



Legislative Assembly of Alberta

The 30th Legislature
First Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Thursday, Oct 31, 2019
9 a.m.

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The 30th Legislature
First Session**

Standing Committee on Resource Stewardship

Hanson, David B., Bonnyville-Cold Lake-St. Paul (UCP), Chair
Ceci, Joe, Calgary-Buffalo (NDP), Deputy Chair

Dach, Lorne, Edmonton-McClung (NDP)
Feehan, Richard, Edmonton-Rutherford (NDP)
Getson, Shane C., Lac Ste. Anne-Parkland (UCP)
Loewen, Todd, Central Peace-Notley (UCP)
Nielsen, Christian E., Edmonton-Decore (NDP)*
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Sigurdson, R.J., Highwood (UCP)
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Turton, Searle, Spruce Grove-Stony Plain (UCP)
Yaseen, Muhammad, Calgary-North (UCP)

* substitution for Richard Feehan

** substitution for Irfan Sabir

Also in Attendance

Phillips, Shannon, Lethbridge-West (NDP)

Support Staff

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Aaron Roth	Committee Clerk
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Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance

Hon. Travis Toews, Minister

Mark Parsons, Assistant Deputy Minister, Economics and Fiscal Policy

Alberta Investment Management Corporation

Mark Prefontaine, Chief Client and Stakeholder Relations Officer

9 a.m.

Thursday, October 31, 2019

[Mr. Hanson in the chair]

**Ministry of Treasury Board and Finance
Consideration of Main Estimates**

The Chair: Okay. I would like to call the meeting to order and welcome everyone. The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2020.

I'd ask that we go around the table and have all MLAs introduce themselves for the record. Minister, please introduce the officials that are joining you at the table. I am David Hanson, MLA for Bonnyville-Cold Lake-St. Paul and chair of this committee. We'll continue to my right.

Mr. Rehn: Good morning. My name is Pat Rehn. I'm the MLA for Lesser Slave Lake.

Mr. Getson: Good morning. I'm Shane Getson, MLA for Lac Ste. Anne-Parkland.

Mr. Yaseen: Good morning. My name is Muhammad Yaseen. I am the MLA for Calgary-North.

Mr. Turton: Good morning. My name is Searle Turton. I'm the MLA for Spruce Grove-Stony Plain.

Mr. Smith: Good morning. Mark Smith, MLA for Drayton Valley-Devon.

Mr. Sigurdson: R.J. Sigurdson, MLA, Highwood.

Mr. Singh: Good morning. Peter Singh, MLA, Calgary-East.

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

Ms Rosin: Miranda Rosin, MLA, Banff-Kananaskis.

Mr. Toews: Travis Toews, MLA for Grande Prairie-Wapiti, Minister of Finance. To my left I have Deputy Minister Athana Mentzelopoulos, ADM Darren Hedley; to my right, Assistant Deputy Minister Mary Persson, and further to my right, Mark Parsons, ADM.

Member Ceci: Joe Ceci, deputy chair of the committee and MLA for Calgary-Buffalo.

Mr. Dach: Good morning. Lorne Dach, MLA for Edmonton-McClung. Happy Halloween.

Ms Sweet: Morning. Heather Sweet, MLA for Edmonton-Manning.

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

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

The Chair: Okay. Thank you very much. I'd like to note the following substitutions for the record: Chris Nielsen for Richard Feehan and Heather Sweet for Irfan Sabir.

Please note that the microphones are operated by *Hansard* and that 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. Standing Order 59.01(6) establishes the speaking rotation while the speaking time limits are set out in Standing Order 59.02(1). In brief, the minister or member of Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of his comments we will begin a 60-minute speaking block for the Official Opposition, followed by a 20-minute speaking block for the government caucus.

The rotation of speaking time will then alternate between the Official Opposition and the government caucus, with individual speaking times set to five minutes, which, if combined with the minister's time, makes it a 10-minute block. Discussion should flow through the chair at all times regardless of whether or not the speaking time is combined. 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 e-mail to either the chair or the committee clerk.

A total of three hours has been scheduled to consider the estimates of the Ministry of Treasury Board and Finance. The scheduled end time of this meeting is 12 p.m. 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? Thank you.

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. Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery may not approach the table. 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. 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 will occur in Committee of Supply on November 19, 2019. 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 the committee members and staff.

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

Mr. Toews: Well, thank you, Chair, and good morning. I'm pleased to be here with you today to share our business plan 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.

Joining me today is Athana Mentzelopoulos, Deputy Minister of Treasury Board and Finance. While I've made these introductions, Chair, I'll make them again with a little more detail: Mary Persson, assistant deputy minister of budget development and reporting; Mark Parsons, assistant deputy minister of economics and fiscal policy; and Darren Hedley, assistant deputy minister of financial sector regulation and policy. There are also a number of other staff from my department and some of the entities reporting to me as

minister, including from the Public Service Commission Tim Grant, deputy minister; from the AGLC, Kandice Machado, vice-president of corporate services and chief financial officer; from AIMCo, Mark Prefontaine, chief client and stakeholder relations officer; Diva Chinniah, vice-president of finance and the controller; from ATB Financial, Robert McGee, chief financial officer and head of operations. I sincerely thank them all for being here today.

A week ago today I had the pleasure of delivering our government's first budget. We developed this budget based on what we heard from Albertans, and what we heard loud and clear is that our province simply cannot continue to borrow our way into increasing deficits and debt. In developing our plan, we tapped into the knowledge and insights of experts, including the MacKinnon panel, who provided valuable advice. As a result, we were able to table a budget that ends irresponsible spending while protecting public services. With this plan, we are getting our economy back on track and getting our province out of debt, and we will do it all with a moderate 2.8 per cent spending reduction spread over four years.

Even prior to tabling Budget 2019, Treasury Board and Finance officials had already done significant work by implementing the job-creation tax cut and cancelling the carbon tax. My department will continue its good work by leading economic analysis, fiscal planning, and accounting activities; managing cash and costs effectively; collecting revenue; and administering Alberta's tax regime. I'm particularly proud of our tax strategies. In the short time since we've formed government, we've levelled the playing field for all job creators. In addition to the job-creation tax cut, we've adopted enhancements to the capital cost allowance provisions and maintained the 2 per cent small-business rate. These actions will help diversify Alberta's economy by lifting businesses of all sizes and in all sectors.

I'll now expand my comments to speak about our overall business plan and the year ahead. We will continue our work to build a strong and resilient fiscal foundation. We will also continue to focus on the oversight of liquor, gaming, cannabis, financial securities, insurance, and pensions. We will continue to promote the responsible growth of Alberta's liquor, cannabis, and gaming industries. One of the ways that we will do so is to undertake a review of the cannabis regulatory framework to ensure that we're keeping cannabis out of the hands of youth. It's an ambitious agenda, but it is important work, and I know that we have the right people in place to be successful.

Turning your attention now to the Ministry of Treasury Board and Finance estimates, you will see that our total ministry expense for fiscal 2019-20 is approximately \$4.6 billion. It's approximately \$426 million higher than in 2018-19, but the reason for the increase in expense is an additional expense of \$680 million for contingency and disaster and emergency assistance. This line item is meant to eliminate the need for supplementary estimates as this funding is available for public emergencies, disasters, and other unanticipated costs. Partially offsetting this increase is the decrease in ministry program expense of \$565 million; \$343 million of this decrease relates to the elimination of the carbon tax and the associated consumer rebates. A further \$185 million decrease is related to the change in the unfunded pension obligation.

As Treasury Board and Finance now leads the work of government's capital investments, I'll speak of our upcoming work in this important area. The capital plan I presented in my budget maintains spending on fiscally responsible infrastructure while maintaining our capital spending in line with other provinces. My

goal and the goal of Treasury Board is the more effective use of tax dollars in this area.

9:10

As for the capital budget, for my department specifically we will see an increase of \$10 million over the last year. The majority of this amount is due to a one-time construction cost associated with AIMCo's transition to a new client-owned building. The remaining \$3 million increase is related to ongoing capital renewal requirements.

This, of course, is a very high-level overview. I'll welcome your more detailed questions in a few moments. Before I close, I would like to touch on the work being done on one of government's biggest expenses, which is staff costs. I want to be clear. I have the greatest respect and admiration for our public-sector workers. Certainly, in my short time in my department I've recognized the commitment and the competency that lies within this department. It's significant. These are hard-working men and women who deliver high-quality service to Albertans every day and across a wide range of disciplines.

However, as the MacKinnon panel report and other credible sources show, Alberta's public-sector workers are paid more than their peers in comparable provinces. I believe there's ample room to find operational efficiencies and savings across the public administration sector. Budget 2019 announced a reduction in the size of Alberta's public service by 7.7 per cent over four years. That's primarily through attrition. As folks retire or move on to other job opportunities, the vast majority of those positions will not be refilled. Within Treasury Board and Finance we were able to reduce the number of positions by 119.

Further to this action, I recently announced a revision of government's arbitration position from a zero per cent increase for 2019 to an average 2 per cent reduction for collective agreements that included the 2019 wage reopener. I want to stress that we are moving into a period of arbitrations when we signalled, when we introduced Bill 9, that we needed to delay the arbitration process so this government could get fully informed and make responsible decisions, both responsible decisions on behalf of Albertans and, really, on behalf of the public sector going forward. This is an arbitration, not a negotiation, and we believe that it's important to be transparent with our motive and our position with Albertans. We will continue to be fair and respectful as we balance the interests of workers and taxpayers during this needed period of fiscal restraint.

With that, Chair, I'll conclude my opening remarks, and I'm happy to take questions.

The Chair: Thank you very much, Minister.

For the hour that follows, members of the Official Opposition and the minister may speak. The timer will be set for 20-minute intervals so members are aware of the time. We can begin now.

Ms Phillips: Okay. Thank you. Mr. Chair, I would like to go back and forth if I could.

The Chair: Thank you. If that's okay with the minister as well.

Ms Phillips: Is that all right? Okay?

Mr. Toews: That's fine.

Ms Phillips: Very good.

Good morning, everyone. Good morning, colleagues. I just want to start off by indicating that we have a lot of material to get through this morning, so as we go back and forth, I want to assure you that we are not trying to be rude if we interrupt, but if we feel that the

question has been answered, we're going to move on to another question. At some point, if we don't get through a lot of our questions, then we may read some of those questions into the record, but I would like to get through as many of them so that the officials can provide a response here at table because then it minimizes their work for a follow-up. I have been in that chair, so I know that there's a lot of work that comes after estimates for officials, and I'd like to minimize that for them.

If we ask a question and you don't immediately know the answer at table or people are going around trying to find it in the many and varied large estimates binders that I know you have, then what we can do is that you may supplement after a subsequent question if you like. If you need a couple of minutes, you can read it into the record again so that you do not have to necessarily follow up in writing. If you do have to follow up in writing, we request, respectfully, that you do so, that officials do so, before we have to vote on the estimates on November 19. That makes our deliberations and our jobs easier as Members of the Legislative Assembly in terms of engaging with this material in a way that upholds the duty and the honour that has been entrusted in us by our constituents and also parliamentary tradition.

With those opening remarks, I'd like to move on now to some fairly straightforward questions. What is the total taxpayer-supported debt at the end of the forecast period?

Mr. Toews: The total taxpayer-supported debt at the end of 2019-20?

Ms Phillips: The forecast period.

Mr. Toews: Okay. Over the full fiscal plan?

Ms Phillips: That's right.

Mr. Toews: The full amount is \$93.3 billion, based on our four-year fiscal plan. Now, I should add that this amount includes \$7 billion that we have set up because \$3.5 billion at the end of every fiscal year is required for cash management, and as we would be going into an election as a province, an additional \$3.5 billion has been set up on top of the original \$3.5 billion. It makes an additional \$7 billion.

When we compare to the previous government's fiscal plan, that is \$7 billion that wasn't included in the previous plan. On comparing apples to apples, if we followed the same policies as the previous government, we would actually have approximately \$86 billion at the end of the four-year fiscal plan.

Ms Phillips: What is the deficit projected for this budget year?

Mr. Toews: For this budget year our deficit is projected to be, in total, \$8.7 billion.

Ms Phillips: Okay. Very good.

What was the deficit at the end of Q4, when the Q4 update came out?

Mr. Toews: Oh. The actuals for the year?

Ms Phillips: Yes.

Mr. Toews: It was \$6.7 billion.

Ms Phillips: Very good.

What are the GDP growth assumptions for 2020-2021?

Mr. Toews: For the current year that we're in . . .

Ms Phillips: The real GDP growth assumptions for next year, in the forecast.

Mr. Toews: For '19-20, which is the current year that we're in, the GDP forecast is .6 per cent on real GDP.

Ms Phillips: What is it for 2020?

Mr. Toews: That rises to 2.7 per cent in 2020 and then to 2.9 per cent in 2021 and 3 per cent in the out-years.

Ms Phillips: The ATB projection that was published around the time that this budget would have been prepared, in September, was 2 per cent, RBC's was 1.9 per cent, TD Bank's was 1.7 per cent, the National Bank of Canada's was 1.8 per cent, the Conference Board of Canada's was 2.0 per cent, the Bank of Canada's was 1.75 per cent. Why is the government so far off the banks and, in some cases – in the Bank of Canada, in terms of the central bank – almost a full point off?

Mr. Toews: I'll answer the high-level response. I'll ask Mark Parsons from the department also to weigh in on this question.

Firstly, we went through the assumptions that the department made in detail, and I felt confident that the department had given full consideration to the various private-sector forecasts when they developed their own assumptions and projections. Moreover, we did have a call with economists from the major banks in Canada to test our assumptions, to test our projections against their outlook. And after having a fulsome discussion on our projections, I came away confident that we had very defensible and very credible projections for this province.

I'll turn it over to Mark if he wants to add any additional detail.

Mr. Parsons: Yeah. Just to supplement what the minister said there, in Treasury Board and Finance we run our own forecasts. We have our economic model, that is tailored for the Alberta economy, that has investment, consumption, government spending, all sorts of components that feed into that.

One thing to keep in mind is that 2019 has been revised down to .6 per cent. At one point it was 1.6 per cent, and Budget 2018 is around 2.5 per cent. It has been downgraded because of market access issues, the delay in line 3. We are coming off a very low period in 2019. That brings down the base. We've had five years in a row of energy investment declining. It takes very small changes in energy investment and other investment to move that GDP growth higher. We're coming off curtailment or easing curtailment, oil production is rising, and that has a large impact on real GDP growth. So the combination of higher investment and GDP really moves us higher in 2020.

The important thing to keep in mind is that, despite the bounce-back in 2020, we are not recovering to 2014 levels in real GDP until 2020 and in nominal GDP until 2021, so by no means is this a forecast of a quick rebound. There is still some lingering weakness in the labour market.

9:20

Ms Phillips: Thank you.

What is the contingency if the banks – ATB, RBC, TD, the National Bank of Canada, the Bank of Canada itself – are right and the government of Alberta, which is the only entity that is projecting 2.7 per cent growth out of all of these, and Treasury Board and Finance are wrong?

Mr. Toews: Mr. Chair, I'd like to also just respond, to follow up on the previous question, and I know they're interrelated. This is not a boom-time scenario that we have presented in this budget for the

very reasons that Mark identified, the slack in the economy that we have today after a number of years of downturn. Population growth alone creates a very credible path to very modest growth, very modest real GDP that we're projecting.

Ms Phillips: Very good.

Mr. Toews: One thing that we have identified in this budget is the fact that we do face risks. In fact, in an effort to be transparent, we've provided the scenario of a global recession or of the lack of additional egress for energy products. We've made it clear that in the event that we encounter events outside of our control – and, of course, we recognize there's volatility in the revenue mix in this province – we will . . .

Ms Phillips: Absolutely. Thank you, Minister. I think that answers that.

Mr. Toews: I'll need to follow this up. We will be prepared to adjust our fiscal plan accordingly.

Ms Phillips: Very good. Do the growth assumptions for next year factor in any lost purchasing power due to public-sector layoffs?

Mr. Toews: The projections consider our overall fiscal plan that we have presented.

Ms Phillips: Okay. Very good.

Moving on now to page 22, we've got some transfers from the government of Canada referenced here. They are increasing to \$9.2 billion, then kind of going down to \$8.8 billion, and back up to \$9.4 billion, \$9.7 billion. Which fiscal plan did the government rely on given that the budget was prepared during an election period?

Mr. Toews: We made our assumptions, like for 2019-20, the current year that we're in, the budget year that we're in – the increases in the transfers from the government of Canada include an amount for fiscal stabilization as well as increases in ICIP funding.

In terms of your question, were you . . .

Ms Phillips: Well, there's a forecast period here of transfers from the government of Canada, and I'm wondering: what underpins those actual numbers? Whose numbers were used? There were differences in the various platforms in terms of what transfers might be available, even the existence of the Canada infrastructure bank, the number of years over which infrastructure support was going to be doled out to the provinces, whether it was over 12 or 15 years. There was daylight between the two main parties in terms of what the structure of transfers to provinces would be. I'm wondering: what is underlying these assumptions? We're talking about billions of dollars that do have a material effect on the overall fiscal picture for the province.

Mr. Toews: Sure. We used the existing agreement and existing assumptions, which . . .

Ms Phillips: Okay. Very good.

Mr. Toews: . . . move up with population growth, of course.

Ms Phillips: Sure. On page 183 we have the Canada health and social transfer lines. Both the two major parties' platforms contained within them a 3 per cent escalator for the Canada health transfer in particular, and I couldn't quite track it down for the social transfer, but I believe it was also a 3 per cent escalator that was contained in both platforms. Can you confirm my

understanding, though, that the Canada health transfer escalator on page 183 is 4.2 per cent?

Mr. Toews: Sure. Well, I'll read this right out of our fiscal plan. "Federal transfers are forecast to grow by an average of 2 per cent between 2019-20 . . ."

Ms Phillips: But I'm speaking specifically of the health transfer here.

Mr. Toews: That includes the health transfer.

Ms Phillips: Okay. But disaggregating out the health transfer and that escalator, I'm wondering what the escalator amount is that the Alberta government is assuming here.

Mr. Toews: Well, I'll just make reference to page 72. Again, the average is 2 per cent for the federal transfers. You're speaking specifically of the health transfer?

Ms Phillips: Yeah.

Mr. Toews: Yeah. We can do the math.

Ms Phillips: We can maybe follow up with that, but I'm interested in what the escalator was that was assumed.

Mr. Toews: Sure. I'll have Mark Parsons answer.

Mr. Parsons: The escalator is nominal GDP growth, a three-year moving average nationally, or a 3 per cent floor. Our population is growing faster than the national average. We get a 2 per cent growth, which links to our real GDP growth assumptions getting up to 3 per cent. So because our population is growing faster than the national average, our CHT transfers grow faster than the escalator.

Ms Phillips: Okay. That makes a lot of sense. Thank you for that. That clarifies that matter.

Am I to understand, though, that the base is 3 per cent, but if we grow faster, if we have those GDP growth forecasts that only the GOA has predicted, then we will get more CHT? Is that how that works?

Mr. Parsons: These are national growth assumptions, national nominal GDP growth assumptions. So that's the overall funding envelope for the provinces, it grows at nominal GDP, and then every province gets their per capita share. Because our share of the national population is going up, we actually get faster growth in our CHT than the national escalator.

Ms Phillips: Okay. That makes a lot of sense. Thank you for that.

Infrastructure support now. That is also referenced in the same transfers from the government of Canada graph or chart, I guess. I'm just wondering what underlies those assumptions. Is it Alberta's share of the federal infrastructure commitment, which was \$187 billion over 12 years, or was the assumption that it would be Alberta's share over 15 years? That might be something that needs to be followed up on. I'm happy to take that as an undertaking.

Mr. Toews: Our projections are based on the current agreements at this point in time.

Ms Phillips: Okay. All right. Thank you.

Let's move on now to a bit of a discussion of AIMCo and pensions. I believe that some of this discussion is contained on page

120 of the fiscal plan. A couple of quick questions first. Does the special forces pension plan have joint governance?

Mr. Toews: Yes, it does.

Ms Phillips: Is there any plan to change those arrangements? Is that under review?

Mr. Toews: Not fully changing them, but we are looking at making some changes.

Ms Phillips: So it is under review to change the governance structure of the special forces pension plan?

Mr. Toews: We are taking a look at that.

Ms Phillips: How long has the special forces pension plan, which covers firefighters and police members, had joint governance?

Mr. Toews: That changed on March 1, 2019, so very recently.

Ms Phillips: Right. Has there been a business case prepared for Treasury Board and Finance on any costs associated with changes to joint governance for the plans that were previously not jointly governed?

Mr. Toews: There has been a business case developed for our pension plans.

Ms Phillips: Can that business case be tabled as part of an undertaking, please? Can the public see it?

Mr. Toews: Yeah. We will review it and determine if we can table that.

Ms Phillips: I would like to request that any business case regarding changes to joint governance, given that the plans under legislation are currently jointly governed, be released to the public and to the other parties, the firefighters and police and others, that are covered by the special forces pension plan. Is the special forces pension plan, which covers firefighters and police in the province, also subject to the directive, with respect to the AIMCo directive?

9:30

Mr. Toews: Yes, it is.

Ms Phillips: Was there any consultation with firefighters or police associations on this decision?

Mr. Toews: This was built on a business case and built on what we believed, based on our business case, was the most responsible move on behalf of the pension holders or employees and Alberta taxpayers.

Ms Phillips: Was that business case shared with firefighters or police associations or any of the other folks who are covered by the special forces pension plan?

Mr. Toews: It has not yet.

Ms Phillips: Was a business case for this decision prepared by TBF, or was it prepared by AIMCo?

Mr. Toews: It was an internal business case.

Ms Phillips: By the GOA?

Mr. Toews: By the government of Alberta.

Ms Phillips: Right. Did AIMCo ever prepare a business case for this?

Mr. Toews: No, not in this case.

Ms Phillips: All right. Let's move on to the Alberta teachers' retirement fund. Did Treasury Board and Finance prepare a business case for the ATRF being transferred to AIMCo?

Mr. Toews: Yes.

Ms Phillips: Okay. Did TBF prepare a business case for LAPP or PSPP being prohibited from moving from AIMCo?

Mr. Toews: Yes. There has been a business case developed.

Ms Phillips: Okay. Did TBF prepare a business case for the WCB being moved to AIMCo?

Mr. Toews: There has been a business case developed.

Ms Phillips: Did TBF prepare a business case for the management employees pension plan to be moved to AIMCo?

Mr. Toews: Yes.

Ms Phillips: Did TBF ever receive an analysis on the rates of return in the WCB plan?

Mr. Toews: We had looked at an analysis that the WCB did prepare.

Ms Phillips: Can we see it?

Mr. Toews: We'll have to check with the WCB, but we will follow up.

Ms Phillips: As for the business cases for the ATRF, LAPP, PSPP, WCB, and MEPP, again, can the public see those business cases for the transfer . . .

Mr. Toews: We will make those public.

Ms Phillips: . . . or in some cases the not moving away from?

Mr. Toews: Sure. We will review them to ensure there's nothing commercially confidential, but we will certainly share our rationale.

I do want to add that there is very sound rationale in those moves. Ultimately, Alberta taxpayers bear the responsibility of the defined pension plans. As well, if we can improve returns, not only investment returns but reduce costs of administering the plans, that is a significant benefit to employees and pension holders as well.

Ms Phillips: Thank you.

We're going to continue. We still have a bit of time here.

The Chair: Forty minutes.

Ms Phillips: Okay. Well, we're just cooking along. This is great.

Did AIMCo prepare any business cases for either these funds not being able to move or for some of them being able to transfer or being forced to transfer?

Mr. Toews: They have provided a business case as well.

Ms Phillips: Okay. Can we see it?

Mr. Toews: Again, we'll review those to ensure that there's nothing confidential, but we will share our business cases.

Ms Phillips: Okay. When were those business cases prepared? When were the TBF business cases prepared? When was that advice received?

Mr. Toews: We received those during the course of our budget preparation.

Ms Phillips: Okay. And the AIMCo business case was also received at that time?

Mr. Toews: It was during the same period of time.

Ms Phillips: Okay. Let's move on now to the ATRF, the Alberta teachers' retirement fund. Teachers pay half of the contributions and have to make up half of the deficiencies should investment returns not meet expectations, yet am I to understand that no phone calls were made, that no consultation was done with the folks who are jointly governing that fund around the transfer to AIMCo?

Mr. Toews: We did not pre-emptively consult with the ATRF.

Ms Phillips: Okay. Year-over-year investment returns, minus costs, from the teachers' plan have exceeded those of LAPP, invested by AIMCo. Is net return not more important than cost by itself?

Mr. Toews: When returns have been compared on an equal time frame, AIMCo's returns have been higher than the ATRF's. Now, when we're comparing returns with year-ends that don't align, of course, it's very difficult, but when they're aligned, AIMCo's returns have been higher.

However, on top of that, AIMCo could deliver results at a much lower cost given the economies of scale, the volume of assets that they manage. Consequently, we have concluded, with our business case, that there will be estimated savings of \$41 million annually from moving these amounts to AIMCo. So if teachers are contributing approximately half of that amount, that would result in \$20 million of savings, it would strengthen the pension plans, and it would reduce risk for Alberta taxpayers.

Ms Phillips: Thank you.

There are essentially two undertakings that I am hearing as a result of that answer. One is that apples-to-apples comparison that you referenced, Minister. I think that would be really helpful information for the public to have because people are worried about this. When I look at the difference in six-year returns, ATRF versus LAPP, I'm seeing differences of 9.5, 8.0, and 1.5, for example, to the negative. I think some of that information would be very, very important to thousands of people who are paying into this fund. Half of that money is theirs. It belongs to them. It is their pension at stake and their retirement. So let's make sure that we are being clear with the public about their future, because, really, nothing is more important than that.

Mr. Toews: Sure. Mr. Chair, I'd like to respond to that. We recognize the absolute importance of ensuring that pension plans are protected. This is a move that will further strengthen that protection, and it will improve returns.

Just a couple of other pieces. There will be no changes to pension benefits, only efficiencies gained with this move. The Alberta Teachers' Retirement Fund Board will continue to have the same strategic control that they've had as well, and they will continue to administer the pension plan on behalf of teachers.

Ms Phillips: A couple of things there. I'm hearing a commitment to not revisiting any joint governance of that particular fund.

Mr. Toews: Well, the ATRF Board will continue to have strategic control, policy direction into the investments of the pension plan.

Ms Phillips: But will joint governance be revisited in the review that is being undertaken for special forces, the LAPP, and the others?

Mr. Toews: ATRF will remain the same.

Ms Phillips: Okay. Then the only other piece that I pulled out of that was that \$41 million annually. It would be good to see the underlying paperwork that comes with that figure.

If AIMCo's investment returns, net of costs, for the teachers' plan are lower than they were with ATRF, is it possible that contributions will increase for both teachers and government?

Mr. Toews: We're confident that AIMCo will actually provide higher returns, which will then actually result in the opposite. In the long term, contribution rates can come down, and of course cost and risk, ultimately, for Albertans will reduce as well.

Ms Phillips: The investments held by ATRF reflect a risk profile of that particular plan. How can AIMCo customize their investments to match the teachers' plan liabilities?

Mr. Toews: AIMCo will be working closely with ATRF in terms of ensuring that there is an appropriate asset mix. Again, the big gains here are the fact that AIMCo manages well over a hundred billion dollars in assets. They're a world-class asset manager, and they bring the economies of scale to the task. The result of that is, actually, lower costs to administer the investments, and really it's in the lower costs where we see the material gains to teachers and, ultimately, to Alberta taxpayers.

9:40

Ms Phillips: Were there any commercial sensitivities or other legal factors that I am perhaps unaware of that would have pre-empted having that conversation and sharing all of those business cases with the special forces pension plan, the LAPP, the MEPP, the PSPP, the WCB, and the ATRF prior to this decision appearing in the budget?

Mr. Toews: We felt that there was a very strong business case here, and we felt that we needed to move forward. The sooner we moved forward with this, the stronger the position these pensions would be in and the quicker the benefits could accrue to pension holders.

Ms Phillips: Sure, but a conference call takes 20 minutes.

Are there any commercial or legal sensitivities that would underlie this decision that would have pre-empted a phone call with the members of these various plans, many of which are jointly governed?

Mr. Toews: Well, certainly, budget confidentiality would have been at play, and that would have been the primary reason.

Ms Phillips: All right. Okay. Thank you very much.

I think I'm going to now turn the rest of my time over to my colleague.

The Chair: Okay. Would you like to go back and forth as well?

Ms Sweet: Well, thank you, Mr. Chair, and thank you, Minister. You're comfortable to go back and forth still?

Mr. Toews: Sure. You bet.

Ms Sweet: Perfect. I want to talk about the changes to the tax system that we've seen throughout the whole budget and the effects that they are going to have on all Albertans. My first question: to begin with, could you just quickly explain to the committee and to those, hopefully, watching at home what the definition of inflation is?

Mr. Toews: Well, the definition of inflation is the increase in the cost of living.

Ms Sweet: Okay. Can you please identify for the committee what the budget expects for the inflation rate for each year in the fiscal plan?

Mr. Toews: We are expecting inflation to remain fairly flat, ranging between just over 1 and a half per cent to just under 2 per cent over the four-year fiscal plan.

Ms Sweet: Okay. Can you please identify for the committee what the inflation rate is for each year over the next four years?

Mr. Toews: All right. For 2019 we're predicting 1.7 per cent, 1.8 for 2020, 1.9 for 2021, and 2 per cent for 2022 and 2023.

Ms Sweet: Perfect. Thank you.

I've heard the minister say multiple times that there are no tax increases in the budget, so I'm not sure how I can follow the logic of that. I'm going to use an example, and as we walk through the example, maybe you can clarify for me.

Let's say that we have a senior by the name of Mary on a relatively fixed income. She worked her entire life and gets the maximum Canadian pension plan, CPP, payments, at about \$1,154 a month. She also gets the maximum old age security, OAS, payments of about \$607 a month. So Mary isn't wealthy, and she relies on her earning power in retirement to be protected, as her CPP and OAS are indexed to inflation. My question is: under your tax plan will Mary's real income decline year over year?

Mr. Toews: Well, her real income will be increasing with the cost-of-living indexes based on the scenario that you provided.

Ms Sweet: Okay. You cancelled indexation over your four-year fiscal plan.

Mr. Toews: We've paused indexation until we find ourselves in a stronger fiscal scenario.

Ms Sweet: Okay. So this means that Mary, our senior, who's getting CPP and OAS, will miss out on four years of indexation, which will result in her getting poorer and poorer each year over each year.

Let's assume that Mary is 66 years old right now, but she's going to live to 90. Assuming that indexation starts again after your fiscal plan concludes, can you provide this committee with a total value of how much Mary will lose over her lifetime in retirement? This is a fun math question.

Mr. Toews: Well, I can't provide any details on the spot, but we can certainly provide some analysis.

I want to be clear. We've been clear with Albertans in terms of what we're doing with indexation, that we're pausing it at this point in time. In actual dollar terms, by pausing indexation of our personal tax system, personal exemptions, Albertans won't be paying any more tax; it will be the same amount in dollar value in

future years as they do this year. I mean, we've been transparent with that effect. This is a pause until, again, we find ourselves in a stronger fiscal scenario.

Ms Sweet: Okay. Well, let's move away from Mary in our case study and talk more generally about deindexation of the tax code and the tax credit. Mr. Parsons probably will know some of the answers to this. According to the budget documents on page 149 you state that you will pull \$600 million out of the pockets of working Albertans who pay income tax over the next four years. You have also eliminated tax credits that are valued by families like the tuition tax credit. Now, you might not have this right at your fingers, so I'd be happy if you want to respond in writing. Can you give me the worst-case scenario for a family? What is the maximum a family might lose because of the lack of indexation?

Mr. Toews: Well, firstly, in terms of, again, the personal tax exemptions, we are freezing indexation, so future reductions in income taxes that would occur with indexation will not occur under this budget. The effect is that we're freezing the amounts, the actual dollar amounts that are paid based on identical income levels. That will be frozen going forward. We've been transparent with Albertans in that respect, of the effect of freezing indexation in terms of personal exemptions.

Ms Sweet: You're saying that they're not going to lose income, but they're going to lose 1.8 per cent in indexation in 2019, 1.9 in 2020, and 2 per cent for inflation, so they are going to lose a percentage due to the . . .

Mr. Toews: They will be paying the same amount of income tax as they would in 2019. Again, we've paused it; we will lift that pause when we find ourselves in a stronger fiscal position. But if in 2022 deindexation is still in place, Albertans with the same level of income as they had in 2019 will pay exactly same amount of income tax in 2022 under deindexation.

Ms Sweet: But, Minister, if it's 2 per cent for inflation and you're not adjusting their tax credit for inflation, they will pay more. Correct?

Mr. Toews: They will pay no additional income tax in dollar value. There would have been additional deductions, there would have been an additional increase in their personal exemption, that they will not be receiving, but it will not result in any additional tax from what they are paying in 2019.

Mark, I don't know if you have anything else to add conceptually around that.

Ms Sweet: Maybe you could explain tax creep to me, then, and bracket creep, and how you don't see that this is a way of causing bracket creep by not allowing for the changes in the exemptions.

Mr. Toews: This is freezing our current 2019 tax scenario until we pause indexation. Again, it results in the identical amount of income tax paid on the same level of income. What it does not do is allow for additional reductions in tax that would have been otherwise paid had we allowed indexing to continue. This is a temporary pause until we find ourselves in a stronger fiscal scenario.

We've been very fortunate in this province, and I believe it's been excellent policy. We have a very, very large personal tax exemption in this province, and that will be maintained. We are head and shoulders above the next nearest province, Saskatchewan, which actually has also paused indexation until they find themselves in a stronger fiscal environment.

9:50

Ms Sweet: Right. But our average income is higher, which is why the exemption is higher, correct?

Mr. Toews: I can't confirm that our average income is higher. Mark, do you have anything to add?

Ms Sweet: Okay. I'll go back to the tax credit, then. So the maximum a family might lose for the year is their year of postsecondary tax credits, correct? We've now taken away the postsecondary tax exemption.

Mr. Toews: Those will be removed in this budget.

Ms Sweet: Do you have an estimate of how much an individual will lose in their tax exemptions from their personal income tax for not being able to claim that tax credit?

Mr. Toews: Well, that's going to be a function of what their education costs were.

Ms Sweet: Okay. So they'll pay more because they won't be able to claim the credit on their taxes.

Mr. Toews: That's right. By removing that exemption, it will result in the inability to claim the deduction.

Ms Sweet: Okay. Indexation of the tax code has been an issue across political spectrums for generations after the big fight in the '80s and '90s, right? In fact, the current Premier is on the record about 30 times blasting the federal government for failing to index the tax code.

You're an accountant. Can you explain to Albertans the economics and accounting behind the argument from the '80s and '90s and why this argument is no longer valid today?

Mr. Toews: Well, firstly, I need to provide some context. We were elected to manage our finances responsibly. We've committed to Albertans that we would bring our budget to balance, and we take that commitment seriously. We have largely accomplished this through a very credible fiscal plan which will reduce operating expenses by 2.8 per cent, which will grow the economy in very cautious and credible projections.

Ms Sweet: Okay. Minister, I appreciate what you said, but you didn't have anything in your platform around personal taxes and the fact that you are going to make Albertans pay more. That was not in your platform, correct?

Mr. Toews: Within our platform was that we were going to bring this province to balance in four years.

Ms Sweet: Right. But we're talking about personal taxes. You told Albertans that they wouldn't have to pay more. With this policy change they will be paying more. My question again: can you explain why the argument from the '80s and the '90s around indexing is not the same argument today and why your leader is currently on the record talking about indexation and the fact that there is a thing called bracket creep yet you're doing the exact same thing and now it's okay? What changed?

Mr. Toews: There are two things here. Firstly, again, we've been around on this, but I'll just reiterate it. I've recognized that by deindexing, there will be future tax exemption amounts that will not be realized by Alberta taxpayers until we pause indexation. I've recognized that. However, the actual amounts paid for income tax

will be the same in the future years as they are today based on identical levels of income.

The other difference, from the '80s particularly, would be that at this point in time we are in a period of very, very low inflation. Back in the '80s, there was extremely high inflation during some of those years, which would have greatly magnified or required a much larger emphasis on indexation.

Ms Sweet: So would you agree that in 2002 that was the same argument? Because that's when your leader is on record.

Mr. Toews: Again, broadly speaking, today we are in a very, very low inflationary environment, so the real effects of pausing indexation are very, very minor relative to what they would be in a high inflationary environment.

Ms Sweet: So they're still going to pay more. Even if it's low inflation versus high inflation, it's the same.

Mr. Toews: They won't pay more. They'll be paying the same amount, but they're . . .

Ms Sweet: On the same income, but if they make more money and don't get to deal with the deindexation issue, they will pay more. So you're just expecting that Albertans are going to make the same amount of money for the next four years. That's not a very good economic growth study.

Mr. Toews: We're being transparent with the effect of this pause. As Albertans' incomes go up, they will pay additional tax.

Ms Sweet: They will pay more.

Mr. Toews: Absolutely.

Ms Sweet: Thank you.

Mr. Toews: As Albertans' incomes go up, they will pay additional tax.

Ms Sweet: Okay.

Mr. Toews: And the effect of deindexation results in a lower exemption level than they would have otherwise had in the future. But the fact remains that on the same amount of income they will pay the same amount of income tax.

Ms Sweet: But inflation goes up; the cost of living goes up. People tend to get a cost-of-living increase every year, so they will pay more. You have it in your budget for \$600 million of personal income tax that will go to general revenue. You've estimated that Albertans will pay \$600 million more every year in personal income tax. Correct?

Mr. Toews: Not additional income tax but from more than what they would have otherwise paid had indexing remained in place.

Mark, did you want to add anything here from a technical standpoint?

Mr. Parsons: From a more technical standpoint I think it's useful to look at page 157 of the fiscal plan. We describe in the fiscal plan that these credit amounts – basic personal amount, spousal amounts, and the other credit amounts – are tax expenditures, meaning that we have personal income tax rates that apply to a base, but then there are certain exemptions. These are called tax expenditures. This is under the category in the budget of reducing tax expenditures, meaning that, as the minister alluded to, additional

tax benefits that automatically increase with inflation will not be provided on a temporary basis for the next four years, until fiscal conditions improve, but they are treated as tax expenditures.

The government has reviewed all spending, including spending delivered through the tax system.

Ms Sweet: Okay. I'll move on now to the lottery fund because that's also an important topic. As you know, we have the charitable gaming model in Alberta. In the simplest terms, proceeds from gaming into the lottery fund are reserved for certain expenses only. Organizations across Alberta rely on these funds. My first question is: what changes did you make to the fund, and why did you make them?

Mr. Toews: Well, that's actually an excellent question. Basically, as the whole volume of gaming model grew in this province, the lottery fund actually worked as a flow-through. The actual funds were moved to the general revenue fund, and then proceeds were disbursed to community groups and charities that participated and applied. There will be no changes to the function of the gaming model and the ability for charities and nonprofit groups and other community and civic groups to participate and benefit from lottery proceeds.

The purpose of dissolving the actual fund was included in a greater goal of streamlining government operations, which included evaluating all the funds that we maintain, determining if they're serving a defensible and material purpose, and ensuring that if we can deliver the same functions without having the fund and tying all that capital up in the funds, then the smart, right thing to do on behalf of Albertans is to dissolve the fund, ensure functions are continuing as they normally would, and reduce our capital requirement. The net result is that of a number of funds that we are dissolving, including the lottery fund, we'll be able to reduce our cash requirement, capital requirement, to \$650 million in total and a \$13 million saving in debt-service costs for Albertans.

Ms Sweet: Okay. So it's now going to flow into the general revenue fund, the GRF, instead of the lottery fund. That's fine. Can you provide the committee with a side-by-side of the full-cost accounting of the lottery fund expenditures for last year, for 2018-2019, and then a list of the expenditures for this year?

Mr. Toews: I will call on Mary to find that detail.

One thing that I should note is that the Auditor General in 2016 had some recommendations around managing cash more efficiently. It was in part due to that recommendation that we've taken a look at these funds and determined, again, whether they're serving a material purpose. So often we add funds and process but often don't evaluate their function and purpose. This is an effort of streamlining and improving efficiency.

Ms Sweet: Okay. What do you say to organizations, then, that have concerns about the fact that you're now removing the accountability, that now that you're putting it in general revenue, the accountability is not there around the operations of the fund and that you're actually undermining the charitable gaming model?

10:00

Mr. Toews: Well, I would say to Albertans that have that concern that that will not be the case. The function of the fund will continue as it always has. The transparency will be there as it always has. Again, charities and community groups, civic groups, who do so much in our communities and have benefited so greatly from this effort, will continue to benefit at the same level, the same degree,

and with the same amount of transparency as they've had in the past.

Ms Sweet: So the lottery fund will be used for the exact same purposes, at the same amount? None of that money will be held in general revenue to pay down the deficit?

Mr. Toews: That's correct. The amounts that are available to charities, nonprofit groups, and other recipients will remain the same. This will just simply result in a cost saving for Albertans as a whole. And, again, \$13 million is not insignificant.

Ms Sweet: Okay. Mr. Chair, I'll cede my time to my colleague.

The Chair: Go ahead, Mr. Ceci.

Member Ceci: I apologize if I look strangely over that way once in a while. My neck is sore on this side. If I was on that side, it wouldn't be a problem, but there would be other problems, I think.

I just want to follow up. MLA Phillips was asking about risk-adjusted budgets. In past practices we did put a figure in the budget that was a risk-adjusted amount if scenarios didn't come forward, follow through. Have you put a risk-adjusted number in your budget, and how much is it for this year and subsequent years?

Mr. Toews: Well, based on the MacKinnon panel advice of including revenue allowance, recognizing the volatility of revenues, as you well know from being in this role in the past, we haven't included an adjustment for our out-year.

Member Ceci: What page?

Mr. Toews: Well, we can go right to the actual fiscal plan. I'm looking at page 20 under risk management. But if we take a look at the actual fiscal plan, page 7, very early on – and I'm going to turn there as well – we can see the amount. It shows up as half a billion dollars, but it's really \$452 million.

Member Ceci: On page 7?

Mr. Toews: That's right. It's shown as the revenue forecast allowance. That was a recommendation from the MacKinnon panel, to do exactly what you're suggesting, and that is to provide an allowance that recognizes the volatility of revenues in this province.

Member Ceci: It shows up in '22-23?

Mr. Toews: In '22-23.

Member Ceci: So you have not risk adjusted with any revenue allowance until '22-23.

Mr. Toews: The MacKinnon panel recommendation was that as soon as we could achieve a balanced budget, at that point in time we should include a revenue forecast allowance.

Now, we've also taken the advice from the MacKinnon panel and included a contingency and unallocated disaster assistance amount.

Member Ceci: I see it.

Mr. Toews: That amount, of course, is earmarked for emergencies and disasters. As you well know . . .

Member Ceci: Sorry. Where we would come with supplementary estimates to address that through the Lieutenant Governor . . .

Mr. Toews: Right.

Member Ceci: . . . you're putting it in your budget at this point in time. So you're using that as a risk adjustment for emergencies.

Mr. Toews: That will be for disaster and emergency assistance.

Member Ceci: Okay.

Mr. Toews: I think that if we take a look at the last number of years, the amounts that we budgeted haven't been adequate. The actual amounts that we've realized have been close to half a billion dollars, and we budgeted \$200 million, as you know.

Member Ceci: Yeah. I remember.

I want to thank my colleague Ms Sweet for asking about the pausing of the indexing of tax brackets. I, too, heard the explanation several times from you in the Legislature, and you always were very careful to say: if they make the same amount this year as they made last year. Albertans like to think that we do better every year, but they will be paying more as a result of doing better, and that amount is \$600 million.

So I want to follow up with regard to page 71 of the fiscal plan, where it talks about "two-thirds of [this revenue growth] from insurance taxes, due to anticipated premium growth." What level do you believe premiums, say, for instance, car insurance premiums, need to rise to achieve that two-thirds of the revenue growth from insurance taxes? Is that clear?

Mr. Toews: Well, I'll speak broadly about automobile insurance.

Member Ceci: All right.

Mr. Toews: I can certainly speak broadly about that issue. We have challenges, as you well know, in our automobile insurance industry right now. There are great pressures resulting from both the complexity of vehicles that are on the road and the cost to repair them and also from injuries.

Member Ceci: I know that. There's \$304 million more, and it says "two-thirds of the increase from insurance taxes." A portion of that will be automobile insurance. What have you built into your projections around automobile insurance specifically?

Mr. Toews: We'll have to provide you with that number. We just don't have that at our fingertips, but we're happy to do that.

Member Ceci: Okay. Thank you. I appreciate that.

Going further down the page, it says: "the tourism levy beginning in 2020-21 . . . [on] short-term rentals offered on on-line marketplaces." I think that is Airbnbs. How are you going to do that? Who's going to enforce that? How are you going to get that revenue? We don't have it now.

Mr. Toews: Sure. That's a good question. Airbnb already administers tax collection in other jurisdictions and, in fact, has reached out to us already.

Member Ceci: So in other provinces?

Mr. Toews: In other provinces.

Probably the most important aspect of this move is to level the playing field in the accommodation industry, recognizing that Airbnb rentals are growing and for good reason. We also believe it's important to level the playing field with hotels and other accommodation investment in the province.

Member Ceci: So is that the \$5 million that you're believing is going to come in in 2020?

Mr. Toews: That's correct.

Member Ceci: Okay. There's cannabis mentioned here as well. What's to be concluded with regard to that increase in cannabis revenue? Is some of that not counted because you're talking about increasing the revenue to municipalities for cannabis? Are you planning to change the revenue split with municipalities around cannabis?

Mr. Toews: No. This revenue increase is a result of more supply being available and more retail outlets being available. You know, obviously, the goal here is that over time the illicit trade will be reduced . . .

Member Ceci: Yeah. Yeah, I got it.

Mr. Toews: . . . and the legal trade will take that place.

Member Ceci: Can I just switch you to the reduction in TBF employees of 119 positions? I think it's on the full-time equivalents back here. It's page 190, I think. So you've got 1,567 total employees in the three parts of TBF, and 119 will be removed. What portion of those are from people retiring, and what portion are from layoffs?

Mr. Toews: The vast majority were unfilled vacancies or people retiring. In terms of more specific numbers, I don't have that. But the vast majority were vacancies within the department . . .

Member Ceci: So they weren't filled?

Mr. Toews: . . . and some attrition. And, again, the ability to function at a higher level is as a result of a couple of initiatives. One initiative is the enterprise resource and planning system, of course, that's being advanced through government service delivery, and that results in more efficiency.

Member Ceci: What's the other one, quickly?

Mr. Toews: Sorry?

Member Ceci: What's the other one?

Mr. Toews: The other one is modernizing the financial services delivery model . . .

Member Ceci: Okay. Thanks.

Mr. Toews: . . . which is also going to result in efficiencies in the way departments can operate.

10:10

Member Ceci: Sure. On the Alberta Local Authorities Pension Plan Corp., Mr. Minister, eight are going to be downsized there. Where are they going? I guess, how is that work going to be done? Under agencies, boards, and commissions the Local Authorities Pension Plan Corp. says that all eight are gone.

Mr. Toews: Yeah. They are just moving outside of the government entity is what's happening, so they're not going to be out of a job.

Member Ceci: Where are they going?

Mr. Toews: They are staying where they are. With the move, they are not going to be counted as government employees anymore. New administrative trust corporations have been created outside of the government's direct control, and then that results in those

corporations not being consolidated into the government financial statements. Again, they're not losing their jobs.

Member Ceci: Okay. The full start-up of the Sturgeon refinery has been delayed until when?

Mr. Toews: That is a good question for Energy. You're correct. It has been delayed again. Quite frankly, when they're going to come on, in terms of certainty, I don't have that. In terms of the details, that would be a better question for Energy.

Member Ceci: The opioid response strategy: there's \$40 million in your budget for that. Are those transfers from the federal government entirely?

Mr. Toews: That's addressing a platform commitment. That is provincial funding within the Health budget.

Member Ceci: The opioid \$40 million?

Mr. Toews: That's right.

Member Ceci: Okay. There's a review of ATB identified in the business plan, I think in your area, and you're looking for comparables for ATB. I don't think there are provincial comparables – am I correct in that? – in this province.

Mr. Toews: Well, perhaps not completely apples to apples. I recognize that. ATB's financial performance has been somewhat lower than probably the closest comparables that we could find. Consequently, as owners – Albertans are the owners of ATB – that's a concern. We recognize that ATB's exposure is limited to Alberta, and that is unique relative to many of their competitors.

Member Ceci: Is there any thought about selling ATB?

Mr. Toews: We have no plans at this point to sell ATB.

The Chair: Thank you. Sorry to interrupt.

We'll now move over to government caucus for 20 minutes, followed by 10 minutes for the opposition, and then we'll take a short break at that point. So we've got about another half-hour before the break.

We'll move on to 20 minutes of the government caucus.

Mr. Singh: Thank you, Chair. Through the chair to the minister, first of all, I would like to congratulate the minister . . .

The Chair: Excuse me, Mr. Singh. Would you like to go back and forth with the minister, combine your time?

Mr. Singh: Yes.

The Chair: Thank you.

Mr. Singh: . . . for his commitment to maintaining fiscal discipline and controlling spending to meet the government's commitment to balance the provincial budget.

My question is in reference to page 153 of the ministry's business plan. The page mentions the target of balancing the budget by 2022-2023. Can the minister please explain his plan to balance the books by 2022-2023 and provide us with a comparison to the previous government's plan that recklessly spent taxpayer dollars and increased taxes on all Albertans?

Mr. Toews: All right. Well, thanks for the question. You know, this budget is very much a change in direction from the previous

government's fiscal plan. Firstly, I believe we're presenting a budget with very credible economic assumptions that underpin our revenues that we're projecting. That's been confirmed by at least early comments in the financial sector. Where we're really, fundamentally changing direction is that we will exercise spending restraint. The MacKinnon panel was clear in their conclusion. Alberta spends \$10.4 billion on a per capita basis over and above the average of the other three large provinces in Canada, and that, really, I believe, puts the focus on where we need to pay attention. So our budget this year, 2019-20, reduces spending by half a percentage point, but then our four-year fiscal plan moves that to a 2.8 per cent reduction in operating expenditures.

We're committed to ensuring that we're delivering responsibly for Albertans. Again, with the \$10.4 billion per capita spend in excess of the other provinces, it tells me that we need to focus on spending restraint, not just simple cuts but redesigning our program delivery to move that to the 21st century to ensure that Albertans are getting full value for their taxpayer dollars today. Again, with \$10.4 billion, that allows us some room. Our spending reductions are modest, yet that's what's accomplished to be included in a credible path to balance by our out-year.

Mr. Singh: Thank you, Minister, for answering.

I will let my fellow members take the next question.

Ms Rosin: Thank you.

Chair, if I may, I'd like to go back and forth with the minister if that's okay.

The Chair: Go ahead, Ms Rosin.

Ms Rosin: Perfect. Thank you. Well, thank you so much, Minister, for being here today and for your hard work and the hard work that everyone here put into this budget to get Alberta back on track. My first question is in reference to page 7 of the government estimates document, in particular the debt-servicing costs. I'm wondering if you can tell us how much debt servicing has affected our ability to spend on much-needed services like more nurses, teachers, hospitals, and just the overall quality of services that Albertans need and deserve, and if you could go further on that and maybe even quantify perhaps how many of these infrastructure projects or jobs we could have hired had we not been paying so much interest to the banks.

Mr. Toews: Sure. That's a great question. Of course, in 2018-19 we spent close to \$2 billion, just under \$2 billion, in debt-service costs. That's a big number. It's a hard number to get our heads around, my head around, for sure, in terms of what it can buy. Two billion dollars over the course of a year will build a brand new school every week. It will pay for 35,000 teachers. Just to put it into perspective, it's a very, very large amount. Two billion dollars is a larger amount than several whole ministries in terms of their budget, including Justice and Solicitor General, Children's Services, and Seniors and Housing. The \$2 billion actually exceeds the whole ministry spend in each of those ministries.

What's a bit alarming is that in nine of the last 10 years there has been a budget deficit, and those years have included profitable years in the energy industry, years where oil has been at \$90 a barrel. That is why we really believed we needed to turn the trajectory of our spending down.

Now, in our platform our plan was to hold spending flat and grow the economy over the next four years and in that way bring this province to balance. When we took office, we realized that Alberta's fiscal condition was not healthy enough to do that, so we have had to reduce expenditures by 2.8 per cent. We have what we

believe is a very credible path to balance within four years, and we're prepared to make adjustments to this fiscal plan should external forces change our revenue projections.

Ms Rosin: Thank you.

You sort of touched on this already, but as you said, the cost is \$2 billion every year on debt servicing. I'm wondering if you can put this further into context for me. You kind of touched on the departments that have less of an operating budget than that, but I'm wondering if you can just tell us, you know, how many of these departments or other government programs actually do have a total annual operating budget that's less than we are paying to the debt servicing right now.

10:20

Mr. Toews: Well, you know, there are a number of smaller departments that are far less than the \$2 billion in terms of spend. Again, our focus will be on managing costs and, maybe more importantly, delivering more effectively to Albertans. I know from my own business experience that until we're challenged – it's the human condition – with a challenging fiscal scenario, we very often don't see the importance of managing costs. Today in Alberta we're at that point. We absolutely have to manage costs to deliver effectively to Albertans.

Dr. Janice MacKinnon, when she delivered her report to me, stated: you know, at this point in time Alberta still has options, but do not delay; if you delay for four years, you will have very, very few options, and your spending reductions will need to be much, much larger than they have to be today. That has given us great motivation to turn the spending trajectory down today, while we do have options, while it can be only 2.8 per cent and not 18 or 20 per cent.

Ms Rosin: Perfect.

Just to kind of sum that up, if you were to rank all of the departments in order of their annual budget and then include this \$2 billion as an additional line item, could you just tell us where in that ranking the debt would fall as a line item?

Mr. Toews: Well, I can certainly say that Justice and Solicitor General, Children's Services, and Seniors and Housing are lower, and in fact, as Mary is pointing out, \$2 billion is higher than 17 of 21 government departments, so that leaves it as a very, very expensive ministry in terms of debt-servicing costs. These are amounts that go to bondholders and bankers as opposed to delivering services for Albertans.

Ms Rosin: Thank you, Minister.

One more question from me. On page 155 of the ministry business plan Treasury Board and Finance commits to "implement a rigorous capital spending framework." I'm wondering if you can explain to us our broad approach to reining in capital spending in this province. I know that every community is looking for, you know, their project to make it onto the list. I'm just wondering if you can talk on the broad approach we're taking.

Mr. Toews: Sure. That's a great question. You know, firstly, I recognize that restraint is tough. There's no doubt about that. Restraint is hard, but it's something we have to do as a province. We have to do that as municipalities as well. The MacKinnon panel report, again, concluded that the capital stock per capita – in other words, our investment in capital assets per person in this province – is much higher than the comparator provinces. Their recommendation was to in time bring that down to more closely align with other provinces. They also noted that our grant funding

to municipalities was significantly higher, about 20 per cent higher, than other provinces.

This budget begins to turn that trajectory down, and this budget takes the first step in that to really focus on the priorities of Albertans in terms of our capital spending. We will have to focus on that key infrastructure that is absolutely the most essential, obviously in health care delivery and education. We will continue to build health care facilities, we will continue to build schools as they're required. It will also require us to put a real priority on other infrastructure projects. The priority will be on roads and infrastructure projects that will improve our competitiveness, that will attract investment, create jobs and opportunities for Albertans. This capital plan is the start of putting a real priority on those types of projects, recognizing that we have to do more with less.

Now, in the past 10 years we've spent approximately \$7 billion a year on capital. This four-year fiscal plan brings that down to just over \$6 billion.

Ms Rosin: Perfect.

Just to finalize that, as we go forward in choosing which capital projects, which infrastructure projects are going to make the cut over the next four years, as you said, we want to prioritize those that are going to have an economic benefit and those with the greatest need. I'm just wondering if there are any criteria you used or if you can let us know exactly how we determined which projects were the most effective to move forward with.

Mr. Toews: Well, that's a very good question. With every project we took a look at the business case. There needed to be a defensible business case for the project, and that was across the board. Clearly, you know, when it comes to building schools, that's an enrolment calculation and considering nearby facilities and health care as well.

We really took a business approach in terms of evaluating the cost relative to the benefit it would provide. We all know that in every one of our constituencies and communities there are infrastructure requirements and infrastructure that residents would like to see go forward. We've used the same approach in terms of requiring a strong business case that underpins the projects that we've approved in this four-year business plan.

Now, recognize this: we will be rolling another budget out early in 2020. We will be adjusting our capital plan going forward, but we will continue to require a strong business case for projects that are going to actually make the plan.

Ms Rosin: Perfect. Thank you so much.

With that, I will cede my time to Mr. Loewen.

Mr. Loewen: Thank you very much. Thank you, Minister, for being here, and thanks for the hard work you've been doing on this budget. Of course, thanks to the staff behind you, that are doing such great work, too.

I think that one thing we've heard a lot of lately is the opposition talking about the \$4.7 billion tax cut. I know it's probably easy to grab a number out of documents that are hundreds of pages long and jump all over it, but I think it would be nice if you could kind of set the record straight and just give us an actual picture about how much this will actually cost, how many jobs it may create, and kind of a long-term picture as far as what the job-creation tax cut will do.

Mr. Toews: Sure. That's a great question. The job-creation tax cut is an important part of our overall effort to improve the competitiveness of our business environment. We've taken a very broad-based approach to improve our competitiveness. We believe that a broad-based approach will ensure diversification at a

sustainable level. Again, I'm convinced that government is not the best decision-maker in terms of the allocation of capital into our economy, and our job is to broadly ensure we have a competitive environment.

The job-creation tax cut, the effect of it on our economy: our department expects that it will increase investment in this province by 2023 to the tune of about \$4 billion a year, so a significant investment. Very reputable economists – Bev Dahlby, Jack Mintz – suggest that this measure will actually create up to 55,000 additional jobs in the province by 2022-23, so that's encouraging.

Seventy-five per cent of the businesses, companies that will benefit from this job-creation tax cut are also considered small businesses in the province, so it will have a great deal of positive effect on virtually all business in the province and even on our smallest businesses. As our economy improves, as we see additional investment into this province and larger companies benefiting from this improved business environment, that will have a spinoff effect into every business from every corner of the province. We've seen that historically, and I'm convinced that that will be the case in the future.

Our estimates, the department estimates – and I'll ask Mark to weigh in on this, if I can, after – are that the net effect of the job-creation tax cut on government revenues is not \$4.7 billion but will be half of that, about \$2.3 billion. In fact, in the budget year that we're in, '19-20, it will actually have a net effect of \$100 million, based on our department projections. Again, this is about income that we're not taking out of the business environment, that in fact remains and is there for additional investment.

Mark, do you have anything else to add on that?

Mr. Parsons: Sure. Just in terms of the methodology for the department's estimate, a little bit on this – and I apologize if I sound like an economist in giving these remarks – there are a number of things that we have to consider. We've reviewed several studies that look at the sensitivity of the corporate tax base to changes in tax rates. Fortunately for us, in developing the estimates, there are a number of studies to draw from. The minister mentioned one by Dahlby, but there are others – by McKenzie and Smart, Mintz and Smart – going back over the years.

There are a couple of things that happen in response to the tax rates. There's income shifting that tends to take place. There's also additional investment in jobs. When you factor those impacts in, I would say that we're right in the range of what other estimates are. Ken McKenzie at the University of Calgary has some estimates, Bev Dahlby, Stokes Economics: we looked at all of these. Roughly half of what we call the mechanical impact – the mechanical impact is just taking the base and lowering it. Taking the tax base and going from 12 to 8 per cent is obviously going to overstate the impact on tax revenue because it's not accounting for the improvement to the economy and income that's now reported in Alberta for tax purposes. When you take those factors into account, it offsets roughly half the mechanical impact.

10:30

There are two things to keep in mind: there's the improvement in the corporate tax base, but there's also an improvement in personal income tax revenue. Both of those have been captured in the estimates, which gives \$2.4 billion over four years and about \$600 million a year.

Mr. Toews: Good. Thanks for that additional information, Mark.

Mr. Loewen: Thank you very much.

I know that in this budget we're trying to catch up from the effects of the past government and their choices with spending and,

of course, raising taxes. Obviously, the previous government raised business taxes. I just wondered if there's been any calculation of how much it cost the Alberta coffers by the previous government raising taxes.

Mr. Toews: Well, there were a number of factors that were at play. However, after the previous government raised corporate taxes by 20 per cent over the next three years, the corporate tax collected was \$5.8 billion lower.

Mr. Loewen: Okay. Thank you very much. I appreciate that. I'll turn the time over to my colleagues.

Mr. Yaseen: Thank you, Chair. Can I go back and forth?

The Chair: Yeah. You have one minute and 34 seconds.

Mr. Yaseen: Okay. Thank you, Minister, and your entire team – left, right, and behind – for putting Alberta back on track to fiscal balance. Thank you for your effort.

My question is on page 155 of the business plan, which mentions the initiative to remove “needless red tape.” I am proud to be part of a government that has made red tape reduction a key priority. Can you please give me an update on the red tape reduction industry panels?

Mr. Toews: Okay. Sure. I can do that. Our red tape reduction effort will be a key part, a very important part, in improving our business environment in this province. We will only accomplish that well as we work with Albertans to get that done. I'm convinced that government will not know best on this file, but fortunately we do have a good plan. Our Associate Minister of Red Tape Reduction has a very good plan to consult with industry and with Albertans. There are a number of industry panels. The tourism and hospitality and oil and gas industry panels were identified as a priority, and both of those panels met in August of this year. That has already taken place in terms of their first meeting. There are a number of other scheduled industry panels, and they are the small-business, manufacturing . . .

The Chair: Sorry to interrupt, Minister.

We will now be moving on to the opposition caucus for a 10-minute block. Do you wish to go back and forth?

Mr. Dach: Yes, please, Chair. I would like to do that.

The Chair: Immediately following that, we will take a five-minute recess.

Mr. Dach: Sounds good.

The Chair: Go ahead.

Mr. Dach: Thanks, Chair, and thanks to everyone for being here. I wanted to continue along the lines of one of the questions that government members were asking because I also have an interest in the justification for claiming that 55,000 jobs would be created, as a projection, that a tax cut of 4 per cent over four years will end up resulting in that level of job creation.

Now, on page 143 of the fiscal plan there are academics from the University of Calgary School of Public Policy quoted – both McKenzie and Dahlby, as has been mentioned already – suggesting and validating for the government that 55,000 jobs would be projected to be created as a result of this corporate tax cut over the four years. However, these very validators are also quoted in an article in the *Star* on October 28, creating some doubt about the

reliability of that number. In that article both McKenzie and Dahlby are quoted, and they suggested that the whole analysis is based on an “all other things equal” scenario. In other words, things could go awry to knock that off the rails. If you look at the quote exactly, it says, “In the long run, all else equal, then a corporate tax cut should [also] lead to an increase in investment in Alberta.” So it really hinges upon this “all other things equal” scenario. “There’s still some uncertainty on the magnitude of the effect (of the tax cut),” McKenzie goes on to say. Finally, Dahlby says of his research: “It’s not a forecast . . . Ours is more of a projection on everything else being equal.”

Well, Mr. Chair, in the same fiscal plan the government admits and forecasts on this economic outlook in numerous spots that all other things may not be equal considering that we have U.S.-China trade actions that may lead to uncertainty, that may knock things off the rails globally; Brexit unknowns; commodity prices reflecting current weakness; muted outlook for oil prices; lots of things that will not be potentially equal. So I’m wondering why the government is relying so heavily on this projection when the economists that they’re relying on to validate this number are hedging their own bets, suggesting that it’s built on a house of cards and that other elements may knock this whole forecast off the rails.

Mr. Toews: Well, you identify a fact that we do have revenue volatility in this province, and there are outside factors that can affect economic growth. There’s no doubt about that. We acknowledge that. We’re transparent about that risk in this fiscal plan, but we have to manage well what is within our control. Economists – I’m sure Mark could tell you that in order to determine the result of a measure, you have to isolate that measure from other factors, and the result of that analysis then determines what the outcome of a particular measure accomplishes.

Mr. Dach: Yeah. I’ve been to economics 101. I understand that assumptions are made and that the conclusions are based on the assumptions, but this really seems to be a very large effort by both of these validators to hedge their bets and suggest that there may be some real risk in their numbers. I question the government’s decision to rely so heavily on this 55,000 jobs analysis when, in fact, in your own estimates, in your own fiscal plan you outlined the risks that will probably make that number not realizable. I just wanted to make sure that it was highlighted on the record that both of your validators, McKenzie and Dahlby, don’t necessarily believe that that number is going to actually happen.

Mr. Toews: Well, I’ll respond to that. Again, recognize that there is revenue volatility and that there can be factors outside of our control, but we’re committed to managing what we can manage in this province. There is an abundant . . .

Mr. Dach: So you’re hoping that there will be 55,000 jobs created, but you’re not sure . . .

Mr. Toews: . . . amount of research out there that will demonstrate that as we broadly improve the economic conditions and competitiveness of an economy, it results in increased investment and increased jobs and opportunities, so that’s the premise we’ve taken. Dahlby, Fried, Mintz have supported that assertion in their work. Again, we’re managing what we can control.

I could also suggest this. I would call them cautious and realistic, credible revenue projections – in the event that revenues actually exceed our projections, that could actually result in even a greater increase in job creation as the result of our job-creation tax credit.

Mr. Dach: I appreciate your response.

I’m going to actually ask one of my colleagues to carry on with the line of questioning. They are chomping at the bit to get in, too.

The Chair: Go ahead, Mr. Nielsen.

Mr. Nielsen: Thank you, Mr. Chair. If it’s amicable with the minister, I’d like to go back and forth. Great.

A lot of information. I’m going to have to be swift, so hopefully I don’t go a little too fast here. I guess I’d like to first direct you towards the fiscal plan on page 114. As you can imagine, I’m very interested in the red tape reduction file. In there you’re showing estimates for ’19-20 of \$1 million and then \$3 million for the three following years going out. But then I look at the government estimates on page 208, specifically item 1.2 and item 9. When I look at those two numbers, I get \$1.985 million. So I’m just wondering what the discrepancy is there between what’s being projected on page 208 and what’s being projected on page 114.

10:40

Mr. Toews: We might need just a second to track that discrepancy down. It’s the discrepancy between \$3 million and \$1.95 million?

Mr. Nielsen: Well, I guess to start off, with the ’19-20 there’s an estimate of \$1 million, yet on page 208 I’m seeing projections of \$1.985 million. So it’s almost double.

Mr. Toews: Sure. Our estimates, of course, are for ’19-20, and the cost related to red tape reduction is \$1,496,000. We’re rounding down because it’s under \$1.5 million, so that shows up as \$1 million.

Mr. Nielsen: I see. Okay. Then I guess, to follow up, when I’m looking at the business plan on page 163, looking at the other three following years out, I’m seeing \$2.550 million. So it’s being rounded up, then, to the \$3 million based on what you’ve just . . .

Mr. Toews: Yeah. We’re rounding up. It was just over \$2.5 million.

Mr. Nielsen: Okay. Great. Thank you very much for that.

Staying with the government estimates on page 208, specifically item 1.2 and item 9, I was wondering if you might be able to give me a little bit of a breakdown about some of the things that we’re spending the money on. I guess I’m wondering more specifically: what is it that the red tape ministry is able to do that, say, for instance, the policy co-ordination office – I’m not too sure if that’s through Executive Council or the Premier; I think it’s Executive Council – is not?

Mr. Toews: The PCO isn’t resourced for red tape reduction. This ministry is carrying this effort, and they have within the ministry – of course, it falls under the Ministry of Treasury Board and Finance. There is a senior assistant deputy minister of red tape reduction and a stakeholder engagement lead and a regulatory excellence lead. Of course, also included in the costs are the costs related to engaging stakeholder groups and the effort to ensure that there’s very significant and adequate input from Albertans and from Albertans who are on the ground, on the front line, who can identify those barriers, regulatory challenges that they face every day, and those regulatory measures that are either not serving a material purpose at all – and we have some of those out there, as we all know – or in fact could be done in a much more efficient manner; in other words, more of an outcome-based approach as opposed to prescriptive.

Mr. Nielsen: Essentially, the policy co-ordination office doesn’t have the capabilities, then, that the red tape reduction office has?

Mr. Toews: Yeah. This is a focused effort within Treasury Board and Finance under red tape reduction.

Mr. Nielsen: Okay. If I could just ask, then: with the strategic and business services in all the different ministries, are we basically looking at the same sort of scenario?

The Chair: Sorry to interrupt, members. We'll take a quick five-minute break and return at 10 to 11.

[The committee adjourned from 10:44 a.m. to 10:51 a.m.]

The Chair: All right, folks. We will reconvene with questions from the government caucus for 10 minutes.

Mr. Yaseen: Thank you, Chair. Can I go back and forth again with the minister?

The Chair: Absolutely, if the minister is willing.

Mr. Toews: Yes.

Mr. Yaseen: Minister, on my previous question, we were talking about red tape reduction panels, and you were in the midst of answering that question. Would you like to say anything on that?

Mr. Toews: Sorry. Could you just get closer to the mic. I couldn't hear the last part.

Mr. Yaseen: The last question was on red tape reduction panels.

Mr. Toews: Right.

Mr. Yaseen: You were in the midst of answering my question when the bell rang. Would you like to continue with that?

Mr. Toews: Sure. Thank you for bringing me up to speed.

Again, there are a number of other scheduled panels, and they include panels in small business, manufacturing, forestry, nonprofit – regulatory costs affect our nonprofits – construction, agriculture and agrifood, and bioindustrial. The small-business industry panel will be convening shortly. I'm confident that the Associate Minister of Red Tape Reduction will receive very good advice from these panels. These are individuals that, again, are on the ground on the front lines, and they're the ones that can actually easily identify those regulatory barriers that are reducing their competitiveness effectively.

Mr. Yaseen: Thank you for that answer. I think that earlier you alluded to the lottery fund consolidation and the savings that we'll be realizing through that. Hopefully, that also came through red tape reduction.

My next question is in reference to page 82 of our fiscal plan in regard to crude by rail. The previous government signed a last-minute deal, a crude-by-rail deal. Can you please explain why the government is cancelling this deal and what savings are expected by this?

Mr. Toews: Sure. As I'm sure you've noticed, we have set up a \$1.5 billion provision for crude-by-rail costs to Albertans. We believe that that is the top end of what it might be. The Minister of Energy is working with private industry, the private sector, on taking over that crude-by-rail capacity. I'm happy to report to you that there's good progress being made. There's been very, very significant interest – the interest has surprised us – from the private sector in terms of the desire to take on this capacity, so we'll be finding out more details, I think, in the very near future.

But the reason why we are off-loading this onto the private sector is that under the best case scenario, if we would have continued in the crude-by-rail business as a government, we would have lost \$1.8 billion. The costs of purchasing the crude, the costs of transporting it, were \$1.8 billion higher than the actual revenue it was going to produce. We recognize that the private sector can manage this function, deliver this function much more efficiently than government. That's why we're off-loading the capacity. We will save taxpayers of this province a minimum of \$300 million by off-loading this to the private sector. Quite frankly, my expectation is that it will be much more than that because the \$1.8 billion would have been under a really ideal scenario. I can only imagine the challenges we would have encountered as the government would have been in the business of transporting crude by rail.

Mr. Yaseen: Thank you, Minister.

I'm going to pass on to my colleague here.

Mr. Smith: Okay. I'm going to jump right in. Thank you. Can we go back and forth? Thank you very much.

Mr. Minister, I want to thank you and your staff for being here today. We know how difficult it really is. I would like to ask a couple of questions that revolve around some of the things that I have heard over the last four years. I know that you addressed the AGLC and the monies that will be going from liquor and gaming. You said earlier today that, basically, those funds will be going into general revenue but that they'll still be accessible to Albertans in the same amounts.

But the thing that I've heard and that I'm concerned about is the inequity in the distribution of the casino proceeds for charitable organizations in the province. I've heard from many of the people in my constituency that it seems like rural Albertans are not getting their fair share. To you, through the chair, what are you going to do to address this issue?

Mr. Toews: Well, that's a good question. AGLC has conducted a review. This has been a concern that's been expressed by various groups. There seems to be a disproportionate lack of access in some rural communities, in many rural communities, relative to the larger centres. AGLC has conducted a review. I will be working with them to determine if there are any key findings and recommended changes to ensure that, again, the benefits of this whole effort are experienced right across the province in as fair a manner as possible. I recognize the important value that this funding makes to so many of our charities, nonprofits, in every region of the province. We want to ensure it's delivered in a fair and equitable way.

Mr. Smith: Yeah. I think that review is needed greatly and that the people that I've talked to, the organizations, the nonprofits that take advantage of this, are concerned not only with the amounts but with the number of times that they can access, you know, going in to work at these casinos, et cetera. You're aware of the situation. Thank you very much. We'll look forward to this review.

The Chair: Mr. Rehn.

Mr. Rehn: Thank you. I'd like to know, Mr. Chair, if I could go back and forth with the minister.

The Chair: Absolutely.

Mr. Toews: Sure.

Mr. Rehn: Thank you, Minister, for coming here today and bringing your staff to answer the questions in the committee. I

appreciate the budget that you guys came up with. I've been a businessman for decades in this great province. I know the economy varies up and down, and we've got to make some tough decisions at times, so I appreciate the tough decisions you guys made. I appreciate the fiscal responsibility that's been shown in the budget.

Before I got into business, I had the opportunity to teach high school for a few years, so my question is going to be relating to that. In reference to page 120 of the fiscal plan, there's a concern from some teachers regarding changes to the management of the Alberta teachers' retirement fund. Can the minister lay out exactly what will change and how this will affect teachers' pensions?

Mr. Toews: All right. Good. Certainly, I'll add to the comments that I had made earlier. Firstly, the Alberta teachers' retirement fund board will continue to administer the pension plan as they have in the past. They will continue to set a strategic direction for the investments, but the difference, the change, will be that AIMCo will manage the investments. They will be under AIMCo management. However, strategic direction will remain to be the responsibility of the ATRF board. This is something that we are confident will strengthen the outcome and basically protect this pension at even a higher level than it was in the past. The net returns will be strengthened.

The real benefits, again, are not as much in the returns – although with AIMCo we're confident that their returns will be very, very good and very, very competitive – but the real benefits are in the cost savings.

11:00

ATRF fees were higher. They had some capacity, internal investment capacity, themselves. They also used other investment asset management groups that charged fees, as they do. With moving all of these assets under AIMCo, we can benefit from the economies of scale of that world-class asset manager, and that will result in lower fees. So the net results of the investments will be stronger.

I would be interested in inviting to the mic Mr. Prefontaine from AIMCo if he had anything to add on this issue. I recognize that this is an issue that teachers would have concerns around. We're making this change to strengthen their pensions and to protect their pensions. We believe that this is in the best interests of not only Alberta taxpayers but teachers as well.

The Chair: I'm sorry, Minister. You've got about three seconds left in this segment, so you might want to wait till the next round.

Mr. Toews: Okay.

The Chair: We'll move on to Mr. Nielsen and the opposition caucus.

Mr. Nielsen: Thank you, Mr. Chair. Back and forth with the minister? Great.

I was asking about the other ministries. I'm sure they have some form of strategic and business services, so I'm just wondering – and a yes or no will do – much like the policy co-ordination office, are they also not capable of delivering on red tape reduction?

Mr. Toews: You know, we believed that it was important to have an effort that was solely and specifically designed and strategically placed.

Mr. Nielsen: So they're not capable of delivering?

Mr. Toews: That's why we chose the route we did with an Associate Minister of Red Tape Reduction and a team.

Mr. Nielsen: With the decision to move the lottery fund, then, to general revenues, obviously you had talked about a business case towards that, you know, saving on admin fees. That sounds like a red tape decision. Was that made within your ministry?

Mr. Toews: This decision was made within our ministry, and this was a decision that . . .

Mr. Nielsen: So your ministry does have the capability to make red tape reductions.

Mr. Toews: It's incumbent on every ministry to evaluate the effectiveness and efficiency of the protocols, rules, funds that we use. We all need to deliver more efficiently on behalf of Albertans.

Mr. Nielsen: Okay. It sounds like you don't necessarily need an extra ministry.

Mr. Toews: There will be great benefit to pulling together a major concerted effort in red tape reduction under the Associate Minister of Red Tape Reduction. We ultimately need . . .

Mr. Nielsen: It just kind of sounds like duplication, Minister.

Mr. Toews: I don't believe so; I believe it's co-ordination.

Mr. Nielsen: Okay. I appreciate the answer.
I will pass the remaining time to MLA Ceci.

The Chair: Go ahead, Mr. Ceci.

Member Ceci: With regard to pipelines, I don't see the chart, that has typically been in this fiscal plan, regarding the current pipeline capacity and the anticipated growth in pipeline capacity and the takeaway ability. Can you just confirm what you're basing your assumptions on here in terms of timing around the three pipelines?

Mr. Toews: Sure, and I'll provide approximate timelines. Firstly, there is pipeline optimization that's taking place . . .

Member Ceci: The condensate, the stuff that goes in: they're putting less in.

Mr. Toews: That's right. There have been some technology improvements that are improving our takeaway capacity with the existing pipelines that we have, so that's been encouraging.

Our budget revenue assumptions are based on what we believe are realistic yet cautious projections. We are anticipating that Enbridge's line 3 will come into service in the first quarter of 2021.

Member Ceci: In '21: that's a delay, I think.

Mr. Toews: There has been a delay. We believe that's a realistic projection based on the best information that we have today.

Member Ceci: First quarter. Yeah.

Mr. Toews: Our expectation is that Trans Mountain will be coming on in late 2022.

Member Ceci: Late. So the last quarter?

Mr. Toews: The last quarter of 2022.

Member Ceci: And KXL?

Mr. Toews: KXL is predicted to come on in a similar time frame, but our projections are not incorporating all three of those pipelines.

Our projections are incorporating line 3 and then, again, TMX coming on very late in our last fiscal year.

Member Ceci: Okay. Thanks for that.

There was a change to the way the Alberta child benefit and the Alberta family employment tax credit are covering Albertans. How many fewer Albertans will be receiving the benefit of those programs than under the previous government?

Mr. Toews: Well, I don't have those numbers, but I can tell you this. Those programs were . . .

Member Ceci: Can you provide them?

Mr. Toews: We could provide them.

Member Ceci: That would be great.

Mr. Toews: I just want to provide some context. We developed a new program that will operate more efficiently, reduce administration costs, and deliver to Alberta's most vulnerable. So lower income families will actually receive more.

Member Ceci: There was a larger group of Albertans that benefited in the past. If you can provide that, that would be great.

I think that during the two years from '15 to '17 there were 40,000 children lifted out of poverty. Can you also provide the number of children that will be lifted out of poverty as a result of your new program?

Mr. Toews: We can provide additional information. Again, this new program will result in additional benefits, an increase in benefits to between 65,000 and 75,000 families, and these are families that are most vulnerable. Again, we've changed it to ensure that we're targeting it.

Member Ceci: I look forward to receiving it.

Minister, when there was questioning going on, you weren't able to make the comment on, I guess, the incomes of Albertans, the average weekly incomes or average incomes, and whether that was better than the incomes of people in other provinces. Do you have that information now?

Mr. Toews: You know, I don't have additional information, but I can relay what was in the MacKinnon panel report. There's been an expectation – and I believe this to have been true at least in the past – that the cost of living in Alberta has been higher than in many other provinces, and I expect that has been true historically. The MacKinnon panel found that that is no longer the case as they looked at cost-of-living metrics in every other large province.

Member Ceci: I wasn't asking about cost of living. I was asking about average incomes and whether we were better off here in terms of that than other provinces.

Mr. Toews: Well, in terms of average incomes, we'll have to provide that information.

Member Ceci: Sure. I think that we're higher.

I'll pass it over to my colleague down there.

Ms Phillips: Okay. I'm going to start on page 144 of the fiscal plan, Minister. I'm wondering if you can simply answer with "Yes, that is accurate" or "No, that is not accurate." I'm going to read a sentence. "Over the next four years, the government will provide \$4.7 billion in tax relief, with a net fiscal cost of \$2.4 billion after

accounting for these positive impacts." Is that an accurate statement, Minister?

Mr. Toews: If it's in our fiscal plan, it's accurate.

Ms Phillips: Thank you.

The net positive impacts, then. This is, again, a pretty simple question. Probably a yes or no will suffice. Are these positive impacts, that are referenced in the last two words of the first paragraph, assuming a 2.7 per cent GDP growth, which literally no other bank in the country is assuming?

Mr. Toews: These positive impacts are based on the econometric work that would go into evaluating the increased . . .

Ms Phillips: Yes or no? Is the 2.7 per cent part of that econometric model?

Mr. Toews: Well, it's difficult to answer it that quickly.

Ms Phillips: Is the 2.7 per cent part of that econometric model? Yes or no? Is it part of what feeds in?

Mr. Toews: Our GDP assumptions are part of our greater model, but our department, though . . .

Ms Phillips: So it is part of the model. Okay.

Mr. Toews: . . . has concluded that, again, as a result of improving our economic environment, it will result in increased investment.

Ms Phillips: Right. There are many things in the model, but the 2.7 per cent is part of it, which literally no other bank in the country can substantiate.

Moving on, then, on page 144, the first paragraph, the last sentence: "net fiscal cost of \$2.4 billion." That means that the positive impacts, we have just established, may be overstated given that the GDP growth is overstated compared to literally every other bank in the country, including the Bank of Canada. The net fiscal cost is \$2.4 billion. Even if the \$4.7 billion wasn't there – we have heard many times from the government that it isn't although we've just established that it is, and my eyes are not lying to me – even if it was \$2.4 billion, which we've already just established as well is overinflated, can the minister share with me how many schools could be built with that \$2.4 billion of net fiscal cost? I believe that it was referenced earlier.

11:10

Mr. Toews: Well, firstly, what we have established from third parties is that our projections are credible, which would include the \$2.4 billion net effect and not the grossed-up \$4.7 billion.

Ms Phillips: How many schools?

Mr. Toews: In terms of the effect on government revenues long term, our job-creation tax cut, I believe, will have a massive positive impact in the long term . . .

Ms Phillips: But it's a \$2.4 billion cost even though we've already established that that may be overinflated due to the GDP assumptions.

Mr. Toews: We haven't established that.

Ms Phillips: Okay. Well, then, certainly the government of Alberta is right and the Bank of Canada is wrong. I think we'll maybe agree to disagree on that.

Mr. Getson: Point of order.

Ms Phillips: But I'm wondering how many schools . . .

The Chair: Member, a point of order is noted.
Go ahead, Mr. Getson.

Mr. Getson: Yeah. I hesitate to interrupt here, but I'm looking at Standing Order 23(c), "needless repetition or raises matters that have [already] been decided." This item was already addressed earlier, from my recollection, about how the Alberta government came up with the numbers for fiscal planning and how there already was a difference between the Bank of Canada, et cetera. I think that was well established, but I could be mistaken, Chair.

The Chair: Thank you, Mr. Getson.

Ms Sweet: Can I respond?

The Chair: Please, if you would.

Ms Sweet: Thank you, Mr. Chair. We have already established that the need for repetition under the standing orders does not impact estimates because a member can ask a question more than once to get clarity on the matter, specifically in estimates. So it's not a point of order.

The Chair: Thank you.

I would just caution all members. I noticed that the member had asked the minister for yes or no answers. That's basically dictating what answers the minister is going to give. This should be more about providing context from the minister as well so that people can understand what is going on here. I just caution members to settle down. We're almost done; we've got 45 minutes left. We will get through this. Just ask some pointed questions that are in reference to line items or pages from the business plan or business model.

We will carry on with 10 minutes from the government caucus. Go ahead, Member.

Mr. Turton: Thank you very much, Mr. Chair. Do I have permission to go back and forth with the minister?

The Chair: You ask the minister that.

Mr. Toews: Yes.

Mr. Turton: Thank you very much, Minister, and thank you very much for coming here this morning. I guess I wanted to follow up on one of the questions that one of my colleagues asked. I was wondering if we could ask the gentleman from AIMCo to come up and kind of answer questions regarding . . .

Ms Sweet: Point of order, Mr. Chair.

The Chair: Go ahead.

Ms Sweet: Just to clarify, when points of order are called, the time continues, which means that the government side actually doesn't have 10 minutes, correct? That was taking from their time.

The Chair: The total time is three hours for estimates.

Ms Sweet: Okay. Thank you.

The Chair: Carry on.

Mr. Turton: Thank you, Mr. Chair. Yes, I was hoping that the gentleman from AIMCo could come up and kind of complete his

thoughts regarding the consolidation of the funds and then help elaborate on your previous answer, Mr. Minister.

Mr. Toews: Thanks for that.

Chair, if that's possible, I would like to invite Mr. Prefontaine to the mic.

Mr. Prefontaine: Good morning. Mark Prefontaine, chief client and stakeholder relations officer with AIMCo. Thank you, Minister.

There's been a lot of discussion about the proposal that the government has made about aggregating further assets with AIMCo, Alberta Investment Management Corporation. One of the key points that I think needs to be identified is the fact that scale is very important in the institutional investment management space. AIMCo's ability on behalf of our existing 31 clients to go out into the world on a global basis and access markets at favourable terms is a direct result of the scale that we've been able to create today. The forward-looking analysis is such that there would be savings as a result of aggregating those assets further for the benefit of both the existing AIMCo clients and those that are proposed to join AIMCo as well.

As far as any other matters like performance, et cetera, one of the key things that needs to be identified – and you hear this all the time in the investment management space – is that past performance is not indicative of future performance. I will point out, as there have been parties pointing to specific performance outcomes of specific plans, that AIMCo does not have a performance track record in and of itself. AIMCo's performance is a direct result of the composite of our 31 clients, each of whom, including the Alberta heritage savings trust fund, the management employees pension plan, the public service pension plan, et cetera, decides on their own strategic asset allocation. Our primary role is to get them efficient access to those asset classes they've decided upon at a strategic level and then to add value based on the things that we can provide like economies of scale, expertise, long-term, patient capital.

With that, I'm happy to answer any further questions that there may be.

The Chair: Do you have any further questions?

Mr. Turton: Yeah, just one. Just to clarify, what were the estimated savings that the government would realize by bringing all the funds under AIMCo? I believe you mentioned it before, but I couldn't write quite fast enough.

Mr. Toews: Well, I'll speak to the ATRF specifically. The expected savings, in total, annually is \$40 million. Again, half of that would accrue to teachers and half to taxpayers.

Mr. Turton: Okay. Excellent. Well, thank you very much.

My next question actually is something that deals quite a bit with something that is of great interest to the riding of Spruce Grove-Stony Plain, and that's actually regarding the carbon tax. Just to kind of prepare you, my question is actually pertaining to page 153. For many residents in Spruce Grove-Stony Plain the carbon tax, as really instituted by the previous government, was really the first domino that affected so many families in my area with the accelerated coal phase-out, which affected thousands of families through my area. My question deals with – after the previous government failed to consult with Albertans on that carbon tax, the minister was responsible for the carbon tax repeal act, as mentioned on page 153 of the minister's business plan. Can the minister comment on how the elimination of the carbon tax has made Albertans' lives more affordable?

Mr. Toews: Good. I'd be happy to do that. Firstly, by repealing the carbon tax, it basically left \$1.4 billion in Albertans' pockets. That was families, individuals, seniors, nonprofit groups, businesses, and the public sector as well. For an average family with two children the estimate is approximately \$665 a year, and for many households it would have been much higher than that. The effect on businesses was very significant. In my constituency, where there is a lot of transportation, logging, resource-based industry, I know that during my time visiting with folks that are in business there, on at least two occasions the comment was made to me: you know, we had a pretty tough year last year, but if I could have had the carbon tax back, we would have had a pretty profitable year. That exact comment was made unsolicited at least two times during my campaign. So it just really underlined the importance of repealing the carbon tax and ensuring that we're not leaving our business sector less competitive than they need to be.

Mr. Turton: Just one quick supplementary question, Mr. Minister. In terms of the savings that, you know, the government realized from repealing the carbon tax, is there any idea or approximation about how much it actually reduced our operational costs across the government? Do you have that figure available, or would we have to look at that per ministry?

Mr. Toews: You know, I don't have that figure available. Obviously, there are costs to administer the carbon tax. There would have been capacity required to do that as well as to deal with the rebates. But that's something that we can provide.

Mr. Turton: Okay. Excellent. Thank you very much.
I cede the rest of my time to my colleagues.

Mr. Sigurdson: Chair, permission to go back and forth with the minister?

The Chair: Go ahead, Mr. Sigurdson.

Mr. Sigurdson: First, I'd just like to start by acknowledging all the hard work that your team and yourself have put into this budget. I know that, personally, the number one topic at the doors for me was a fiscal return to balance, and I've spoken about it in the House and its importance to the future generations.

I'm going to shift gears here a little bit. On page 64 of your fiscal plan I just want to inquire a bit into this increasing of the tobacco tax, kind of a multiphase question, I guess: a little bit of a background on why you decided to increase the levy; as well, with that, what you forecast, what you feel this increase to the levy is going to bring in for revenue overall; then, with that, you know, if you've kind of done a little bit of a case study, are there any risks with increasing this? You know, simple things like: could this potentially move into more of a black market or pushing into other areas? Just kind of your comments on that overall.

11:20

Mr. Toews: Sure. Good. Well, thanks for the question. Firstly, we raised the taxes on cigarettes by \$5 per carton. That brings us into basic alignment with the other western provinces. Based on the fact that we're in alignment with the other western provinces, we don't believe that that type of increase will create material risk for greater black market activity. That's an important consideration as we consider taxation on cigarettes.

One of the benefits in increasing the cost of cigarettes is that as you increase cost, usage will decline, particularly amongst our youth. The health effects of smoking are well documented and the costs that that can have on our health care system, the stress it can

put on our health care system, and, quite frankly, maybe even more importantly, the tragic personal consequences that can come with smoking. We know that by increasing the cost of cigarettes, it will have a tendency to reduce smoking.

The additional revenue that will be created, generated from this \$5 increase will be approximately \$50 million a year, so it's not insignificant in terms of the effect on the fisc as well.

Mr. Sigurdson: Thank you for that answer, Minister.

With that, I'll pass on whatever time is remaining to one of my colleagues.

Mr. Singh: Thank you, Chair. Through the chair to the minister, can you describe some of the feedback that you have received from banks and other financial institutions on our government's budget?

Mr. Toews: Sure. I'm happy to do that. The initial response from the banking community, the finance community has been positive. I'll highlight a couple of commentaries. Laurentian Bank Securities wrote: Alberta's "budget release marks the return to responsible fiscal management, which should be well received by investors." The TD Bank wrote, and I quote: the government's budget plan strikes a good balance between addressing . . .

The Chair: Sorry to interrupt, Minister. That's the end of our block.

Just before we go on further, I'd like to respond to the point of order brought up by Ms Sweet. Because the point of order came right at the end of a block and the bell rang, we deal with the point of order. Then the next block starts. If a point of order is called in the middle of someone's block, the time keeps ticking until the bell rings or we continue on with it. In either case, it's a waste of members' time and a waste of opportunities to ask questions.

We'll carry on with the opposition caucus.

Ms Phillips: Sure. I'd like to move on to the price on carbon next. Recently it was announced that for the major industrial emitters it was a \$30-per-tonne charge for any amount that industrial emitters exceed their production benchmarks by. However, in the campaign platform it was \$20 per tonne. When the \$30-per-tonne announcement was made, which was effectively done last week in the budget and then reaffirmed in the TIER legislation introduced, the justification was given by the government that \$30 per tonne rather than the \$20 that was in the UCP platform was required to meet compliance with Ottawa. Is it correct for us to assume that the government of Alberta is recognizing the federal jurisdiction to apply schedule B of the Greenhouse Gas Pollution Pricing Act with respect to benchmarks for large final emitters?

Mr. Toews: Again, Energy and Environment can speak in a more detailed fashion than I can on this topic, but I do know that it was of great concern to our industry in this province. They did not want to fall into the federal regulations, not that it would necessarily put a higher price on carbon, but they were concerned with the way those regulations would be administered. They wanted to fall under this province's more efficient regulatory environment. I know that was a significant impetus in the way that Alberta Environment developed the TIER legislation. Their purpose is to ensure that we have a credible plan to reduce greenhouse gas emissions in this province with our heavy emitters but also to do it in a way that is going to be most efficient and ensure that our industry remains competitive.

Ms Phillips: Thank you.

What I'm hearing is that industry recognized the federal jurisdiction over schedule B for industrial emitters. Even if the government of Alberta lawyers don't recognize it, industry lawyers recognized that risk.

With that, I'll cede the rest of my time to MLA Sweet.

Ms Sweet: Thank you, Mr. Chair.
Go back and forth, please?

Mr. Toews: Sure.

Ms Sweet: Okay. I'd like to turn our attention to public-sector compensation and try to get a better insight into your thinking. The MacKinnon report said that wages for Alberta public-sector workers were higher than in any other part of the country, but as all Albertans know, we have a higher GDP per capita in our province, and we have the highest wages in the country. My first question is: how much higher on average are public-sector wages in Alberta than the national average?

Mr. Toews: We will have to provide that information relative to that national average, but I will speak to the MacKinnon report conclusions. The MacKinnon report concluded that, firstly, as I mentioned earlier, the cost of living in Alberta is, based on their metrics, not higher anymore relative to the other provinces. Secondly, particularly given many of the professional streams within the public sector, they believe that comparing interprovincial comparators in terms of remuneration levels was the appropriate metric.

Ms Sweet: Okay. I guess I'll move on, though. Alberta public-sector wages are higher on average.

When it comes to fairness and affordability of public-sector wages, one economist that I spoke with yesterday said that we should compare Alberta's total public-sector compensation to our GDP and do the same for other provinces and their GDP. You're the minister, and you're elected to make the judgment call – fair enough – but you're also an accountant. Do you agree that measuring Alberta's total public-sector compensation relative to our GDP can provide a fair metric for affordability?

Mr. Toews: I would have to give that some thought. I wouldn't concede that quickly. Clearly, a per capita basis, I think, makes more sense intuitively than a GDP basis.

Ms Sweet: Okay. But GDP is a standard measurement, so I'm not sure I understand why you wouldn't use GDP as the standard measurement when it is measured in every other area.

Mr. Toews: Well, GDP is a measurement of economic capacity; per capita, of course, is based on population. As we deliver services to Albertans, to me, I would be inclined to believe that it should be measured against the number of people that we're delivering services to as opposed to our economic capacity.

Ms Sweet: Okay. Alberta spent \$26.9 billion on public-sector compensation. Minister, according to one of my colleagues in B.C. they spent \$30.5 billion in 2018-2019 on public-sector compensation. Your government is often saying that it should bring public-sector compensation more in line with B.C., but as it turns out, as a share of the GDP Alberta is actually lower. In your previous answer you said that public-sector compensation as a share of GDP could potentially be a fair measure or not. If that's the case and Alberta is already leading, why are you asking our hard-working public servants for wage rollbacks when you recognize that B.C. is actually paying more?

Mr. Toews: Well, firstly, I believe that a better measure is on a per capita basis. I want to make sure I'm clear about that. On a per capita basis, based on the MacKinnon findings, basically our total public-sector compensation was \$5,480 per capita, and British Columbia's was \$4,661. So B.C. was spending about \$800 less per capita than Alberta. That was one of the findings that MacKinnon used as they did the interprovincial comparator around public service spending.

Ms Sweet: Okay. You're doing it now on per capita, but before – and the MacKinnon report has indicated this, and there has been criticism about the fact that you also talk about compensation in other provinces and the overall compensation. But if you recognize that the private sector in Alberta has a higher compensation than anywhere else in the country, why are you asking public servants to not be able to be compensated at the same amount?

Mr. Toews: You know, I think that – and I'll be interested to see the statistics that were requested – the reality is that in the last four to five years so many Albertans have taken significant pay decreases. Many are underemployed right now in this province, and many have lost their jobs.

11:30

Ms Sweet: Minister, that's not a fair compensation for the public sector. One, they don't get the same inflation in their salaries as the private sector does when the economy is doing well. To say, "Well, now they have to take a huge rollback" even though when there was a huge oil boom, people were making three times as much: that is not a fair compensation. You just said that you have to look at the data that I requested around public-sector compensation around the GDP, which makes me wonder if you can be honest, if you've actually delved into all of the different measurements around the public sector, or if you're just basing it on the one factor, the MacKinnon report, which hasn't factored in all of the other issues.

Mr. Toews: Again, I can draw a conclusion. From 2008 to 2017 – I'll present this information – the total provincial core government compensation expenses grew by 49 per cent during that time.

Ms Sweet: Those were caseload issues. That was not compensation for salaries because there weren't salary increases.

Mr. Toews: A combination of the two, for sure. We recognize that . . .

Ms Sweet: But, Minister, in all of those negotiations for the public bargaining units there have been zeros across the board, and the teachers haven't taken anything in over six years. So it's not inflation of salaries. It's due to caseload requirements for service provisions for the public sector and meeting the number of Albertans that they need to serve.

Mr. Toews: I want to provide a bit of context here, though. We're in a scenario in this province where many in the private sector have taken big pay decreases or have lost their jobs altogether. The second piece of important information is that interprovincial comparators show that our public-sector remuneration packages are higher, in some cases very significantly higher, than other provinces. We're at a point in our history . . .

Ms Sweet: Will you make a commitment, then, Minister? Will you make a commitment that if the GDP . . .

Mr. Toews: If I may finish, Chair.

The Chair: Member, yeah, please.

Mr. Toews: We're at a point in our history when we can no longer live beyond our means, and we will all have to share in spending restraint.

Ms Sweet: Minister, you have 2 per cent GDP growth projected within your budget, yet you're asking for a 5 per cent rollback for the public sector. Why don't they get the 2 per cent GDP growth if that's in your projected budget?

Mr. Toews: Our position going into the wage arbitrations as a government is, on average, minus 2 per cent. We think that's a defensible position.

Ms Sweet: But your budget says 2 per cent GDP growth, so how can you say that while the private sector is hurting – and I'm not minimizing Albertans. Like, we need to get jobs. You campaigned on it. We'd love to see you create one. What I'm trying to say is that your budget says that there's going to be growth in the GDP, yet you're asking public servants to take a rollback. That doesn't meet your argument. It doesn't make any sense.

Mr. Toews: Listen, we have a deficit. We committed to Albertans that we would deliver efficiently and effectively. Interprovincial comparators would indicate that our public sector is paid at a higher level.

The Chair: Thank you, Minister. Sorry to interrupt.

We'll now move on to questions from the government caucus.

Mr. Singh: Thank you, Chair. Through the chair to the minister, if you could please continue answering my previous question. It was: can you describe some of the feedback that you have received from the banks and other financial institutions on our government's budget?

Mr. Toews: Sure. Thank you for the opportunity to finish answering your question. The TD Bank wrote:

The government's budget plan strikes a good balance between addressing the deficit in a reasonably timely fashion but not at such a hurried pace that it could knock Alberta's still-fragile near-term growth outlook off track.

Overall, we've been very pleased with the response from the banking community, from the financial sector. The feedback we've received to this point is that there's the belief that this is a credible budget, a budget that will in fact achieve balance within our first term and a budget that will continue to deliver high-quality services to Albertans.

Mr. Singh: Thank you, Minister, for the answer.

Mr. Getson: Permission to go back and forth again with the minister if possible.

Mr. Toews: Sure.

Mr. Getson: Minister, on page 157 in your key business plan you're talking about supporting small and medium business. Can the minister discuss how his ministry is planning on encouraging investment in our small and medium-sized businesses? Again, in our areas, where I'm from, those are the ones that have been hardest impacted right now by the economic downturn. We're looking at bringing investment here. We're competing with, you know, jurisdictions like Texas right now for equipment manufacturing from the fifth-largest manufacturer in the world. It may not seem like a big thing to some folks around the table, but in our area it's

pretty huge, again with all the service industries that were taking care of those coal mines out there – we've got a downturn, obviously, in the energy sector – in Acheson industrial park. We've got a lot of folks that fall within that small to medium mindset. I'd really like to hear how this is going to help us out.

Mr. Toews: Sure. I'll work to be quick. The first thing we did – and I've mentioned this already – is that we repealed the carbon tax, which had a very significant negative impact when it was in place on many, many Alberta small businesses. I gave a couple of examples from my constituency. You know, when the previous government, when the NDP government, implemented the carbon tax, they also reduced the small-business corporate tax rate from 3 to 2 per cent, which was a positive move. We will leave that rate at 2 per cent even though we are repealing the carbon tax. We will leave that preferential rate in place for Alberta small business.

The other measure that we're implementing, that we're adopting, is the accelerated capital cost allowance provisions which will allow for quicker paced writeoffs, enhanced writeoffs in the year of addition, for capital equipment and capital purchases. This will have the effect to grow the economy, attract additional investment, and also improve productivity, which at times has lagged. Again, we know we compete globally. Competitiveness is absolutely critical.

Our job-creation tax cut will affect many, many small businesses. As I mentioned, 75 per cent of the businesses that are going to directly benefit from that job-creation tax cut also, in fact, are considered small businesses, so 75 per cent of them will benefit directly. All of them will benefit from increased investment and opportunities. We know that when, you know, significant business enterprises and investment establish in a community, from that investment many small businesses have increased opportunities to supply services and goods and other requirements for those larger businesses, so the spinoff effect, we believe, will be great and significant.

We've also rebalanced our approach to labour. We've rebalanced our employer-employee relationships to a balance that has served Albertans well in previous years. Again, we need to ensure that we have the most competitive business environment to attract investment and grow our jobs and opportunities in the province.

Mr. Getson: I appreciate that, sir.

Just one last note before I turn it over to my colleagues. The symbolism of you putting on your work boots, your cowboy boots, did not fall short in my area. It really resonated with those folks. I appreciate you putting on the work boots and what your staff and you are doing here right now.

I'll turn that over to my colleagues.

The Chair: Next question.

Mr. Smith: Thank you. Mr. Chair, can I go back and forth with the minister?

Mr. Toews: Sure.

Mr. Smith: Thank you very much.

The Trudeau government decided to increase taxes by introducing the enhanced CPP. What is your stance on this new payroll tax? What will the increased costs be for the average Alberta family?

Mr. Toews: That's a measure that we were clear in our platform we did not support. It is a measure that does increase the costs to individuals and to Alberta businesses, and we believe that this was

not the time for that type of measure. There are some estimates that the expansion of the Canada pension plan benefits will cost Alberta families as much as \$1,624 a year. Of course, that cost would be similar, then, for the employers. We've made it clear that we're not in favour of the enhanced CPP provision.

The Chair: If I could interrupt just for a moment, I'd ask members to kind of stick to the documents that we have at hand and not speculate on federal issues. We're here to discuss budgets for the province.

Mr. Smith: Okay. Well, I'll try this one, and you can rule me out of order if you want.

The Chair: Okay.

Mr. Smith: The Trudeau government unfairly imposed the mortgage stress test across Canada when it was put in place to cool down the hot Vancouver and Toronto housing markets. I think we've all been aware of that, but this has also greatly impacted Albertans. What has our government done to fight back against this unfair policy?

11:40

Mr. Toews: Well, we agree that this mortgage stress test has had a negative effect here in Alberta. It was designed for a couple of hot housing markets across the country, namely Toronto and perhaps Vancouver. It's been applied across the whole nation and has had a detrimental effect. I've communicated our concern and our request that we, Alberta, be excluded from the stress test. I've made my position clear with our federal minister, Minister Morneau. We will be continuing to follow up on that issue in the days and weeks ahead.

Mr. Smith: Thank you.

I cede my time over to one of my colleagues.

Ms Rosin: I just have one short question. It won't take long. I'm just wondering if you can tell us what the government is doing to increase the hiring of Albertans with disabilities and to ensure that there is more inclusion amongst our public sector.

Mr. Toews: That's a good question. We made it clear in our platform that we wanted to do all we could to ensure that Albertans with disabilities had excellent employment opportunities. As a government we are committed to doing our part in hiring Albertans with disabilities. Now, I've seen the statistics, and I believe that approximately 5 or 6 per cent of employees within the government are individuals who would identify as having a disability. I would like to see that number increase because I think it's about 11 or 12 per cent of Albertans that would identify as having a disability. Clearly, we need to deliver high-quality services, and we need to hire the best people for the job, but I believe that in many cases the best people for the job may be people with disabilities, and we will be making an effort to include them.

Ms Rosin: Wonderful. Thank you.

That's all for me.

Mr. Sigurdson: Excellent. Chair, permission to go back and forth again?

The Chair: Go ahead, Mr. Sigurdson. You have 53 seconds.

Mr. Sigurdson: You touched on this a little bit earlier with reference to page 13 of the fiscal plan. I know you had kind of mentioned this a little bit before, but what has the government done

to support lower-income families with the changes to the Alberta child and family benefit? I know you were mentioning before that there were some changes there in the structure. I just wonder if you could give some depth on that.

Mr. Toews: Sure. Well, we've basically taken two programs and replaced those two with one program, and that's resulted in cost savings to government and reduced administration effort. In terms of its effect on families, 65,000 to 70,000 families will actually receive a greater benefit. These families are our lowest income families, families that we would consider the most vulnerable. So our plan, our goal, was to repurpose a program.

The Chair: Sorry to interrupt, Minister.

We will now move over to the opposition caucus.

Member Ceci: Could I take you to page 116, under public-sector compensation? It talks about Budget 2019 and tighter controls on compensation for the public sector.

The Chair: Do you want to go back and forth with the minister?

Member Ceci: That's fine.

The Chair: Thank you.

Member Ceci: It talks about, I guess, that 764 positions will be eliminated in this year, '19-20. Can you give me a breakdown of how many of those are vacant positions, how many are due to retirements, and how many are due to layoffs?

Mr. Toews: We can provide you our best information, but I will say this: the vast majority of those positions are attrition.

Member Ceci: Okay. "Overall savings of \$552 million": is that for this fiscal?

Mr. Toews: That's for the four-year fiscal plan.

Member Ceci: Well, it doesn't say that.

Mr. Toews: That is the greater public sector.

Member Ceci: Okay. So for the 209,000 public-sector workers in Alberta it's \$552 million?

Mr. Toews: It's \$552 million, and that number represents approximately a 2.1 per cent reduction in public-sector compensation.

Member Ceci: Can you give me a breakdown of how much of that is on the compensation, how much of that will be from staff reductions, and how much is on this "simplifying service delivery methods"?

Mr. Toews: We don't have that information.

Member Ceci: You've rolled that together?

Mr. Toews: Right. We don't have that information. I mean, we've been transparent within the public service. There will be a 7.7 per cent reduction in the public service itself.

Member Ceci: Overall, over the course of the plan?

Mr. Toews: Over the course of the fiscal plan.

Member Ceci: You commented about this earlier, too, when you were talking about arbitration, not negotiation. You said that further

reductions may be necessary to accommodate for awards through arbitration in 2019-20.

Mr. Toews: Sure. We've been transparent with Albertans that our budget does not include provision for wage increases, yet we're respecting the arbitration process, as we stated we would. In the event that there are large awards, which we wouldn't expect – but in the event there are awards, then we will have to reconsider the size of our public service.

Member Ceci: Right, and that means that the overall savings, then, may be higher than \$552 million because you'll cut more people.

Mr. Toews: No. The \$552 million would be basically the factor of both, volume times price. So the \$552 million would likely remain the same. Of course, as we know, if price goes up, volume has to come down to make the same total.

Member Ceci: Can I ask you if you're continuing with the indigenous people awareness training that was started, I guess, under the Public Service Commission?

Mr. Toews: Yes, we are. We will be continuing with that training. We believe that's important training. We're putting a priority on those individuals that are on the front line that deal with indigenous Albertans.

Member Ceci: All 27,000 staff that are GOA staff will continue to move through that over the next couple of years?

Mr. Toews: Yeah. We have a plan to continue with that for the public service. For agencies, boards, and commissions, we're making that training available to them as well.

Member Ceci: Thank you very much.
I'll hand it over to you.

Ms Phillips: I was just wondering about the government's intent around keeping ongoing executive compensation restraint for agencies, boards, and commissions. We have legislation in place. Are there any plans to either repeal that legislation, change the regulations, or otherwise take the reins off executive compensation restraint for ABCs?

Mr. Toews: Are we talking about the wage freeze or the overall restraint around . . .

Ms Phillips: I'm not talking about the management wage freeze. I'm talking about the executive compensation packages for ABCs.

Mr. Toews: At this point in time we're not anticipating any changes.

Ms Phillips: Very good.
I'll pass my time over to Mr. Dach.

Mr. Dach: Thank you, Chair. I'm pleased to continue. I had a couple of quick questions about something that's near and dear to my heart because, as you'll know, I sold real estate for 30 years in this province. One of the things that's been done in this budget, which was a bit shocking to me, was that as a job-creation government or one that's reducing red tape or claims to be and wants to be known as a government that's open for business, this government went ahead and doubled the amount it will cost to register a mortgage during a real estate transaction from \$1 per thousand of mortgage to \$2 per thousand of mortgage. In my quick,

rough calculation that'll be adding another 350 bucks, approximately, to an average residential real estate transaction, assuming about a \$350,000 cost of a house. Plus, of course, it applies to business transactions as well. I'm wondering, first of all: how much extra money do you think this will generate on an annual basis going forward?

Mr. Toews: That would be a good question for Service Alberta in terms of those details, but I can say this. Of the many, many, many fees that government charges, there have been a few that have been raised in this budget. This is about cost recovery and periodic increases to recognize that.

Mr. Dach: My real point, which I want to try to understand, is: is this extra money? Typically the money that's being charged for this mortgage registration fee goes into the assurance fund to cover defects in title claims. Will this doubling, this extra money, be going into general revenue, or is it going to be going towards the assurance fund? If it's going into general revenue, I would have thought that you would know how much more would be going into general revenue.

Mr. Toews: You know, in terms of the use of the funds I would defer to Service Alberta on that one. We can provide additional information.

11:50

Mr. Dach: All right. I'd be interested to know that because it's something that's going to add a cost to the purchase of a home. It's going to be something that may actually harm the real estate industry as a result, and it's something that I wouldn't have expected from this government.

I'll pass it on to anybody else.

Member Ceci: Did you lift the management-exempt wage freeze?

Mr. Toews: That's in place right now until December 31. You're talking about the management wage freeze?

Member Ceci: Yeah.

Mr. Toews: There haven't been final decisions made, but at this point it's in place until the end of this year.

Member Ceci: Okay. So nothing is built into this budget with regard to increases to management wages and the freeze lifting from January 1 to March 31?

Mr. Toews: At this point in time, from an overall perspective, we have not included a provision for wage increases. In terms of the decision around that particular management wage freeze, we will be making a decision shortly.

Member Ceci: Okay. Thanks.

The Chair: Go ahead, Mr. Nielsen.

Mr. Nielsen: Minister, I'm just referring to the business plan. It starts over on page 158, but more specifically, at the top of page 159, you have some targets there for '19-20, '20-21, and so forth. I guess I'm just wondering: where did these targets come from? Even more specifically, why couldn't those have been included in your original red tape reduction legislation, that was presented to the House in the last session?

Mr. Toews: Sorry. There are several measures. This was page 159 in the fiscal plan?

Mr. Nielsen: Yeah. Point 2(c), performance measures, which starts, actually, on page 158, but the chart itself is located at the top of page 159. I'm just wondering: where did these targets come from, and why weren't they potentially included in the original Red Tape Reduction Act?

Mr. Toews: Well, the target in 2022-23 reflects our platform commitment to, again, reduce regulatory burden, reduce red tape by 33 per cent, by one-third. We've set a goal by 2022-23 to reduce it by 33 per cent. We've been clear in the fiscal plan. We have targets of 5 per cent, 12 per cent, and 20 per cent in the intervening years. Those would be targets. We know that we can't get this all done in the last year. We know that it's going to take effort all the way along, so we've set kind of in-year targets as well to measure progress.

Mr. Nielsen: You basically just took the four years, divided by four, and here are our targets?

Mr. Toews: Well, actually, not exactly. Our first year is a bit lower. We recognize that getting going takes time. It's going to take time to hear from industry. It's going to take time to formulate . . .

Mr. Nielsen: Any reason why these targets couldn't have made it into the legislation itself?

Mr. Toews: You know, our real concern is that we had a very legitimate effort to reduce red tape and modernize our regulatory system, so again we were clear with Albertans that we intended to reduce this burden by one-third. That's our goal. That's stated in these targets, and we believe that the legislation will accommodate that.

The Chair: Thank you very much, Minister.

The government caucus will now have just under six minutes to ask questions.

Mr. Sigurdson: Thank you, Chair. To the minister, I just want to allow you the ability to maybe just finish up the previous question on the Alberta child and family benefit. You were just in the middle of providing some of your numbers there.

Mr. Toews: Sure. Well, I believe that I had largely concluded my comments. Ultimately, this new program will deliver higher benefits to Alberta's most vulnerable families, and that was the goal in redesigning this program. We'll do it in a more efficient manner by basically taking two programs and rolling them into one, so Albertans will save administration costs in doing that.

Mr. Sigurdson: Excellent. Thank you, Minister.

I'll pass it on to my next colleague for questions. Thank you.

Mr. Turton: Thank you very much. Mr. Chair, do I have permission to go back and forth with the minister?

The Chair: It's up to the minister.

Mr. Toews: Sure.

Mr. Turton: Okay. Thank you, Minister. As most people in the province are coming to know, the riding that I live in, Spruce Grove-Stony Plain, is rapidly becoming a tourist hot spot. It's our desire, actually, that one day more people will come to Spruce Grove-Stony Plain than even the riding of Banff-Kananaskis. We're on that trajectory right now, so my question is actually pretty relevant to the amazing residents that brought me here.

I guess I want to ask a couple of questions about the additional revenues from Airbnb. This is obviously something new that's kind of coming into the province these days. I was just hoping you could maybe elaborate on why we are looking at introducing this new levy, because it's obviously going to impact the people in my riding.

Mr. Toews: Sure. All the best in eclipsing Kananaskis and Banff in tourism revenues.

Mr. Turton: We're almost there. We're almost there.

Mr. Toews: This measure, as I'd mentioned earlier, was really more about levelling the playing field and ensuring that in our hospitality and accommodation industry we weren't disadvantaging one business group, sector, or type of accommodation over another. We're confident that this will level the playing field. We know that there's been significant growth in the Airbnb business. There are some obvious reasons for that. I think that it's a type of accommodation that more and more people appreciate, yet we want to ensure, from a taxation standpoint, that as government we're providing a level playing field and not interfering with market-based decision-making.

Mr. Turton: Then I guess just one quick supplementary question: is the approach that the government is using regarding the levy following the course set by other jurisdictions, both in terms of rates and philosophies, in how we kind of approach this new way of doing business?

Mr. Toews: It is. Again, we'll roll that out in the next budget. We wanted to signal in this budget that this was our intention. We'll roll out the details in the next budget. There are good precedents in other provinces that can provide a template to get this done well and efficiently and without creating undue burden on operators.

Mr. Turton: Okay. Perfect. Thank you very much. I look forward to the upcoming boom of the tourism industry in Spruce Grove and Stony Plain to take advantage of this. Thank you very much.

I defer the rest of my questions to my colleagues.

Mr. Smith: Mr. Chair.

The Chair: Do you want to go back and forth?

Mr. Smith: If we have the time.

Mr. Toews: Yeah. Sure.

Mr. Smith: Okay. On page 159 of the ministry business plan key objective 3.5 says that Treasury Board and Finance is committed to "lead coordinated approach to board member recruitment." Through the chair to the Minister of Finance: why was this change made, and what is the status of board appointment centralization?

Mr. Toews: Sure. That's a good question. As a government we appoint approximately 1,200 individuals to agencies, boards, and commissions every year. Clearly, these groups, organizations, deliver in a very significant way to Albertans on behalf of governments, and we need to ensure that we have the right people on those boards. Our focus will be on competency and ensuring that we have an adequate skill set around every board table. We'll ensure that we have board members appointed at appropriate times. This was identified by the Auditor General as a deficiency in the

past, that many boards lacked the required competency to discharge their duties effectively and on behalf of Albertans. At times there were prolonged vacancies on some boards. We believe that by centralizing this effort, it will streamline the function of government. It will result in a more efficient but, maybe more importantly, more effective process to ensure that boards, commissions, and agencies under the government of Alberta have the right complement and the correct competencies, skill sets, again, to discharge their duties effectively.

Mr. Smith: Okay. I'll sneak this last one in. Can you explain how this budget will support the diversification of the Alberta economy?

Mr. Toews: We believe that our broad-based approach is the sustainable way to encourage diversification. Again, I'm convinced that government doesn't know best in terms of where capital should flow, to what sector, to what business.

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 the committee members that we are scheduled to meet again on Tuesday, November 5, at 9 a.m. to consider the estimates of the Ministry of Indigenous Relations.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

