Legislative Assembly of Alberta

The 30th Legislature
Second Session

Standing Committee on Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Tuesday, March 9, 2021
9 a.m.

Transcript No. 30-2-11

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Standing Committee on Resource Stewardship

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Transcript produced by *Alberta Hansard*

Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance
- Hon. Travis Toews, Minister
- Mark Brisson, Assistant Deputy Minister, Financial Sector Regulation and Policy
- Kim Capstick, Managing Director, Communications and Public Engagement
- Tim Grant, Deputy Minister, Public Service Commission, and Public Service Commissioner
- Darren Hedley, Senior Assistant Deputy Minister, Treasury Board Secretariat
- Dana Hogemann, Executive Director and Senior Financial Officer
- Athana Mentzelopoulos, Deputy Minister
- Mark Parsons, Assistant Deputy Minister, Economics and Fiscal Policy

Alberta Gaming, Liquor and Cannabis
- Kandice Machado, Acting President and Chief Executive Officer

Alberta Investment Management Corporation
- Mark Prefontaine, Chief Client and Stakeholder Relations Officer

9 a.m. Tuesday, March 9, 2021

[Mr. Hanson in the chair]

Ministry of Treasury Board and Finance
Consideration of Main Estimates

The Chair: Good morning. I'd 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, 2022.

I'd ask that we go around the table and have members introduce themselves for the record. I'm David Hanson, the MLA for Bonnyville-Cold Lake-St. Paul and the chair of the committee. We will begin starting to my right.

Mr. Bilous: Thank you, Mr. Chair. Deron Bilous, MLA, Edmonton-Beverly-Clareview, and substituting as vice-chair.

Ms Issik: Good morning. Whitney Issik, MLA for Calgary-Glenmore.

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

Mr. Guthrie: Good morning. I'm Pete Guthrie, Airdrie-Cochrane.

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

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

Mr. Huffman: Good morning. Warren Huffman, committee clerk.

The Chair: Now we'll go to the members participating virtually. When I call your name, please introduce yourself for the record. I see Mr. Singh.

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

The Chair: Mr. Yaseen.

Mr. Yaseen: Good morning. Muhammad Yaseen, Calgary-North.

The Chair: Mr. Getson.

Mr. Getson: Good morning. Shane Getson, MLA, Lac Ste. Anne-Parkland, commonly known as God's country.

The Chair: Thank you, Mr. Getson.

Due to the current landscape we are in, all ministry staff will be participating in the estimates debate virtually. Minister, please introduce yourself and any officials who are joining you who may be speaking on the record.

Mr. Toews: Well, thank you, Chair. Got a bit of an echo. Good morning. I will actually just ask folks to go around the table and introduce themselves. I think that's most appropriate. I'll start here at my right with Deputy Minister Mentzelopoulos.

Ms Mentzelopoulos: Hi. Athana Mentzelopoulos, from TBF. Thank you.

Ms Hogemann: Dana Hogemann, TBF.

Mr. Grant: Tim Grant, Public Service Commissioner.

Ms Capstick: Kim Capstick, CPE.

Mr. Brisson: Mark Brisson, Treasury Board and Finance.

Mr. Prefontaine: Mark Prefontaine, AIMCo.

Ms Machado: Kandice Machado, AGLC.

Mr. Parsons: Another Mark. Mark Parsons, TBF.

Mr. Hedley: Darren Hedley, Treasury Board and Finance.

The Chair: Okay. Thank you.

I'd like to note the following substitution for the record: Mr. Deron Bilous for Joe Ceci as deputy chair.

Before we begin, I would note that in accordance with the recommendations from the chief medical officer of health, attendees at today's meeting are advised to leave the appropriate distance between themselves and other meeting participants. In addition, as indicated in the February 25, 2021, memo from hon. Speaker Cooper, I would remind everyone of committee room protocols in line with health guidelines, which require members to wear masks in committee rooms and while seated except when speaking, at which time they may choose not to wear a face covering.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Those participating virtually are asked to turn on their camera while speaking and to please mute their microphone when not speaking. Members participating virtually who wish to be placed on a speakers list are asked to e-mail or send a message in the group chat to the committee clerk, and members in the room are asked to please signal the chair. Please put 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. A total of six hours have been scheduled for consideration of the estimates for the Ministry of Treasury Board and Finance. Standing Order 59.01(7) establishes the speaking rotation and speaking times. In brief, the minister or members of the Executive Council acting on the minister's behalf will have 10 minutes to address the committee. At the conclusion of his comments a 60-minute speaking block for the Official Opposition begins, followed by a 20-minute speaking block for independent members, if any, and then a 20-minute speaking block for the government caucus.

Individuals may only speak for up to 10 minutes at a time, but time may be combined between the member and the minister. The rotation of speaking time will then follow the same rotation of the Official Opposition, independent members, and the government caucus, with individual speaking times set to five minutes for both the member and the ministry. These times may be combined into a 10-minute block. One final note. Please remember that discussion should flow through the chair at all times regardless of whether or not speaking times are combined. If members have any questions regarding speaking times or the rotation, please feel free to send an e-mail or message to the committee clerk about the process.

With the concurrence of the committee, I will call a five-minute break near the midpoint of the meeting, which we have decided would be right after the 20-minute government caucus speaking block; however, the three-hour clock will continue to run. Does anyone oppose taking a break? Hearing none, we will take a break at that scheduled time.

Ministry officials, at the direction of the minister, may address the committee. Ministry officials are asked to please introduce themselves for the record prior to commenting. Space permitting, opposition caucus staff may sit, appropriately distanced, 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 six 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 individual speaking times will be paused; however, the speaking block time and the overall three-hour meeting 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 March 17, 2021. 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 as a courtesy an electronic version of the signed original should be provided to the committee clerk for distribution to committee members.

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

Mr. Toews: Well, thank you, Chair. I would like to take a bit of time and just talk about the fiscal plan and Budget 2021 in general. Budget 2021 was founded on three key themes. The first priority and first theme was to ensure that we were adequately resourcing health care to deal with the pandemic and to deal with any of the other issues that have arisen from the pandemic with respect to health care in Alberta. That was priority number one, and that priority is well reflected in Budget 2021.

The second priority in this fiscal plan is economic recovery. Ultimately, as 2021 moves forward and we start to see a significant number of Albertans receive an immunization from COVID, I believe economic recovery will become priority number one at that point in time, but it's certainly reflected as a key priority in this budget. I'll talk a bit more about that in a few minutes.

The third priority is a priority that we established in Budget 2019, the first fiscal plan that we presented to the House and to Albertans, and that is a continued focus on the efficient delivery of government services. This is a priority that I believe should be paramount in every budget, in every fiscal plan, and it continues in Budget 2021.

Just to highlight a few of the key fiscal metrics in Budget 2021 and – well, I would expect that most of you have the budget, the fiscal plan with you today. We are projecting revenues for '21-22, the upcoming fiscal year, to improve slightly over the year that we're in right now. We are expecting revenues to go up by approximately $1.4 billion. That's based on what I would characterize as very modest economic assumptions that have informed our revenue projections. I'm sure we'll have a conversation about those assumptions later on in this meeting, and I would welcome that conversation.

Our operating expenditures are expected to go up. In fact, we're budgeting them to go up by $500 million over Budget 2020 and, in fact, a full billion dollars over what we're projecting to be actual results in our current fiscal year. That is almost entirely made up of an addition to Health's budget. This addition of over $900 million will appear in every year of the fiscal plan going forward, so it will also appear in '22-23 and '23-24. This additional $900 million is advanced to Health to deal with what has been increasing wait times for surgeries and other essential procedures in health, wait times that were already too high pre-COVID but that have grown as a result of the stress that COVID has created on our health care system.

9:10

The other reason for the increased funding for Health is that a number of the reforms that have been planned for the delivery of health care in the province have been necessarily delayed. Again, due to COVID and the pandemic those reforms are not permanently shelved, but they've been delayed, and the Minister of Health has plans to pick those up after we're past the pandemic.

Other expense is projected to be $800 million higher than our budget in 2020-2021, and that's due to increased debt-service costs, which will come as no surprise given the fact that we have, in this current year and in the upcoming fiscal year, necessarily had to borrow from capital markets in order to fund the operations of this government to a much higher degree than we would have anticipated. That's due largely to a massive decline in revenues due to what I characterize as a triple black swan event with respect to the Alberta economy, dealing with the largest contraction in the global economy since the Great Depression, really an unprecedented collapse in energy prices, and, of course, dealing with the pandemic within our own borders, which continues today.

The other part of that increase is an increase in capital grants. That increase in capital grants is related to our economic stimulus effort, and I'll talk a bit more about that in a few minutes.

We are projecting $1.1 billion to be specifically earmarked to economic recovery and economic growth, necessary as a result of the challenges that we've experienced with the COVID pandemic and resulting economic collapse. I'm sure we'll go into those details, and I look forward to that in our conversation.

We are also adding $1.25 billion in a health care contingency, and these funds, this contingency, are specifically earmarked for additional resource demand from Health to deal with the pandemic. At this point in time we don't know how long we'll be dealing with the pandemic. We can't with real precision determine what costs are ahead of us, ahead of Health, this upcoming year, but we know that there will be extra resources required. We've said all along – and Budget '20-21 continues to reflect this priority – that we will ensure that health care is adequately resourced, fully resourced to meet the challenge of the pandemic.

Included in Budget 2021, in the upcoming year, is a $500 million contingency for economic recovery. Again, with the uncertainty around the pandemic and the effect that has on the Alberta economy, we know that should the effects of the pandemic drag out, if public health restrictions are required to be continued, there could be an additional relief requirement for Alberta businesses and perhaps even for individual Albertans.

We also are currently working through the preparation of a whole series of sector strategies. While that work is not completed for many of the sector strategies, I would anticipate that there could be a funding request that we can't predict today. An additional funding request for some of those sector strategies: we don't want to delay that important work; we want to ensure that there are resources available to kick those sector strategies off on a timely basis, and for that reason we've set aside $500 million, again, in a contingency fund that can be allocated to economic development and recovery.

We are budgeting $1 billion for crude by rail. These costs reflect, really, the costs and obligations that this government inherited when we took office. With the great economic collapse of energy price reduction that we experienced last spring and the very narrow differentials that have continued to this point, the economics around crude by rail simply are not there, and the remaining contracts that we have today have very little value. APMC continues to work to assign these contracts to recoup any incremental value, assign these

contracts to the private sector. But, again, at this point in time they really have very little value, so we are meeting our obligations in these contracts, and the $1 billion represents the totality of our financial obligations with respect to crude by rail.

All of that is leaving us with a projected $18.2 billion deficit for the upcoming year. In the out-years, in ’22-23 and ’23-24, we’re projecting revenues to increase by just under 8 per cent per year, to in ’23-34 approach just under $51 billion, leaving us with budget deficits of just under $11 billion in ’22-23 and just under $8 billion in ’23-24. This also assumes that expenditures will remain relatively flat, which we are projecting.

As I see my time is coming to a close, perhaps I’ll wrap up with this. Again, Budget 2021 was a budget that contains three key priorities, three key priorities that I believe are the pertinent, salient priorities for the province at this point in time: resourcing health care, positioning the province for economic recovery and growth, and continuing to ensure that we’re delivering government services most efficiently.

Chair, I’ll leave my comments there, and I’m looking forward to the next three hours.

The Chair: Thank you, 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 you’re aware of the time.

Would you like to combine your time with the minister’s time?

Ms Phillips: I would like to request that I combine my time, Mr. Chair.

The Chair: Thank you.

Minister, you’re okay with going back and forth?

Mr. Toews: Yes, I am.

Thank you.

The Chair: Absolutely. Go ahead.

Ms Phillips: Thank you, Mr. Chair, and thank you, Minister, for those opening remarks. On February 23, the day before Budget 2021, the Premier held a news conference and went into some detail on the state of the province’s finances. He said that things were, you know, looking up and the deficit for the current year would be in the range of $14 billion. In fact, here’s the headline. Kenney says budget deficit – sorry. [Premier] Says Budget Deficit Will Be in $14B Range, Take Years to Balance. I asked the minister yesterday in question period, as part of our International Women’s Day of women asking questions, about this, and the Minister of Finance told me to read the budget. I did read the budget. Can the minister share with the committee and point to the line item that shows me the Premier’s $14 billion deficit?

Mr. Toews: All right. I appreciate that question and the opportunity to provide clarity. I think, as we all know, as I just explained, our upcoming projected deficit is $18.2 billion. I would find it of no value to speak to a media report, but it’s clear that our budget deficit is $18.2 billion, as reflected in the fiscal plan.

Ms Phillips: Thank you for that confirmation.

Yesterday there was a reannouncement of the 2021 capital plan, and it was characterized by the Premier as historic and the largest ever. To be more specific, he said that spending in fiscal year 2021 would end up being the largest in Alberta’s history. On page 186 of the fiscal plan, that contains the historical fiscal summaries so that Albertans can compare, I see that in 2017-18 the previous government spent over $9 billion in capital, and this fiscal year the so-called historic spend is $8.2 billion. How is $8.2 billion more than $9 billion?

Mr. Toews: Right. Again, I appreciate the chance to provide some clarification there. Included in our infrastructure spend, at least in terms of categorization, we’ve been including the investment in KXL, which would put us at close to $10 billion for the current year that we’re in. That was an investment that actually did provide thousands of jobs in the summer of ’20-21. When you combine that expenditure, that would put us at a record capital expenditure.

9:20

Ms Phillips: Can I just verify, Minister, that you meant that the jobs were provided in the summer of 2020, when the Montana crossing was completed? Is that what you’re referring to, or are you saying that this historic capital spend for a pipeline that is not getting built puts in the model, both in the capital spend but also in the jobs projections for summer 2021, thousands of jobs that are not in fact happening?

Mr. Toews: Yeah. I was referring to the activity that took place in our current fiscal year, the fiscal year that ends in approximately three weeks.

Ms Phillips: All right. I am to understand, then, that the reference to the largest capital plan in Alberta history includes money that is spent on people not building capital, because KXL was cancelled?

Mr. Toews: I think that we have to recognize that in the summer of 2020 there was a significant effort in the construction of KXL in the province of Alberta. Again, that put many, many Albertans to work in the southeast corner of the province, and it was a very significant infrastructure investment in play. That created, you know, well over a thousand jobs.

Ms Phillips: I’m wondering, Minister, if you could provide as an undertaking just the written confirmation of the number of jobs that happened within Alberta and how many of those jobs were to complete the border crossing in Montana and if those were, in fact, Canadians working there or Americans. That would be, I think, good for us to know, just how many Albertans were working on that. I agree that it is absolutely correct that thousands of good-paying construction jobs come from projects like this. There is no question about that, but I do have questions as to how many and how many were, in fact, Canadian jobs. That would be good to know.

Now, I’m just going to move on to the three-year capital plan, Minister, if I could. Yesterday the three-year capital plan was also characterized as historic and called the largest ever, and it was referring to fiscal years ’21 through to ’23, Minister, so not looking back, as we’ve just done. It is a large amount, and we know and share the view that this is one way to get people to work quickly. So $22 billion is a large amount, and I think it’s important to keep building this province, but as indicated on page 186 of the fiscal plan, under the previous government capital plan spending was $23 billion, and that was fiscal year ’16 to ’18. Again, I’m wondering how it is that $22 billion is larger than $23 billion.

Mr. Toews: All right. Well, I will say this, that the capital plan that we are presenting in Budget 2021 is a very significant capital plan. It’s a capital plan that’s expected to support 50,000 direct jobs in the province of Alberta and 40,000 indirect jobs. Maybe more importantly, as importantly, it’s a plan that will provide key core infrastructure to communities in Alberta, actually right across the

province. It's also a plan that will support strategic projects, projects that will improve our competitiveness and productivity, projects that will result in increased attraction of private capital and result in economic growth and economic fiscal capacity. These are projects that will provide real value for future Albertans.

Ms Phillips: Thank you, Minister. We certainly share that view, that investment in capital is a good way to get people back to work, particularly in times of economic downturn, which is why the largest capital plan ever was under the previous government at $23 billion.

Just wondering on these jobs numbers if you can confirm my understanding, then, Minister. The 50,000 direct jobs as a result of the capital plan: does that include any projected jobs from the inclusion of the KXL investment into the capital plan?

Mr. Toews: No, it doesn't.

Ms Phillips: Can I get that in some kind of writing on what's actually involved in the modelling out of – I know that it's straightforward multipliers that folks use when doing those jobs projections based on capital expenditure, and I know that's a straightforward calculation, but I'm wondering if you can provide that list of which projects are in fact feeding into that 50,000 direct and 40,000 indirect into the model.

I just want to confirm one more understanding, Minister. On page I believe it's 93 of the capital plan – is it 93? – we have employment in millions projected in the fiscal plan, and we have a low scenario and a high scenario and a base-case scenario. Are the 50,000 direct or the 90,000 direct and indirect contained within the base-case scenario that you have provided to Albertans?

Mr. Toews: Yes, they would be included in the base-case scenario because that's the scenario that we presented in Budget 2021, and that scenario includes our current capital plan.

Ms Phillips: Okay. It's actually page – the low and high scenarios are on page 93, that I referred to, but sorry for that confusion. The actual scenario impacts analysis is on page 64 of the fiscal plan. I want to turn our attention to that now and confirm some of my understanding because, you know, in the opening remarks I didn't hear, with the exception of, I think, the capital plan at the end, a real commitment to investing in creating jobs. I heard about strategies that are not done, but I didn't hear about that, so let's talk about jobs a little bit with reference to this page 64 of the fiscal plan.

Total employment, according to our most up-to-date figures that I can find in the GOA labour notes, which is published by Treasury Board and Finance – and I appreciate the civil service's work on this. Total employment, which is the most up-to-date on February 5, was published as 2.181 million employed Albertans. That's a 3.5 per cent reduction year over year. Then I went and looked at our total employment numbers for February 2017, '18, '19, '20. Those numbers, too, are published by labour notes out of your ministry. Then I read page 64 of the fiscal plan with quite a bit of interest.

The base-case projected by the ministry for total employment is that this year we will have 2.265 million Albertans employed, so we have some ground to make up there, and I think we all understand that certainly COVID has had an effect on the economy. That projection for 2021 that has been prepared by your department, Minister, projects fewer Albertans employed than in February 2017. Next year the base-case shows that we'll have 2.331 million employed Albertans. That's virtually the same as in February 2018. The base-case scenario projected by this government for the number of people with jobs doesn't grow past 2018 levels until 2023, so that's five straight years of total number of jobs lower than it was under the previous government but with a higher population.

Can you explain, Minister, how it is that this budget is not projecting job growth to exceed that of February 2018 for, like, four years?

Mr. Toews: Sure. I'm happy to relay my observations. There are two reasons. One reason is that we've in fact been dealing with a global pandemic, which has created a massive contraction in the global economy. We've experienced an unprecedented collapse in energy prices, and we're dealing with a pandemic within our borders, and that's had a great effect on the economy of the province, all of this outside of our control.

9:30

The second reason why I believe job creation is struggling is because we inherited a government with egregious economic policy put in place by our predecessors, economic policy that pushed taxes up, drove investment out of this province by the tens of billions of dollars. We are working to create a business environment that is again conducive to investment attraction. It will take some time, but I'm very confident that we will create that business environment – in fact, we're a long ways there now – that will result in increased private-sector attraction and increased job opportunities in the intermediate and long term. It's difficult to turn the narrative in a few months when a previous government has created such a negative economic environment.

Ms Phillips: Interesting, Minister, because in February 2018 there were 2.314 million Albertans with jobs before the pandemic and the collapse in oil prices. By the way, 2018 was under conditions of a 12 per cent corporate income tax rate for those who earn in excess of $500,000 a year profit. Before the pandemic and the price collapse there had not been job growth, but the CIT rate had been dropped. In fact, one would think that if those strategies were actually working, we would see employment growth being quite a bit higher than 2018 levels before '22-23, but we don't see that. In this page 64 of the fiscal plan what we are seeing is that there are fewer Albertans employed in 2022 than in 2018. Does this not then lead to a conclusion that perhaps these sectoral strategies need to be accelerated and have actual dollars associated with them? That, too, we do not see in this fiscal plan.

Mr. Toews: I'm happy to make a couple of comments. Firstly, there was something, again, called the COVID pandemic that came in between, and I think it's very difficult to exclude that fact and that great challenge that we're dealing with as a province. All Albertans are dealing with it.

Number two, we had introduced our policies, in fact, our first budget, in October 2019. By the first two months of 2020 we were already seeing early signs of an economic response, a response to investment attraction. Employment is lagging, but we were seeing a very positive response in terms of investment intentions for 2020. I'm very confident that 2020 would have been a turnaround year as a result of those economic policies that we had put into place and were beginning to put into place. COVID got in the way of that.

Now, secondly, I would agree with your assertion that we need to move forward with the sector strategies as quickly as possible. They're a key part of our economic recovery plan. They are an important piece, and this is about identifying sectors where we believe we have a competitive advantage, naturally a competitive advantage, and positioning those sectors for maximum growth. They include, of course, our traditional sectors such as energy and agriculture and forestry, but they also include emerging sectors such as tech. There's such a great story there in this past year in

spite of the recession. They include health sciences and pharmaceuticals. They also include tourism. They include aviation and aerospace and financial services.

Ms Phillips: Agreed. That would suggest that we are moving beyond, you know, the simple insertion of a couple of paragraphs of prose into the fiscal plan, which is what we see here. One would think that a budget that is entitled lives and livelihoods might want to actually help people have a livelihood.

In February 2018 the unemployment rate was 6.6 per cent. On page 71 of the fiscal plan we have the government of Alberta unemployment rate benchmark forecasts taking an average of the private-sector forecasts. In February 2020 the unemployment rate, seasonally adjusted, was 7.5 per cent, which is, frankly, before, as the minister characterizes it, something called the pandemic. Yeah. Aware of that. It's kind of affected my life, too. We have a 6.6 going to 7.5 per cent, and we don't actually in these forecasts go to anything lower than a 6.6 projection until 2024, when it's pretty hard to make projections. We all know that. How is it that a budget that says that it is focused on livelihoods is projecting an unemployment rate higher than in 2018 and, for most of the years, higher than it was in 2017 as well? How is it that we are projecting such dismal unemployment rates for so many years? Where's the light at the end of the tunnel for Albertans?

Mr. Toews: Here's the reality. The pandemic hit this province very, very hard, and we're not going to be disingenuous with Albertans and create an economic scenario that is unrealistic. We've taken a very cautious approach in our economic assumptions, that have informed revenue projects, that have informed our employment projections. I'm sure you've noticed that we're projected WTI at $46 for the upcoming year. That, I would say, is a very cautious, responsible approach. We've seen in the last two weeks to three weeks WTI prices move very, very quickly. Again, we are basing our revenue projections and employment projections on very modest economic assumptions.

Here's the other reality. This COVID pandemic and particularly the energy price crash have hit this province disproportionately hard, and these projections reflect that. It's because of the economic policies that we have put in place in the province and the sector strategies that we are in the process of rolling out, it's because of our effort around red tape reduction and regulatory modernization that we believe we will see the growth that we're projecting.

Ms Phillips: I heard a . . .

The Chair: That was your first 20 minutes.

Ms Phillips: Oh, okay. Sorry; I just wanted to defer to you, Chair.

Okay. All right. We have heard that the largest capital plan in Alberta's history includes a capital expenditure on a piece of capital that is not getting built, so let's talk about that piece of capital that is not being built. Let's talk a little bit about Keystone XL and that investment because people have a lot of questions, including me. This investment is through the Alberta Petroleum Marketing Commission.

The Energy annual report from last year – I believe it's page 31 – indicates that the government of Alberta provided, in the past tense, $1.5 billion in equity. Then it puts: and will provide, in the future tense, the loan guarantee of, you know, in excess of six – I can find the precise reference. I would like to know how it is that it appears in an annual report that the money was provided. It doesn't just appear that way; it reads that way. That is the verb, and that is the tense, the past tense. Where do I find the line item for that $1.5 billion, that the GOA told the public through the statutory release of an annual report, in a government of Alberta document provided in 2020? Where is that line?

Mr. Toews: All right. Chair, if I can, I also want to just add an additional response to the previous discussion item. We've taken a very cautious, conservative approach in Budget 2021 in terms of our economic assumptions. But, you know, there are a lot of really great things going on out there, and I just want to highlight some of those. We're seeing more and more businesses actually move staff into Calgary, into Alberta. mCloud Technologies is relocating to Calgary. Suncor is moving its Ontario offices to Calgary. Infosys has just announced that it's going to add 500 positions in Calgary. We've seen record venture capital investment, largely in the tech sector, over this last year. We have an increased projection in terms of capital expenditure in the energy industry from CAPP, an increase projected in 2021 of nearly $3.4 billion. BMO – I just read this this morning – is predicting . . .

9:40

Ms Phillips: Pretty sure that wasn't the question, Minister. Absolutely not.

The Chair: Member and Minister, please.

The minister is under no obligation to answer your question. You may not like the answer, but if you're going to get angry, project your anger at me, not at the minister, please.

Carry on, Minister.

Mr. Toews: Thank you, Chair. Again, I think this is very pertinent information. BMO is actually now predicting Alberta to lead the country in terms of real GDP growth, at 6.5 per cent, in 2021. Yes, we've taken very conservative, prudent economic assumptions so that we can take a thoughtful, careful approach to Budget 2021, but I'm very encouraged with the economic signs that I'm seeing out there, and it's a confirmation that our economic approach and policies are working.

Now, with respect to KXL, the KXL investment, of course, is held by APMC, as the member noted. In Budget 2021 we've been very transparent with Albertans in terms of our exposure. Our exposure is just under $1.3 billion. It wasn't the full $1.5 billion. We had an arrangement with TC where we advanced funds as construction progressed. The construction season was impaired largely due to some weather issues and COVID, so the full $1.5 billion investment wasn't required, and it wasn't advanced. Again, our total exposure is just under $1.3 billion at this point, and we've been transparent with Albertans. Obviously, we'll be relooking at this in appropriate reporting when we hit our year-end and consider our annual report. Our year-end is coming up in three weeks.

Ms Phillips: There's $100 million that the Auditor General asked to be booked in the previous fiscal year, in '19-20. I'm wondering if you can confirm for me where that expenditure appears.

Mr. Toews: Again, that is an expenditure that would appear on APMC's books. It would be considered an investment. That was a timing issue that was dealt with by the Auditor General and with our officials at Treasury Board and Finance, nothing unusual in the course of an audit as they work to ensure appropriate treatment and timing of the expense recognition.

Ms Phillips: I would appreciate as an undertaking if folks could follow up in writing, either in the TBF annual report, really big, or in the Energy annual report or in any of the fiscal plan documents that we have in front of us. If that specific line item of where that initial '19-20 APMC $100 million expenditure shows up – that

would be, I think, just helpful for us to know where those funds are coming from.

Can you confirm, then, Minister, that the rest of the, as I understand it at this point, $1.3 billion – can you confirm which line, where we will be able to find that expenditure?

Mr. Toews: All right. Again, that expenditure or outlay is reported on APMC's financial statements, and again those financial statements get consolidated – pardon me. The income gets reflected in the government of Alberta's revenues, but again those amounts would be considered an investment at APMC and not an outright expenditure. They would have been recorded and capitalized as an investment.

Ms Phillips: How is it, then, that it was told to Albertans that the equity contribution was provided in 2020 if it wasn't?

Mr. Toews: Again, we had an arrangement with TC where we provided funds on a pay-as-you-go basis. That was a protection so that we would only fund real progress on the pipeline development, and that's the way . . .

Ms Phillips: Can I just get some clarity on how the loan guarantee moved as well? In those documents it also said that the loan guarantee would begin in January 2021. Can you show me where those funds are booked in the budget?

Mr. Toews: Again, we have provided no disclosure in terms of our exposure. Our exposure doesn't change, whether it be an equity exposure in the form of equity or in the form of a loan guarantee. TC Energy paid down, repurchased a part of the equity position of the Alberta government. They had that option, and in early 2021 they drew on an operating line that the government of Alberta has guaranteed. Again, it doesn't change our total exposure. Our total exposure remains at just under $1.3 billion.

Ms Phillips: I'm just going to clarify. Our total exposure is $1.3 billion at this time – or is that the total exposure? – and that's what the ministry would like to provide us in writing in terms of the assurances to the people of Alberta.

Mr. Toews: Yeah. Our total exposure is just under $1.3 billion. It is not expected to increase materially.

Ms Phillips: Was any of the equity contribution rolled into the loan guarantee?

Mr. Toews: As I mentioned, TC Energy exercised an option and purchased a part of the Alberta government's equity position. They drew on an operating line that the Alberta government has provided a guarantee on. Within the agreement it does not increase the province's exposure.

Ms Phillips: When did TC exercise that conversion or the, I guess, buyback of the equity? What date was that?

Mr. Toews: It was very early 2021.

Ms Phillips: Can officials maybe provide as an undertaking, as written follow-up, when that happened?

Mr. Loewen: Point of order.

The Chair: Point of order noted. Go ahead, Mr. Loewen.

Mr. Loewen: Under 23(b). The member continues to talk about past budgets and past dates and past things, when we have the documents in front of us that clearly state that these estimates are for this year's budget going forward, so I think there's been a lot of latitude allowed the member to be discussing things from past years going back to 2017, which we've been discussing so far. I think we need to be talking about the matter that's in front of us, which is the estimates provided for this fiscal year upcoming, not continuing to go back into the past and asking questions and discussing matters that are irrelevant: so and so said this at such and such a date and how it relates to what we're doing here. I think we've gone a long way from where we're supposed to be in this estimates process.

The Chair: Thank you, Mr. Loewen.

A response, Mr. Bilous?

Mr. Bilous: Yes. I have to say that this is not a point of order. In fact, the minister just said that a decision was made January 2021, directly impacting this current budget. What MLA Phillips is doing is talking about the previous which led up to today, including in today's budget, the dollars that the government of Alberta is required to pay in the current budget. This is absolutely relevant. This is not a point of order, and she should be allowed to continue her line of questioning.

The Chair: Thank you.

Any other members with input?

Hearing none, I'm prepared to rule on this. I agree. I don't actually see a point of order here at this point. I would encourage the member to try and stick to the relevant documents that we have before us, but there is some history involved with that investment from last year that affects this year's budget.

Please carry on. But, like I said, if you have moments that you would project through the chair, I'm here for a purpose. I'd appreciate that.

You can, please, carry on.

Ms Phillips: On page 32 of the fiscal plan we have some prose here about the Keystone XL, and I am looking to confirm my understanding of this. We've just heard from the minister that they don't expect their exposure to go much beyond, or at least I believe the characterization was materially – you can correct me if I'm wrong, Minister – this $1.2 billion, $1.3 billion sort of range, and that's in Canadian dollars. If that's the case, great. We don't know because we are in a trust-but-verify kind of situation here as we haven't seen anything approaching the structure of this agreement. But why not, then, book this in the budget? It's not in the budget papers, at least that I can find. I'm happy to be directed to the line item where this 384 . . .

9:50

Mr. Guthrie: Point of order.

The Chair: Point of order noted. Mr. Guthrie.

Mr. Guthrie: Under 23 (c), needless repetition. To me, this is, I think, now the fourth time that we've heard basically the same question being asked in a different fashion. The minister has clearly answered this numerous times. Personally, you know, I think I got it the first three times. But if we could move on, it would be greatly appreciated.

The Chair: Thank you.

A response?

Mr. Bilous: Yes. Absolutely. Again, this is not a point of order. You know, I'm happy to hear the member state his opinion of what he thinks, but this is exactly what it is. It's a matter of debate on

maybe he feels that the minister has answered the question. I yet have not heard an answer to the question. This is estimates, which the member is welcome to continue to ask the minister in as many different ways as she likes. This is not question period. This is not an issue that's been dealt with in the Chamber. In fact, she's asking about the $100 million as it relates to this budget, to which there has not been an answer yet. This is not a point of order.

And just to clarify, Mr. Chair, the time for the Official Opposition is on pause for every point of order debate, correct?

The Chair: Go ahead.

Mr. Huffman: Thank you, Mr. Chair. The 20-minute speaking block continues to run, but her speaking time, the five and five minutes, is paused. But the 60-minute speaking block continues.

The Chair: And, Member, it was laid out in the directions as we opened up. Okay.

Mr. Bilous: Okay. Well, if we continue to have frivolous points of order, then I'll have an issue with that.

The Chair: Yes. Absolutely, sir. That is right.

I'm prepared to rule on this. Again the line of questioning is within the parameters of the budget estimates. It's line items and deals with the documents in place.

That being said, we're in these budget estimates for six hours. If the members of the opposition want to spend the entire six hours on one line of questioning when there's an entire document available, that's their prerogative. Also, the minister is under absolutely no obligation to answer the question. Okay? So if you want to continue down this line of questioning and not get the answer that you want – whether the minister answers you to your satisfaction or not is irrelevant. If you want to continue with this line of questioning, you know, carry on. It's your time.

Ms Phillips: Thank you, Mr. Chair. Just so that we're really clear about what I was asking about, first of all, there's an initial equity contribution of $100 million that was booked in the '19-20 year, and I just wanted to know where it was. This was as a result of some findings of the Auditor General in November. I just wanted to confirm what line item. That was one topic that I asked about.

I also asked about, you know: why is it the government said that they provided, in the past tense, in 2020 $1.5 billion? Turns out that wasn't the case. I just wanted to confirm my understanding on that.

Now we are here in 2021. I have documents in front of me with a different story, page 32 of the fiscal plan, where it says that we are on the hook for in the neighbourhood of $1.276 billion. And I've just heard from the minister that he does not expect that to accelerate considerably. Good. Good to know. I'm glad that we we're able to get an answer for people on that. But now my question is: if we have equity payment, estimate of loan guarantee, or exposure to February '21, we have some idea of what our exposure is, why isn't that in this budget, unless it is?

Mr. Toews: Again, Chair, we've been very transparent with Albertans in terms of what the exposure is for the government of Alberta with respect to our investment in KXL, and we will be reconsidering this right now. We're working with TC Energy on every option available to us. Obviously, the highest priority would be to see this pipeline go forward. Should it not be able to go forward in any way, shape, or form, at that point in time we will look to take every means available to us, including through our trade agreements, to recoup and recover costs.

We've been transparent with Albertans in terms of our exposure. We will be reconsidering the treatment of this asset, reporting treatment, in our 2021 annual report, year-end, which is coming up in a few weeks.

Ms Phillips: So any of the contingencies that are provided for in this budget: is that where we're going to see this $1.3 billion show up eventually?

Mr. Toews: Again, this is an asset owned by APMC, so it will be reflected on APMC's operating results. Ultimately, again, we'll ensure appropriate treatment of this asset. We will have additional clarity at the time we're preparing our year-end financial statements for the current fiscal year. Right now we are working in the best interest of Albertans to pursue every option in the public interest around KXL. That work continues, and, Chair, this member, this committee, and Albertans can know and be assured that we will continue to be fully transparent with this investment going forward.

Ms Phillips: Thank you, Minister, for that answer.

I want to move on to FTEs now for a moment. We got some information via freedom of information, that's since been shared publicly as well, that the department figured that there could be $41 million in savings a year by bringing ATRF into AIMCo. We had a look at the AIMCo business case that we obtained by freedom of information and it showed that the other existing AIMCo clients would save $29 million annually for the consolidation of all the pension plans. [A timer sounded] Was that the . . .

The Chair: No. You've got twenty more minutes.

Ms Phillips: Okay. Sorry.

The $41 million, at any rate, was also repeated in the House on November 26, 2019, I believe in question period. But according to the 2021 TBF estimates on page 223, AIMCo investment management services costs to Albertans are going up $188 million from 2019-20 actuals to Budget 2021. How is it we're spending $188 million to save $41 million?

Mr. Toews: Well, I will say that actually our costs for the current year with respect to AIMCo are lower than we had projected in the budget, and that is a result basically of a somewhat delayed asset transfer process from ATRF, WCB, and AHS. However, I can report that that transfer process is going well at this point in time. I will have Mark Prefontaine make maybe a few comments in just a moment around the state of play at AIMCo. But our assertion that, by moving effectively the pension fund assets from ATRF into AIMCo to be managed by AIMCo with the other pension fund assets related to the government of Alberta, it will create economies of scale and result in lower costs to administer the investments: that remains sound. I had a conversation with AIMCo officials yesterday. They remain very convinced that in the upcoming periods they will be able to deliver on those efficiencies.

I have a couple of examples of efficiencies. I'll look to Mark to expand on those, but here's an example. Both ATRF and AIMCo use very sophisticated software. They purchase this software on an annual basis, software-as-a-service basis, and they're able to eliminate a duplication on that item alone, which is going to have very material savings overall, savings that will be reflected in lower premiums than they otherwise would've been for Alberta government and public-sector employees and savings for Alberta taxpayers. Again, all of these funds in education and health of course will be put right toward front-line service delivery. I remain very confident that the value proposition that we presented will in

fact be delivered. But I'll ask Mark to make a few comments if that's okay, Chair.

The Chair: Go ahead. Have him introduce himself. He'll probably have to go to the podium, sir.

10:00

Mr. Prefontaine: Good morning. Mark Prefontaine with AIMCo. Thank you, Minister, for the comments. I'll build on the minister's comments about expected savings based on transitions as they stand today. First of all, I'll affirm the minister's comments that the transitions are going well. They are well under way.

The savings that we're seeing now really fall into two categories. One is the reduction of duplication, and that is in things like software and data costs. Then another is the duplication of service. Both AIMCo and the ATRF use custodians for the purposes of managing the assets, and by transitioning assets into AIMCo as one asset manager, we're able to not only eliminate custodial costs with ATRF but also, because of the aggregation of assets and economies of scale, negotiate favourable terms going forward for the management of those assets as well as the ongoing management of our existing clients' assets. In terms of saving opportunities that are actually being realized today, those are a couple of examples.

Now, the question posed about the increase in the AIMCo budget versus the publicly available estimated savings longer term: really, we need to make sure that we're comparing apples to apples. The savings that have been publicly disclosed are measured against the aggregation or total cost of all the entities managing the assets separately versus AIMCo managing those assets as one consolidated asset manager on behalf of those clients versus – the cost increase you're seeing year over year as indicated in the budget for AIMCo reflects the increase in assets under the management of AIMCo, and it does lead to increased costs where the savings really should be measured on a per-unit basis or a basis-points basis longer term.

But, you know, our costs are really driven by a number of things, first and foremost by our clients' decisions to allocate to certain asset classes. While the transition is going on with the ATRF, WCB, and AHS, our other clients continue to look at their asset allocation and, as a general trend, continue to allocate additional assets into real asset classes or liquid asset classes that are typically more costly to manage just given the type of assets and typically require additional staff, boots on the ground if you will, to manage those real estate, infrastructure, and private equity assets.

Ms Phillips: Thank you for that detailed answer, Mr. Prefontaine.

Now, I can assume, then, that the 49 new FTEs coming into AIMCo and the fairly dramatic escalation in costs from $389 million until today, when we're looking at $577 million – this is for the minister. Sorry. Because this is now consolidated in and ATRF wasn't before, as I understand it, this represents, even though it looks like a dramatic escalation of costs and FTEs when both things are running contrary to what the fiscal plan's stated objectives are – I'm going to assume, then, that there is an analysis prepared by Treasury Board and Finance, ATRF, on the number of FTEs, the cost per basis point for active management, which, as Mr. Prefontaine points out, is a good metric.

I would like to request as a written undertaking what underlies this assumption that $577 million, a fairly dramatic escalation in costs for investment management services, includes the savings that the AIMCo business case alluded to back in the fall of '19 and that it includes eliminating that duplication that has been referenced a couple of times. I think Albertans need to see that the outcomes of the decisions that were taken in the fall of '19 and subsequent around AIMCo's role in public-sector pension management actually resulted in the cost savings that were projected or something close to it, and if not, what's the plan to achieve that and some explanation for the explosion in costs and FTEs?

Mr. Toews: All right. Well, you know, I think that's a fair request, and I would share that request that the member has identified. At the end of the day, our motive was ultimately to reduce duplication, reduce redundancy. We had what I would characterize as two very successful asset managers. One was considerably larger than the other. But there was a duplication, a redundancy in terms of capacity, a redundancy in terms of costs. The analysis that was conducted demonstrated that there would be an efficiency if we could bring together effectively the function of those two organizations, and that's what we have embarked on. The transfer is going well. I'm confident that we will be able to demonstrate how, again, combining this capacity will result in efficiencies at the end of the day.

As the member pointed out, ATRF's costs are not consolidated in the government of Alberta financial statements, so that is one reason why costs are going up.

The other thing I want to point out as well is that a significant amount of costs related to investment management, particularly at ATRF, has been the utilization of third-party managers. That's a very significant cost. Again, as expertise is pulled over to AIMCo, with AIMCo's deep expertise as well as some very key personnel moving from the ATRF to AIMCo, which is improving and strengthening their capacity, much more of that work can be done in-house, and that will result in significant savings.

Mr. Schmidt: Okay. Thank you.

I would like to refer the minister to page 174 of the fiscal plan, schedule 4, the statement of operations. Now, following the release of Budget 2021, the Premier held a news conference where he said that Budget 2021 would spend more on health care this year than ever before. In fact, he boasted that it was a record. And in the news release he said that the total expense for health care would be $23 billion. I see that the figure in the budget presented is just slightly over $23 billion, but if you look one line over, the total expense for Health was $24 billion last year. I'm hoping the minister can explain how the Premier was right and how a $23 billion investment this year is larger than a $24 billion investment last year.

Mr. Toews: Well, certainly, in terms of budgeting this would be the largest health care budget in the history of the province. As the member knows, I'm sure, 2020, the current year we're in, created significant pressure in our health care system due to the pandemic, and we have resourced Health to meet the challenges of that pandemic. But in terms of the upcoming budget year the $23 billion will be the most significant, the largest budgeted amount for Health in the history of the province.

Mr. Schmidt: In some of your statements earlier, Minister, you stated that the COVID contingency is $1.25 billion. Now, I'm just curious why you've listed that as a contingency and why you haven't booked that in the Health budget this year.

Mr. Toews: All right. The reason for that is because of the uncertainty in timing of getting past the pandemic. If we knew exactly when we would have enough Albertans immunized so that we could ensure that our health care system wasn't going to be experiencing the pressures that it has been experiencing, then we could have with more precision included a specific number in Health's budget. But because of the uncertainty we felt it prudent to include a specific COVID contingency for Health, and that way

we could ensure that Health has access to the resources proactively, but we can also ensure a very sound financial management in allocating the amounts as they're required.

10:10

Mr. Schmidt: Last Friday the Minister of Health already announced some spending on surgical initiatives that's apparently coming out of the COVID contingency budget. Can you confirm my understanding that the Minister of Health's spending announcement is actually coming from the COVID contingency that's booked in the budget?

Mr. Toews: Well, again, we're adding $900 million to Health's base budget. Those funds will be used to ensure that we can get caught up on surgical backlogs, procedural backlogs. Again, we're also including a contingency amount of $1.25 billion, recognizing that there are many uncertainties out there. The Minister of Health is aware that this contingency has been set up, and I'm confident that Health will approach Treasury Board as they see need to further resource Health over and above the budget line in 2021.

Mr. Schmidt: Did the Minister of Health then make an error when he stated that this surgical initiative was being funded from the COVID contingency?

Mr. Toews: I have no reference to the Minister of Health's comments. What I can say is what I've just repeated, that we've included $900 million in Health's base budget. That increase will be in every fiscal year that we're presenting in the fiscal plan. And we've also added $1.25 billion in a Health contingency to deal with COVID and COVID-related issues.

Mr. Schmidt: Okay. I want to spend some time now asking questions about the recovery plan. The Budget 2021 key fiscal metrics on page 8 of the fiscal plan sets out a certain amount of money for COVID recovery. How much of that comes from the federal government?

Mr. Toews: All right. Sorry. Are you referring to the $1.1 billion in '21-22?

Mr. Schmidt: Yes. That's correct.

Mr. Toews: Certainly, a certain amount of that funding is coming from the federal government. That funding does include our activity on the site rehabilitation plan, effectively the oil and gas reclamation plan. It also includes funding for the jobs now program, which will be funded in part by the federal government. It also includes provincial-only investments. These investments include an additional $22 million for tourism related to the tourism sector strategy, $28 million related to energy with respect to their sector strategy, geothermal and minerals mapping. So it is a combination. We can certainly provide the exact component of federal funds.

But, you know, what I should also note here . . .

Mr. Schmidt: Mr. Chair, if I could just confirm the numbers, then. Out of a total $1.1 billion COVID recovery plan spend, I've calculated, just on the back of the envelope given the minister's comments, $50 million of provincial spend. Is that accurate?

Mr. Toews: No. There would be, certainly, significantly more than $50 million of provincial spend. But here's the good news.

Mr. Schmidt: Mr. Chair . . .

Mr. Toews: Mr. Chair, I would like to be able to answer this question. Here's the good news, and that's this. We're able to leverage federal funds. Let's remember that Alberta has made net contributions to this nation of close to $20 billion a year right now in order to . . .

Mr. Schmidt: Mr. Chair, I'm not interested in hearing the minister's grievances about federal spending. I'm just interested in what the total breakdown on the COVID recovery plan is, what the breakdown is between federal spending and provincial spending. Now, he said that it's more than $50 million. I'm happy if the minister is able to provide me an accurate number now.

Mr. Toews: I can certainly provide that number with precision. Happy to do that. But as I noted, the $1.1 billion is a combination of provincial funding and a combination of funds that we received from the federal government. We're very pleased to be able to leverage at least some federal funds back into this province . . .

Mr. Schmidt: So, Minister, is it my understanding that you will provide that breakdown to the Legislature in a written undertaking? Is that correct?

Mr. Toews: We would be pleased to provide that breakdown.

Mr. Schmidt: Thank you very much.

I want to talk now about the federal jobs money, $185 million. Can you tell me how much of that $185 million has been spent since the announcement was made in December?

Mr. Toews: Yeah. At this point in time I don't believe there has been a significant outlay on that program yet, but we can again provide additional precision.

Mr. Schmidt: Minister, I can't see what's going on in the room. When you say that you're providing additional precision, do you have officials coming up with that number at the table, or will you be providing written responses at a later date?

Mr. Toews: They're working to identify if they can come up with that number at the table. If not, we'll provide a response at a later date.

Mr. Schmidt: Thank you very much.

While we are waiting, then, for officials, I'll continue with questioning. Pages 10 to 12 go into a little bit of detail about some of the sectoral strategies that you've referred to. I'm interested in getting more clarity on the additional investment that the government of Alberta is planning to make in these strategies. For example, the tourism recovery plan on page 10 . . .

The Chair: Thank you. I'm sorry to interrupt. That concludes the first portion of the questions from the Official Opposition.

We will now move to the government caucus for 20 minutes of questions from the members. Would you like to combine your time with the minister, and who will be taking the first? Mr. Yaseen, go ahead, sir. You'll be going back and forth with the minister?

Mr. Yaseen: Yes, Chair.

The Chair: Thank you.

Mr. Yaseen: Thank you very much, Minister Toews and your staff, for preparing this Budget 2021, which is focused on protecting lives and livelihoods. I think you alluded to my questions earlier on in your remarks and in the discussion a little bit later as well, but I think this will provide you with a good time to kind of reflect on the details around these questions.

Adequately resourcing health care is priority one in the fiscal plan. Why has the Health operating budget increased by $900 million? I will have a series of questions here, but I'll go one by one, please.

Mr. Toews: Okay. Sure. That's a great question. The increase in Health's budget of $900 million has been twofold. It has been to ensure that we can get caught up on a surgery backlog, a procedure backlog, that was already higher than I think Albertans wanted pre COVID. Of course, the Minister of Health had very definitive plans to shorten those wait-lists, but COVID has exacerbated the matter, so it's requiring additional resources to get caught up on surgeries and procedures.

The other reason is because the minister was in the process of implementing a number of recommendations of Ernst & Young. Ernst & Young did a performance review of AHS and came up with close to 50 recommendations. Many of them the minister had plans to implement, and the implementation of a number of those specific recommendations will have to be delayed. As a result of that, some of the efficiencies will not be realized as timely as they would have otherwise been.

Mr. Yaseen: Thank you.

How much, if any amount, will be going towards continuing care and community care and home-care programs?

10:20

Mr. Toews: In total I believe approximately $3.5 billion is earmarked to those three programs, very, very important programs, and that amount is $200 million higher than in previous budgets. There's been a recognition of the importance of providing care in the most appropriate venue. You know, in terms of compassionate care, to provide care in homes where possible or in continuing care homes where possible is typically much more compassionate than providing that care in acute care. It also turns out that it results in a much more efficient delivery of health care.

Mr. Yaseen: Thank you.

How much will go towards mental health supports?

Mr. Toews: We made a commitment to fund mental health with $140 million over four years. That commitment continues. That commitment is all important today as so many of us have been challenged during COVID. I suspect there's hardly an individual that hasn't experienced mental health challenges during this time of COVID, or they know somebody close to them. This investment, I think, is critical, it's timely, and Budget 2021 delivers it.

Mr. Yaseen: Thank you.

In a situation like this there's always the chance for unforeseen costs. What are you doing to address that?

Mr. Toews: Well, thank you for that question. Again I'll point to the health care contingency, the COVID contingency, at $1.25 billion, which we will have available to transfer to Health as required. We don't know the duration, the length, of the pandemic. We don't know how quickly, you know, Albertans will be immunized to start to create the herd immunity effect. We're all looking forward to that day, but until that day we'll ensure that Health is adequately resourced to deal with any challenge and every challenge that they might face with respect to the pandemic.

Mr. Yaseen: Good. Thank you.

A last question: what are some health-related capital projects?

Mr. Toews: All right. That's a very good question. Personally I do want to identify a very important project that we had basically brought forward in Budget 2021, and that's a health care centre in La Crête. That region has been significantly underserved in terms of health care infrastructure and, ultimately, health care delivery, so we were very pleased to include a $35 million capital project so that we can improve health care delivery for folks in La Crête and for those in the surrounding region.

Also included in the health care capital plan is funding for the Bridgeland-Riverside continuing care centre, the Calgary cancer centre. The Edmonton southwest hospital: that project continues to be in our capital plan, and it's moving forward. The Foothills medical centre, an urgent power plant capacity issue: that project will be dealt with. The Fort McMurray residential facility-based care centre. I could include a hospital modernization with the Misericordia community hospital as well. Those are some of the additional projects that will be funded. Of course, I should mention the, basically, completion of the Grande Prairie regional hospital as certainly in the northwest. That's a very important health project.

Mr. Yaseen: Of course. Thank you very much, Minister.

I will now turn it over to Member Issik.

The Chair: Go ahead, Member Issik.

Ms Issik: Thanks, Mr. Chair. Through you to the minister, Minister, I'm going to just refer you to page 107 of the business plan. In previous years the previous government, through policy choices, did its best to basically empty Calgary's downtown and didn't seek to course-correct when Calgarians found themselves in tough times. You've recently said that the UCP government has no intention of creating a specific program to incentivize or attract tenants to fill the empty floor plates in downtown Calgary. With respect to page 107 of the business plan your ministry does speak to creating an environment that attracts investment and job creators and diversifying Alberta's economy. I'm wondering: how is the government working to create an environment that attracts investment and job creators, and how will the government direct this objective so that Calgarians can see growth in downtown Calgary?

Mr. Toews: Well, thank you for that question. There's no doubt that the vacancy rates in downtown Calgary are very, very concerning, and also there's no doubt that the downtown of Calgary offers an incredible value proposition for investment attraction. While Budget 2021 doesn't have an exclusive program for downtown Calgary or downtown Edmonton, in fact, Budget 2021 is chock full of economic recovery initiatives that will be incredibly supportive of Calgary and downtown Calgary. I'll talk about a few of those.

Firstly, broadly, we are working to create the most competitive business environment possible, and we're well on our way to doing that. Obviously, we've accelerated the job-creation tax cut, ensuring that Alberta has by far and away the lowest business tax rates.

We are also working forward with red tape reduction, regulatory modernization. I do need to point out that the Canadian Federation of Independent Business has given Alberta an A in terms of red tape reduction, and that's a big deal considering we inherited an F from the previous government. Again, this is very important work. In terms of lasting, durable policy work, work that will ensure the most competitive business environment and ultimately sustainably attract capital and grow the economy, I believe these are the most essential things we can do.

But we're doing more. We're also rolling out sector strategies. We started rolling out components of those strategies already last June, when the Premier and I announced the economic recovery plan in Calgary. One important announcement was the implementation of the innovation employment grant to not only support the tech sector, particularly for start-ups and scale-up companies, but broadly support tech and innovation in every sector and industry in the province, because we know that is so essential to our competitiveness. We announced the recapitalization of the Alberta Enterprise Corporation. Again, that is a fund of funds that invests in many Alberta-based tech funds.

We are continuing forward with tourism, which we know is critically important to Calgary's downtown. I mentioned the $22 million investment, that is repeated in every year of this fiscal plan, supporting the tourism sector strategy and the expansion of the tourism industry in the province.

Look, Alberta has an incredible value proposition. Downtown Calgary has an incredible value proposition, and while there's a great challenge there now with the incredible vacancy, I'm confident that as we position this province to be most competitive, broadly first but then position sectors to be most competitive – and I should include the financial services sector there because, based on conversations that I'm having here in recent weeks, my expectation is that we will see additional investment and movement of financial services into Alberta, and the downtown of Calgary is a very, very appropriate place for that investment to land. I'm confident that the way we're positioning Alberta's economy, we will see recovery in Calgary's downtown.

Again, I mentioned some of these good-news stories, but I do need to just highlight them again. Recently mCloud Technologies announced that they're relocating their corporate headquarters to Calgary. That's good news. Suncor is moving its offices that it had in Ontario into downtown Calgary. Echelon Wealth is opening its first western Canadian capital markets office in Calgary. Infosys will move and hire up to 500 positions, in fact, 500 new positions now, to create an innovation and tech hub in Calgary, and the expectation is that that will grow in the future. This is just the beginning. This is just the beginning. Again, I believe there will be increasing momentum, and we will see increased investment attraction into this province and specifically in downtown Calgary.

10:30

Ms Issik: Thanks very much, Minister.

I'm going to cede my time to MLA Turton.

Mr. Turton: Yes. Thank you very much, Minister, both for your comments and your candour during this time. I guess I have a couple of questions specifically on page 19 of the fiscal plan. I really appreciate the stance and some of the comments that you made about ensuring that the things that are under the control of the provincial government are done well and managed well. You know, I just want to make a point regarding the fiscal plan where it notes that balancing the budget is the most important step in slowing and ultimately reversing the growth of Alberta's debt and interest costs and, obviously, reducing the burden to taxpayers. That's my preamble; it's not in the fiscal plan.

I guess, Minister, if you can answer the question: first of all, what is your plan for returning to balance? Obviously, we are in unprecedented times. I know that earlier this year there was, obviously, an incredible energy crisis that this province faced and the ongoing COVID-19 pandemic. Regarding the path to balance, obviously ensuring fiscal responsibility is key for myself and many of the residents of Spruce Grove and Stony Plain, so what would you say the plan for returning to balance would be?

Mr. Toews: Well, thanks for that question. That's a very important question, no doubt a question that many Albertans have, as balancing the budget remains of great importance to this government. I believe it remains of great importance to Albertans generally, yet at this point in time it would be disingenuous for us to present a three-year fiscal plan to balance given the uncertainty that we're experiencing not only in the global economy but in the economy right here in the province.

One thing I do need to say and point out is that, of course, in 2019 we presented a four-year fiscal plan, a credible plan to balance in our first term. That was a commitment we made to Albertans, and it was a commitment we followed through with. Unfortunately, the COVID pandemic and particularly the effect that it's had on government revenues have necessarily delayed balancing.

In the meantime we've identified fiscal anchors that will guide and inform our decision-making to ensure that we're positioned to return to fiscal balance as quickly as possible. We will ensure, over the course of this fiscal plan, that our net debt-to-GDP ratio does not exceed 30 per cent. That's a fiscal anchor. This fiscal plan would leave us at about 26.5 per cent at its highest in terms of net debt as a percentage of GDP.

The second fiscal anchor – and I think this is a critical fiscal anchor – is to ensure that over the course of this fiscal plan we align our per capita costs of delivering government services with those of comparative provinces. This was a point the MacKinnon panel made when they presented their report to us, that Alberta is an outlier in terms of its costs to deliver government services. We made a commitment in Budget 2019 to change that narrative, to align our costs to be at least as efficient as other provinces. Budget 2021 continues with that commitment. Both of those fiscal anchors, I believe, will position this province to credibly return to fiscal balance, again, when we get past this pandemic and have additional economic clarity.

Our third fiscal anchor is that when we are past the pandemic, when we have additional clarity, we will provide a timeline and path to balancing the budget, which again I believe remains a very important goal for Albertans, and it's a very important goal of this government.

Mr. Turton: Thank you for that elaboration there, Minister. I guess a supplementary question I have is – when you talk about the fiscal anchors, obviously there are varying degrees of slack with each one of those anchors. We may be closer to certain thresholds in one of those anchors versus other ones. Can you elaborate in terms of the timelines when Alberta is estimated to bump up against some of those anchors? For example, one of the anchors you talked about is the net debt to 30 per cent of GDP. I mean, based upon our long-term forecasts and the numbers that you have before you, can you give an idea about when that timeline might be reached if we continue on our current course?

Also, on the second anchor that you mentioned, about comparing our per capita costs to other provinces, can you just maybe elaborate a little bit on that point about what timelines we're looking at as a province, where we will be hitting that point where we have true parity with other provinces?

Mr. Toews: Well, thank you for that. In terms of our net debt-to-GDP ratio, as I mentioned, within the course of this fiscal plan the highest ratio that we're projecting is 26 and a half per cent, and that would be in the out-year. Our expectation is that we will start to see,

again based on our economic projections, increasing economic growth, increasing growth in real GDP terms. As we start to significantly bring down our deficit and at the end of this term, even with our very conservative economic projections, bring it down to under $8 billion, that ratio will actually start to diminish over time. I don't believe that post this fiscal plan we should be bumping up against the 30 per cent ceiling, but we've identified it as a fiscal anchor because in the future there would need to be fiscal adjustments made, in my opinion, should, in fact, the economic environment mean that we're going to be pushing that fiscal anchor. The good news is that we're projecting 26 and a half as our ceiling. Again, that's based on very conservative economic assumptions.

On our cost per capita in terms of delivering government services, by '22-23 we start to enter that range, the range of comparator provinces. By '23-24, our out-year, the last budget that we'll be presenting before we go back to the polls, we will be smack dab in the middle of the comparator provinces in terms of efficiency as measured by per capita costs of delivering government services. I believe that's a critically important fiscal anchor and one that there's great resolve to meet.

Mr. Turton: Okay. Excellent. Thank you very much, Minister. I guess just to confirm my last question that I have here – before I ask the question, Mr. Chair, how much time do I have remaining?

The Chair: You've got four seconds.

Mr. Turton: Four seconds? Then I give this to my government colleague Peter Guthrie.

The Chair: Thank you very much, everyone. We'll take a quick five-minute break and return at approximately 10:43.

[The committee adjourned from 10:37 a.m. to 10:42 a.m.]

The Chair: Thank you, members.

We now move to five minutes of questions from the Official Opposition, followed by five minutes of response from the minister. As mentioned, 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 for a total block of 10 minutes. Is that the case?

Mr. Schmidt: Yes. I would like to share my time with the minister if that's amenable to him.

The Chair: Thank you.

Minister, you're okay with sharing time?

Mr. Toews: Yes, I am.

The Chair: Absolutely.

Okay. Go ahead, Mr. Schmidt.

Mr. Schmidt: Thank you very much, Minister, for being willing to share some time. I would like to go back to some of the questions that I was asking you previously, before my time ran out. Now, you had said that your officials were trying to get a solid number of the federal jobs money that had been spent since the announcement in December. I'm just wondering if your officials have managed to pull that number together over the last 20 minutes.

Mr. Toews: Well, the answer is that, yes, they have. To date there has not been any money out the door with respect to the jobs now program.

Mr. Schmidt: Okay. Will you reconsider maybe renaming it, the jobs now program? No. I'm just giving you a hard time. I would like to ask a substantive question.

I want to focus now on the sectoral strategies that are listed on pages 10 to 12. My colleague Member Phillips was questioning you on the employment projections that are presented in the budget. Can you point us to any impact on the employment projections that these sectoral strategies are going to have in the aggregate?

Mr. Toews: At this point in time these sector strategies remain a work in progress – ministers are working on them; they're ongoing – so I don't have any specific numbers with respect to employment related to these sector strategies. I do know – I'm very confident – that as we position these sectors to be most competitive, it will result in increased investment, and of course we know that that will result in increased job opportunities. We're seeing that already in the tech sector, for example. I can also point to agriculture. I mean, we've had a very recent announcement . . .

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

If you wouldn't mind, I will give you the opportunity to respond to some of my questions around the specific sectors. I want to talk about the tourism recovery plan that's talked about on page 10. The stated goal is to double tourism by 2030. Can you confirm for the committee how much money is being invested in that strategy?

Mr. Toews: All right. At this point in time, again, that strategy remains a work in progress, so I'm confident there will be more to come, and that's one reason why we allocated $500 million in an economic recovery contingency, so that as the sector strategies are rolled out, there will be additional funding that can be accessed, but $22 million per year for every year in the fiscal plan will in fact be included for the tourism sector strategy. That's on top of additional funding for destination marketing organizations that we have included in the upcoming budget as well.

Mr. Schmidt: You've allocated $22 million to the tourism strategy every year going forward, but that number is not driven by any sort of jobs projections. What was the criteria that the Treasury Board and Finance department used to make that investment?

Mr. Toews: This was, again, a sector strategy that is a work in progress, so there will be additional details to come from the Jobs, Economy and Innovation ministry. I would suggest to the member to stay tuned. There will be additional details, but we know that the ministry requested $22 million in additional funding to launch their tourism strategy, so we've included that in the budget.

Mr. Schmidt: Okay. Moving on now to the aviation, aerospace, and logistics strategy that's listed on page 10, it sets aside $2 million for a rail capacity assessment. Now, does that come out of the COVID recovery contingency line?

Mr. Toews: No. This amount is included directly in the budget because this was an amount that we knew the details around. Again, this sector strategy is still very much a work in progress, but we knew that there was $2 million required for a rail capacity study. I think that study is of critical importance and will have a significant bearing on this sector strategy. That's been included. Stay tuned for additional details around the greater strategy.

Mr. Schmidt: Can you tell the committee what investments will be made in – it's called the aviation, aerospace, and logistics strategy? You've got $2 million in rail, which I assume covers that logistics

piece. What will be the investment in the aviation and aerospace pieces of that strategy?

Mr. Toews: Well, again, as the strategy is a work in progress, I cannot provide any detail around additional funding required. Again I will point to the contingency amount related to economic recovery of $500 million. That's why we put it in place, so that as these sector strategies roll out, they won't have to wait for the next budget year but we can in fact fund these strategies as required to kick them off expeditiously.

Mr. Schmidt: Is it fair to say that – you've said that the tourism recovery plan is a work in progress, and the aviation, aerospace, and logistics strategy is a work in progress – Albertans will see some kind of concrete plan and investment before the end of the year?

Mr. Toews: Yes. My expectation is that ministries will be rolling out these sector strategies in the upcoming weeks and months. Because of that expectation, again, we've included funding in the contingency. Now, I do want to point out, though, that with respect to sector strategies, we have been rolling out components of those strategies as they've become available. We've been rolling them out on a timely basis. Again, I'll point to the innovation employment grant, recapitalization of the Alberta Enterprise Corporation, examples of that.

10:50

Mr. Schmidt: Thank you for that, Minister. Have any job projections been created for the aviation, aerospace, and logistics strategy?

Mr. Toews: Again, until that strategy is fully developed, it would be premature to provide some kind of job projection.

Mr. Schmidt: Will a job projection be provided when the strategy is rolled out, and will the investments that go into that strategy be based in any way on the job projections?

Mr. Toews: Yeah. My expectation in these sector strategies rollouts is that there will be some type of job projection, certainly a range, at a minimum, of expected job creation related to each one of them.

Mr. Schmidt: On the pharmaceuticals and life science strategy, there is listed $20 million in the Li Ka Shing institute. Now, can you confirm for me? Is that a provincial investment, or is that federal investment?

Mr. Toews: That's entirely provincial investment, and this is – you know, we're very fortunate to have this institute that includes a Nobel prize winner in Dr. Houghton, so again, we're pleased to fund it. It's a $20 million investment over four years.

Mr. Schmidt: Are there any other investments planned in the pharmaceutical and life sciences strategy currently?

Mr. Toews: There is work being done on that strategy right now, so again, as that strategy matures, I would anticipate there could be additional funding requests, and I will point to the $500 million economic recovery contingency.

Mr. Schmidt: I'm going to assume, then, that similar to the other strategies, there are currently no job projections associated with the strategy. Is that correct?

Mr. Toews: That's correct. It would be premature and disingenuous to roll out job projections when, in fact, we don't know the details of the strategy.

Mr. Schmidt: Thank you. Can you tell the committee, Minister, what the impact of the significant cuts, hundreds of millions of dollars, from the budget of the University of Alberta will have on the success of the pharmaceutical and life sciences strategy?

Mr. Toews: Well, firstly, as you pointed out, we are funding a key component at the University of Alberta in the applied virology institute, the Li Ka Shing Applied Virology Institute, so we are very intentionally funding key components of this sector strategy.

With respect to overall funding of postsecondary institutions I think, if you recall, the MacKinnon panel pointed out that Alberta was a huge outlier in terms of the cost to educate . . .

Mr. Schmidt: Minister, I got an answer.

Mr. Toews: Chair, I would like to finish this.

Mr. Schmidt: I got an answer to the question that I was looking for, Mr. Chair, and I would like to move on to my next question.

The Chair: Okay. Thank you. You have about 10 seconds.

Mr. Schmidt: Thank you. I want to go on to energy strategies. Can you quickly confirm . . . [A timer sounded] Thank you.

The Chair: Sorry to interrupt.

We'll now move on to a five-minute block combined, I assume, with the minister for the government caucus. I believe that the time was ceded to Mr. Guthrie.

Mr. Guthrie: I think MLA Turton wanted to finish up.

The Chair: Okay. Go ahead, Mr. Turton.

Mr. Turton: Thank you. Yes. I had a couple more questions just during the break there, so I appreciate MLA Guthrie for taking the remaining three seconds of the last segment.

Thank you again, Minister, obviously, for being here today. I guess I just have a couple more follow-up points that popped in my head just regarding my prior line of questioning. It really had to deal with the path to balance and the fiscal anchors that you talked about. Now, obviously, just to reiterate, I know you mentioned about the net debt-to-GDP ratios, the per capita costs to match our provincial comparators as part of the MacKinnon report, but I guess my question is: are there any other notable decisions that are required to ensure that the budget gets balanced that are outside of those fiscal anchors that we should be aware of? Obviously, your role is very nuanced; it's very complex. I know you've touched base about the main key points that are guiding your decisions, but are there any other decision points that you referenced that could potentially influence how quickly we actually get to those fiscal anchors that you previously referenced?

Mr. Toews: All right. Well, a key component to balancing the budget, a key component to fiscal health is economic recovery. We can't catch our way out of an $18 billion deficit, and that's why our economic recovery plan is so key in Budget 2021. We have to position this province to disproportionally attract investment so we can see job growth, so we can see increased opportunity for Alberta businesses, and ultimately increase fiscal capacity for the province that will generate additional revenues in the future. Economic

recovery is key. It's key to job creation. It's also key to a sustainable fiscal trajectory for the province.

Mr. Turton: Thank you very much for your reference of economic recovery, Minister. Back to the fiscal plan. It talks about, obviously, that the long-term plan is to no longer have a deficit and to eventually be working on, you know, the debt, which has interest costs that obviously cut into potential funds that could be going into public services that many Albertans require. At this point is there any line of sight in terms of plans or strategies that eventually will start to tackle the growing debt that we have here? I know that's still a couple of years down the road, but one aspect that I have appreciated about how you've been approaching this ministry, Minister, is the fact of long-term thinking, making sure that you're always looking ahead. Has there been any thought regarding how the province will be tackling the growing debt?

Mr. Toews: Well, again, there is, I think, an important sequencing here. Number one is that we need to continue to deliver government services most efficiently, and we'll be measuring that in terms of our per capita cost compared to comparator provinces. We will get there in this fiscal plan. That's critical. Along with that, at the same time, we will be working to ensure that we can see economic growth, which will result in additional fiscal capacity for the province that will translate into increased government revenues. Those are really the key ingredients in Budget 2021, to position this province for a sustainable fiscal trajectory.

At some point in time in the future it will be important to take a look at our revenue structure in the province to understand, to ensure that we have the most efficient, appropriate revenue structure possible. But in terms of concrete goals to balance the budget, economic recovery and growth and efficient delivery of government services are the two key priorities.

Mr. Turton: Excellent. Thank you so much for that, Minister.

At this point, I'd like to cede it over to my good friend and colleague MLA Peter Guthrie. Thank you.

The Chair: Go ahead, Mr. Guthrie.

Mr. Guthrie: How much time do I have? I'm just kidding. That's okay. That's okay.

The Chair: Five minutes and 30 seconds.

Mr. Guthrie: Just making sure it wasn't four seconds.

Thank you, Minister. I appreciate you being here this morning. I'm going to just focus here on the capital plan a little bit. On page 127 of the budget it states that

> we are setting out a robust Capital Plan, one that is vital to economic stimulus and recovery and is consistent with increased counter-cyclical spending introduced by the Government of Alberta in the wake of the pandemic-induced recession that began in 2020.

Now, the three-year capital plan sits at $20.7 billion, including a $1.7 billion increase from last year's 2020 budget. I know, Minister, with you being from Grande Prairie, you know how impactful these kinds of projects can be on a rural community for jobs, for the local economy. So I was wondering: could you elaborate a little bit on the details of this capital plan and how it pertains to rural Alberta?

Mr. Toews: Well, I can say that there is a very significant component of the $20.7 billion that will be invested into infrastructure right across the province and certainly in rural Alberta. I want to point, maybe initially, to our capital maintenance and renewal effort. We will be increasing the capital maintenance renewal budget by over $300 million to $1.3 billion this year, and the reason for that is twofold. One is that we can very quickly ramp that activity up, and that's important in terms of providing job opportunities for Albertans at a time they desperately need it. Fifty-three per cent will be province-wide projects. This is in Transportation, and this will be working on highway resurfacing. This will be working on projects that will ensure that we're maintaining our existing infrastructure so that it will be available for future generations. The capital maintenance and renewal budget increase: a significant amount of that will be in rural Alberta.

11:00

We've also included $120 million in irrigation investment, and this is a significant investment, almost a generational investment, that will expand the irrigation capacity in the province of Alberta. This will be in the southeastern corner of Alberta, that part of the province that has, you know, additional heat units that are needed. It's an incredibly competitive and productive region agriculturally in the province. We're committing 120 million provincial dollars to that project over three years. It's going to leverage a total spend of almost $900 million, that will result in an additional 200,000 acres of irrigated farmland, which is significant for the agriculture industry in the province. It's also significant to the agrifood manufacturing industry in the province, which until very recently was the largest subsector of the manufacturing industry in the province of Alberta. A real good-news story there.

We will be building schools right across the province. I can name some here: there are a few schools in Lloydminster that will be going ahead; the Elk Island Catholic separate school; a new school in Camrose. Fort Vermilion school division will be experiencing a new facility there. There is a new school for the Horizon school division, a solution for Milk River and Erle Rivers schools. There is a replacement/reconfiguration of the Kate Andrews high school, that's in the Palliser school division. I could go on and on. There's a school project in Manning, certainly a couple in Red Deer, and Grande Prairie: I'm familiar with a few projects as well.

Mr. Guthrie: Yeah. Thank you, Minister. I know that from a transportation perspective Airdrie-Cochrane is looking forward to the 40th Avenue overpass being completed in Airdrie as well as the 1A and 22 intersection project in Cochrane. I think both communities are very, very excited to see those get going, and they're going to be getting going shortly here and getting people to work.

In Cochrane, from the school perspective there's a Catholic school, K to 9, that is just breaking ground, doing utilities right now, so that should be completed in the next year and a half. Some pretty exciting stuff is going on in the area.

One thing that the government has been doing is . . .

The Chair: Sorry. I have to interrupt you.

We'll now move on to the Official Opposition for a five-minute block. Combined with the minister for a total of 10?

Mr. Bilous: Yes, please.

The Chair: Thank you. Go ahead, Mr. Bilous.

Mr. Bilous: Okay. Thank you. Minister, I want to follow up some of the previous questions from my colleague. If you refer to the fiscal plan on page 10, I'd like to start off by talking a little bit about your technology and innovation strategy. Now, you're first outcome is "developing, attracting and retaining a future-ready workforce with skills aligned to diversify and grow Alberta's economy." Now, I appreciate that you folks are committing $20

million to Li Ka Shing Institute of Virology, but the fact of the matter is that in this budget alone $75 million was cut from the U of A. The year that we receive a Nobel prize, our award-winning research institution, globally renowned, is taking a $75 million cut. I'm wondering, Mr. Minister: how does that fit with your objective of developing talent when we know that the number one criterion for all tech, AI companies is talent? We'll go down this path further, but I'd love for you to somehow square for me a massive cut to our postsecondaries. How is that helping you develop talent and support our job creators?

Mr. Toews: All right. Chair, I trust that you'll let me answer this question fully because it requires more than one sentence. We have world-class institutions, which the member is alluding to, and we celebrate those institutions. They're critically important for the future of the province, they're critically important for the economic recovery, and they're critically important to ensure that the next generation of Albertans has the skills required to be successful in the current economy and in the digital economy.

The other reality, though, is that Alberta institutions – well, I'll back up. The cost to educate our postsecondary students in this province has been extremely high relative to comparator provinces. In fact, we've been over $5,000 higher per FLE than B.C., $10,000 higher than Quebec, and $15,000 higher per year than Ontario. We can no longer afford to be an outlier. Moreover, our completion rates were poorer than other provinces.

As a result of that, Minister Nicolaides, the Minister of Advanced Education, is working with postsecondary institutions on a new funding formula, working with postsecondary institutions to ensure that programming around advanced education can be delivered most efficiently and effectively and most sustainably in the long term. You know, the reality is that just to throw more money at a problem doesn't necessarily solve the problem. We recognize that in this government. We recognize that we need to evaluate every program that we deliver critically to ensure that Alberta taxpayers are getting the best value, to ensure that Alberta students are receiving best value, to ensure that future Albertans can have the skills required for the new economy.

I agree with the member that skills and, in fact, appropriate labour is the critical piece, very often the limiting piece, for expansion in the important tech industry. I agree with the member there. I know that you will find that we have a Minister of Advanced Education that is working hard to ensure that postsecondary institutions can deliver.

Mr. Bilous: Continuing with my line of questioning – thank you, Minister. I mean, I'm asking the question because the headlines around the world are talking about massive cuts to the very institutions that produce talent. You know, Minister, earlier you were boasting about Infosys coming to Calgary, which is very good news. I will remind the minister that Infosys is a company that our government had been working with, starting four years ago, to reach this decision today, and the minister knows full well that investment decisions like this do not happen overnight. Infosys has been clear on the reasons they are coming to Calgary: number one, talent; number two, quality of life. The corporate tax cut that you insist is the reason that is going to drive diversification and help our GDP: nowhere has Infosys ever mentioned the corporate tax rate. Why, Minister? Because that's not their driver. Their driver is talent. When you gut the very postsecondary institutions that produce this talent – that's what the world is talking about.

I'm not disagreeing with you, Minister, that there aren't ways that we can ensure that dollars are, you know, moving to where the puck is going to ensure that our programs are developing the right talent graduating from our postsecondaries. But, to me, the solution for trying to diversify the economy is not to cut the very legs out from the institutions which attract talent. The reason Alberta is ranked third in the world for artificial intelligence is because of AMII at the University of Alberta. The reason that we have scientists like Dr. Rich Sutton at the University of Alberta is because governments for many years, in fact, since 2006, have been funding AMII. I credit the former PC government, I credit our government continuing that funding. But we will not attract the talent and develop the talent here at home with these massive cuts. For me, "contradictory" is a soft way of framing the fact that we gut the very institutions that are trying to help you, Minister, deliver on your mandate of developing talent and attracting and retaining talent here in the province.

Now, I wanted to move quickly, because my time is running out, to your fintech strategy, Minister, where you talk about – I'm pulling it up here. On page 11 you talk about, Minister, that a concierge service will be opened. I'd like to know if that's going to duplicate the very work that Invest Alberta is doing, considering they just got a $25 million bump.

11:10

Mr. Toews: Good. Thank you. That is a good question. The answer is that, no, it won't duplicate the efforts at Invest Alberta; it will complement the efforts at Invest Alberta. There's always a regulatory component, particularly in financial services, and as we worked with Invest Alberta to determine who is most appropriate to deal with that whole regulatory interface, we determined that it would be best if that capacity was housed in TBF. We will be working very, very closely with Invest Alberta. I believe there's great potential in financial services and within the fintech sphere to grow that sector of the economy in the province.

Mr. Bilous: Thank you, Minister. I'm going to move in my last question, because of time, to the agricultural strategy.

But basically what you're saying, to confirm, Minister, is that there will in fact now be a concierge service housed in TBF, and Invest Alberta's mandate is to act as a concierge service. You have just confirmed that there are, in fact, now two different branches within the GOA performing the same service: one is focused on fintech, and the other is focused on every other industry. At some point, Minister, I would love to know the specific regulatory burdens that the fintech sector faced, because on page 11 in your fiscal plan you talk about a sector-specific regulatory sandbox that will reduce the regulatory burden on fintech products and services. I would like to know if possible – maybe in writing the department can list some of those regulatory burdens that the fintech industry is saying: this is what's stopping us from coming into Alberta.

My final question, Minister – and I appreciate that I've taken up much time talking. The ag strategy: in addition to the irrigation investment, which we do agree with, are there plans for a value-add strategy? What supports can Alberta agricultural producers expect from this government to support them in exporting to new markets, expanding to new markets and, of course, support the incredible work that's being done here, including the Leduc food processing incubator?

Mr. Toews: Sure. That's a great question. Agriculture, I believe, has great potential in the province. It's going to be a key component of our economic recovery. You know, there are a number of pieces to answer that question. Firstly, most broadly it's about ensuring that we're positioning this sector to be most competitive. We compete – and I know this personally – in agriculture on the world stage: we compete with U.S. primary producers and U.S.

processors, we compete with the Australians, we compete with Europeans and even those in Asian markets. A focus on competitiveness is critical, and our efforts around red tape reduction, regulatory modernization are absolutely crucial.

In terms of additional specific details around . . .

The Chair: Sorry. I hesitate to interrupt, Minister.

We will now move on to the government caucus for five minutes. Combined with the minister for 10, I assume?

Mr. Guthrie: Please.

The Chair: Go ahead, Mr. Guthrie.

Mr. Guthrie: Thank you. Minister, in commenting a little bit further from what the previous member was saying, I guess he was suggesting that the previous government – they were admitting that they were unable to get the deal done with Infosys and that this government did get that deal done. You know, Infosys possibly was waiting for the conditions to be right. Perhaps there was too much red tape, tax rates, et cetera. No company is using one particular factor when you make a move. There's a combination of things that you use to make those decisions, and you're waiting for the correct environment to exist before you make that decision.

Minister, I was just wondering if you could elaborate a little bit on the job-creation tax cut and having one of the lowest jurisdictions in Canada and what that may mean for us as far as attracting new businesses to Alberta.

Mr. Toews: Sure. Well, that's a great question. I appreciate the chance to elaborate on that. Having the most competitive business tax rate is a key ingredient in a greater value proposition, and we have an incredible value proposition in the province of Alberta. Firstly, again, we have a preferred business tax rate, corporate tax rate to the tune of 3 and a half and 4 per cent more competitive than other jurisdictions. That's critical. As businesses, companies, investment proponents make decisions around where to deploy capital, they'll take a look at jurisdictions where they can ensure their best return, and corporate tax rate is a part of that decision-making.

But our value proposition goes beyond that. It does include the fact that we have an improving regulatory environment, which is critical. That includes both the specific legislative pieces and regulatory pieces and also the culture in which that environment is administered. This is admittedly a work in progress, but again I want to point out that we are on a path of continual improvement, receiving an A from CFIB.

Alberta also has real advantages in terms of our cost of living. We have a low cost of living right now. That's part of our value proposition. If we talk about Calgary – and we could talk about Edmonton, too – in terms of world-class commercial space at very, very affordable prices right now, that's part of our value proposition. We don't have a payroll tax in this province. We don't have a capital tax. We have preferential personal tax rates although the previous government did increase our incremental rates by 50 per cent, which is problematic. Fortunately, overall, we still have preferential, reasonably competitive personal tax rates.

On top of that, we have an incredible province where people love to live. Calgary, for instance, is identified as one of the most livable cities year after year, you know, around the world. That all plays into our value proposition, of which our preferential corporate tax rate is a key ingredient. I know even from comments – we can look back at the Canadian Association of Petroleum Producers, who weighed in specifically and stated that our preferential corporate tax rate was instrumental in spurring additional capital deployment in the energy industry last January and February, which ultimately resulted in increased drilling activity.

We know that that piece is a very critical component of our greater value proposition.

Mr. Guthrie: Thank you for the explanation.

Minister, I'll cede my time to MLA Getson.

The Chair: Thank you.

Mr. Getson, are you online?

Mr. Getson: Yes, I am. Sound check. Is this working?

The Chair: Go ahead.

Mr. Getson: Perfect. Well, I appreciate that, MLA Guthrie and Minister, for your time here today. My questions are going to be more along the lines of the COVID response and what's taking place, but if you'll indulge me a little bit, Minister, given some of the dialogue earlier on Keystone XL and being one of the members of the government caucus who actually came from that industry, I would like to afford an offer to the Member for Lethbridge-West, any time she wants to learn about pipelines, the crew configurations, how the course of construction takes place, the number of people that go to work . . .

Mr. Bilous: Point of order.

The Chair: Point of order.

Mr. Bilous: Standing Order 23(h), (i), and (j). The member here clearly is trying to use language likely to create disorder by talking directly or indirectly through you, Mr. Chair, to another member that has nothing to do with estimates. It has nothing to do with asking the minister questions. Clearly, MLA Getson is trying to create disorder and place a very thinly veiled attack against another member. I request that you rule in favour of the point of order and that Mr. Getson apologize and withdraw his comments and ask questions to the minister and not speak directly to another member.

The Chair: Thank you.

Any members from the government caucus wish to comment?

Mr. Getson: Yeah. I'd like to respond if I may, Chair.

The Chair: Actually, I think that might be out of order.

Mr. Loewen, I believe.

Mr. Loewen: Yes. Thank you very much. This obviously is not a point of order. There was no intention, of course, on the member's part to create any kind of disorder. Obviously, there has been a lot of discussion on pipelines and the costs and what's going into the pipelines. That has been set out earlier in this meeting. This is not a point of order, and I think we need to carry on with the business of this meeting.

11:20

The Chair: Okay. Thank you. I'm prepared to rule. In the opinion of the chair this is actually a point of order, and I would suggest that Member Getson apologize to the committee for this. I would welcome him to have a private conversation with the member but stick to the documents in place before us.

Thank you.

Mr. Getson: I apologize and withdraw, Chair. Again, it wasn't my intent to cause disorder.

Minister, with that, on the Keystone XL project it was brought up a couple of times about the crew configurations, the number of people that were available on those lines. I guess I'll rephrase the question so it's not in specific to another member. Minister, are you aware that the trenchless crossing that took place was the first course of work and that those crews typically wouldn't exceed about 30 people? Minister, are you also aware that during that course of construction down in that area of Oyen, Michels was the contractor, and they did employ a number of crews, of which the predominant activities were taking place on the pioneering activities, the stripping, the actual stringing, and also doing some weld up? Are you aware of that, sir?

Mr. Toews: Yes.

Mr. Getson: Perfect. With that, I appreciate that, Minister. Given that the town of Oyen saw a big uptick in those areas and that those crews also followed all of the COVID protocols, are you aware of some of the ancillary activities, again, and the importance of that project to that area of the region?

Mr. Toews: Yes, I believe I am.

Mr. Getson: Perfect. Thank you, Minister. With that, I'd like to pivot back if I could to the COVID. If there's an echo here, I apologize. I really have difficulties with these remote viewings. The ministry estimated about $2.5 billion in the COVID-19 recovery plan that was allocated for disaster and emergency assistance contingency. With that, what was included in that contingency, and why is that important to Albertans right now, sir?

Mr. Toews: All right. Good. Well, thanks for that. Again, of that total $2.5 billion contingency, $1.25 billion relates directly to health care costs and resource requirements. Again, that will ensure that health is adequately resourced to deal with any challenges that it experiences during COVID. No doubt there will be additional costs related to an accelerating vaccination program. At least, we trust it will be accelerating, providing the feds can actually provide the vaccines. It will also relate to additional hospital costs, comfort-care worker costs, contact tracing costs, all of those costs that relate to dealing with the pandemic.

Again, we don't know how long we'll be dealing with COVID in this province. I think we would all agree around this table, hopefully, that we're getting past this pandemic sooner than later, but because of the uncertainty around the intensity and the duration of the pandemic, we have, I believe, prudently included the funding in a contingency that we can allocate to health as required.

With respect to the additional components of the contingency $500 million is earmarked for economic recovery and relief. Again, we don't know how long we're going to be dealing with this pandemic. In the event it drags out longer than what we envision and public health restrictions . . .

The Chair: Sorry to interrupt again.

We will now move on to a five-minute block for the Official Opposition. Would you like to combine your time with the minister?

Ms Phillips: I would like to request that. Yes, please, Mr. Chair.

The Chair: Thank you. Go ahead, Ms Phillips.

Ms Phillips: Okay. Thank you, Minister. I may just draw your attention to an issue that came up on February 26 in media reports and comments that were made after the budget. One of the issues that has been really important to the city of Calgary, to the citizens, where there's in excess of 10 per cent unemployment right now, is the revitalization of the downtown. People really are worried about that because of the tax shifting, so, you know, it goes to some of the pocketbook issues that we see in the fiscal plan as well. At that time you indicated that there was nothing in this budget directed at a downtown revitalization strategy for Calgary because that was not up to the provincial government.

Subsequent to that, we had some government utterances that there would in fact be some form of task force because others thought that it was actually up to the provincial government; other ministers did. Minister, can you direct me to – is it coming out of the contingency or other recovery plans? – where the downtown Calgary strategy might be funded from?

Mr. Toews: Chair, I'd be happy to provide additional clarification here because the member's statement is inaccurate. I did not state that there was nothing in Budget 2021 for downtown Calgary. There's so much in Budget 2021 for downtown Calgary. We take a broad-based approach, not an exclusive approach geographically, and that was really what my statement consisted of. In terms of Budget 2021 and downtown Calgary we are working on a whole series of sector strategies, and I can identify that tourism and certainly the tech sector strategy are very key for downtown Calgary. The financial services sector strategy will be key for downtown Calgary. Everything we do to position this province's energy industry to be more competitive will be important for downtown Calgary.

That's why we rolled out the innovation employment grant in the early days because it was important for the tech sector in the province and for every sector as they employ and pursue new technologies. That's important for downtown Calgary. That's why we recapitalized the Alberta Enterprise Corp. That's why we've included $10 million in funding for an enterprise fund that will ensure that Invest Alberta can be very competitive as we compete with other jurisdictions. That will be important for downtown Calgary. Moreover, these initiatives will be important for Drayton Valley. They'll be important for Lloydminster. They'll be important for every region of this province, but downtown Calgary will be a huge recipient.

Ms Phillips: Thank you, Minister. You and I both know that business runs on targets, so are there jobs targets associated with those strategies?

Mr. Toews: Well, I think I've answered that question, but I'm happy to reiterate. These strategies are a work-in-progress. Job targets: certainly the information around the expectation of job creation is an important component, and it is my expectation that as these sector strategies roll out and become public, there will be an estimate of job creation within them and, certainly, a range of jobs expected.

Ms Phillips: Minister, I just want to go back to something that was mentioned about investment earlier and new capital outlays from oil and gas firms. You made some comments about that in reference to some questioning from the Member for Edmonton-Beverly-Clareview, but it seems to be contradicted by page 51 in the fiscal plan, where we see the top sentence that says, "Oil producers are expected to maintain capital discipline." In fact, when one goes back to page 50 and looks at that chart, we don't see new capital outlays returning to even 2016 levels, where we know we had an historic drop due to the drop in WTI, until 2024. So, Minister, can we get some clarification on what is actually expected from the government of Alberta? It is not, at least according to your own

documents, that we're going to see a significant increase in capital investment, and it is equally contradicted on page 50 that we have seen an expected massive increase for 2021. I'm seeing here that it's far below the years of 2015, '16, '17, '18, and '19.

Mr. Toews: The COVID pandemic and the resulting price crash, which actually sent WTI into negative territory for a short period of time, hit our energy industry very, very hard. We've taken, again, a very conservative, cautious, I would say, prudent approach to our economic assumptions, and those assumptions then are played out through the course of this fiscal plan document. We are expecting that energy companies will be working to strengthen their balance sheets, which took a big hit over the course of the spring and summer months, when energy prices were so low. Strengthening their balance sheets will be important to position them to deploy capital again to increase production in the future.

But when I cited the Canadian Association of Petroleum Producers' recent expectation that investment will increase by $3.4 billion in 2021, I'm simply citing a private-sector forecast. Given what we're seeing even in the last days in terms of energy pricing globally, I would expect that we will see increased capital deployment in the energy industry in Alberta. That will be important to the province. That will also be very important to downtown Calgary.

11:30

Ms Phillips: Thank you for that, Minister.

I just want to move on now to a completely different topic if you'll indulge me on that, and that has to do with AGLC and regulations for which you're responsible under the key objective 2.1(a), business plan, page 109. I've heard a lot lately from small liquor store owners. In particular, they are quite concerned about the end of restrictions on what are called inducements in AGLC regulations. Essentially, what it means is that big producers can buy their way into the biggest stores. I've heard from ALSA, the association, and from individual business owners that this is an idea or a proposal that will hurt only small producers and the small retailers and benefit only the big guys or, in this case, big guy of Liquor Depot. That's what I've heard from small-business owners in my riding and elsewhere.

Given that there has been quite a lot of opposition on this from the liquor store folks – there's sort of a mixed bag of opinion on cannabis, so we'll leave that aside for a moment – on the liquor store piece I'm looking for a commitment that you will pause any of these changes and recommit to more consultation with the Liquor Store Association and the small both producers, like the brewers and distillers, and the retailers. These are thousands of entrepreneurs, they do not want this policy change, and it will have an effect on jobs and economic activity, particularly in smaller places, if it is not paused.

Mr. Toews: Well, I appreciate the member's advocacy here. What I can say is that there has been no decision taken on this policy. I can assure the member and all Albertans that we will take feedback from every sector of the industry. We will consider it before making any changes and certainly before we make any decision around this. Certainly, industry feedback is critical as AGLC considers policies going forward.

Ms Phillips: Minister, can you then commit to a timeline on that decision so that people can have some level of certainty? I know I just stopped in to my local wine shop on my way out of town on – I don't know – Saturday, and they were saying that they were pausing some of their future plans just to see how this playing field levels out. They don't need that kind of uncertainty; they're a small family-owned business. So can we at least have a timeline here? Uncertainty in business, you know – people just need to know one way or the other to make plans.

Mr. Toews: I would agree that certainty and predictability are very important for businesses and business investment. I believe that the comment period just closed a couple of days ago, but I will commit to this: that decision will be made as expeditiously as possible after considering all of the feedback that AGLC has received around this policy.

Ms Phillips: You know, as I understand it, there have been many, many businesses who have written in opposing this. Does that carry weight with you, Minister, as you deliberate on this?

Mr. Toews: Well, I think, as I mentioned . . .

The Chair: Sorry to interrupt, Minister. We'll try and catch that on the next round.

We now move over to the government caucus for five minutes. Do you wish to combine with the minister again for a full 10-minute block, Mr. Getson?

Mr. Getson: Yes, I do, Chair, if the minister is amiable to that.

The Chair: Yep. Go ahead, sir.

Mr. Getson: Yeah. Minister, if I may continue on on the $2.5 billion COVID recovery – I may have missed it in the last questions. Could you advise what has already been spent under this fund today?

Mr. Toews: Given that this fund will be available for Budget 2021 – the fiscal year starts April 1, 2021, so we've not spent anything from the fund. It's not been allocated at this point; it's simply there as a contingency. The one component that I didn't discuss is that in Budget 2019 we established an annual disaster contingency of $750 million. That is part of the $2.5 billion. That contingency remains in place. That ensures that we have funding to deal with natural disasters that occur periodically in this province, and it ensures that we can backstop everything from an adequate forest fire mitigation response to ensuring that AFSC can fully comply with insurance indemnity costs related to their agriculture commitments.

Mr. Getson: I appreciate that, Minister. One last question, if I may, on that: how do we ensure that these funds will be treated responsibly going forward? Again, given that it's kind of a fluid and dynamic situation with COVID, how we do we ensure those controls and measures are in place?

Mr. Toews: That's a great question. That's one reason why we've included these funds in a contingency, so that to draw them down, to transfer them will require Treasury Board oversight and approval, and it will also require an order in council. So we do have layers of financial oversight as we administer these contingency accounts.

Mr. Getson: Perfect. Thank you, Minister.

If I may, Chair, I'll cede my time over to the MLA for Calgary-East.

The Chair: Thank you.

Mr. Singh: Thank you, Mr. Chair, and thank you, Minister. Before I ask my question, I want to applaud the minister and all officers and staff of the ministry for the outstanding work in the

development of this budget, that will maintain economic stability while at the same time providing the necessary supports Alberta needs at this time.

As you have mentioned, Minister, on page 109 of the business plan, under key objective 1.2, we're currently in a global economic recession. The world, including our great province, has had to adapt to the fiscal impact of COVID-19 and the decline in oil prices. Businesses need the tools to operate, grow, create jobs, and drive Alberta's economy forward. That is why I'm excited to hear about your ministry's efforts to develop and implement Alberta's relaunch strategy and the Alberta recovery plan. My question is: Minister, how will this implementation of Alberta's economic relaunch strategy and the Alberta recovery plan provide jobs for Albertans?

Mr. Toews: All right. Well, that's a great question, and it could result in a long answer, but I'll try to keep it as tight as I can. Budget 2021 has included a very comprehensive approach to economic recovery, and it's really dovetailed into our overall economic recovery plan. I mentioned, you know, really, our foundational effort of creating on broad-based terms the most competitive business environment possible through regulatory modernization and reform, through ensuring we're the most competitive jurisdiction from a tax standpoint. That is very, very critical, and the regulatory reform and modernization is key. That's critical. I know that the regulatory environment is a very, very key decision-making criterion in terms of investment decisions.

But on top of that, we've rolled out an increased, enhanced capital plan. We've talked about the $20.7 billion capital plan. We're increasing our capital spend in the upcoming year by $1.7 billion, and that will provide additional opportunities for Alberta small businesses, for thousands, tens of thousands of Albertans who desperately need a job opportunity right now. Moreover, it will also ensure that we can build key capital infrastructure in this province for 70 or 80 cents on the dollar.

I have a friend who is a contractor that occasionally bids on government projects, I found out. He told me the other day, "We've been bidding bare bones, at our cost, and we've not been successful on any of our bids," which tells me that Albertans are getting great value right now as we invest in core infrastructure and infrastructure that will improve our competitiveness and productivity and lead to increased private-sector investment. We have to focus on very defensible infrastructure projects that will provide future generations of Albertans great value and position the province for economic recovery. As I mentioned, this will result in supporting 50,000 direct jobs and 40,000 indirect jobs over the course of this fiscal plan.

11:40

The third component, of course, is our sector strategy approach. That is identifying sectors that we believe we have a real competitive advantage in and positioning those sectors to be most competitive. That will result in a funding requirement in some cases. We've talked about some of that funding, whether it's to increase funding for tourism, the additional funding of $22 million to Travel Alberta. It also includes specific regulatory modernization efforts within those sectors, which I think, again, will be some of the most lasting and durable changes that we can make as a government positioning ourselves for economic growth and recovery.

Mr. Singh: Can the minister please provide details to the committee as to how Alberta's economic relaunch strategy will be powerful support to small and medium-sized businesses?

Mr. Toews: Sure. Well, that's a great question. I can certainly point to everything I identified in terms of investment attraction because we know in this province – and I've seen this first-hand during my years in public accounting practice – that in a community or region where you see large investment take place, that provides great opportunity for small businesses in the region. Whether those businesses are in agriculture or energy or whether those businesses are in the service sector, professional services corporations, or in the retail trade or perhaps even in the restaurant and greater service sector, additional investment into a community provides great benefit for growth and opportunity for small businesses.

Included, as I mentioned, in Budget 2021 is funding for the jobs now program, and that program will also assist small businesses in procuring appropriate skills within their employees. It will support small businesses in reaching out and hiring Albertans that need to train and need to upgrade their skill set, so that will also be a program that will directly support small businesses. We know that much training takes place on the job, and this will support Alberta employers in accomplishing that.

On top of that, our contingency plan remains in place. So if this pandemic should drag out, if public health measures need to stay in place, those businesses that are directly affected by those public health measures will at least have a pool of funds where government can identify appropriate support for those affected businesses. I hope that won't be the case, but we do have funding available if it is.

Mr. Singh: Once again thank you, Minister.

How is the ministry ensuring that the relaunch strategy includes support that meets the need of business owners and delivers on what is actually required of these businesses to push towards future growth?

Mr. Toews: Well, that's a great question. You know, I could point to my previous answer, I think, which includes many of those key components that will position Alberta's small businesses for future growth. Again, maybe I'll talk right now a bit about our tourism sector. The tourism sector has been hit very, very hard by this pandemic. I would suggest that the tourism sector right across the country and even globally has been hit very hard. That's why our sector strategy will be critically important, a sector strategy that will position that sector . . .

The Chair: Thank you. I hesitate to interrupt again, Minister.

We'll now move on to the Official Opposition for a five-minute block. Would you like to combine your time with the minister for a total of 10 minutes?

Ms Phillips: Yes, please, Mr. Chair.

The Chair: Go ahead.

Ms Phillips: Yeah. A couple of things here, Minister. We talked a little bit in the estimates debates over the course of 2020 about the introduction of the online gaming platform from AGLC, and you and I both agreed that that was a good thing, to start to replace some of the revenues that had obviously been lost through in-person casino activities through 2020. I asked you at that time if a charitable revenue-sharing model had been under consideration or was being developed in some way to address many of the lost revenues from charities and nonprofits from casino revenues, and I'm wondering where we're at on that.

Mr. Toews: All right. Well, I do agree that it was really appropriate to implement that online gaming model, in part because we were

losing, you know, millions and millions of dollars to offshore platforms. So that's one reason why it was important. The other reason it was important is because through AGLC we can provide social protections that can help prevent addictive behaviour, which can be so costly with respect to gaming.

With respect to the charitable gaming model, AGLC is in the process of undertaking a review with respect to that model. We'll be pleased to report the findings of that review. I believe it'll be upcoming within the next couple of months. That's my expectation. We'll be pleased to report back on their findings.

Ms Phillips: Minister, I've heard from a number of charities and nonprofits, and I think most of us in this room probably have the experience of, you know, working a casino for our kids' hockey or ringette or soccer or whatever organization and having to pull some of those late nights to volunteer at a casino. I certainly have done that many times myself. People are writing to me – and it's across the board; we're talking about people who volunteer for museums and people who volunteer for Legions and across the province as well – and they are worried about the charitable gaming proceeds review. They are worried about getting less. I know there's a review ongoing, but there are some very specific assurances that a minister can provide to groups even when something is under review, which are: are there going to be changes – or have you rejected them already? – that lower the amount, either through pooling arrangements or other revenue arrangements, to nonprofits?

Mr. Toews: I recognize the significant contribution that Alberta's nonprofits provide to every region, every community in this province. While a periodic review of programming is essential – and that's what we're undertaking here, and I'll be very interested in the observations, conclusions of that review – I can certainly, Chair, assure the member that I recognize the importance of predictable, adequate funding for civic society and for nonprofits in this province. That will be reflected in any decisions taken as a result of the recommendations coming from the review.

Ms Phillips: I heard predictable and adequate; I heard that as a commitment. Good. I'm wondering if I can get a commitment to all of the folks out there that there will be no changes that reduce the amount. It might still be adequate, but it may also be a reduction. That commitment can be made regardless of what the review shows, because ultimately the minister holds the pen on this stuff. They're watching, and I would like to see a commitment that their proceeds will not be reduced as a result of any decisions that are taken in the next couple of months.

Mr. Toews: Well, it would be very premature to start to comment on a review for which I've not seen any conclusions or recommendations or observations. What I can do, Chair, is again commit to the member that I recognize the great value these organizations provide in communities and the importance of appropriate, adequate, and predictable funding. That fact, that criterion, will be factored into any decision upcoming.

Here's the reality. There's a growing list of entities that all want in on this basically, largely fixed amount of money, and we have to ensure that we have a model that will advance funds to those organizations in our communities who really deliver, you know, real value to our most vulnerable, to our youth, and to the other objectives as prioritized by members of those communities.

11:50

Ms Phillips: A thing that a minister can do now is rule out certain policy options regardless of what a review says. I am not hearing that there is a ruling-out of a reduction in the amount of money that nonprofits and charities can get from volunteering at these casinos, but I would like to give the minister a chance to perhaps make another commitment to folks who have lost their casino and bingo revenues. Is there a mechanism that the minister can share with the committee and with Albertans that there will be at least some replacement of some of those revenues for missed casinos and bingos for folks who had them scheduled last year under the previous model and couldn't do them for obvious reasons? Is there a commitment to helping those organizations?

Mr. Toews: Well, absolutely, and again I recognize the great contributions they make. Like the member, my family has been involved in various fundraising events, including casino events, to support our local 4-H club, for instance, and also local sports teams when our kids were involved. So I recognize the value. I also recognize the hardship that COVID has created by simply eliminating these activities and reducing funds to the organizations. I can assure the member, Chair, that all of that will be taken into consideration as we take a look at the committee's recommendations. I can also assure the member that I have no interest in increasing the government's take around this. I recognize the great value that civic society provides, and I want to ensure that any changes that would be made would in fact improve the value proposition for these organizations.

Ms Phillips: Minister, have you examined options for increasing the take for casinos? Casinos asked you for that. Is that built into any of the projections here?

Mr. Toews: No. We haven't built any changes in because we've not made any changes to the structure with casinos.

Ms Phillips: There have been some, you know, questions asked around the dissolution of the lottery fund and moving it into the GRF, and I noticed that in schedule 23 of the fiscal plan you provided some visibility into where the lottery fund funds were going. That's good, and I thank you for that. There used to be – and it's in the TBF annual reports and in the AGLC filings – about $50 million in net financial assets over the course of the year that was kept within the lottery fund. Just for my awareness – or you can follow up in writing; this is just a technical question – as the lottery fund was dissolved and the money went into the GRF, I'm just wondering if you can draw the line for me on where those net financial assets went to. Help me out in reading that part of the fiscal plan and also the annual reports.

Mr. Toews: A big piece of the rationale for eliminating several funds across government was that we had hundreds of millions of dollars tied up in these funds, which was capital that was tied up. There's a cost to that. We've eliminated those funds in terms of sitting on cash that's providing no value. That was, again, the real benefit.

What I can assure the member, Chair, is that the funding model has not changed. In fact, charities and recipients, beneficiaries, have received and will continue to receive the same amount that they did prior to dissolving the lottery fund.

Ms Phillips: I'm just wondering if I can get a commitment on a technical follow-up from the minister and a written undertaking on the breakdown . . .

The Chair: Sorry. I apologize for interrupting.

We'll now move on to five minutes of back and forth with the government caucus. Who is going to be taking that lead?

Mr. Singh: Thank you, Mr. Chair.

The Chair: Mr. Singh, go ahead.

Mr. Singh: Thank you, Mr. Chair, for letting me continue, and once again thank you, Minister. Can the minister please provide details to the committee as to how the Alberta recovery plan will ensure Alberta's economic diversification, growth of its existing sectors, and steer the province towards long-term economic success?

Mr. Toews: Sure. A great question. Happy to work to answer that. Budget 2021 includes a number of initiatives that I believe will result in continued economic diversification in the province of Alberta. That's been happening now for some years. Of course, our sector strategies are clearly strategies that will encourage growth in sectors such as tech, such as tourism, such as aviation and aerospace, such as financial services, which, again, will directly result in a more diversified economy.

I also want to point to the fact that our corporate tax reduction, our business tax reduction, will also disproportionately assist nonenergy companies. Energy companies pay a significant amount to the government of Alberta through royalties, and because of that, their contribution through corporate taxes, then, is a smaller percentage of their contribution to the Alberta government than our businesses and sectors that don't pay royalties. As a result of that, even our business tax reduction will, again, disproportionately support nonenergy industry sectors, which will result in increased diversification.

I want to say this as well, that while I really believe we will see accelerating economic diversification in the province, as I talked about our great value proposition in Calgary and right across the province that will result in increased investment attraction, it's not either/or with the energy industry. It's increased economic diversification and growth in nontraditional sectors, at the same time positioning the energy industry, the agriculture industry, and forestry for continued growth. We know that those sectors are real wealth-creation engines for the province and for the nation. They are also important.

Mr. Singh: Minister, what are the ministry's specific roles in the implementation and delivery of these strategies?

Mr. Toews: Well, again, in terms of the ministry roles, we were responsible for reducing our business tax rate. We're also responsible, ultimately, for our red tape reduction effort. Again, I mentioned how important I believe that effort is. I think that will be one of the real durable initiatives that will position this province for decades to come if we get this right – and I believe we are – in terms of creating the most competitive business environment.

The ministry was also responsible for introducing the innovation employment grant, which, again, ensures that we can compete with other jurisdictions in the tech sector. This innovation employment grant was a very innovative approach, an approach that will reward incremental activity in research and development spending and dovetail really well with our preferred corporate tax rate, so an innovative program, a program that, again, will result in increased business diversification, which was, in fact, a responsibility of TBF.

Mr. Singh: Thank you, Minister.

How are the ministry and the province ensuring that these strategies don't create additional and unnecessary red tape?

Mr. Toews: You know, that's a great question. That's a really great question. At a time of economic challenge there's great pressure on governments to do something, and it's important that we're very thoughtful in the initiatives we bring forward because there can be unintended consequences of otherwise potentially well-intentioned responses. We want to ensure that we don't add additional red tape burden as we respond to our great economic challenge. That's one advantage of having an Associate Minister of Red Tape Reduction, a minister and an office that keeps a close eye on red tape, on new legislation, on new programs as they roll out to ensure that we can keep our regulatory burden at a minimum.

The Chair: Thank you, Minister. I apologize for the interruption, but I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded.

I would like to remind committee members that we are scheduled to meet next this afternoon, March 9, 2021, at 3:30 p.m. to continue our consideration of the estimates of the Ministry of Treasury Board and Finance. For health reasons, please remember to take any drinks and other items with you as you leave.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

Published under the Authority of the Speaker
of the Legislative Assembly of Alberta