is offset by the reduction in department for e-commerce and the reduction as Alberta Pension Services completes their next generation system. Where that lands is relatively around historic levels for that capital investment. We ramped it up to address the needs and to assist Albertans, continuing to provide services through IT and other things.

Mr. Dang: Well, thank you, Minister.

I'm looking at the fiscal plan now, on page 77, chart 4, the top graph on that page. It shows the value that investing in infrastructure had to the Alberta economy during the recession. Now, the contribution to annual GDP was .34 per cent, I believe, in 2015 and 2016. I believe that helped to cushion the Alberta economy from part of the effects of the recession. Could you speak to why the government thought it was important to protect Albertans from the recession and to the types of infrastructure that were badly needed?

Mr. Ceci: Yeah. Thank you very much. You know, the narrative on page 76 does a really good job of identifying what the strategy was with regard to all of that. We, of course, followed the advice of Mr. David Dodge to countercyclically invest into our economy when the private-sector investment, as was asked about by an hon. member on that side earlier, was retracting. As a result, those billions of dollars weren't fuelling the economy anymore, so the government of Alberta did what it was advised to do and increased our capital spend 15 per cent.

You can see that in the '15-16 year, that capital investment had a bigger impact on the economy than investments that previous governments came forward with in 2009, 1986, and the '82-83 time fame, that was actually a negative.

11:40

We have calculated that 10,000 Albertans were kept working as a result of our incremental increases to capital plan. Going forward, we'll see the results of the '16-17 impact on the downturn, when we come out with our subsequent fiscal plan next year. This was a right decision. It shows it was a right decision and that the public investments helped Albertans and had the backs of Albertans through the downturn, not only through the capital investments but through things like income support programs and other support programs. Working with the federal government around extending EI benefits to Albertans during the downturn also had a positive impact as well as supporting coal communities and other things.

Mr. Dang: Thank you, Minister.

I think I have a few minutes left. I want to shift a little bit to something the opposition has talked about already around tax advantages. I'm looking at the business plan on page 155 here. Now, a key pillar of the financial outlook is our province's tax advantage, and I'm happy to see that it's being maintained in this case. I do want to ask some clarifying questions for the record anyways. Page 155 outlines that "we have a progressive tax system that continues to maintain Alberta's tax advantage over other provinces and jurisdictions." Could you please elaborate on that point? How does our tax structure compare to other provinces, in particular with respect to our income tax, corporate income taxes, sin taxes, and any other tax rates?

Mr. Ceci: Yeah. There's a really good table at the back. I think it's called Historical Fiscal Summary. That's ours. There's a crossjurisdictional one that looks at what the current tax systems in all other provinces are and where ours compares with theirs in other provinces. I can't find that page number. Maybe somebody can find it for me.

I can tell you that as a result of adding up all of the taxes paid by Albertans and companies in this province, a sales tax and other taxes – well, there is no sales tax but other taxes and carbon charges – we have an $11.2 billion tax advantage over B.C. The next closest to B.C. is Saskatchewan, with $11.3 billion. Both of those provinces have sales taxes. In Saskatchewan's case they increased their sales tax of late. In B.C.'s case they have a health care premium. None of that stuff goes on in Alberta, and we are going to continue to have that tax advantage over all other provinces.

There's a really good chart, too, that talks about what the actual numbers are for the various provinces and the taxes they charge with regard to corporate, personal, and other things.

Mr. Dang: Thank you, Minister.

I think I'm very short on time here. There are just a few seconds left, so maybe I'll hold off on my other questions here. Thank you and your officials for joining us today. I think it's been really beneficial for us to be able to hear from you and hear your perspective on how our system works.

Mr. Ceci: Yeah. Could I just say thank you, too, to all members of government caucus who are here and regularly help out.

The Chair: Thank you.

We'll now move on to the Official Opposition, please. Are you guys going to fight over it?

Mr. McIver: No. We reserve that for you, Chair.

The Chair: Okay.

Mr. Loewen: Thank you very much. I'll just get straight into the questions here. Obviously, we're running out of time. Page 13 of the fiscal plan, debt servicing. I just want to know: have there been any communications between you and/or anyone in your department with any of the credit-rating agencies regarding the budget you have just released, either previous to the budget being released, in consultation, or since the budget has been released?

Mr. Ceci: We've not consulted with them, no. But as you know, regularly, annually, I meet with the credit-rating agencies to share the budget of the province of Alberta with them and to hear their views about all of that. I know that my officials have a series of upcoming meetings with credit-rating agencies, the four that review our books, so that is what we do.

Mr. Loewen: Okay. You have an upcoming meeting with them, and your ministry will be meeting upcoming, too?

Mr. Ceci: I will be engaging with all of them, yeah.

Mr. Loewen: Okay. Sounds good.

Now, in previous questioning we talked about the plan to pay back the debt, now, of course, to be $96 billion by 2023-2024, and I didn't really hear any kind of plan that you had as far as paying back that debt. Of course, you're projecting at that time to have a small surplus. That small surplus, if it continues, would probably, well, obviously, wouldn't even cover the debt-servicing charge. I'm guessing that there must be some sort of plan to pay back the debt. Obviously, at $3.7 billion a year in interest, then, there'd be a lot of money that would have to be put into the coffers to start paying down the debt.

Mr. Ceci: I appreciate your views on that. What I want you and all Albertans to know is that the first and primary goal is to get back to balance. In this budget . . .

Mr. Loewen: I understand that, but what I really want to know is: do you have a plan to pay back the debt starting in 2023-2024, especially considering that there'll be $3.7 billion of interest a year accumulating at that time? Anything to pay back debt would have to be above and beyond $3.7 billion a year.

Mr. Ceci: Interest is not something that accumulates. It is paid for in every budget. We have a plan to get back to balance. I'm focused on balancing the budget first before we undertake a debt . . .

Mr. Loewen: I think Albertans would like to see not only the balance, of course, but I think Albertans would like to see that there's a plan going forward to pay down the debt. Now, I understand that the $3.7 billion is in the budget, but that's money that's still going to be accumulating year after year.

Mr. Ceci: It's not accumulating.

Mr. Loewen: Sorry. It's going to be added on year after year until that debt is starting to be paid down.

Mr. Ceci: Ah. We are focused on balancing the budget. That is what Albertans expect as well as getting their programs and services.

Mr. Loewen: Just so I'm clear – you've said that before; I've already heard that – what I'm saying is that there's obviously no plan to pay back the debt beyond 2023-2024.

Mr. Ceci: We will be paying back $500 million in the year 2023-2024.

Mr. Loewen: But I'm talking beyond that.

Mr. Ceci: That will be the start of paying down the debt, yes.

Mr. Loewen: Okay. So that's the plan, then?

Mr. Ceci: No.

Mr. Loewen: Okay. So what is the plan?

Mr. Ceci: I'm telling you that the plan is to balance the budget first.

Mr. Loewen: So there is no plan to pay back the debt?

Mr. Ceci: I just said that we will be paying back $500 million starting in 2023-24. Going forward, once we balance the budget, we will be paying down the debt.

Mr. Loewen: But no plan.

Mr. Ceci: I didn't say that.

Mr. Loewen: You haven't given us a plan.

Mr. Ceci: I'm focused on balancing the budget.

Mr. Loewen: How are you going to generate more revenue or cut expenses to balance the budget to pay back the debt? What is the plan to reduce costs or increase income to pay down the debt?

Mr. Ceci: The plan is to continue to provide quality programs and services to Albertans and prudently go to balance.

Mr. Loewen: Thank you very much, Minister. Thank you. Obviously, no plan there.

Now, I found it quite interesting, actually, that you used an analogy as far as the Alberta economy. You actually compared it to the *Titanic* and how, you know, you need a plan to turn around this thing you called the *Titanic*. Now, I hope, when you used that analogy, that maybe you thought about how that really would sound to Albertans as far as calling the Alberta economy the *Titanic* and, of course, what history says about that ship.

Mr. Ceci: Let's call it an ocean freighter, then, okay? The analogy is quite well known by everybody. If you want to turn a rather large boat around, you don't do that on a dime. You have to take a long-term view. We are taking a long-term view to balancing the budget. We are taking a view of bringing the spending that was out of line by the previous government into line with this government. We are also investing in this province to make sure that programs and services stay strong. We're doing all those things Albertans want.

11:50

Mr. Loewen: Thank you very much, Minister.

Mr. Ceci: You're welcome.

Mr. McIver: Mr. Chair.

The Chair: Please go ahead.

Mr. McIver: Thank you. Thank you, Minister. At $500 million a year, just for the record, with a $96 billion debt, that would be about a 192-year repayment plan unless you increase that amount.

Mr. Ceci: I didn't say that.

Mr. McIver: You would agree with those numbers, probably.

Mr. Ceci: No, of course not.

Mr. McIver: You don't agree with those numbers. Okay. Well, we'll have to compare calculators at some point.

Minister, there's an RBC report out recently that says that the cost to the Alberta treasury of interest rate increases could be as much as $226 million per year. It's quite recent. Are you familiar with the Royal Bank of Canada report?

Mr. Ceci: I'm familiar with the Royal Bank of Canada.

Mr. McIver: But not this report?

Mr. Ceci: Can I hear the specifics again?

Mr. McIver: It says that the Alberta treasury is particularly vulnerable to interest rate increases and they could actually add $226 million a year to the cost of paying for Alberta's debt. My question was: are you familiar with the report? It's kind of up your alley as Finance minister.

Mr. Ceci: We have included all calculations and projected outwards. If you go to the fiscal plan, you'll get a sense of where we think interest rates will be going.

Mr. McIver: Okay. This report just came out in the last couple of days. Are you saying that you anticipated the RBC report and put it in the budget documents? Is that what we're to understand?

Mr. Ceci: No, of course not, but we have anticipated interest rate increases.

Mr. McIver: Okay. As far as you know, what you've anticipated is the same as what RBC has in the report.

Mr. Ceci: I didn't say that. I said that we've anticipated interest rate increases.

Mr. McIver: Okay. If indeed the RBC report is right and it adds $226 million, taking your deficit, potentially, from $8.8 billion to over $9 billion this fiscal year, what will be your plan to mitigate that? Will it be to borrow more money or cut expenses? I'm just curious what your strategy is to deal with that.

Mr. Ceci: I have the RBC report here, and it focuses on Canada's household debt, which is not the same as the government of Alberta's.

Mr. McIver: It does make reference to the Alberta treasury being particularly vulnerable to interest rate increases.

Mr. Ceci: I will take a look at that after.

Mr. McIver: Okay. Thank you.

Now, $3.7 billion a year: can you tell us how many schools, hospitals, or LRT lines that would buy each year that we're paying $3.7 billion in debt?

Mr. Ceci: No, but I can tell you the number that are in this budget that are being purchased or invested in. It's 20 schools . . .

Mr. McIver: What do they cost?

Mr. Ceci: The 20 schools?

Mr. McIver: Yes.

Mr. Ceci: I think it's $393 million or $493 million. It's one of those numbers.

Mr. McIver: Okay. Let's go with $493 million. In other words, $3.7 billion would be over seven times that, so it would be . . .

Mr. Loewen: About 140 schools.

Mr. McIver: About 140 schools. Thank you.

So we're getting around to the answer. I appreciate the answer.

Mr. Ceci: It's $393 million.

Mr. McIver: Okay. LRT lines: using rough numbers from Calgary's green line at $4.7 billion, you would agree that that would be about three-quarters of the green line in Calgary, the $3.7 billion.

Mr. Ceci: Unless they tunnel it.

Mr. McIver: I think the $4.6 billion has been gotten to because they're tunnelling a good part of it, Minister.

Okay. Hospitals: how many hospitals would $3.7 billion a year purchase?

Mr. Ceci: One really good one.

Mr. McIver: One really good one – okay – one that's three or four times the size of the Calgary cancer centre, presumably. I guess that makes it a really good one.

Minister, I haven't heard any sound come out of you.

Mr. Ceci: The amount of money that you're talking about in terms of interest is what?

Mr. McIver: It's $3.7 billion.

Mr. Ceci: And the Calgary cancer centre is $1.5 billion.

Mr. McIver: Okay. Now, you said in your opening remarks that your budget is focused on the long term.

The Chair: Thank you, Member.
We'll now move on to Member McPherson, please.

Ms McPherson: Thank you. I'll go back and forth with the minister.

The Chair: Please go ahead.

Ms McPherson: Thanks. I'm going to jump to the fiscal plan. On page 8 there is a section called Diversification across Our Economy. I hope that you would agree with me that innovation is absolutely imperative to diversifying the revenue that the government receives. In particular, bullet 2: "$20 million a year by 2020-21 for . . . [the] Interactive Digital Media Tax Credit . . . [to] attract more tech entrepreneurs." Interactive digital media kind of sounds like '90s technology to me. We already have a number of very successful technology companies. There is a successful technology cluster in Alberta. We've got BioWare, Smart Technologies, Benevity. Athabasca University for distance learning: this technology was integrated into their program years ago. Like, I'm not sure where the innovation is in this and how the next generation tech innovators are going to be inspired by this particular stimulus, that targets the last generation's set of platforms.

Mr. Ceci: Sure. It's very much targeted at those that are existing in Alberta today and making sure that we hang on to those and that they don't leave Alberta. As I said before, they're being attracted to places like Quebec and Ontario by similar kinds of tax credits. We're also investing in the stream of training that will keep places like BioWare and Benevity and other places stocked with employment by ensuring there are spaces at postsecondary institutions, 3,000.

Ms McPherson: Okay. I actually want to jump to that next because I think that that's really important. If the purpose of that is to make sure that we have enough people that have the technical skills to be able to support these companies, then I would like to assert that we don't need to have, necessarily, 3,000 postsecondary spaces just for that. We can teach people to code without sending them to university or technical schools. There are a number of grassroots organizations already under way in Alberta that are doing this right now – and I'm thinking specifically of ones that target women – but it's certainly something that could be done a lot more cheaply than going to postsecondary education specifically.

That kind of ties into how we're seeing a number of postsecondary institutions being granted university status. It's a concern because companies like Benevity need more than the technical people; they need accountants, they need HR people, they need paralegals. Grant MacEwan, in specific, has a paralegal program. Once they become a university or degree granting, my concern is definitely that those two-year programs that train people to get a job right away will disappear in favour of higher revenue for the postsecondary institution. I'm not really sure whether this strategy has been validated with the businesses and the other stakeholders, postsecondary institutions, who have a concern in this particular area.

I'm wondering: what is the expectation of revenue upside for the government from this strategy?

Mr. Ceci: I was wondering what the question was a while ago there. I can tell you that this strategy was the result of the Economic Development and Trade minister, the Advanced Education minister working very closely with the current industry in Alberta and the postsecondary institutions. The upside for the province of Alberta will be those businesses that take advantage of the 25 per cent eligible labour costs through this tax credit staying here in this province, investing in this province. Obviously, their workers have been paying taxes here.

Ms McPherson: What I'd really like to encourage the government to do is to take a look at those organizations who are up-and-coming and who are actually innovating. What I see here is a strategy that focuses on those companies that are already established. I take your point that there is a concern about them leaving the province, but I don't know if that's necessarily going to be the most effective strategy overall.

There's so much happening in the innovation space in Alberta, where I really think it's hugely important for the government to have those close relationships and to be able to put good policy in place when transformational technologies come along. While I have a lot of respect for these companies, I don't see that they're going to be transformational in how they affect our society, but there are definitely lots of people developing technology that will have that sort of impact, the kind of impact that we saw with Uber. Trying to implement policy after that's already been released in the wild puts governments at a disadvantage.

I would assert that it also puts us at risk of governments becoming irrelevant, where a company has transformed how society works without the collaboration with the government. All of a sudden it's like: well, we really don't need a government anymore. I would really stress that.

The Chair: I apologize for the interruption, but I must advise the committee that the time allotted for this item of business has concluded.

I would like to remind committee members that we are scheduled to meet next on Monday, April 9, 2018, at 7 p.m. to consider the estimates of the Ministry of Energy.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

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