

Title: Friday, September 17, 1993

Date: 1993/09/17

[Chairman: Mr. Magnus]

Time: 8:00 a.m.

MR. CHAIRMAN: We may as well get started. I'm still only half awake, but we'll follow the same process essentially as we did last night. We'll get into a short discussion, with any luck, on the process and then get right into the actual budget estimates.

Are we missing anybody here today? It doesn't look like it. If I may, I'll just start with myself and then go around the table this way so that everybody knows who everybody is. Just introduce yourselves very briefly and go from there. I'm Richard Magnus, MLA for Calgary-North Hill and chair of this committee.

MRS. BURGNER: Jocelyn Burgener, MLA for Calgary-Currie.

MR. RENNER: Rob Renner, from Medicine Hat.

MR. SMITH: Murray Smith, Calgary-Varsity.

MR. JACQUES: Wayne Jacques, Grande Prairie-Wapiti.

MR. HLADY: Mark Hlady, Calgary-Mountain View.

MR. O'BRIEN: Al O'Brien, Alberta Treasury.

MR. DINNING: Jim Dinning, Provincial Treasurer.

MR. McPHERSON: Alistair McPherson, Alberta Treasury.

MR. PETERS: Jim Peters, Alberta Treasury.

MR. HASS: Bill Hass, Securities Commission.

MR. TAYLOR: Paul Taylor, Treasurer's office.

DR. PERCY: Mike Percy, Edmonton-Whitemud.

MR. KIRKLAND: Terry Kirkland, Leduc.

MRS. ABDURAHMAN: Muriel Abdurahman, Clover Bar-Fort Saskatchewan.

MR. CHADI: Sine Chadi, Edmonton-Roper.

MRS. KAMUCHIK: Louise Kamuchik, Clerk Assistant.

MR. CHAIRMAN: Thank you.

Ladies and gentlemen, last night we talked about the process that we wanted to use. There have been a number of discussions between the two House leaders about how we wanted to proceed with this. The only two real points of contention were – well, there was actually only one point of contention, and that was how we actually went through the process. If I may, I'll give you some of the rules. We will be following Standing Orders, such as they are. There are only about 10 little sections within the Standing Orders that give us any particular rules. We're doing something of a cross between question period and what we do in Committee of Supply as far as how we're handling these meetings.

The meeting last night, if I may just describe what happened, went very, very well. We had unanimous consent from both sides, the opposition and the government, on the fact that they were all pleased with the process. It was just absolutely unanimous that it went very, very well last night.

As far as it goes, each speaker will be allowed a main question with two supplemental questions. There will be a preamble, unlike question period, allowed on the supplementaries, but we ask you to keep the preamble reasonable. We don't want to get into philosophical debate about things that might have been, should have been, or would be down the road. We want to stick to the budget to some extent, so I would ask that your questions are clear and concise, and if you can, please attach them to something that is within this budget that we're reviewing today.

The speaking rotation. Now, between the two House leaders it was decided that all nine members would be allowed to speak, if they so chose, to each program. Anybody may pass at any time on a question. If we go through all nine people on a program and someone has more questions, within the rules – it's laid out very specifically in the Standing Orders – we can start again. But once we start a second rotation of the nine people, we will then go through all nine people again in order to get out of that program. If at the end of a certain period of time, let's suppose three hours and 20 minutes, which is what it took us last night to do the four programs – and what we did last night was the four programs, counting the capital as the fifth program. When we go through all five programs, if we have time left over, such as last night with the 40 minutes, at that point in time you'll be allowed, if you wish to continue the meeting, to jump anywhere within the entire budget.

Last night we talked about how much time we wanted to spend organizing the process. It was suggested, actually by our side, that we spend a half hour. The opposition side suggested 15 minutes, and our side concurred. We did spend 15 minutes talking about the process, and we actually had a vote. I'll ask for a motion again for a specified period of time to discuss the process.

MR. RENNER: I'll so move the same motion as last night: 15 minutes.

MR. CHAIRMAN: Would anybody like to debate that? It seemed to be sufficient last night. It took us about 12 minutes.

MR. CHADI: I'm sorry; I missed that. What was it?

MR. RENNER: I'm moving that we keep our discussion on procedures to less than 15 minutes.

MR. CHADI: Okay. I don't think it's going to take us that long.

MR. CHAIRMAN: I don't either, because at this point in time we have a process that seemed to work for everybody. The clock starts now on the 15 minutes. The only bone of contention, as I said, that we seemed to have last night before we started the meeting – although in conversation with the Liberal House leader last night, he was quite happy with the process and the end result. So as far as it goes, if everybody is in agreement or concurrence that we will go program by program, the four programs that are listed here, counting the fifth program as the capital program, then we'll go ahead with that. Do I have concurrence?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Okay; no problem. Is there anything else within the organizational portion of this that we'd like to discuss? Questions?

DR. PERCY: Well, I just wanted to review the one point that you made. As we go through one rotation within a particular program,

if there are in fact subsequent questions by a member on either side, do we have to go through the entire rotation again?

MR. CHAIRMAN: If, for instance, you have spoken, Mr. Percy, and asked your three questions, your main and two subs, and wished to ask some more questions within that program, once you ask for that second question – and any member can ask for a second question – everybody gets another kick at the can.

DR. PERCY: Should they choose.

MR. CHAIRMAN: Should they choose.

MR. RENNER: What we did last night – and I think it worked fine – was after we had completed the full rotation, we asked for agreement from the entire committee to move on to the next one.

DR. PERCY: Good idea.

MR. RENNER: That way no one just asked a question and all of a sudden obligated everybody to start all over again.

8:10

MR. CHAIRMAN: The chair is prepared to be flexible, as I said, on the nature of the questions, although I do want them connected in some fashion to what we're looking at in the budget. What we also did last night, frankly, was that if a question came out that was purely of a philosophical nature, I basically looked at the minister. If the minister chose to answer a philosophical question, a "what-if" or speculative type of question, we answered it. If he chose not to, we didn't. In the case of last night he chose to answer quite a few of them, if the truth be known. [interjections]

MRS. BURGNER: That's why he's advanced education, and he's Treasury.

MR. CHAIRMAN: Well, he's obviously a lot smarter than me.

Much like Committee of Supply or any other committee of the Legislative Assembly, a note may be passed. If anybody has people in the background and wants some advice, a note may be passed, but please don't have researchers or people like that coming up to the table and chatting with you about your next question. If we were in the House, which at one point in time was considered, you wouldn't be able to talk to your researchers in there, and I'd ask that you follow that to some extent.

Are there any other questions on process? Thank you.

Do we have concurrence that the 15 minutes of organization is complete?

I'll say one more thing. The minister now, according to the rules that we set in place between the two House leaders, has the opportunity to speak for up to 20 minutes, at which point we get right into the programs and go from there.

Mr. Dinning.

MR. DINNING: Good morning, Mr. Chairman and colleagues. I was going to say that it's a pleasure to join you this morning at subcommittee, so I will say it. It is a pleasure to join you at subcommittee this morning with my colleagues from the Treasury Department, many of whom I've asked to join me at the table to assist in my answering your questions.

This is a pretty straightforward department. There are four programs within the department of Treasury. Briefly, I'll give you a quick overview, starting with program 1, the basic administrative support of the department found in program 1, including

the Treasurer's and the Deputy Treasurer's offices, including the administrative part of the department.

The Standing Policy Committee on Financial Planning is accommodated within the department of Treasury, as was the cost of the Alberta Financial Review Commission from 1992-93. Those are shown in the comparable '92-93 actual numbers. When the Premier appointed me, the Provincial Treasury also asked me to temporarily take on responsibilities associated with the former minister of consumer and corporate affairs. While those activities have now been dealt primarily to Steve West and a couple of others, the Former Minister's Office shows it as a comparable number for last year. The Alberta Securities Commission and the insurance responsibility still rest under my responsibility.

Program 2 is primarily the revenue collection part of our department, collecting taxes for the province: from corporate income tax to fuel tax to tobacco, hotel, pari-mutuel, insurance, and financial institutions capital tax. We provide revenue services to the rest of the government. As well, an agricultural program is delivered out of program 2 in the Farm Fuel Distribution Allowance. The subsidy paid for marked fuel in the province is found within that \$53.6 million expenditure for '93-94.

Under program 3 is the heart of Treasury operations, the budget and finance side, where in fact is found the Office of the Controller. Overall, this is the area where we are responsible for managing the financial assets of the province, including banking and cash management, risk management insurance, the administration of loans and guarantees, the accounting and financial control side of the government, and working with suppliers and those who are in receipt of our grants. The co-ordination of the annual budget process takes place within this program, as well as the payment of pension benefits and the whole area of pension communications. The work that was done on pension reform is housed within this program and, as well, the regulation of financial institutions, including the responsibilities for the Credit Union Deposit Guarantee Corporation.

Finally, in program 4 is the Securities Commission. You'll note that Bill Hass, who serves as the chairman of the Alberta Securities Commission, is with us today. Their mandate, quite simply, is to achieve a fair and efficient securities marketplace in Alberta, deserving of a high level of investor confidence. The commission has had some minor organizational changes this year, but by and large it remains, thank goodness, a very active part of the provincial government with a great deal of investment activity going on and a great deal of investor confidence in the province of Alberta such that Mr. Hess will admit that his activity and the pace of it is a nice problem to have.

Mr. Chairman, I can't help but reflect a bit on some of the reading that I've done associated with our activities in the department and indeed throughout the government. If I may, I'm just going to refer briefly to a piece in a book entitled *Toward Prosperity* by Roger Douglas who served as the Minister of Finance in New Zealand in the early 1980s. He has a very apt description of the role of the Treasury in a government. If I may beg your indulgence:

The Minister of Finance's department is Treasury, but he or she shares its services with all the other ministers and government departments. Treasury's role is to advise Government on economic policy and specific spending proposals. It does that within the framework of certain principles: how to best use resources – Government money, raw materials, labour, even the land and sea, anything tangible; to encourage growth; and to improve or maintain fairness for the community as a whole – taxpayer, consumer, the general public. In this way Treasury differs from many other groups who seek to influence the Government in favour of their particular interests or sector. Its analysts must also consider the consequences

of any proposed economic decision and forecast not only the immediate results but the effects it will have in the future. These last two aspects of its role are the ones most likely to bring it into conflict with others. Treasury has come to accept that many people, including ministers,

And if I might add parenthetically, even MLAs,

find it convenient to use the department as a scapegoat, to draw the fire which would otherwise be directed at them. That is the fate of all government financial departments world wide; and it can promote a distorted perception of their role and actions.

With no help from our friends across the way, I'm sure.

This is particularly true at a time like the present when Government spending is being cut or tough economic decisions are needed. Every government must have an agency that questions the quantity and quality of public expenditure and takes a broad view of economic policy. If the Treasury were not there, we would have to invent it.

In a sense the department represents the taxpayer.

Other than it is by a socialist, I can think of no more apt description than that one of the department of the Treasury. Even the Opposition House Leader, having served as a respected minion at one time in the department of the Treasury, I'm sure will vouch for the role it plays and for the kind of work that it does.

MR. MITCHELL: Gee, you're picking on me when I just came to see the proceedings.

MR. DINNING: Maybe you'd like to ask him to join the table, Mr. Chairman?

UNIDENTIFIED SPEAKER: He can come over here and help.

MR. MITCHELL: Some days I think you need it. Most days.

MR. DINNING: We could get into the regulation of financial institutions at another time, Mr. Chairman, and we probably will.

UNIDENTIFIED SPEAKER: We're just glad he's reading from a socialist book.

MR. DINNING: Actually, you'll be interested to know the gentleman refers to himself while in the United States as Sir Roger Douglas, because somehow he got that title. In New Zealand he's known as the leader of 'Rogernomics.' He will be visiting our province in the latter part of this month, and I look forward to having a chance to spend some time, because fortunately he's seen the error of his previous ways and now is a Conservative.

8:20

Mr. Chairman, I think with some of the activities that we're clearly embarked on, we've spelled out an ambitious agenda in our budget and in the budget that the province has presented. We are in many ways in the process of reinventing and redesigning the government that we've known for the last number of years. Clearly Albertans have given us a mandate to bring our spending in line with our revenues and to go back to the fundamentals, go back to the basics, determine what our priorities are, determine what business we should be in and what business we should therefore not be in. Those areas where we should stay in, we should streamline and determine a way to deliver those services better, more effectively, and certainly more cost efficiently such that the taxpayers' burden is lightened rather than made more heavy.

We're taking a number of initiatives in that regard, Mr. Chairman, not the least of which is the Financial Review Commission, something that ended on March 31 and which is now being implemented along with the advice of the Auditor General. We're

about to embark on a tax reform commission which will be accommodated within the department of the Treasury and the Department of Economic Development and Tourism, and they have an important mandate to assist us in determining what is the most competitive tax regime that we can possibly design in this province.

So, Mr. Chairman, with that ambitious agenda and my colleagues here to assist the government to achieve that, working with other government departments to do so, I know that there are plenty of questions that you and my colleagues have for this morning, so I'll close my remarks there and say thank you again for hosting us here this morning for the next three hours and 48 minutes.

MR. CHAIRMAN: Thank you, Mr. Dinning. That was 10 minutes. That's great time.

We are in program 1. Mr. Renner.

MR. RENNER: Thank you, Mr. Chairman.

MR. CHAIRMAN: Please, if I can interrupt for a moment, just put up your hands. I'll put you on the list in order to get the nine, and we'll just take them as I see the hands coming up and go back and forth from one side to the other.

MR. RENNER: I'd like to address the issue of budgeting within program 1. I note, for example, that in the minister's office there was a significant overage in 1992 compared to budget, and that is mitigated somewhat by the fact that the former minister's office was under budget, and I assume that there was probably some reallocation of funding there. I was wondering what the minister had done and put in place to ensure that there is not an overage again in 1993.

MR. DINNING: Well, Mr. Chairman, I believe the budget that is spelled out for the minister's office there is a realistic and accurate one. You'll recall that there are perhaps some costs associated with the comparable '92-93 actual associated with the severance payments from the previous office, but I can assure Mr. Renner that we've taken the steps, I believe, that are necessary to ensure that our costs stay within the budget that's spelled out there.

MR. RENNER: Thank you.

Moving down to 1.0.3, Administrative Support, the '92-93 estimate was roughly \$2.6 million, actual was \$2.4 million, but the budget for '93 is \$2.8 million. I'm wondering why the increase was necessary.

MR. DINNING: Well, a number of reasons, Mr. Chairman. As I said in my remarks, we are embarked on a process within government working especially with other government departments in the preparation of business plans. Remember, what our business plans are designed to do is to assist departments in asking some basic questions. What business are they in? What business should they be in? What business can they get out of? Those that they stay in, how do they streamline and make more efficient? How do they come up with the necessary budget and strategy to achieve it? More importantly, how do they measure the results when all is said and done? Clearly, within the department in the Administrative Support, that's where some assistance will be provided as well as in program 3. The staff required and the assistance required to ensure those business plans are prepared and that the government's agenda on the financial side is properly

communicated is the basic explanation for an increase in the administrative support side.

MR. RENNER: Thank you.

MR. CHAIRMAN: Second supplementary.

MR. RENNER: No; that's fine.

MR. CHAIRMAN: Mr. Percy.

DR. PERCY: Yes. When you look, for example, at 1.0.4, the Standing Policy Committee on Financial Planning.

MR. RENNER: Oh, and now you're really hurting me.

DR. PERCY: Missed it by default, Mr. Chairman.

MRS. BURGNER: He's just testing to see if you're awake.

MR. RENNER: I'm awake.

DR. PERCY: The expenditure of \$104,000 for what essentially it is, a caucus committee which reports to cabinet: what are the payoffs to those expenditures to what essentially is a caucus committee? Because it's not all-party. Much of the expenditures, in fact, when you break it down relate either – you know, automobile, extra payments to the chair. What is the payoff, then, to the province?

MR. DINNING: Well, Mr. Chairman, just as any government committee is made up of government appointees, so too is this government standing policy committee on financial planning, and it has a responsibility in dealing specifically with four government departments of the Treasury, of Federal and Intergovernmental Affairs, as well as Education and advanced education. What that government committee does is do even some of the work that the likes of the Financial Review Commission would do on an ongoing basis. The ministers are required to appear before that committee to account to that committee for its programs, for its policies, for overhaul or tinkering, whatever the committee and the ministers will recommend or decide, and as well is responsible for helping that minister to in many ways redesign, reinvent the delivery of education or advanced education, assist our activities in working with departments on business plans and on the basic management of the control side of government.

The committee also has a responsibility to listen to Albertans in those four specific areas in its public meetings in this building or across the way in the annex or throughout the province. The committee has had an opportunity in receiving briefs from Albertans, especially most recently on education finances. It has met in Calgary and listened to the views of Calgarians and those from southern Alberta. I know, Mr. Chairman, that under the expertise and fine hand of the chairman of the standing policy committee on financial planning it will continue to listen to what Albertans have to say and assist those ministers and the government in making decisions specifically in those four departmental areas but overall in the government's finances.

DR. PERCY: Those certainly are laudable objectives; nobody can quibble with them. The issue is whether or not, then, these are not in a sense part of the normal duties and responsibilities of thy member of government.

MR. CHAIRMAN: You're getting pretty philosophical here. We are on the budget.

DR. PERCY: Pardon me?

MR. CHAIRMAN: We want to stay a little bit away from the philosophy of this.

DR. PERCY: Well, there is just the issue of the allocation of funds, then, under this. There's a \$24,000 indemnity for use of the car, so of that \$104,000 there remains \$80,000 unaccounted for. What is that allocated for: the residual after the chairman's stipend, car, et cetera?

8:30

MR. DINNING: Well, Mr. Chairman, there are salaries and wages associated with the chairman's office, including a support staff member, the provision of an automobile, and other supplies and services. Mr. Percy suggests that he wasn't going to quibble, and then asked his question. I would put to you that that committee and the other three committees have important roles to play in recommending and finalizing public policy. Just as the Liberals would want to see changes made in the way that the government of Alberta does business, so too does the Conservative government in the province, and it relies on these standing policy committees to seek out that advice and to hear from Albertans on how we ought to do the business of government better. I believe that \$104,000 is a small investment with big payoff.

DR. PERCY: Mr. Chairman, can I in my supplemental shift to a different area within the elements to follow up on a response to Mr. Renner's question?

MR. CHAIRMAN: Yes.

DR. PERCY: You mentioned in your comments, then, that part of the reason for the increase in the administrative support was really communications, getting the government's agenda out. One thing that is of concern, of course, is that there is the public affairs department which gets a \$10.7 million budget. Why would there be the need for Treasury to in a sense duplicate the facilities that are already in place in a line area?

MR. DINNING: Well, Mr. Chairman, while the Public Affairs Bureau provides some of that assistance, there was not really in the department, prior to my becoming the Treasurer, a fully operational communications unit. Part of that increase was associated with creating one. Why? Because the government is in the business of communicating, frankly, more than it ever has.

When I think of what we've done and what we have to do in the days ahead – not only in the creation of the budget documents that you saw on May 6 and on September 8 but on updates that will be communicated to Albertans in each quarter in the months and years ahead, in the work of the Tax Reform Commission, in the work of the Financial Review Commission – I can see the need for telling Albertans the facts so that they will continue to support the steps we are taking to get our spending in line with our revenues. I believe, quite frankly, we have been successful because of that communication, that Albertans do know, members of the opposition know the facts more than ever now. Albertans and others can ask the reasonable questions and make the reasonable demands that we get our spending in line with our revenues. I believe communicating that to Albertans has got to be a key responsibility. It's certainly the direction that Premier Klein gave

to me when I became the Treasurer, and it's something that we have followed through and will do so with gusto in the days ahead.

MR. CHAIRMAN: Thank you.

Mr. Smith.

MR. SMITH: On the same point, the standing policy committee on financial planning. Mr. Treasurer, is that information that Dr. Percy asked for public information line by line? For example, can we unfold the complete budget of the standing policy committee: so much for wages for departmental support staff, so much in communications, so much in supply, so much in services, so much in auto?

MR. DINNING: Mr. Chairman, I have it broken down the following way: salaries, wages, and benefits are at \$52,000; supplies and services are at \$27,200; and other is put down at \$25,000.

MR. SMITH: Is that information available for all departments throughout government?

MR. DINNING: When asked, yes.

MR. SMITH: The third question on Departmental Support Services: can you explain to me the linkup between the budgeting process and how it integrates with the three-year business plan to support the business plan objectives?

MR. DINNING: Well, Mr. Chairman, I can more particularly as it relates to the Provincial Treasurer's office, not perhaps so much from the administrative support side but from the Treasurer's office. One of the things we are doing in many ways different than we've ever done before is that we have asked departments, on the basis of a request from the Premier and from the Treasurer to all ministers and agencies, to begin that process of preparing three-year business plans and asking some pretty crucial questions. While we are still budgeting, preparing, and working to implement the '93-94 budget, we are at the same time asking government departments to work in the '94-95 budget, but we're also asking them to prepare the three-year business plan.

What are the kinds of questions that we're asking them in the preparation of those plans? What are we asking them to think about and consider? Well, here are the questions that I've asked of them. What are the implications of the government's overall business plan on the department or agency? What services of the department or agency do not need to be provided by government at all? What services could be better delivered by another order of government? What services could be significantly reduced? What services could more fully recover their costs? What services or programs could be delivered differently; for instance, by a contract with the private sector? How could they be delivered differently at a lower cost? Does the department or the agency need to exist? What are the implications for other organizations both within government and outside of government of the proposed strategies and the plan that a department would lay down?

Now, Mr. Chairman, that goes back to something that I know Mr. Smith and I have spoken of a number of times, and that is going back to the fundamentals. What are you trying to accomplish? What are you doing to accomplish it? And when you've done it, do you know how well you've done, how well you've accomplished it? Somebody said that that's not rocket surgery.

MR. SMITH: It's also not state of the art.

MR. DINNING: It's pretty basic stuff that the private sector has had to do, and Mr. Smith keeps reminding me of that as well. If a business out there today is doing business today, it's doing business differently today than it did 10 years ago or it isn't doing business at all. Government in many ways has not faced that same cold, harsh reality, and we are trying to inject that kind of reality into the creation of business plans.

Having asked departments to now do that, they are in the process of preparing them. We've asked them to do it on the basis of a minimum of a 20 percent reduction in the cost of their programs over the period of that four years. My parenthetical advice to them is: do it sooner rather than later. The notion of 20 percent over four years and thinking of it in terms of 5 percent per year times four years is better known as tinkering around the edges rather than facing the harsh reality of real structural transformational change, and that's what we must face.

So that work is being done by departments. It will now come into the Treasurer's office, and work will be done within the budget and fiscal policy side such that that information will be vetted and pulled together for review by Treasury Board. Further consultation will take place before we make final decisions and announcements regarding three-year targets by the end of the fall and an acceptance of those three-year business plans of government departments.

It's not going to be something that the MBA schools at Edmonton, Calgary, or Western Ontario will want to take as the ultimate case study analysis of the perfection of these business plans. Many government departments and agencies haven't done them before, although Mr. Chadi as a fine businessman in the city probably has done one that nears perfection. We're going to seek to achieve perfection, but I'm not confident that we'll do all of it in the first year. It will take some time. It took us awhile to get here. It's going to take us awhile to get to the destination.

8:40

MR. CHAIRMAN: Mr. Chadi and then Mrs. Burgener.

MR. CHADI: Thank you, Mr. Chairman. Thank you, Mr. Dinning.

With respect to I think it was Mr. Renner's question, the answer you gave in vote 1.0.1, and that was Provincial Treasurer's Office, that the large increase from 1992-93, the estimates versus the actual, was due largely to severance payments. My information is that since the 1986-87 fiscal years up until now the Provincial Treasurer's office has seen expenditure increases of about 30 percent annually. Can you explain that?

MR. DINNING: No.

MR. CHADI: Okay. Then why would you not have put in a provision for, say, another 30 percent from the estimates of 1992-93 in the estimates of 1993-94 given the fact that there was a 30 percent increase in the last seven years, continuously?

MR. DINNING: Well, Mr. Chairman, I've served as the Treasurer now since December 15, 1992. We've done our level best to live within the budget that has been provided to us. I don't make those kinds of commitments lightly, nor will I on this one. I think that as a minister I have a reasonably good track record of living within the budget that's been assigned to me or that I've agreed to adopt. I see no reason to change that.

MR. CHAIRMAN: Second supplementary.

MR. CHADI: Yes. With respect to the capital assets . . .

MR. CHAIRMAN: Mr. Chadi, we'll do capital as the fifth program.

MR. CHADI: Oh, all right.

Then going back to the minister's office. Have you done an efficiency audit of any kind with respect to your office and the expenditures that go on in your office then, Mr. Treasurer?

MR. DINNING: Yes.

MR. CHADI: Okay.

My next supplementary then. I'm allowed one more.

MR. CHAIRMAN: The first one was not answered though.

MR. DINNING: I did answer it, Mr. Chairman. I said no.

MR. CHADI: It was all part and parcel of the same question. I mean, goodness, me complimenting him wasn't a question.

MR. CHAIRMAN: If I could take just a moment, Mr. Chadi, your first question the minister could not answer.

MR. CHADI: All it was was I just added a little more to it, which he answered.

MR. CHAIRMAN: Okay.

MR. CHADI: I'm just going to also comment with respect, first of all, to the Treasurer's response to Dr. Percy's question. His response was on 1.0.4, Standing Policy Committee on Financial Planning. Your motive here was to make government work better. My suggestion or comment would be that to make government work better, would you not think it would serve a much greater purpose if there was an all-party committee versus just one party on this financial planning committee?

MR. CHAIRMAN: That's purely philosophical. If the minister wishes to answer that, he may, but . . .

MR. CHADI: It's up to the minister.

MR. CHAIRMAN: . . . it has nothing to do with the budget per se.

MR. CHADI: Then I'll retract that one, and I'll ask you one.

MR. CHAIRMAN: Well, no. You know, luckily the chairman never has to answer a question.

MRS. ABDURAHMAN: I'll remember you said that.

MR. CHAIRMAN: Other than process.

MRS. ABDURAHMAN: I'm glad you qualified that.

MR. CHADI: I'm sorry, Mr. Treasurer; you were about to say something.

MR. DINNING: The short answer, Mr. Chairman, with all due respect, is no. Do you want to hear the longer answer?

MR. CHADI: We've got four hours.

MR. DINNING: Okay. I think we have a grand opportunity in listening to what Albertans have to say from all across the province. I think that the committee is beginning to do some of those kinds of things, and I think that members of the other party have an opportunity to make their views known. There is a big, big Chamber downstairs especially for that, and I believe we hear some novel, even some good ideas in that Chamber and in a committee like this. Clearly, I think that the way we've established the standing policy committees – opening them up to the public, having them meet outside of Edmonton, in Calgary and hopefully in places like Manyberries and Rimbey and Hanna – we'll have a chance to hear what all Albertans have to say.

AN HON. MEMBER: Who represents Manyberries?

MR. DINNING: Lorne Taylor.

Sine, you should visit Manyberries someday. You'll see some startling revelations out at Manyberries.

MR. CHADI: Remember, I grew up in Lac La Biche. I've seen many berries.

MR. CHAIRMAN: Mrs. Burgener, then Mrs. . . .

MRS. ABDURAHMAN: Just call me Muriel.

MR. CHAIRMAN: You know, in the interests of not messing up your last name terribly: Muriel.

MRS. ABDURAHMAN: Just say Muriel.

MR. CHAIRMAN: Muriel. I'll use Muriel.

MRS. BURGNER: Thank you, Mr. Chairman. Actually it's nice, Muriel, to have somebody with a last name as complicated as mine.

MRS. ABDURAHMAN: Thank you.

MRS. BURGNER: I would like to take a different tack, but following on some of the comments you made with respect to the business plans. I'm looking at an omission on the budget in 1.0.5. I personally find it quite distressing, given the phenomenal review and revitalization and confidence building that has come out of the Financial Review Commission and some of the direction it has allowed us to take, that it's just dropped as an item.

I'll give you a little preamble, because my concern is, of course, that one of the reasons we're in the mess we're in is that I don't really believe there is a strong sense of business planning, government doing business as business does, that has been coming out of the department. That's with all due respect to my colleagues at the end of the table. Yet, Mr. Minister, we are now in the process of asking all our departments to prepare business plans, so I'm wondering if there's any thought on maintaining some connection with an independent Financial Review Commission to continue to monitor how we are doing our business and how we are staying on track. I find that omission strikingly frightening.

MR. DINNING: Well, Mr. Chairman, I think that Jocelyn's question is a good one. What the Financial Review Commission has really helped us to do is take that independent arm's-length review of the government's finances. It was a pretty bold move on the part of the Premier and the government to have said, "Okay, we're open; now have at us." And they did. Specifically to your question of is there a follow-up to it that allows an independent group of people to have at us: well, there are all sorts of places for that to happen. This committee is one. The Committee of Supply is another. The Public Accounts Committee, that now toothful tiger, is now going to have an opportunity to do that.

8:50

We've put in the Deficit Elimination Act, Jocelyn, a requirement that the Audit Committee perform that job as well, and that the Audit Committee, under section 8 of the Deficit Elimination Act:

- (a) shall report publicly to [cabinet] on the progress made by the Government towards achieving a balanced budget at least once in every fiscal year, and
- (b) may inquire into any matter relating to the financial affairs of the Crown in accordance with a request of the Provincial Treasurer.

It will do so on its own by August 31 every year; and secondly, it can do what we asked the Financial Review Commission to do, at the request of the Treasurer. So there are those opportunities. The Auditor General, of course, is the other watchdog, and I believe that the Auditor General's office has served that purpose very well.

I would hope that maybe in your supplementaries you'd get into the other work that the Financial Review Commission has suggested, because it has not been dropped. We've taken their recommendations. I just want to point you to one in particular. The preface to their remarks was something that got us launched into a very fine track for the future. I'm not trying to dwell on the past, not fingerpointing or wringing our hands about the past, but they said:

Our recommendations should not be viewed as criticism of past practices but as an opportunity to carry out change to cope with a much different financial and economic reality. Any structure that has evolved over time and during periods of prosperity is a prime candidate for change.

You know that all too well in the Calgary school systems and in the education system across the province.

This is an opportune time for government, as business has found, to restructure its organization and procedures in order to meet the challenge of radical changes to revenues and expenditures.

We've taken the spirit of that preface and the recommendations, both the spirit and the letter of it, and I think made some radical changes that when we released our consolidated accounts the other day, Alberta has set a new, higher standard for financial reporting for this country when it comes to public finances.

MRS. BURGNER: I don't discount what you say; I have a lot of confidence. Obviously, I put my name in the ring based on it. But I would take as a supplement question the initiation of the three- and four-year business plans from the perspective of reducing 20 percent of their budget over four years. You see, what I find a bit of a flaw in that is that there's a percentage attached to it, not what is the most appropriate way of addressing a business plan. Because it's done from within by the same department notwithstanding the revitalization, eliminating dollar value to the outside component vis-à-vis a review commission, what if the structural tinkering or changes they do to get those 5 percents each year over four years do not, indeed, give them a

business plan that is dealing with the issues that you talked about: whether they should be there, whether somebody else can do it better? I mean, you've given them an objective, but it's a dollar objective. It's not necessarily a revitalizing objective, and my concern is that while we do have the Auditor General and we have public accounts and those types of sources to monitor, it all comes after the fact. So my supplementary question is: are you prepared to contract out the business plans? I just don't have the confidence.

MR. DINNING: You make a good point.

MR. CHAIRMAN: This is again one of those "what if?" questions that speculates. If the minister wishes to answer, he may answer.

MR. DINNING: I appreciate that, Mr. Chairman, but I think it goes to the very nub of what Ralph Klein's government is all about: simply not accepting the status quo as an option, because he won't and we won't. I go back to the Financial Review Commission. They said:

Develop and adopt a workable and enforceable fiscal plan first to balance revenue and spending in a way that eliminates overspending on a sustainable basis, and, second, in the longer term, to generate a surplus to eliminate the net debt.

Now, that's the financial side.

When we talk about business plans, the objective is the plan. It isn't the money side of it, from the government's point of view. Naturally, from a bean-counting Treasurer it is an important aspect of it, but the more important part of the exercise, as far as the government is concerned, as far as the Premier is concerned, is that the departments have a golden opportunity to say, "What is the business that we should be in?"

It's time to debunk the myth that there are a whole bunch of lazy public servants out there who are satisfied with the status quo and are happy coming to work every day at 8:15 and getting ready to leave at 4:15. They don't do that; many of them do not do that; many of them don't want to do that. They look at the public service as a career opportunity and a place where they can make as meaningful a contribution as somebody can at a university, in a business, at a mental health hospital, running something in the oil patch, or being a school trustee. I see, frankly, among my own colleagues here at the table and in the department and in the advanced education department and places across this government a revitalization, a charged-up "Jeez, you know, we've got a great opportunity" kind of attitude.

You know, as I think I said in my budget remarks, the past six years ain't been easy, have simply not been easy for our public servants, because it's been a time for uncertainty, and the last few months have been a time for uncertainty. Business plans and a department of the government saying, "This is where we're going," creates more certainty and gets more of those creative energies and those juices flowing for public servants, I think, than anything we've ever done in the past. You talked about revitalization. I think the business plan exercise, including the minimum of minus 20 percent, can be just that; it can be revitalizing.

You asked: can you contract it out? Well, clearly, once we've received the plans, I see us doing just that. I see us asking an awful lot of people, "Is this the right track that we're on?" We're going to ask within, but we're going to ask outside too. Don't forget; we've got to focus on our priorities. We've said education and health care are our government's key priorities. Clearly, when it comes to things like justice and protection of persons and property, that's also fundamental, but then there are other depart-

ments like public works, like Treasury, like intergovernmental affairs, the personnel administration office that serve those needs. So they will in many ways be taking their cue from how are we going to do the business of education and health and social services and justice and those other line departments. The staff departments will take their cue from there.

What are we doing in those fundamental priority areas? We're going out and talking to Albertans. We're doing a roundtable today and tomorrow in Calgary. We're doing a seniors' roundtable, asking seniors about a myriad of government services. We've embarked on the health roundtable. We're going to do the advanced education roundtable. Now, I know that Mike Cardinal, at his gatherings and meetings around the province, is going through exactly the same kind of consultation process. It's not from within. It's very much an exercise that includes Albertans, and it must.

9:00

MRS. BURGNER: No supplementary, in fact. Thank you.

MR. CHAIRMAN: Thank you.
Muriel, then Mr. Hlady.

MRS. ABDURAHMAN: Thank you. It gladdens my heart to hear Jocelyn, my colleague from the government side, make the opening comments that she did. I think I'm sitting here for the very same reasons she's sitting here: we want to see some fiscal responsibility and accountability within government.

With regards to the planning process – it's interesting that Sir Douglas does have a good Scots name. It's also interesting that the Provincial Treasurer has an interest in Muriel from a whiskey perspective, and also it was interesting that you connected me back to the mental hospital, not the health unit and municipal. I might need whiskey in the mental health hospital after this process. I was wondering if you were diagnosing me ahead of time, Mr. Provincial Treasurer.

MR. DINNING: Is that the question, Mr. Chairman?

MR. CHAIRMAN: The chair would like to rule on that, but I'm not sure.

MRS. ABDURAHMAN: I think we've got to bring some humour to this occasion.

Moving on, I'd like to ask, through you, Provincial Treasurer, about short- and medium- and long-term planning. Looking at it from a strategic fiscal planning process and an action plan, how far have we gone in that area? I'll use an example. As a rule of thumb in any area that I've been involved in, the first thing I've always done is sit down with financial people, sit down with the program directors, got them together and looked at what we're going to be delivering in the future and what it's going to cost us and see what our revenues are going to be and look at different scenarios. Are you going to have a 10 percent fall; are you going to have a 20 percent increase? I'm wondering: what type of planning have you got in place? This is no reflection on the administration, because administration needs leadership to do the job.

MR. DINNING: I don't think they would take it that way, Muriel, and I'd agree with you. I believe that is exactly what Ralph Klein's government did when we got into the budget exercise in earnest in January of 1993. We sat down and said: what are our forecasted revenues; what can we reasonably expect with some

principles intact? The principles being that we don't want to raise taxes; we don't want a sales tax; we want to create the kind of tax environment and business environment in this province where the economy will grow and the economy will create jobs and create sufficient revenue for delivering government services. Those were some of the basics that we started with.

When we did that – if you turn to page 22 of this budget document, you can see that our revenues are expected to grow from \$11.47 billion in '92-93 to about a billion dollars more than that, \$12.425 billion, come 1996-97. We started off with that as a basic. Then we had to say okay; how are we going to make this happen within four years, because that was a commitment that Premier Klein made and we're going to live up to. That's how we came up with the four-year plan.

The four-year plan on page 22 is more than just numbers. It reflects principles of philosophy that we are going to get our spending in line with our revenues, not vice versa. We're simply not going to say that the status quo of increasing our costs, whether it's health care or education or social services, by 5 or 6 or 7 percent every year almost without question – that's the status quo that simply isn't good enough. So we went back to the departments and said okay; the first year is going to be difficult. It's going to be a challenge, which it has been for several departments, but I think we've made some significant steps in the first year. We've catalyzed the public service, catalyzed the public sector. They see that we're serious, and that's why they're working intently on these three-year business plans.

That's the kind of long-term planning that I think you're asking for. It's the questions that I asked earlier that we're asking departments and forcing departments to ask, so that the answers to those questions show up in their business plans. Then I think you'll see that kind of process bringing the results of the medium- and long-term planning you're looking for.

MRS. ABDURAHMAN: A supplementary. To give me some degree of confidence, I would want to know from you, Jim: when you've looked at the significant cuts that you're doing through the programs and looking at leadership and looking at efficiency audits – I think it was Mr. Taylor that was indicating there had been one done to your office. I'd like to touch on what kind of efficiency audit it was, and have you taken into account in your planning the unemployment that's being created right now, the loss of collecting those tax revenues, and also what it does to the cost to the taxpayers through unemployment? Has that all been taken into account in your fiscal planning? I go back to the efficiency audit. What kind of efficiency audit was done in your office if you, the government, are showing leadership to cut costs? When I look at the Deputy Provincial Treasurer budget and the fact that it's been under budget, that shows leadership to me. They've had significant cuts, but I don't see the true leadership showing that type of fiscal responsibility.

MR. DINNING: There are a lot of questions in there, Mr. Chairman, that are asked rather adeptly.

MR. CHAIRMAN: Well, actually I didn't hear anything that's really related to the budget.

MRS. ABDURAHMAN: Oh, it is, Mr. Chairman. I'm on vote 1, and I'm talking about the Deputy Provincial Treasurers' Office, why that was under budget.

MR. CHAIRMAN: I appreciate that, Muriel, but out of about 20 questions that we've got so far, three or four have been specific to

this budget. As I said before – it's the last time I'll mention this – if the minister chooses to answer a philosophical, speculative type question, he may. There were about 20 different questions in there.

MRS. ABDURAHMAN: Can I narrow it into one question then?

MR. CHAIRMAN: Please do that.

MRS. ABDURAHMAN: Has the unemployment and lost tax revenues been taken into account in the fiscal planning that has been put forward under the Budget '93 plan?

MR. DINNING: The answer quite simply is yes, but I know the hon. member would want a longer answer. Mr. Chairman, there is a view that when you talk about registries and ALCB as one thing and the early voluntary separation program – let me talk about those two things. There's a notion under registries and ALCB that we're cutting jobs. That's how some people would portray it, and frankly that's how you've portrayed it in the Legislature.

MRS. ABDURAHMAN: To some degree, yes.

MR. DINNING: That's how you've portrayed it in the Legislature.

MRS. ABDURAHMAN: To some degree.

MR. DINNING: I'll put a period at the end of that one.

We don't look at it that way. We truly don't see it that way. We see it as an opportunity. We go back to the principles. We go back to the fundamentals and ask the question: why must selling licence plates and a good bottle of Ballantyne's be done by a public servant? Why must it be done by a government employee? You shake your head. When you think about it, you think: that doesn't make sense. Government doesn't deliver dry cleaning – it shouldn't if it is. Sometimes there's a question about the taxpayers going to the cleaners, but that's another subject altogether. Even Liberals would not be able to make that stretch that a good bottle of booze has got to be sold only by a public servant. Even an NDPer wouldn't really in their honest time be able to justify that, and we can't either.

Goodness knows – I'll throw in something personal here. My grandfather, old R.J. Dinning, was the first chairman of the Alberta Liquor Control Board 70 years ago. In many ways I'm sure that we are administering some of the same rules and laws and regulations that he wrote 70 years ago, and it's time, a few years later, that we would bring that into the 1990s. I'm sure he's not rolling in his grave today, that he's rather proud of the things we are doing.

9:10

MR. SMITH: Was that a Liberal patronage appointment? I'm sorry, Mr. Chairman, that's not a supplementary question.

MR. DINNING: We see that as an opportunity, now, for those who work in those stores. If Danny was here – he shouldn't be; he should be taking his contract with Peat's and going and working with those liquor store employees to help them to develop a business plan, because they know what it's like to run a liquor store and they could then get into that business. That's our attitude on liquor stores, on registries, and other things that we should be getting out of. On VSA, the impact, yes. We've said

that those employees who could voluntarily leave government have been given an inducement and an incentive to do so. I can think of some, some of whom are my friends, who've taken that opportunity to leave. Sort of it's been the boost for them to leave and go out and create and start their own business.

That's the way of the future. It's not going to be government created. It's going to be private sector created, and that's our opportunity. When you say, have we considered that in our economic, our fiscal plan, clearly that kind of wealth creation is very much one of our principles and is one of the things we go back to.

Mr. Chairman, having said that, the review you call an efficiency audit: I've gone back to the principles, focusing my office's activities on some very specific things. One of them is achieving the four-year plan that we've outlined here. We try to judge and match every activity that we do with accomplishing that task. There are clearly some priority tasks that have got to be done. Do we do that? Then there are things that fall closer to the bottom of the list. We're working on the top part of the list. That's working efficiently and effectively.

MRS. ABDURAHMAN: Thank you. Mr. Chairman, I won't go into the next one. I did give more than one in there.

MR. CHAIRMAN: Mr. Hlady, and then Mr. Kirkland.

MR. HLADY: Well, thank you, Mr. Chairman. I keep hearing recurring comments on business plans and so forth in the first questions as we've gone through, and I think that's to do with the planning that we've all been wanting and why we've been getting involved.

I think some of the problems are that we haven't had that with many departments in the past. They haven't had that, as you've mentioned. Can you give us some details on the problems that certain departments – education, health care, economic development: I think those three because of the design and the way they've always functioned – are having in putting forward a balanced budget or a budget plan that you can see on paper? Here are your revenues, here are your expenditures: it is very difficult to do this with these departments. I think that's a problem that those ministers and those departments are going to have, how they can do it over three years. How as Treasurer are you helping them to make those plans work? I think it's necessary to do that.

MR. CHAIRMAN: I said I wasn't going to say this again, but wow, you know; that's about 20 questions. They all appear to be politically speculative orientated. In this new spirit of co-operation between the two sides, if the minister wishes to answer or attempt to answer all of those questions, he may, but I would really like to stay a little closer to the budget.

MR. DINNING: Mr. Chairman, I appreciate that the Treasurer is an easier target just because he's little wider, and I don't mind answering. We could go on for a long time on that, but I think quite specifically about education and health care, having had involvement in the past in both of them as a former minister of community health and a former minister of education. Let's go back to the basics. What are we trying to accomplish? What does a basic education look like? What are basic health services looking like? What should be the business that we should be in or that we should fund?

Those are the kinds of questions that departments are asking, that roundtables are asking. It's not an easy process, but I think out of the process that we're in now we will distill from that what

the basic education is and what the basic priorities should be. It goes back to what I said to Murray. Education – not just the department but education across Alberta – needs to ask: what are our objectives, what are our long-term goals, what should kids learn, put together a budget and a strategy or a plan to accomplish that, and then at the end of the day, how well did those kids in political economics 202 actually learn their stuff? If they've learned it very well, let's celebrate that and share how they learned that with others so that all professors of political economics will be able to achieve that. If they didn't, why didn't they? What do you have to do to correct that and to make sure that they do? That's true in education. That's true in open-heart surgery. That's true in mental health care. It's true at SAIT and NAIT. If we can keep driving – and I'm not sorry to sound like a broken record. That's the message we're going to keep driving home.

MR. HLADY: A supplementary. In 1.0.1 and 1.0.2 you've got about \$800,000 in a budget for this year. You've cut back considerably on the Provincial Treasurer's Office and maintained basically on the Deputy Provincial Treasurers' Office. What are the differences that the two offices are performing in their duties? Just to define them a little bit for us: how it changes from the Provincial Treasurer's level to the Deputy Provincial Treasurer in application or whatever?

MR. DINNING: It's a fair question. I do my best as a former deputy minister not to serve as one again, and sometimes my two colleagues on my left and right here have to remind me gently that I may be walking into some of that territory. Clearly, you have a team of people, in this case led by the Treasurer. I have the benefit of having two deputy treasurers, deputy ministers, whereas most departments have one. In the case of Al O'Brien you have one working on the management and control side, primarily on the budget bureau, tax, and fiscal policy side, focusing on the management side, whereas Alistair McPherson is probably the only man in Canada who manages a multibillion dollar investment portfolio and also at the same time manages a multibillion dollar debt portfolio, and I know there are days when he's torn to do both. Those three offices really perform the management and overseeing of the operations of the department and, as I read to you from Sir Roger, play a role that expands more than just from within the department of Treasury. It expands out. These gentlemen talk to deputy ministers and senior officials across the government day after day after day. They spend probably more time outside the building with their colleagues in other departments than they do with leading the charge from within.

MR. HLADY: That's fine. Thank you.

MR. CHAIRMAN: Thank you, Mr. Hlady.
Mr. Kirkland, then Mr. Jacques.

MR. KIRKLAND: Thank you. My question has been answered, Mr. Chairman, and I'll pass at this time.

MR. CHAIRMAN: Thank you.
Mr. Jacques.

9:20

MR. JACQUES: Thank you, Mr. Chairman. I found the process a little bit déjà vu, having come from at one time a large corporation that went through an evolution. There used to be a business plan review committee. Once a year we'd fly out from corporate, and we used to use the analogy of the flock of birds that used to

fly in, squawk a lot, crap all over you, and fly away. I had the pleasure over time to go from the squawkee to squawkor.

It's interesting in terms of the process that we're obviously going through – and it's a beginning; it's not the end – because I've seen it. I've experienced it, I've tasted it, I've lived it, I've been frustrated with it, and I've also seen the success of it. The evolution, the stage one that we're at now is that we key in to the financial budget. Everything surrounds the budget, and typically business plan history has shown that everything ultimately in the beginning focuses in on the budget to the extent that we will probably have people developing rafts of program software, endless analysis of accounts, comparabilities, et cetera. The danger that we are going to run into is that we spend more time and effort on that rather than dealing with, if you like, the plans, the strategic issues, and the actions that are involved. I would probably hope that if there's any way that we can influence this over time, that perhaps when we sit around a year from now or two years from now, we will be much more into those types of issues so that the budget is the budget but the discussion and the issues are more relevant to the targets and those types of things.

I understand the process that we're going through, and I want to compliment you for the initiative. I also want to compliment the staff. It's not an easy time for them. That's an understatement.

With that long preamble, one thing that I found difficult in this particular thing is the aspect of trying to compare, because we do have some apples and oranges in here. If you go to kind of the \$3.8 million versus the \$3.9 million versus the \$4.1 million, yes, there are breakdowns, but there's really kind of no succinct summary that says, yes, here are the meaningful shifts and changes that because of consolidation or because of severance packages or those types of things.

I was struggling with this, and let me ask you a specific question. Let me take the comparable '92-93 actual of \$3.9 million. If I back off from that the Financial Review Commission, which quite clearly is not in the '93-94 estimate but is in the '92-93, I'm then left with an expenditure in '92-93 of \$3.6 million. If I compare that to '93-94 at \$3.8 million, then there's a difference of roughly a \$178,000 increase. I also recognize that in '92-93 there is an element, for example, of the effect of restructuring and there are severance payments so that indeed in '92-93, if I knew that figure backed it all, probably the variable would even be bigger than that that I'm describing. Now, I know that the financial planning quite clearly is that there's an \$81,000 difference, so I can say: all right, \$178,000, \$81,000; that leaves me roughly a hundred thousand, but if for argument's sake – and I'll pick a number – severance payments were \$300,000, then that would mean that the actual overall increase that begs the question, I guess, is \$400,000. I'm just using that as an example. So I don't know whether there is something – and I guess that's really my question. Is there something that kind of just cuts through all of that and says: here's where the real big items are in terms of changes?

MR. DINNING: No.

MR. JACQUES: Okay. Thank you.

MR. CHAIRMAN: Mr. Jacques, a supplementary?

MR. DINNING: No, no, no. To be fair, Mr. Chairman, we have a number of initiatives that the Financial Review Commission has shown there, but we will be varying the costs of the tax reform commission within this program. We've committed to launch a review of the Alberta heritage savings trust fund. The beginnings

of that review will also be borne from within here. So we have set aside within the administrative support side those allocated dollars, earmarked dollars, for those unknown, uncertain activities, from a schedule point of view.

So you're right. It is like comparing apples and oranges, but we've tried to make the vision so as not to inflate or increase the budget for next year or come back for a special warrant or have to come back to the Assembly for more dollars. We tried to set aside dollars to make sure we can meet those commitments.

Can I just go quickly back to your preamble? Having flown into Grande Prairie about three years ago today, with the Canada geese around the airport I couldn't help but figure that same analogy as the plane landed and I saw my life pass before my eyes as all these birds got in front of the propeller.

What we're trying to do – and I tried to say that in our budget remarks by saying that this budget didn't contain a lot of surprises, that frankly that is going to be the new normal, and that as we move ahead with quarterly reports and with corrective action and constantly trying to stick to and go back to our plan, then budgets will not be sort of one-night affairs with boutonnières. There will be a regular accounting to Albertans about our plan from a financial point of view, from a strategic point of view, from a results point of view, and that Albertans will not think of budgets as special events but just an ongoing series of actions, corrective, or a means of sticking to the plan. That's really what our objective is.

MR. JACQUES: A supplementary, Mr. Chairman. In a municipal county when I was an alderman, unfortunately the issue was always obscured from the point of view that there used to be things called internal charges, where a particular functional area of accountability, as they used to put it, would generate some internal charge. It would be charged to other departments. It's supposed to zero out, and then the other departments would explain the variance in budget, and on and on and on. I don't know about provincial government. Does that exist as a matter of policy, maybe not so much within provincial government but within the ministries? In other words, is there something that somewhere there's this mysterious thing that charges out? Did I make myself clear?

MR. DINNING: Yup, you did. Wayne, are you asking primarily about the Treasury Department or across the government?

MR. JACQUES: Well, I guess I'll ask specifically within the Treasury Department from the point of view: do you internally allocate between lines – I don't know what you call it – between, say, the Provincial Treasurer's office? Is there a charge in there?

MR. DINNING: No. On Treasury the answer is: no one would buy the services. If you look at page 307 of the government estimates, you will see in the case of Investment Management that there is a charge to, say, the various pension funds: the local authorities pension plan, the public service pension plan. There is a charge for the direct associated costs of managing that fund in a given year that would be charged against that fund. So there is some degree of internal charging, not an awful lot. Frankly, if the department, if in fact Alistair's shop would charge those pension funds what Canada Trust charged, what a trust company charged – and we use Royal Trust – it would be a tremendous profit centre for us. We really only charge our costs, and that in fact could become a disincentive for those pension funds, say, in the future if they chose to opt out and go on their own and got

somebody else to manage their funds and started charging us – what? a quarter of a percent or higher, which we do now.

9:30

MR. McPHERSON: But we would charge our direct costs.

MR. DINNING: Canada Trust would charge about a point and a half, one and a quarter points, say, whereas ours is just the cost, and it's probably less than a quarter of a percent of the total assets of the fund. Across government? Yeah. When we do the public works budget, when you think about accommodation and telecommunications, there probably could be room for more charge bucks. Then you'd know the real cost of delivering the Treasury Department services or the Department of Education services or whatever. There is plenty of room for deputies being given more of the responsibility for saying: well, where am I going to accommodate, or house, the public servants in my department? Maybe I could get a better deal in some industrial warehouse property in the west end of town rather than being right down in the heart of Government Centre, where it costs a lot to buy real estate. Maybe they could be accommodated better in, goodness knows, maybe even Leduc or Devon.

AN HON. MEMBER: Instead of O & Y.

MR. DINNING: That is absolutely right.

MR. JACQUES: My last supplementary involves the issue of the business fund requirements that have been issued by Treasury. As a result of being on NADC, I did see a copy of the directive that had gone out on that. The question relating to that: has there been any service provided by Treasury to other departments, or to ministries, to assist them in that process or to direct them in an area where they can get some assistance?

MR. DINNING: More or less. The assistance of those in the budget bureau and those in our tax and fiscal policy shop, that's been available. On the revenue side, we've certainly made it clear that we're interested in seeing how they would take a net budgeting approach, encouraged them to be creative there, but as for a consultant operation housed within the Treasury Department, no, we don't do that. We've encouraged them to go outside and find that or go elsewhere within government. We don't rely just on Treasury folks for treasury and financial advice. We cast our net across the government and across the agencies, boards, and commissions and bring that advice in from time to time as well, and we've encouraged departments to do the same thing.

MR. JACQUES: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

That concludes the first round of questions on program 1. It took an hour and 10 minutes. If the committee would like to get into a second round on this one, we can do so. All I need is a show of hands. The discussion has been largely philosophical. If the committee wishes to use the time that way, and the Treasury refuses to answer, I guess we'll do that.

We are on program 2 now, and Dr. Percy is up.

DR. PERCY: With regards to that program 2 element, 2.1.2, Operations and Audit, this program was to develop and maintain the audit capability of the Alberta Corporate Tax Act. If you look at the element details, expenditures here are up by 3 percent at \$221,000. We are in the process of negotiating with the federal

government to take over the collection of corporate tax in 1994-95. I'm somewhat surprised that in fact expenditures in this element would be going up in light of the fact that we're trying to back out of it as quickly as possible. So my question is: is it a problem of encouraging compliance, deterring tax avoidance? What is leading to the increase of 3 percent in this budget line?

MR. DINNING: Mr. Chairman, I would like to try to answer that. I'm going to ask Allister to comment perhaps in more detail. We are in discussions with Finance officials to move the province out of the collection of its own corporate tax and have Ottawa take on that responsibility once again – it was 1981 that we initially went to our own administration – but clearly, as we get ready to do that, we can't stop doing what we've been doing until somebody else does it for us. I'm sure that all Albertans, including the opposition party, would want us to be diligent in collecting our taxes. Clearly, we will continue to be collecting taxes, because as I said in my overview, we still have to collect fuel tax, tobacco tax, hotel room tax, insurance corporations tax, financial institutions tax, and pari-mutuel tax.

Allister, maybe you could just comment briefly on why that's up.

MR. McPHERSON: We certainly have frozen any new development obviously in the corporate tax area, particularly in systems and so on, other than things that we would need to do to keep it going for as long as we may have it. I think the main increase here is some additional audit and compliance effort in the consumption tax area.

DR. PERCY: Okay. My supplemental question really concerns an element that I'm a little confused on, and that's Compensation to Agents. If we look at this item, the compensation is slated to decrease by \$800,000, a 41 percent reduction. Can you explain what that reduction is and who these agents are? In many cases, it's the small business centres and hotels collecting these taxes and remitting the money to the government. So I guess there are two prongs to this single question: who, and why the decline?

MR. DINNING: Mr. Chairman, one of the great things about our system is that Albertans help us in collecting taxes. Hotel operators collect the tax. We don't have somebody, a public servant, standing on the other side of the motel counter at the Flamingo Motel in Cardston; we have the hotel operator running it for us. The same is true when, say, it comes to fuel oil. What we have done is eliminated the compensation payment to oil marketing companies, and they are doing it as a public service without compensation.

DR. PERCY: Supplemental. I'm a bit confused on that. Hotels don't receive any type of payment for collecting the hotel room tax.

MR. DINNING: Yes, they do.

DR. PERCY: They do? They receive a share? Okay.

So what's happening here then? When you say oil marketing companies, are we talking about the small service stations? Are we talking about the integrated company that will cease to receive, but other areas in the private sector will receive payment for collecting the tax? Could you just give me an idea of what the value of those payments are, or how they're calculated, and why the oil marketing companies are becoming suddenly altruistic?

MR. DINNING: Well, Allister, why don't you take a slice at that?

MR. McPHERSON: Thank you, Mr. Chairman. The fuel tax is collected essentially at the refinery, so the commissions that have been eliminated from the budget, if you like, are payments that would have gone to the refining companies or the major marketing companies. The compensation that remains in the budget relates to the hotel and motel industry. It relates to the tobacco wholesalers. It relates to bulk agents for the farm fuel distribution essentially. There are formulas for those payments; I can't give them to you from memory, but on the hotel it essentially relates to the number of returns they file. On the farm fuel distribution program, from memory, I think there's a formula which is both activity and volume based.

9:40

DR. PERCY: Thank you.
I've had two or three?

MR. CHAIRMAN: That's two sups.

DR. PERCY: Two sups?

MR. CHAIRMAN: Two sups. I just asked the Clerk as well.

DR. PERCY: So I'm out?

MR. CHAIRMAN: Dr. Percy, I believe the expression is, "You're toast."

MR. DINNING: But do come back.

MR. CHAIRMAN: Thank you.
Mr. Renner.

MR. RENNER: Thank you, Mr. Chairman. In the interests of brevity I think that, looking ahead, section 3 is probably a little more lengthy than section 1 and section 2, so I'll ask a very quick question, and if the minister could give me a quick answer, then we can move on.

I actually wanted to touch again on the subject that Dr. Percy brought up on Compensation to Agents. I collect the GST for the federal government and get no compensation, and I really question whether it's necessary to have any compensation whatsoever to these agents.

MR. DINNING: Fair point. That's clearly one of the things that we are considering and reviewing. We felt that we could take a first stab at it this year with the marketing companies at the refinery, as Allister mentioned. We've not, to my knowledge, had a serious complaint or problem from them.

Allister?

MR. McPHERSON: Not serious. No.

MR. DINNING: They've noticed a reduction in their revenues. They've advised us of that, but that's about the extent of it. But clearly you've got a point.

MR. RENNER: Okay. On the same line, is this a percentage? Do they keep a percentage of what they collect? Exactly what compensation is involved? Using the hotel tax for example, if I'm a hotel person, do I receive a percentage of what I collect?

MR. McPHERSON: Mr. Chairman, on the hotel/motel tax, from memory, every time they turn in a tax return, which is monthly over a certain number of rooms and is quarterly, I think, under a certain number, they would deduct \$25 off the return.

MR. RENNER: That's all. Thank you.

MR. CHAIRMAN: Muriel?

MRS. ABDURAHMAN: Yes. In vote 2.1, we're looking at a decrease in expenditures of about .6 percent, or \$1.1 million, in '93-94, comparing it to last year's estimates. I'm wondering, Jim: can you update us on the status of the negotiations going on between the province and the federal government with respect to allowing the federal government to resume the collection of corporate taxes? How much is actually expected to be received by the provincial government in administrative costs? Following that, if there is a savings, how many staff will it impact with this decision?

MR. DINNING: Mr. Chairman, a lot of those details in the latter part of the question would have to be worked out in the negotiations. I believe clearly in the federal government taking on this responsibility. We are going to expect them to continue to make sure that they are auditing and that there's some assurance of compliance, et cetera. For a number of those employees perhaps that are now Alberta government employees we'd like to lure the federal government to maybe set up a little taxation centre in downtown Calgary, on the federal side, and to operate more out of western Canada.

Those negotiations are going on now. I think that there certainly is good discussion at the senior official level. The Deputy Minister of Finance and the Deputy Treasurer have spoken two or three times recently. I think they are awaiting a little bit more political direction from their political masters in Ottawa, but clearly, in the interests of eliminating interprovincial barriers and creating consistency and a streamlined, more efficient public service across the country, they're happy to get back into collecting it, because they do so now for all provinces except for Quebec and . . .

MR. CHAIRMAN: Ontario.

MR. DINNING: . . . and Ontario and Alberta. At the same time, we'd like the federal revenue people to adopt many of the attractive features of Alberta's corporate tax administration. For instance, there are some 25,000 – I forget the number. Many Alberta companies do not need to remit monthly, because they have a low income. What's the number?

MR. McPHERSON: It's 30,000.

MR. DINNING: Thirty thousand companies in Alberta only remit annually rather than having to remit monthly, which they do for the federal government. They get to keep that remittance all year long, keep it in their bank account rather than putting it into ours or the federal government's. So in discussing this with Ottawa, we'd like Ottawa to be able to adopt some of those same kinds of favourable aspects of Alberta's corporate tax administration. Do we hope to get it done soon? Yes. Will we get it done soon? Really I think Ottawa is waiting for some more direction from their political masters, and they'll get that after October 25.

MRS. ABDURAHMAN: Supplementary. In light of the tax review commission and the uncertainty around the machinery and

equipment assessment tax, are you confident that this 5.6 percent will be realized? I'm trying to come to terms with it. If you're looking at significant tax reform, what does it do to the management you've got in place and the ability to collect that in a very short time line of planning?

MR. DINNING: Can you just give me your numbers again that you're thinking of?

MRS. ABDURAHMAN: My information is that we're looking at a 5.6 percent decrease. That would be \$1 million in 1993-94 from the previous year's comparable estimates.

MR. DINNING: Is this on 2.1 or 2.2?

MRS. ABDURAHMAN: It's on 2.1, Jim.

MR. DINNING: Two point one is primarily the matter of the compensation of agents. There's a reduction of that. That's the main reason for that reduction.

MRS. ABDURAHMAN: For that reduction?

MR. DINNING: Yes.

MRS. ABDURAHMAN: Well, it moves then into 2.1.2 really. We're going the other way. What I'm trying to get at: it was a decrease in your 2.1, and then when you go to 2.1.2, we're looking at an increase, yet the federal government will be collecting once again in 1994-95.

MR. DINNING: Yes. I think we've tried to answer that in what Allister was saying, on the consumption side: tobacco tax, fuel tax. We're not putting the brakes on compliance; we're trying to ensure strict compliance with existing tax law and tax rates, tax payments.

MRS. ABDURAHMAN: The tax reform commission: there are substantial changes.

MR. DINNING: Oh, then you're talking about tax revenue.

MRS. ABDURAHMAN: No. How you collect?

MR. DINNING: Well, that is clearly going to be something the tax reform commission is going to have to consider. One of the givens of the tax reform commission is that there will not be an Alberta corporate tax administration to collect it, but the tax reform commission has got a responsibility to identify the state of our existing tax system in the province, including machinery and equipment taxation and power and pipe. Are some of those elements or kinds of taxation an obstacle, an inhibitor to further economic development in the province? The petrochemical industry in this province would say: yes, it is; get rid of it. There are certain people just a few kilometres east of this building who would beg to differ, and the wisdom of Solomon with the tax reform commission will have the benefit of listening to all those people and coming back to us with recommendations.

The objective is not to raise taxes or seek new ways to accelerate our tax revenue, nor is it to decrease tax revenue, but what is the best regime in Alberta to ensure that industrial and economic activity grows and that there's a system or an environment in place that makes it attractive for people to invest their money so it will grow but at the same time ensure that we can live within our four-

year projections or more to enable us to have that revenue to fulfill our plan's obligations?

MRS. ABDURAHMAN: Thank you, Mr. Chairman.

9:50

MR. CHAIRMAN: Thank you.

Mrs. Burgener, and then Mr. Chadi.

MRS. BURGNER: Thank you, Mr. Chairman. I think I'm on the same wavelength as Muriel on this one, Jim. I thought the tax reform commission would in its eventual end-of-the-day report make it collecting the most appropriate funds and using them in the most effective manner. I also thought it would have an implication on how the department is structured. I don't see a major reduction in operations given that there's going to be some change to the structure. I don't know whether we've built in costs to deal with it or whether it's going to reduce the cost of operating. I think that's sort of tied to numbers, Mr. Chairman. Is that on-task?

MR. DINNING: Mr. Chairman, because we're not out of the tax collection system yet with Ottawa and because we now haven't got recommendations to even begin to implement and don't expect to do so till post-Christmas, we have to live with the existing tax regime, try and make it more efficient but ensure compliance. That's why these numbers are here for '93-94, because really until March 31, 1994, we don't anticipate making changes that have a significant impact on this year's budget. You will probably see that change beginning in '94-95 and most definitely in the third year of the four-year plan.

MRS. BURGNER: My next question is a supplementary but on a slightly different topic. I have absolutely no farm roots whatsoever. However, having said that, could you please explain why somebody gets assistance in purple gas and I don't get any at the pump in the city?

Then my third question, just so you're prepared, is: why is it called purple?

MR. SMITH: It is purple.

MR. DINNING: Well, Mr. Chairman, I think the first question put forward by the hon. Member for Calgary-Currie is a very philosophical question that I, responding as the MLA for Calgary-Lougheed, probably would not want to answer. Mr. Kirkland and Mr. Jacques may be better prepared.

MRS. BURGNER: But you're going to answer it anyway?

MR. DINNING: There is a belief system that the government across the country in many ways has tried to help farms lower input costs. Every gallon of gas you burn in collecting your crop just means that that's less money a farmer will make in selling his bushel of wheat. His bushel of wheat is not dictated by the normal supply and demand market created in the community of Beaverlodge or Devon. It's set by somebody way, way, way, way far away. But clearly those are the kinds of questions we need to be asking: what is the business government should be in? We're doing that.

On purple gas, it's called that to distinguish between regular fuel and marked fuel. What are they called? Brown hornets? Those who are on the highway watching farm trucks go by will sometimes go and check the colour of a carburetor or dip their dipstick

into the tank to find out whether it's marked fuel. If they're not allowed to have it, they get dinged but good.

MR. CHAIRMAN: Thank you.

Mr. Chadi, and then Mr. Jacques.

MR. CHADI: Thank you. I didn't realize there were different colours of carburetors. I know what you meant though.

MR. DINNING: I just know where it goes.

MR. CHADI: I'm really curious about the collection of the corporate income taxes and the current negotiations to have the federal government resume the collection of this tax. I heard earlier that it was set up in 1981. I'm looking in terms of how many dollars we have actually spent to date on the setup of this mechanism to collect tax. My question is: do we have some sort of figure on that? Obviously we have an administration in place, the whole thing is set up. Where are we sitting? How much did it cost us to do that?

MR. CHAIRMAN: Well, Mr. Chairman, I haven't got the specific number of what it's been since 1979 to date, but I will try to get that for you.

Remember the reason why we did it. The reason we went into this in '78-79 and got into it by '81 was that we wanted to be economic masters of our own economic house, and we felt we could use the fiscal might of the province – oh, back in '78-79 there was plenty of fiscal might – to help engineer economic activity, to use the tax system to do it. Well, in fact we've done it primarily through lower tax rates, not through engineering. That was perhaps the right decision back then, but today having our own corporate tax administration doesn't achieve that same objective. It could be done just as easily by Ottawa. It makes no sense, as I said in my remarks the other day, to justify two systems, two bureaucracies of tax collection, one in Edmonton and one in Ottawa.

MR. CHADI: A supplementary to that, Mr. Chairman. I guess my concern would be that we would have spent \$50 billion setting this mechanism up and then would dismantle it, I guess. I have great concerns over whether or not – if we were going to get rid of it or dismantle it, could we not sell that mechanism, if you will, or do we want to keep it for the future? Also, tying into that, do the feds charge us any money for the collection of the corporate income tax?

MR. DINNING: The second question. Allister was saying to me that the feds, on collecting our own personal tax, charge nothing. They take no take, although when it comes to penalties on arrears they keep those. But by and large there is no administrative cost for their collecting our personal income tax, and I would expect the same is true on corporate tax.

MR. CHADI: Obviously you've looked into that. This isn't my supplementary, by the way. I'm just getting clarification of his answers, Mr. Chairman. Quite clearly, have you not indeed looked into it prior to having a decision made?

MR. DINNING: Well, isn't that what we're into negotiations on right now?

MR. CHADI: Okay.

MR. DINNING: As for selling it, yes, I think there's knowledge and information the federal government will want and hopefully will buy. Maybe if we run into a hang-up there, we might ask you to help us in the negotiations.

MR. CHADI: Excellent idea. Thank you. I'd be happy to help. My supplementary then . . . I am now working for the government, and as an MLA representing my constituents of Edmonton-Roper, they would be right proud of me.

MRS. ABDURAHMAN: You would charge. You would charge.

MR. CHADI: I would not charge a nickel.

MR. CHAIRMAN: You're not using purple gas, are you?

MR. CHADI: I haven't checked the colour of my carburetor. With respect to vote 2.1.5, Interpretation and Appeals, there appears to be an increase of approximately 9 percent there. Firstly – well, I guess not firstly; this is my last one. I've got to make a good hit here. Why the increase, and is the increase because of an expectation here of an increase in number of objections?

10:00

MR. McPHERSON: The main reason is really just a reallocation within the budget. In prior years the interpretations and appeals were almost exclusively on the corporate tax side. In this budget we have put in that area as well any appeals and so on that we have from the consumption tax side, so it reflects an expectation that there would be some additional activity.

MR. CHADI: I'm toast, I would imagine, am I not, Mr. Chairman?

MR. CHAIRMAN: Mr. Jacques, and then Mr. Kirkland.

MR. JACQUES: Thank you. This is a side note, Jocelyn. If consumers in this country were willing to abdicate all the programs that government has put into controlled pricing, farmers would love to get rid of this 2 percent and receive fair market value for their products.

MRS. BURGNER: Are you launching your federal candidacy at this point?

MR. JACQUES: On this Farm Fuel Distribution Allowance, Mr. Chairman, a couple of questions; number one, the reduction of roughly \$10 million. Of course, I know of the recent announcement, and I assume that's obviously been factored in proportionately.

MR. DINNING: I'm sorry. I was distracted, sir. Can you help me with that?

MR. JACQUES: The recent announcement with regard to the reduction, which was effective – what was the date it was effective? I can't remember.

MR. DINNING: It was effective August 19 or 20.

MR. JACQUES: That has been factored, obviously, into this?

MR. DINNING: Yes.

MR. JACQUES: The question is: is there any other formula that you use in calculating the \$53.6 million? How do you come up with it?

MR. DINNING: Well, we know from past years. We have a pretty good idea of farm purchases of marked fuel. Probably we could track it on a day-to-day or week-to-week basis and see whether consumption or purchases are up this week compared to last year or the last five years or the average of the last 10 years. That kind of work is done primarily between our guys and the people in agriculture. Depending upon the rate of activity in the farm economy, agriculture helps us with those estimates.

MR. JACQUES: Thank you.

The second question: is there some specific, obscure Act somewhere in the bowels of this place that says that this thing must be accountable by Treasury as opposed to agriculture?

MR. DINNING: It is because it is delivered through the tax system. I think it's safe to say, Allister, that that's been the history of it.

MR. McPHERSON: That's certainly why it's administered in Treasury, but the budgeting could easily be in agriculture.

MR. DINNING: For the purpose of the quarterly report and agriculture's share of found savings, it is. It has been accounted that way. This has seemed to be an agriculture department saving when it comes to the department having to find – it's \$16 million this year?

MR. JACQUES: Yes, exactly.

MR. DINNING: Walter and I teamed up and became buddies for a while. It is; it's a farm-related program.

MR. JACQUES: My last supplementary, Mr. Chairman. I'm assuming that this is a gross figure as opposed to a net figure. When I say gross, it includes the costs associated with having the program in place. Or is that strictly the amount that's paid out, and the associated costs are somewhere in the other areas?

MR. DINNING: It's just the grant. Is the cost of the purple up above?

MR. McPHERSON: The cost of delivering it. The administrative cost is in the other element.

MR. DINNING: It's the item above.

MR. JACQUES: Okay. Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Jacques. Mr. Kirkland.

MR. KIRKLAND: Thank you, Mr. Chairman. Mr. Dinning, let's take it back to element 2.1.6, Compensation to Agents, along the line that Sine was questioning. I see we pay the agents some \$1.143 million. Obviously, there is a balancing revenue generated there and an associated cost to collect that. Would we have an idea on what the difference would be? I guess I ask that question in light of the fact that your objective is to get to a good

tax regime, and whether it's costing us more to collect it than we're actually looking at is the underlying thought behind my question.

MR. DINNING: May I ask you to rephrase your question?

MR. KIRKLAND: Well, we pay \$1.143 million to the agents that are presently collecting our taxes, such as the hotel people that you indicated.

MR. McPHERSON: That's what we pay in commission.

MR. DINNING: We're paying them a commission to collect that.

MR. KIRKLAND: Okay; a commission. Right.

MR. DINNING: But our actual fuel tax collection in a year is \$510 million.

MR. KIRKLAND: So it far outweighs it, so it's not a case of not being able . . .

MR. DINNING: It's a good deal. We should have such good deals across government.

MR. SMITH: We want a company like that.

MR. KIRKLAND: That would be the case throughout, I would have to assume, in the different segments of it. If we look at the hotel, again it's a payback?

MR. DINNING: Yeah. Terry, you may want to look at page 42 there, which is an estimate, which is our review of our expected tax revenue this year: on tobacco, \$315 million; hotel room of \$29 million.

MR. KIRKLAND: Supplementary, Mr. Chairman. Just a bit of a walk from that, but I keep hearing you refer, Jim, to the array of consumption taxes. That again would be covered on that page 42?

MR. DINNING: Yes. When we talk about consumption, actually we're really talking about fuel tax, tobacco tax, hotel room tax. I suppose you might even call pari-mutuel tax a consumption tax.

DR. PERCY: What an array of sales taxes we have out there.

MR. DINNING: We don't have a tax, as some members have proposed, related to the fuel consumption or the fuel efficiency of a car, as the former Member for Edmonton-Meadowlark, now Edmonton-McClung, has suggested in the past, that there be that kind of a sales tax imposed on the purchase of new automobiles. I just want to make sure that's on the record, Mr. Chairman.

MR. KIRKLAND: I have no further questions, Mr. Chairman.

MR. CHAIRMAN: I have no other questions on program 2. Sorry; Mr. Smith.

MR. SMITH: Actually, I just wanted to make one point, and that is on the privatization of the ALCB. At no point could I ever find out how much it cost us to actually collect that tax, so certainly privatizing it has saved us money on that. Secondly, I think they collect over \$11 billion, which, with a charge of \$18.6 million, is highly laudable. I wish, again, I had a company like that. I guess

my only question: did you get my cheque? Harking back to my private-sector days.

MR. DINNING: Are you saying, Mr. Smith, that you have paid your taxes late, and I should be sending out . . .

MR. SMITH: No, the Ethics Commissioner informs me. I have heard.

MR. CHAIRMAN: Thank you, Mr. Smith.

I have no other questions. Do we want to start our second round on the second program, or do we wish to go on to the third program? No questions. We're on program 3, and actually before we start program 3, we're approximately two hours into this process, which is the halfway point. Would members like to take a facilities needs break? I might add that the chairman really could use one. Thank you. Ten minutes? All in favour? Thanks.

[The committee adjourned from 10:09 a.m. to 10:22 p.m.]

MR. CHAIRMAN: Just before we start again, I will advise you that we have two hours and one minute left to go in this process, unless we have consent to go further, which I have my doubts we'll do.

If we could start now, we're on program 3, and I have Dr. Percy on the list first. Actually, I had Mr. Chadi on the list first, but he informed me you wished to go first.

DR. PERCY: I'll go after Sine. You were the first to come.

MR. CHADI: All right. Thank you.

I have a concern, Mr. Treasurer, with respect to vote 3.1.3, Accounting, financial reporting. I'm just wondering: does this category include quarterly budget updates? Yes? The expenditures are slated to increase by about 16 percent from last year's estimates. Can you indicate the reason for that?

MR. DINNING: Mr. Chairman, one of the things the Financial Review Commission said to us was the need for more timely information and more user-friendly type information. We've taken that to heart and made a commitment to release the public accounts this year at least three months earlier than we did last year and in some cases as much as five months earlier than we have in earlier years. Next year we're going to release the consolidated statements by three months after the end of the fiscal year. We won't say that the approach we've taken in the past was leisurely, but we are taking a far speedier pace in getting our financial statements out. At least at the outset that's going to require some additional resources, and we're going to be going outside to buy those. It's quite in keeping with the Financial Review Commission's report, the Auditor General's report, the opposition's request in the past that said, "You need timely information." We're going to do that, but at the same time we need to have the quarterly information so as to make the necessary adjustments to stay on track.

MR. CHADI: Thank you.

MR. CHAIRMAN: Thank you. Mr. Renner.

MR. RENNER: Thank you, Mr. Chairman. I'd like to address 3.6, Statistical Services. You have announced, Mr. Treasurer, that you are going to wind down Alberta Bureau of Statistics, and

I assume that that is reflected in this budget. I'm wondering: is this a total wind-down?

MR. DINNING: Mr. Chairman, as I understand it, this line will actually go, but the need for statistical information will continue. There is simply no doubt about it. As again we try and rethink our role as a government, the business that we should be in, it strikes me that – I'll go out on a limb here, especially with my friends from the fifth estate over there – when you look across the government, there is probably a statistics unit in every single department of government. Does that make sense? Is that necessary? That's a question that we're asking and perhaps taking the lead on and charging ahead on.

Clearly, the need in this day and age for information is absolutely essential, but having a Bureau of Statistics that in some cases buys data and gives data away, the same data that Statistics Canada would actually sell, is a little out of step with the times. What I would think is that as we perhaps step out of this business, our need for statistics will still be there, but maybe what we will do is take some of those saved dollars and use them to buy them from a private-sector company who will also be able to custom-make our specific needs for Treasury information, for government information. We'll be able to access that statistical information, provide it to all Albertans, and sell it to all Albertans.

MR. RENNER: Thank you.

For my second question, Mr. Chairman, I wonder if you'd allow me just to bend the rules very slightly. I would like to know, if this department and this line are being deleted, why would it be necessary to have an additional \$5,000 in capital costs in a department that's being deleted?

MR. CHAIRMAN: It's a capital question. Can we hold it till we get to capital?

MR. RENNER: Sure, if that's your wish. I thought it was a real quick one.

MR. CHAIRMAN: If we can get a really quick answer and nobody objects, go ahead.

AN HON. MEMBER: How long have you been here?

MR. CHAIRMAN: Apparently we're not going to get a quick answer, so do we have a supplementary, Mr. Renner?

MR. RENNER: No. That's all I have. Thank you.

MR. CHAIRMAN: Thank you.

Dr. Percy.

DR. PERCY: Yes. I'd like to move to section 3.3, Finance. This is the element that deals with financial assets, liabilities, minister's loan guarantees, et cetera. First, this isn't a philosophical question. It is: what is the structure that is in place in Treasury to evaluate the risk of these guarantees? Do you have a standard manual that outlines the criteria by which you would evaluate your risk? This is still the same question; I'm just trying to describe what I would hope would exist. Within those criteria are there rankings, then, of the level of riskiness, and is there a priority listing within that? Is there a specific document that provides you with a framework to provide a consistent analysis of the undertakings that Treasury makes?

MR. DINNING: Is there consistency in our analysis? Yes.

DR. PERCY: Well, if this were question period, I would rephrase that: obviously the hon. minister didn't hear my question.

Am I to take it, then, that you're saying there is no consistent plan, set of business practices you employ that is in a manual or framework that you use? There appears to be pretty high variance in the types of undertakings that you take, and in some instances it's very clear that it wouldn't be touched by a ten-foot pole by the private sector. I'd like to know just what are the criteria that you use when you're assessing these undertakings, and is it consistent across the types of obligations that you incur?

MR. DINNING: There is consistency, Mr. Chairman.

DR. PERCY: I take it he means no?

MR. DINNING: Mr. Chairman, I know what the hon. member is trying to get at. You've got to appreciate that the Treasury Department itself is not in the business of providing loans or guarantees, hasn't been, and has been very supportive of our government's stated intention to as best as possible, as most as possible, get out of the business of providing guarantees, loans, or any other kind of financial arrangements with Alberta businesses. In the past those matters have come to us because the Provincial Treasurer has an obligation to sign those financial instruments, but they've come out of the economic development – small e, small d – side of government, in the belief that goes back to 1984.

I know that the hon. member would have read the July '84 white paper, Industrial and Science Strategy for Albertans, and probably did some careful critiquing of it. I know that the hon. member's colleagues in the Legislature did the same thing when they suggested at one point that we have to have an energy and a determination and a will to do whatever we have to do to get the economy going and to diversify this economy so that we're not on a roller coaster ride with our economic development. The hon. Member for Edmonton-McClung, formerly Edmonton-Meadowlark, said exactly those words in the Legislative Assembly, Mr. Chairman. I just wanted to make sure, so as not to be too much of revisionists when it comes to history, that we know from whence these practices came, because the government of the day said that that's where we were going to go, and Albertans, in large measure through public forums, endorsed that.

10:32

DR. PERCY: But we're dealing now. Talk in the present, please.

MR. DINNING: It's important to know when you're talking about the present from whence you came to get here, and clearly today our objective is to not be in the business of signing guarantees or giving out loans. I should advise the members of the committee that I've had the opportunity, really, to sign one – one – new loan guarantee since I started in this job. It was about December 21 when I signed a loan guarantee for PWA Corp., Canadian Airlines, and that has been basically the only new loan guarantee that the government has provided in the last number of months.

DR. PERCY: Am I on two and I'm going to three?

MR. CHAIRMAN: Well, it's about 22 perhaps, but I'll allow one more because you did a touch on that first one, which had about seven or eight in it. They were pretty much attached.

DR. PERCY: There is in section 3 an item called Risk Management and Insurance. One would think that the purpose of a risk management branch would be to have a consistent set of criteria by which to assess the risk and obligations that are being incurred by government. Part of it I know relates to self-insurance, but since this structure is in place, since certain departments like economic development and trade have contributed significantly to the net debt that this province bears, would it not be feasible, in fact, to require departments that are giving undertakings to circle them through Treasury and have the risk element assessed so that there wouldn't be buccaneers in various departments going out and incurring debts that are basically, you know, not commercial, privately or socially?

MR. DINNING: Well, Mr. Chairman, that is an apple and an orange, and I'll do my best to explain it. The risk management insurance side – and I think Mike knows this – is really just on property of the government. We primarily self-insure. Interestingly enough, when Mr. Lougheed came to office in 1971, they found an insurance policy on this building and it was for \$500,000 to cover the reconstruction of this building should it somehow fall down. Every single typewriter of government had a separate and individual insurance policy associated with it. So there was somebody doing very well in the insurance business back in 1971. We've changed that significantly since then, and we will continue to keep an eye on it. I think we have one of the best risk management and insurance of property programs in the country.

What Mike is talking about is a second aspect of our investment: debt administration risk analysis. Mr. Chairman, we do exactly what he's asking. There are initiatives that come forward from government departments. In the past there were lots of them. Today under Premier Klein there are very, very few of them, and our objective is to make sure that we get out of that business, but while we are in it, that risk analysis is done by those individual departments. We rely on outside people in the private sector to give us their assessment of the risk, and we do that same assessment from within. I believe that we go into any of these kinds of exposures with our eyes very wide open today.

MR. CHAIRMAN: Thank you.
Mr. Smith.

MR. SMITH: Thanks, Mr. Chairman. The financial task force has put in place – and you've responded to them be coming up with quarterly statements; you're starting to incur accounting changes to more accurately reflect what is happening in business. You've had increased information demands put on your department and are responding to them, and by doing this, you're also lowering your budget by \$1.8 million on program 3.

After having the thrill of listening to members opposite in question period predicting the past with undeviating accuracy, I would ask that your group consider – and I would also ask a question as to his intent: do you in fact plan to overhaul the budgeting system so that you can in fact plan on a two-year cycle and perhaps even on a three-year cycle that will mesh and integrate your business plan that's coming forth with the budgeting, so that in effect you'll be able to have a stated business plan in this roll-up of government estimates and then have your budget indicators that show how you've met them? It will allow us the freedom of not going back into appropriations, not having to ask for money that we've spent so we can budget and argue about money that we're going to spend for the next six months that we've spent for the last six months, et cetera, and so on and so forth. So my first questions is: do you have an intent to do that?

MR. DINNING: Mr. Chairman, the answer in general form – do we plan and want to change the way we do budgeting? – clearly the answer is yes. Will we move specifically to a two-year – what do they call it? – biennial budgeting, which many U.S. state Legislatures do? It's not something we've fully considered. I've read a couple of papers on it, and I'd like to consider it further, but clearly we need to take a different approach in that budgeting becomes more than just numbers and budgeting. It really is planning, and it is goals, it is strategies and budget, and it is measurement of results. We're trying to move the government that way, and we need to move the larger part of the public sector – health, education, municipalities, social services to a degree – in the same direction. Clearly, that's what we are trying to do.

You know, when I first came to the department I knew a little bit about the department – a lot about the department. I lived in fear and trepidation every time I sat on the other side of the Treasury Board table when I went in to make my presentation to the Treasury Board, because it was variance analysis, it was dollars and cents. We need to do a better job of focusing on what it is we want to accomplish. I read you what Sir Roger said about treasury departments, and I still will agree with that. But I think that over the last several months my colleagues have been very helpful in moving us more towards facilitators and helping us to move along the plan rather than in the past – sometimes when I was the Minister of Education I thought the bean counters were an obstacle to getting the job done. We're changing our approach. I think there's a greater willingness, given that my colleagues in the department know where this government is trying to go. They're as much on board in leading the charge for us to get there as anybody in the rest of the government, and I'm quite excited about it, but it also involves looking at budgeting differently. If it means doing biennial budgets, then I'd like to know more about how we would do that and what its impact would be. Clearly, come the end of the fall we're going to indicate to Albertans what the three-year targets are for municipalities, universities, schools, hospitals, and government departments. They're going to know where they are for the next three years.

10:42

MR. SMITH: Would you take moneys from this budget, introduce a subcontracted group to supervise the integration of budgeting and business plans in light of a management consulting assistance plan?

MR. DINNING: If that's what it took to accomplish the task, yes. I'm not so blindly wedded to the private-sector approach, and knowing that we have some of that talent within the government now, let's use it. I know that out of the three departments I've been associated with, the Treasury Department, the Education department, the Health department, we could pull together a team of people that could match the crackerjacks at Bill Gates's company every day of the week. Let's use that talent. Let's not be so wedded to our departmental lines that we aren't willing to grab the best and the brightest out of every department to do exactly what you're suggesting. But then marry them up with the likes of the experts that we've got on the Financial Review Commission, out of the oil patch, out of the accounting community, wherever, and get them to address our problems. That's what we are trying to do.

MR. SMITH: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Smith.
Muriel.

MRS. ABDURAHMAN: Yes. I'd like to address Alberta Municipal Financing Corporation at \$5.389 billion. They make the loans, as we all know, to municipalities, school boards, and other local entities at interest rates based on the estimated costs of provincial borrowing with similar terms. It's my understanding that probably this is extended into water and sewage commissions as well. It's noted that the AFRC has reported that the loans through this are at high risk, and the government's response is that these loans are not at high risk. They continue to be listed at the book value as an asset on the province's consolidated financial assets.

MR. CHAIRMAN: Where are we, so that we can connect this? Can you give us . . .

MRS. ABDURAHMAN: I'm on the Budget '93 Update document on page 54, where it shows Alberta Municipal Financing Corporation Act, and the figures are \$5.3 billion for 1993 and \$5.3 billion for 1992. What I was wanting to ask the minister was the comment on the classification of those loans as high risk.

MR. CHAIRMAN: It's pertinent to what the entire government is doing, but right now what we're on is specific to Treasury Department. If the minister wishes to answer this, again, he may.

DR. PERCY: Well, it is part of loans.

MR. DINNING: I'm at your direction, Mr. Chairman, but I'm quite comfortable in answering a question about the Municipal Financing Corporation, which is managed by the department of the Treasury. I think I'll just ask Allister, but I know I can safely say that there has never been a default on a loan by the Municipal Financing Corporation, never.

MRS. ABDURAHMAN: A supplementary question. I'm assuming, and I believe correctly, that the Alberta Financial Review Commission has recorded that these loans are at high risk and that you should be making a more conservative valuation and not the listing at \$5.3 billion. Fortunately, my colleague is a bit better prepared than myself, but it's certainly stated on page 3 of 4 of the commission's recommendations:

The government has said it will get out of loan guarantees as a general instrument of government policy. Included in the loans identified by the Commission as "high risk" is the \$5.3 billion of loans to municipalities by the Alberta Municipal Financing Corporation which [has not been] categorized as "high risk."

That puts municipalities' long-term financing plans at risk if there's an uncertainty there.

MR. DINNING: Mr. Chairman, the only entities that borrow money from the Municipal Financing Corporation are the very towns and villages and school boards that the member was associated with in a former life. I'm deadly serious that there has never been a default on a loan made by the corporation.

MRS. ABDURAHMAN: I'm not suggesting that, Mr. Minister.

MR. DINNING: Okay; I just answered a question. That's all.

MRS. ABDURAHMAN: What I'm asking is: why has this government not adopted the Alberta government's response to the recommendations of the Alberta Financial Commission dated April 5, 1993?

The government will review the recommendation and consider imposing legislative limits on the authorization of these types of transactions.

MR. DINNING: Mr. Chairman, I know that Muriel wants to persist here. You do a careful assessment of risk when you have a loan portfolio. What the Financial Review Commission did say was the need for government to

use more conservative valuation principles for loans, guarantees and investments for current and subsequent years which recognize the uncertainty and risk associated with these transactions.

MRS. ABDURAHMAN: High risk.

MR. DINNING: No. I'm reading from the report the words written not by me or by the member, Mr. Chairman, but by the commission. When a loan from a corporation has never been defaulted on, that fact plus a very careful assessment of the risk associated with each of the loans outstanding by government officials, by school officials, by urban municipality type officials, by AAMDC type officials, and by others involved in municipal government, and they assess that there is no risk, I'm not going to - I'm sure the hon. member isn't suggesting that we cook the books so as to write down an investment or write down a loan when a default has never occurred in that portfolio.

If we'd like to go one step further and ask the question, "Should the government of Alberta and the taxpayers of Alberta be backing this debt, or should it instead all fall on the municipalities of this province and the Provincial Treasurer and the province should get out of the loaning business to municipalities?" then I would be happy to engage in that debate in the Legislature any time. Frankly, when the members opposite stand in their places and talk about \$25 billion or \$30 billion worth of debt to the province, remember, Mr. Chairman, \$5 billion to \$6 billion of that is by way of loans the province has made so it may make loans - very secure loans, never defaulted upon loans - to municipalities, school boards, and the like across this province.

10:52

MRS. ABDURAHMAN: Supplementary.

MR. CHAIRMAN: I believe that is three, Muriel.

MRS. ABDURAHMAN: I'll pursue it at a later date then, because it's very serious to many municipalities.

MR. CHAIRMAN: All right. I'm a little surprised by this. This is one that I've been intimately connected with for two years from Calgary's perspective, but I'm surprised.

I have Mr. Hlady on the list and Mr. Chadi, and then that's it.

MR. HLADY: Thank you, Mr. Chairman. Under Risk Management and Insurance, from the actual in '92-93 to the estimate for '93-94 there's another million. Can you specifically tell me what's making up that extra money plus?

MR. DINNING: Could you give me the line again, please, Mark?

MR. HLADY: Sorry; 3.4.

MR. DINNING: And why that's gone from \$856,000 . . .

MR. HLADY: To \$2 million.

MR. DINNING: . . . to \$2 million. Allister will answer that.

MR. HLADY: Sure. Okay.

I'm going to give you the second one – it's similar – in regards to 3.8, Project Management. This would be my supplementary. What makes up the project management? My second supplementary would simply be: what is the increased cost, or why has it increased from '92-93 to '93-94? The actual was \$358,000 in '92-93. The estimate in '93-94 is as close to what the estimate was going to be for '92-93.

MR. DINNING: I'll ask Allister to answer the first one and Al to answer the second one.

MR. McPHERSON: Mr. Chairman, on Risk Management and Insurance, the reason for the increase is entirely a premium, if you like, that the risk management fund has charged the departments, and it's in Treasury's budget. The increase is simply because the prior year there was no charge. A small surplus had accumulated in the risk management fund based on past premiums and losses to date, so I think for a year there were no premiums, and it was reinstated in the current year to cover losses on automobiles or any other property, that sort of thing.

MR. O'BRIEN: On Project Management, that includes a staff training program that we have in the department to train financial and budget analysts and so on. It includes external projects undertaken to assist, as some of the members have suggested, in developing budget systems to help us in developing procedures for three-year business plans and so on. In the '92-93 fiscal year we had planned to do some financial systems development of executive information systems which, as a result of change in leadership in the government and change in the minister, were deferred until we had a clearer reading on where we were going as a ministry and as a government in terms of our fiscal plan.

MR. HLADY: That's fine.

MR. CHAIRMAN: Thank you, Mr. Hlady.

I have no question from the opposition side? Mr. Kirkland.

MR. KIRKLAND: Jim, I had a concern initially, and you'll have to bear with me because I'm not a financial expert, nor do I read these statements well. I can recall a discussion a few days ago in regards to the \$10 million set aside for what we would call valuation adjustments. As I searched through the material here, it struck me that in past years, generally speaking, those valuation adjustments were considerably higher, probably in the line of \$139 million a year, depending on which figures you look at, and I've read \$199 million a year. I wonder if you could explain what components, first of all, would make up that \$10.4 million estimate for loss under the program. What are you foreseeing, I guess, to fail somewhere along the line?

MR. DINNING: Well, Mr. Chairman, to go back to the Financial Review Commission report, which said to take a more conservative approach, more conservative valuation principles, what we've done, really, when we released the statements for '91-92 in late December is we began to exercise some of that greater Conservative caution.

Then for '92-93 we've taken in earnest the advice of the commission in the write-down of investments and loans and guarantees, including the Husky upgrader, including our program guarantees, say, under student loans, farm credit stability program, and others. We went what we believe was as far as we reasonably and realistically could go to reduce the value of those investments so that they better reflect their value on the books at March 31,

1993. Now, having done that, we strongly believe that we have taken a very fine filter and drawn it through our portfolio and taken all the write-downs, the valuation adjustments, that we believe are realistic and necessary on that portfolio of investments and guarantees. Having done it once, accounting practices simply won't let you book it again and again and again. It's not a good thing to do; it's not a smart thing to do. It's not illegal, but it's not sound from an accounting point of view, and we believe, notwithstanding the criticism of being a premeditated, malicious accountant, that we have done an accurate reflection of the financial statements.

MR. KIRKLAND: Okay; I think I'm almost understanding that, and I'm learning as I go here, but specifically, Jim, what would be the components of that \$1.4 million write-down? Is there something specifically identified there?

MR. O'BRIEN: That is all under the student finance program, because that is the only program there that is still advancing loans. The other provisions there are under the farm credit and small business and export loan programs, and those programs are not growing in terms of the total outstanding. So the only program that has increased loans outstanding is student finance, and the student finance provision is there. All of the '93-94 is for potential losses on student loan guarantees.

MR. KIRKLAND: Okay. I guess on the other side of the ledger, when I look at this, I think, if I recall correctly, that we've extended some \$86.7 million in loans and advances that are payable – I guess we call them concessionary loans – to different individual entities. Is it possible to have a look at a breakdown of those components?

MR. DINNING: The provision for loans and advances repayable from future appropriations of some \$86.7 million this year is entirely related to our commitment to pay the future costs of debenture repayments on schools built by school boards across this province.

MR. CHAIRMAN: I believe that's three, Mr. Kirkland.
Mrs. Burgener.

MRS. BURGNER: Thank you, Mr. Chairman. I would like to just look at line item 3.7.1, Workers' Compensation – Government Employees, under Employee Insurance and Compensation. Jim, I just want to ask some questions respecting the fact that there is an increase in that area. In addition to that, we've had a number of employees who have left government employment with a voluntary severance package, and a lot of challenging questions coming out of the effectiveness of Workers' Comp. I've certainly dealt with it in private industry, and it has a lot of problems. We know that. My concern is: why do we have an increase when we've got less employees? We'll start with that one first. A yes or no answer will do.

11:02

MR. DINNING: Okay; it's got nothing to do with more or less employees. There is an obligation that the government has with employees of the government, going back prior to 1986, that we pay a part of the increased cost of the claim payments that are made to those now injured, now perhaps on LTDI, employees that were of the government. There are higher costs associated with those payments across the government for which Treasury pays the bill.

MRS. BURGNER: Okay. Is that the most effective way? Long-term disability costs a lot of money, and we pay a substantial portion of that. I'm just anxious that if we are tied to that kind of obligation, using an organization that has some inherent problems in it, are we looking at maybe changing the way we deal with long-term disability or injured employees? That's stepping in a philosophical, but let's take it at the planning stage.

MR. DINNING: Good point. It begs the question: is WCB the right kind of instrument for the 1990s and the 21st century? That's a question that is better asked of Stock in Executive Council Committee of Supply, because that's where it falls under. It goes back that the government could hardly ask the forest industry to participate and be part of WCB, which is required coverage, and simply say, "Well, we're going to force everybody else to do it, but we're going to opt out and do it ourselves." The same kind of rules apply to the provincial government and the federal and municipal governments, for that matter, as well. The question, is WCB the right thing for the 1990s: Stock should answer that.

MR. JACQUES: I just have to ask this question. I said that I wasn't going to ask it, but I've got to ask it. Line 3.7.3, Employee Flexibility Assistance Program, which is zero for '93-94, was \$435,000 in '92-93 estimates, and I don't know what it was in '92-93 actuals. The title is so intriguing that I have to ask the question.

MR. CHAIRMAN: The chairmen get all that money because we're flexible.

MR. DINNING: I've got an answer, but it would go in *Hansard*, so I better not. I'll ask my friend Mr. O'Brien to answer that one, I think.

MR. O'BRIEN: I was just looking for the '92-93 actual. I didn't have that. That program was in 1987. The government did some downsizing and had a voluntary severance program, which was called the employee flexibility assistance program. At that time employees had to be 55 years of age; it was really an early retirement program. A feature of that program was that we continued to pay health benefits and provide employee life insurance and so on for five years. That program went through to '92-93 from the people who retired up to March 31, '88.

MR. JACQUES: Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.

That concludes the first round on program 3. Do we wish a second round on program 3? I have Mr. Chadi.

MR. CHADI: Thank you, Mr. Chairman. Mr. Treasurer, I'll take you to pages 54 and 55 of the Budget '93 Update. In there as at March 31, 1992, we have a number of companies, starting from the Myrias Research Corporation, Gainers, et cetera, all the way there; the ones particularly that have dashes in them in 1993, including on the other page Alberta Genetics, EDO, Native Venture Capital, et cetera, et cetera. Firstly, it appears as though we've written them off, and if we indeed have, have we also included them in the allowance for doubtful loans and advances of \$190 million?

MR. CHAIRMAN: Frankly, we're pushing the limits here, I think. If I can get some kind of a connection towards Treasury's

budget. We're here and what has been agreed to is that in fact we look at five departments' budgets. The Treasurer is responsible for this, but this is not within the department's budget. Again, if he wishes to answer, we'll allow it.

DR. PERCY: I guess our view is that we're trying to get a handle on their determination, in the context of being managers of that department, the status of these loans, why certain tables were presented as they were. It's in his position as the hon. Treasurer that we're asking these questions, because it relates really to the output of the department. It goes through the various programs here, particularly program 3, which is responsible for overseeing loans and guarantees, et cetera.

MR. CHAIRMAN: I understand the argument, Mr. Percy, as I say. The agreement, though, and what the directive is from the Committee of Supply, is specifically to look at five departments' budgets. This is, to my way of thinking, somewhat beyond that. I'll ask the Treasurer if he would like to respond to the question. If I'm wrong, I guess I'll pay the price eventually, won't I?

DR. PERCY: Yeah; we'll just designate the department for a Thursday session.

MR. DINNING: Well, Mr. Chairman, God knows I would cherish such an opportunity.

DR. PERCY: It's a simple question.

MR. DINNING: It is a simple question. It's a simple question best put to the Minister of Economic Development and Tourism, because those loans, knowing as I do how you and I feel about them, were recommended by and are delivered through the programs offered by the Department of Economic Development and Tourism in the past. They're trying to get out of that business today. I appreciate the question, but it is a question that really is best answered by Ken in his committee appearance.

MR. CHAIRMAN: There is an opportunity as well when we do Executive Council – we will have a number of ministers here, those that have budgets – to ask those kinds of questions specifically to the minister that is more related to it, I believe.

DR. PERCY: Mr. Chairman, can I just say, for example, that there is an item here of \$190 million for doubtful loans and advances? That will have been the assessment of Treasury on the basis of their information. If not by asking Treasury how they came to that determination and what the components of that \$190 million are – we cannot go department by department trying to flesh out what the components of that \$190 million are. This is the forum we would use to find out the components of those doubtful loans and guarantees. If we can't do it here, as I say, I guess we will have to do it in Committee of Supply.

MR. CHAIRMAN: Well, as I say, I've explained it now twice, and I'm not going to reiterate, but again the agreement is that we look at five specific departments' budgets.

DR. PERCY: Let me give you another view. If we cannot ask the Provincial Treasurer how the components of the provincial budget emerge because it has to be done on a department by department basis, how ever will we get a handle on the components of the loans' advances and of the guarantees, if not to ask the Provincial Treasurer?

11:12

MR. CHAIRMAN: Well, Dr. Percy, as you pointed out, you can ask these questions in Committee of Supply looking for answers. I'm going to leave it with the Provincial Treasurer if he chooses to answer this, but otherwise my ruling is that this is outside the department budget. I'm trying not to be too narrow here, but we've got a department's budget.

MR. DINNING: Why don't you ask the question? I think I've given you the answer to the first question. Let's just see how we do on the next ones.

MR. CHADI: I did ask within that first question, Jim, the question of the \$190 million that was the allowance for the doubtful loans and advances. My question was: did we indeed use within this \$190 million the ones that are either written off – are they included in the \$190 million? How did we arrive at the \$190 million in write-offs or in loans for allowances?

MR. DINNING: Mr. Chairman, if you'd just bear with me for uno momento.

I think if you go to the individual statements, at 54, 55 you're looking at a consolidation. What we're going through today primarily is the general revenue fund. Are you with me so far?

MR. CHADI: Yeah.

MR. DINNING: What you see on 54, 55 is a consolidation from all of those entities that the Financial Review Commission expressed angst about. Of the \$190 million, my information on the accounts is the following: about \$112 million, \$113 million of that is AMHC.

MR. CHADI: A hundred and thirteen million dollars?

MR. DINNING: A hundred and twelve point seven million dollars, I've got here. ADC is \$46 million. AOC is \$20 million. The rest is other.

MR. CHADI: I'm just having a bit of difficulty in understanding. This would be an easy answer; I mean, either the departments tell you that these are the values, and you include them in these budgets – but how can we determine the values? When do we actually have the valuations? I'm going to just refer us to one that's kind of dear to me, and that is Vencap Equities. When you look at Vencap, the question that I'm about to embark upon is: how do we value them? Originally my thoughts were that we, the Alberta government, bumped \$200 million into Vencap back in about '82, in my understanding, and we're to go for 20 years with it. Now, how do we look at that and say \$200 million, and today Vencap is worth \$127 million? When was that actually valued, and who gives us those figures?

MR. DINNING: Well, Mr. Chairman, I'll ask Al to comment briefly, but I'll take you back to the Financial Review Commission's report, page 5, where it talked about that the government occasionally provides loans with concessionary terms such as below-market interest rates. The province's financial statements do not account for these benefits, thus overstating the value of these assets. Certain loans made by the province will only be repaid if the province makes grants in the future.

That's the school capital loans which I answered to Terry before.

Then they also said in the report: the need for us to use those conservative valuation principles for loans, guarantees, and investments for current and subsequent years.

Then if you look at Vencap, you're right; the initial value was for \$200 million. That loan was made then on concessionary terms. The terms of the loan publicly provided for the government's share of net income to be less than its contribution to the capital base. I'm just reading from a note here. So what we did: recognizing this advice from the Financial Review Commission, which was to recognize concessionary loans and to then write them down earlier, when they're done actually, we've taken that advice as of March 31, 1993. That will then be earned back. You write it down now, and then you earn it back over the life of the repayment of the face value of that loan.

I will now turn to the ultimate bean counter extraordinaire, who is Al O'Brien, because from an accounting point of view I have to rely on generally accepted accounting principles which we've adopted for these purposes. So Al will now dazzle you with an answer on this one.

MR. O'BRIEN: Well, we described in general that change in accounting policy on page 125 of the budget update document, which was implementing on the recommendation of the Financial Review Commission statement 9 from the public-sector accounting board of the Canadian Institute of Chartered Accountants. Basically, what it provides is that at the time you make a loan – so we've had to go back and calculate what commercial terms of that loan would have been at the interest rate at the time it was given versus the actual terms, and you simply do a present value calculation to determine the difference. We will receive our \$200 million at the end of the day when that debenture matures. We have historically said that is worth \$200 million, because we'll get \$200 million in 20 years. The interest on that will not be what we would have received in a normal commercial investment, so we calculate the actual interest we're going to receive under the terms of this loan and adjust that value down to the value of an asset that will get us commercial terms. Then over the period to maturity we write that value back up to the \$200 million. So this is the implementation of that accounting policy to try to put our books onto a commercial basis.

MR. CHADI: Interesting.

MR. CHAIRMAN: I believe that's three questions, Mr. Chadi.

MR. CHADI: No, that's two. I was counting.

MR. CHAIRMAN: You're a very good counter.

MR. CHADI: I've been trying to tell the Provincial Treasurer to hire me.

MR. DINNING: Call him Count Dracula like on Sesame Street, the Count from Sesame Street.

MR. CHAIRMAN: I'm sorry. I'm shooting toes off now, and I haven't got any way to count myself.

MR. CHADI: No problem.

I understand the concept. I guess maybe it's difficult to understand why we would want to implement that sort of thing when within Vencap, I believe, since 1982 the province received somewhere in the range of about \$60 million to date in interest payments. I suspect it's probably in the range of somewhere around a 2 and a half to a 3 percent return on our \$200 million, when indeed there was \$50 million – originally anyway, I don't know what it's at today – of private funds that went into Vencap

as well, and returns of up to 15 percent annually have been recovered on that \$50 million, thereabouts. This is kind of dear to me, and I've been following it for quite some time. I've been in the business for some time, and I wish I could use the same accounting practices. Perhaps we'll implement them in our companies. I don't think the government will go for it, though. In any event, my question is: with returns that we're actually getting, like \$60 million, and at the same time those private funds of \$50 million that are out there reaping 15 percent, thereabouts, why do we have to consider writing this down when indeed the concessionary loan said that if you don't make any money, you don't have to pay us? Virtually that's what it is. Why are we writing anything down at this point in time, with the ability to then build it back up again or bring it back in?

11:22

MR. DINNING: Well, Mr. Chairman, you'll appreciate that it's an interesting question because it wasn't that long ago that members of the opposition and others were saying: make sure your books accurately reflect real values on the basis of sound accounting principles.

MR. CHADI: Then it should be \$200 million, Jim.

MR. DINNING: What I would give you, and Al can shoot over to me, and I'll shoot over to you: the CICA's handbook on this policy. What we've done is simply implemented what the, quote, experts - oh, here it is. My God, it looks like a real gripper too. God, it looks like Jim Peters has gone through lots of it, so I'm sure that he could give you something on it.

We are simply following what others have told us: this is the way to go. That is why our books today set one of the highest standards in the country for accounting practices in public-sector finances. That's what you've been asking us to do; that's what Albertans have been asking us to do. Now that we're in a position where we can do it, we're doing it too.

MR. CHADI: I'm toast.

MR. CHAIRMAN: That's pretty much it.

Do we have anyone from the government side with a question? Seeing none . . .

DR. PERCY: Yeah. Well, sorry. I haven't walked.

MR. CHAIRMAN: Mike, are you trying to tell us you're crossing the floor?

DR. PERCY: No. I just wanted to let you know there was another round coming up.

MR. CHAIRMAN: Muriel.

MRS. ABDURAHMAN: Yes. I'm pleased to hear that you have accepted accepted auditing practices. I think that's excellent, that we've got this far.

MR. DINNING: Thank you.

MRS. ABDURAHMAN: So having acknowledged that, what I want to ascertain or determine is: how are you going to plan and budget in the potential for losses, because the bottom line is that we'd better get down and pray and hope that the recovery is there so that the values will be gained back? My concern right now is:

have you in a percentage way looked at different scenarios if those losses indeed happen? Because you look at the portfolio that we're carrying as Albertans, and that's what I determine as long-term planning, and why the planning wasn't done before the budgeting . . .

MR. DINNING: I heard a question there, Mr. Chairman, so I'll answer it, and the answer is yes.

MRS. ABDURAHMAN: You've built in for losses?

MR. DINNING: Yes.

MRS. ABDURAHMAN: Can you show me how that's being achieved?

MR. CHAIRMAN: I'll accept that as a second question.

MRS. ABDURAHMAN: Yes, that's fine. It's very important, I think.

MR. DINNING: Muriel, turn to page 7 of the 1992-93 Public Accounts, Volume 1, Consolidated Financial Statements of the Province of Alberta, a good black-and-white, Spartan-looking document.

MRS. ABDURAHMAN: I should have it somewhere. Which page, Jim?

MR. DINNING: Look on page 7, note 1, item (c), Basis of Financial Reporting, under Expenditures, paragraph 2.

Obligations under guarantees and indemnities are charged to expenditure when management determines that the Province will likely be called upon to make payment. The charge represents management's [our] estimate of future payments less recoveries. Given what we've done this year, it only makes eminently good financial sense, accounting sense, practical sense, and even good political sense to book what we need to book when we booked it, and we've done so.

MR. CHAIRMAN: Second supplement.

MRS. ABDURAHMAN: If I could find my place, it's to do with the Controller position. In today's marketplace it looks a very rich salary, and what I'm hoping you're going to tell me, Jim, is that the Controller's responsibilities will be expanded into provincially funded institutions like hospitals, education, and that there'll be benchmarking in place.

MR. DINNING: May I ask a question, Mr. Chairman?

MR. CHAIRMAN: Uh huh.

MR. DINNING: You are advocating, you are supporting just that?

MRS. ABDURAHMAN: What am I advocating?

MR. DINNING: What you've just said.

MRS. ABDURAHMAN: A Controller whose powers are expanded?

MR. DINNING: Yes.

MRS. ABDURAHMAN: Yes.

MR. DINNING: Then with that support, Mr. Chairman, I am delighted. As the Premier indicated yesterday in question period, the Financial Administration Act probably should apply, and we're going to consider whether it should apply to the University of Alberta, the University of Alberta hospitals, and the likes of SAIT, NAIT, Grant MacEwan, et cetera, et cetera. There will be a debate over that. There certainly has been a debate heretofore by those promoting academic freedom at the university that there is no way on God's green earth that the provincial government should cast its net that far, that wide. Knowing that the Liberals will support it, then there's a good chance that that's a position we should take.

MRS. ABDURAHMAN: Benchmarking?

MR. DINNING: As for benchmarking, I'd take you back to the May 6 document and page . . . I don't have it by memory. That work will be asked of the Auditor General. The Auditor General will be asked to assist, with existing resources no less, in establishing benchmarks to help all government departments and agencies compare their performance against that of the best equivalent organizations in the world from both the public and private sectors. We will ask the Auditor General to conduct sector-based audits covering among others health, education, social services, and agriculture. These audits will compare performance to costs, and their findings will be reported to the Assembly on an ongoing basis. That's in the plan. It's in the government's four-year plan. It was tabled in the Assembly and effectively restated again on September 8.

MRS. ABDURAHMAN: So we can look forward to it actually happening.

MR. CHAIRMAN: Is that a fourth question?

MRS. ABDURAHMAN: No, it is the same.

MR. CHAIRMAN: Mr. Renner, and then Dr. Percy.

MR. RENNER: Thank you, Mr. Chairman. I'd like to get back to program 3.1 and the accounting policies with regard to the quarterly reporting. We've already covered the aspect that there are additional costs involved in the department to produce quarterly statements, and I can certainly understand that. I would like to know when these quarterly reports are prepared so that they have some meaning to someone who reads them. The disbursements of government do not fall equally. Do these disproportionate payments get reflected on those quarterly statements? If for example you looked at one department and their budget was almost expended, it would appear that they're not going to be able to come in under budget, but in fact they have already spent all of their money that they're going to spend. How is that reflected on the quarterly statements?

MR. DINNING: A very good point, Mr. Chairman. On the cash flow statement it is reflected. The quarterly budget report, in fact, more accurately is a first-quarter forecast for 12 months, because quite frankly the provincial government has not yet begun to budget on a quarterly basis. We budget on a 12-month annual basis but not for three months. It's something that we want to move towards, but we are simply not there yet. In our effort to change, clearly the kind of accounting that you're calling for, that

accountability, is required. We believe that this first effort, this first stab at taking this approach, forces us to focus on what Albertans have been focusing on and what we've asked them to focus on which is the annual deficit ceilings under the Deficit Elimination Act. So this forces us to live within the annual amount, and we'll now begin over time to turn our attention more to the quarterly side.

11:32

MR. RENNER: So your department will be encouraging other departments to develop quarterly budgets so they can be presented along with the quarterly financial statements.

MR. DINNING: We'll try, Rob. I'll be perfectly frank with you. That wouldn't be my first order of priority. If I was going to ask a department to accelerate on the change process, that wouldn't be the first item on my list. It would be that they need to rethink the business that they're in: go back to the basics, know what they should be in, what they should not be in. Streamline that, go through that process, and if quarterly budgeting easily falls into place with that, great, and is an effective management tool, great, but it wouldn't be my recommended first order of priority. In the medium term I think you'll see us move in that direction.

MR. RENNER: For my final question then. When departments are asked to make interim adjustments based upon these quarterly statements, what justification do they have for doing so?

MR. DINNING: They're based on the department's past experience. If they are at that point after three months or after six months, then they know from good experience that they will be this far or this close to the mark come March 31. So on that basis they say: there's going to be a variance here, there's going to be a problem, or it's going to be to the good. On the variance side or the bad one, we have to take corrective action.

MR. RENNER: Thank you.

DR. PERCY: First a general question. We're now working with accrual accounting, consolidated basis, and those on one hand could be very desirable steps. Certainly it gives us a much better perspective of the overall flow of expenditures, revenues, and changes in asset values for government as a whole. On the other hand – and this is the first question – it also gives the government tremendous flexibility in a sense to ensure that the books always work out because there will be these changes in asset values. We'll have this array of items on the books that are of historic value. They're not all being adjusted at the same time. We don't have the information on which these market-based assessments are being made, so they appear in the books, and of course we can take them on good faith. At the same time, what mechanisms do the Alberta public have to ensure that the changes in asset values that we see have some basis in fact, that they really are market driven and that they're realistic, or that there's just not a sequence of things being changed through time as required to ensure that, for example just off the top of my head, perhaps the Deficit Elimination Act targets are being met as a consequence?

MR. DINNING: Well, for one thing you have an independent officer of the Legislative Assembly, the highest court in the province of Alberta, not only just watching the numbers but watching the systems and the methods and the consistency of those by which you come to those conclusions. He doesn't operate alone either. He contracts the services and advice of those experts

in the field, in the accounting and consulting community, to give him advice to make sure he's on track as well. So I think between that and certainly having opened up our books the way we did to the Financial Review Commission, now asking the Audit Committee to continue to serve as an ongoing financial review commission, plus the Auditor General, plus what I think is very strong accountability to Albertans, we're definitely taking many steps in the right direction.

DR. PERCY: My second question, Mr. Chairman. With regards to outstanding guarantees we see an estimated liability for principal and accrued interest of \$330 million in the recent budget. Can you provide a breakdown of where that liability arises across the various guarantees that are outstanding?

MR. DINNING: Well, Mr. Chairman, the short answer is no, and the reason for that I haven't got immediately at my fingertips. Two things. One is that while those guarantees are on the books, and we are potentially exposed there, whatever recovery we're trying to achieve, we're earnestly trying to achieve that. To sell a plant or a so-called asset and tell you right now what we're anticipating to get for the value of that asset undermines our ability to maximize the return on that asset. I appreciate – I'm trying not to be too political here – that the Liberal Party has been helpful that way in the past in suggesting that that's probably not a wise revelation simply because it would undermine our ability to get taxpayers the maximum return on that investment. In your own papers you've suggested that, for commercial purposes, revealing that and the details of that would jeopardize our return.

DR. PERCY: I'd like to turn to a specific guarantee, though, that is outstanding: 354713, or Softco. This must be music to your ears. Softco was basically set up to dispose of the properties that otherwise would have shown up on North West Trust's books. It's been trying to have an orderly disposal of those assets. It has been, I think, very useful, on one hand, in providing a mechanism by which North West Trust looks solvent, which would otherwise not be the case. What I'd like to ask the minister is: of the \$100 million in assets that Softco presently has, would you consider those to be sort of hard core and going to incur substantial losses? Because Softco has been in existence for some time, this is the tail end of the inventory. It's booked at \$100 million. Is it the high-risk end of that asset base that shows up here under guarantees and the provisions for a liability?

MR. DINNING: Well, Mr. Chairman, you must not allow me to resist the temptation to respond in full. Dr. Percy talks about using 354713 Alberta Ltd. to make NWT, North West Trust, look solvent. North West Trust is solvent because of what this government did to protect those people who held deposits in North West Trust from a company that faced financial disaster because of the national energy program. The company was headed for financial annihilation because it had heavily invested in real estate, was heavily exposed to the Alberta economy, which, because of the national energy program, was in serious financial shape. Without the provincial government . . .

DR. PERCY: I see that this is for the record.

MR. DINNING: Working to protect those ratepayers, those depositors, as well as – now that he raises it, I'll bring in one other – the credit unions, the government took the position that government should, took whatever action it could to protect those

people. I would remind, for the record, that the national energy program was authored by the Liberal Party of Canada.

DR. PERCY: Signed by Premier Lougheed.

11:42

MR. DINNING: Let's not be revisionists here, boys. Mr. Lougheed did fight that one and is still fighting it to this day. Fortunately, along with the Canada Deposit Insurance Corporation and our efforts, North West Trust is still a viable company today. We took those soft assets. Mr. Chairman, we've helped and the taxpayers have helped to protect those depositors. The financial statements of that numbered company will be and are housed briefly within the consolidated accounts which I released last Wednesday and will be fully disclosed in the public accounts when they're released before the end of this month. I haven't got those here with me, but there will be provisions and a number associated with the provisions for write-downs in those statements when they're released with the public accounts.

DR. PERCY: That was a long preamble for a short answer.

MR. DINNING: You wouldn't want me to resist that temptation.

DR. PERCY: You leapt to the floor.
That was it for me?

MR. CHAIRMAN: Yes.

I would point out that we have approximately 43 minutes left to go. Mrs. Burgener and then Mr. Jacques, unless I have one more from the Liberal side.

MR. CHADI: You had me in a long time ago.

MR. CHAIRMAN: We've been keeping track, both the Clerk and I, and you've had yours in this round, Mr. Chadi.

MR. CHADI: Lord Almighty.

MR. CHAIRMAN: I might point out that the questions are just about as long as most of the answers at this stage.

DR. PERCY: A little less of a political spin to it.

MR. CHAIRMAN: In all fairness, this is a big portfolio, a big subject.

MRS. BURGNER: A question. I'll make this really direct. At some point it seems to me, not dealing in the past but addressing some of the problems, whether they're philosophical – the responsibility of government in years gone by that you shore up Albertans, invest in Albertans, and for whatever reasons we got the heck into this mess. If you put it all on the table, which would appear to have been done at the Financial Review Commission – we implement the Auditor General's recommendations and change our budgeting procedures to state it at its worst-case scenario from day one and keep reminding ourselves of that on a quarterly basis – we should be in a position of flux for about, what, 18 months if we leap back six months and ahead a couple. I have this sense, when we're looking at our budgetary expenditures for the Treasury Department, that you're going to predict with some degree of accuracy the worst-case scenario over the next 18 months if we implement the Auditor General's corrective measures, write-downs, those kinds of things. I guess I want to know, if I'm looking at

this a year from now, that we're not going to be having these kinds of conversations.

MR. DINNING: You and I won't, but Mike and I probably will.

MR. CHAIRMAN: Sounded like an answer to me.

MRS. BURGNER: Okay. Then my supplementary is: in your opinion, is this kind of conversation that we're having to have today going to be the norm a year from now?

MR. DINNING: Well, no. I think about a year from now we'll have different kinds of conversations that are probably related to the structure and restructuring of the way we deliver services in this province and to budgeting, a greater focus on goals and objectives and budgeting and results. I see our discussion changing more towards: "Okay, here's your plan. Here's what you said you were going to do. Now, a year later, here's what you've done. Does it match up with what you said you were going to do?"

You know, I take some pride in the fact that the Treasury Branches, as just one small example – you know this is a large financial institution. They say they're the 20th largest financial institution in Canada. It's really quite something, the Alberta Treasury Branches. But there isn't another one, I'll bet, that has had the courage to spell out its '94 budget beforehand and be prepared to be judged by its actual results a year from now. I think that will be the new normal.

Back to your first question just briefly. What we're doing today, what we've done with the advice of my professional colleagues here and people outside, is we've given what we believe is the best view of the situation as we see it today and how we see it unfolding. If the world falls apart or if there is peace at last forever and ever and oil goes to \$5, we're constantly reviewing and looking at that. This is our best estimate of our condition today, and we've tried to put it out before Albertans.

MRS. BURGNER: No further supplementary.

MR. CHAIRMAN: Thank you.

Mr. Kirkland, then Mr. Jacques.

MR. KIRKLAND: Mr. Dinning, when we were going through the Financial Review Commission, they concluded that the Treasury Branches' deposit fund operated with a deficiency of \$100 million. That's compared with, normally, I think, about \$500 million for an institution of that size. I wondered if there's an intention to have an infusion of capital to come up to what would be considered a normal balance in those areas.

MR. DINNING: Mr. Chairman, I may ask Allister to supplement this. Remember that we're talking capital and banks and the Bank Act. That's one thing. When you're talking about Treasury Branches and a 100 percent guarantee of all deposits, no cap, no limit, you are talking about a nonbank, a slightly different financial institution. One of the things, as I understand the Bank Act, is that the capital base of a bank and ratios under the Bank Act provide a cap on the amount that bank can invest by way of making loans to other folks – that's a Bank Act provision – whereas because the Provincial Treasurer, in fact the government, is exposed for all of the deposits of the Treasury Branches, it doesn't play by exactly the same rules as banks do under the Bank Act. That doesn't take away; in fact, it imposes a higher order of responsibility and lower degrees of risk that the Treasury Branch

should expose itself to. Yes, they had \$100 million deficiency in losses in the mid-'80s, but then the need to find that \$100 million, which is in the four-year plan – it will be found; they will recover that – then to add a requirement for another half a billion dollars on top of that under its existing arrangement, in my view and I think in the view of anybody who takes a look at it, is not necessary. At this point it would not be our intention to make those kinds of changes in the operation of the Treasury Branches.

MR. KIRKLAND: Okay. When you say that, it strikes me that there would be a bit of a liability when we look at 100 percent guarantee as opposed to, I think, a standard \$60,000 deposit guarantee that the Bank Act speaks to, is it not desirable or is there a prohibitive cost associated with attempting to, I guess, level the playing field in these situations and have the \$60,000 guarantee, which would seem to leave less people at risk here if it ever did fail?

11:52

MR. DINNING: You could ask your colleague to the left, too, in a private conversation about this one.

I think that if you do that, you begin to fundamentally change Treasury Branches as we know it today. I'm not prepared to inject that notion into the current debate of public policy, simply because if there's anything that affects the state of a financial institution like the Treasury Branches, it's confidence. I can say quite clearly and categorically to Albertans that Treasury Branches is operating today very effectively; it's under good management. Its policies have improved in one regard, which I'll mention in a minute. I think Albertans have every reason to be confident in the strength and the underpinnings, the foundations, of the Treasury Branches.

If you see the superintendent's report in his 1992 annual report, he makes it clear that Treasury Branches has moved towards the policy of taking all of their loan portfolio and in any one exposure, any one loan, trying to reduce that to under \$25 million. What that does to an institution like the Treasury Branches is reduce its exposure and its risk. I think that in this day and age, in the kind of conversation we're having publicly these days, that's an appropriate thing for them to do.

MR. KIRKLAND: Okay.

The third supplementary. I understood Jim to say that the four-year plan would eliminate that \$99 million. It seems to me there was a large loss somewhere along the line. Is that something that was just written down or forgotten about then?

MR. DINNING: No, sir. I just had it and then I put it away. The Treasury Branches in 1993 made a profit of \$18 million, thereby reducing its previous deficit, Allister . . .

MR. McPHERSON: It's \$117 million.

MR. DINNING: . . . from \$117 million – I filed this in the Assembly, just so you know – now down to \$99 million. Over the remainder of that four-year plan they will eliminate that deficit on their financial statements. Their deficit in the financial statement is carried on our financial statements, and they are spelled out on page 50 of the September 8 document.

MR. CHAIRMAN: Mr. Jacques.

MR. JACQUES: Thank you, Mr. Chairman. I was going to suggest for the benefit of anybody on the committee, indeed anybody in the room, that if anybody's having trouble with

sleeping disorders, I would highly recommend they obtain a copy of the CICA handbook and that revision in particular. I mean, just carry it with you if you have any problems. Then if you're happy, if you feel good about life, read one of those things and you'll be depressed, because it's all "Woe is me." I'm sorry, I just had to say it. I've got to stop that.

I may have missed the question, so please stop me if there was one. It was with regard to 3.5.1, Financial Institutions, regulation of same, and the significant decrease of \$700,000, roughly, not quite a third, from comparable '92-93 estimates to '93-94 estimates. Again I don't have the comparable '92-93, but I'm assuming it must be close, because the total simply for that category was . . .

MR. DINNING: Well, I'll ask Allister to give you more detail.

In the interests of having self-governing, self-regulating institutions we've transferred the regulation of the credit unions to the Credit Union Deposit Guarantee Corporation. That has reduced our Treasury costs, our government costs, and they're now borne, effectively, by the credit unions themselves.

MR. JACQUES: Thank you.

MR. CHAIRMAN: Thank you.

I have no other speakers. If we wish to go to another round, we can do that. I will point out that we have approximately 30 minutes left. I'm assuming that if we go to the next round, that must mean that program 4 and the capital budget are perfect. We can continue doing that, but . . .

DR. PERCY: I just have a question still on this area.

MR. CHAIRMAN: Thank you. I've got Mr. Chadi first. Then I've got Muriel, and then I've got Dr. Percy, unless you would like to change the order here somehow.

MRS. ABDURAHMAN: I'll defer to Mike, and then be the second.

MR. CHAIRMAN: Dr. Percy first, then, and then over to . . .

MR. RENNER: Well, I just wanted to point out before we start again: if we start another round, then chances are we may not get to program 4 before our time elapses. I would suggest we do program 4, and if there's time, we come back to program 3. I don't know that there's much on capital.

MR. CHADI: It's very easy, but this is far more important, Rob, I think.

MR. CHAIRMAN: If I have one member that wishes to have one more question on program 3, then I will stay on program 3 because that is the process laid out between the House leaders.

MRS. ABDURAHMAN: Well, certainly I would like to ask one quick question.

DR. PERCY: Well, how about no supplementals? Just one question.

MRS. ABDURAHMAN: Yes.

MR. CHAIRMAN: Dr. Percy's first, then. I believe the opposition side just agreed to that.

DR. PERCY: A single question. There's an issue of governance with regards to Alberta Treasury Branches. There are competing models out there that might be more appropriate than having a superintendent report direct to the Treasurer, because that certainly sometimes puts the actions of Treasury Branches in a political context. Has consideration been given to other models – a Bank of Canada model, for example – in terms of reporting authority or reporting to the Public Accounts Committee or some other mechanism rather than directly to the Treasurer? It puts a political spin, in many instances, on the activities of the branches because there's not a clear demarcation between political masters and the functioning of the financial institution.

MR. DINNING: Well, it's been debated. It's been discussed, but I believe the way that we have made it clear to the Treasury Branch superintendent, that the line of responsibility still exists the way it is but that the Treasurer will not and has not and certainly will continue and will not be involved in the banking relationships between Treasury Branches and its clients – that's been my practice since December 15, and it will not change.

MR. CHAIRMAN: Thank you.

Dr. Percy, by giving up his supplementals – the other side, if they have a question, may not choose to give up their supplementals. Does the government side have a question?

Mr. Smith.

MR. SMITH: In the line vote 3, Jim, is there any problem resident in government now that when we roll up the budgeting process to get your total program costs, that we couldn't make everything public by department by line item, so that similar to what we just went through earlier on standing policy committee, financial involvement, we could look at labour, and we know how much the secretarial budget is and how much the management budget is, so that there is full and complete public disclosure in line with the Financial Review Commission's report, an openness in government from line 1 right through the budget?

12:02

MR. DINNING: You could, Murray, but I hope we will move in the other direction. I hope that if we move towards goal setting – budgeting and strategy – and measurement of results, that we will be more focused on the goals and the results and less concerned about whether somebody filled up their dar with gold rather than bronze or if somebody bought an Apple computer at \$499 instead of a Compaq at \$799. I think that really has distracted us from the more important priorities: that we're looking for better results for the money we've got. Now, I'll leave it to the accountants and to those people who properly must make sure that the control systems are in place and all that stuff, but I would hope that we as policymakers would move more towards the bottom-line results.

I'll give you an example from New Zealand. Sir Roger Douglas told me this one day. He said that it got to the point where he sat down with his deputies and negotiated a contract. He said, "Here's what I want you to accomplish," and the deputy agreed – "Here's your budget." "I agree." "Here are the results I want you to achieve." "I agree." – and then they parted company. The deputies went off and did their job, the minister did his job, and when the minister phoned up the deputy and started to tinker around in the middle of things, the deputy – with all due respect to *Hansard* – was in a position to tell the minister to bugger off.

Frankly, I think that that's what we should try to do: let the professional public service get on with the job of doing their job and let the policymakers do their job.

MR. SMITH: I have a supplementary for that.

MR. CHAIRMAN: Did you say you had one? Okay.

MR. SMITH: Given that then, Jim – and I agree with it, and I would like to see more than on probably going from both sides of the coin, telling employees and telling policymakers what direction to take – doesn't that public disclosure serve as that exact benefit and that maybe you have to go through that process that takes it to the ridiculous in order to get back the full trust and the full sense of disclosure to Albertans for Albertans?

MR. DINNING: If that's the way we have to do it to accomplish it, then we should do it, but my view is: let's figure out a better way to do it so that we don't have to accomplish it that way. Let's tell Albertans as the government has done: "This is what we're going to do. These are the dollars we're going to need to do it. Here's how well we've done it." When we deliver on our promises, I think Albertans will be more interested in the bottom-line results than in the minutiae of how we got there. Whether you did it through a four-door sedan or two-door sedan will become irrelevant. That's how Albertans run their businesses, and I think they expect the government to do the same thing.

MR. SMITH: Thank you.

MR. CHAIRMAN: Thank you, Mr. Smith.
Mr. Chadi, and then Muriel, or you can flip.

MR. CHADI: Yup, Muriel is up.

MRS. ABDURAHMAN: I'd like to address the additional guarantees that have not been advanced under Public Accounts, 1992-93, Volume 1, page 20. Jim, I was wondering if you could provide a breakdown of the \$60 million in loan guarantees that, as I've said, have been authorized but as yet not advanced.

MR. CHAIRMAN: I'm surprised. I thought you were chairman of Public Accounts, Muriel.

MRS. ABDURAHMAN: Well, Mr. Chairman, if I had the orderly people like we have today, we might have done more business on Wednesday.

MRS. BURGNER: I take exception. I was at that meeting; I'm very orderly.

MRS. ABDURAHMAN: I gave you time, Provincial Treasurer, to answer.

MR. DINNING: Well, Mr. Chairman, I haven't got all the details here, but primarily it would be the \$50 million loan guarantee to PWA Corp., Canadian Airlines. So that's \$50 million of the \$60 million.

MRS. ABDURAHMAN: Do you know what the other \$10 million is?

MR. DINNING: No, I haven't got that with me right now.

MR. CHAIRMAN: A supplemental?

MRS. ABDURAHMAN: Yes. This is for information, so that in future I know where to look for things. My understanding is

that the government of Alberta is committed to \$40 million to Westaim technology. When you're looking for this type of commitment by government, how can you identify in the Treasury's financial statements? It's the research facility at Sherritt Gordon Mines in Fort Saskatchewan.

MR. DINNING: Oh, I see. Muriel, that's not a loan provision; Al's telling me it's a commitment to make a grant.

MRS. ABDURAHMAN: How do you find that in your financial statements and the return?

MR. O'BRIEN: We do not attempt to identify and measure the commitments of the government to make grants. Obviously, the government has enormous commitments to make grants for income support, hospitals, and so on. Basically, your annual budget almost is a commitment until you change the policy, so there is no statement of that kind of thing.

MRS. ABDURAHMAN: Looking at the large numbers, what's the difference in definition between a grant and a loan?

MR. DINNING: A loan is a legal obligation – it's very difficult through changing the policy of government to change that legal obligation – whereas a grant to entity XYZ carries with it no legal obligation into the future.

MRS. ABDURAHMAN: So the government can continue to give money under another name?

MR. DINNING: I don't understand the question, Mr. Chairman.

MRS. ABDURAHMAN: Well, if you give \$40 million in a grant, that's \$40 million of taxpayers' money in the form of a grant to private sector.

MR. DINNING: That's correct, and what Allister has reminded me is that it would show annually in the department of economic development's budget.

MRS. ABDURAHMAN: So that's where I'd find it.

MR. CHAIRMAN: Thank you.
Mr. Renner.

MR. RENNER: Thank you, Mr. Chairman. I would like to address line item 3.7.2., Retirement Annuities and Gratuities. You've discussed earlier Employee Flexibility Assistance Program and explained that in its entirety. This is a rather insignificant line item here, but I would just kind of like to know exactly what a retirement annuity and gratuity is.

MR. DINNING: Well, Mr. Chairman, there may be a cute anecdote out of this one. Al tells me that it is an obligation that predates pensions, sort of like having an office of the veterans of the civil war. Al tells me that it's a commitment that was made to someone who was killed on the job many, many, many moons ago.

MR. CHAIRMAN: This would be like a widow's pension, something like that?

MR. DINNING: Yes. It's \$13,700.

MR. RENNER: A small line item but interesting.

MR. CHAIRMAN: All right. A supplemental, Mr. Renner?

MR. RENNER: No, I think I probably won't have a supplemental on that particular line. I would like to possibly look at another item within that same – we did some fairly extensive coverage on Workers' Compensation. I think you covered that fairly well, but when you discussed Workers' Compensation, I got the impression that there are actually two items here. There's a premium that we pay to WCB, and then there's an additional portion that predates WCB. I guess I'd like a little bit further explanation on this predating. The premium we all understand perfectly well, but the predating I'm a little unclear on.

MR. DINNING: Well, I don't know if it's coincident with the fact that I became the minister responsible for the WCB in 1986, but in 1986 the government moved to a premium-based payment to the WCB. Prior to that we had been on a pay-as-you-go basis. Our obligations for those accidents that occurred prior to 1986 are reflected here, and ever since '86 the WCB has made payments.

12:12

MR. RENNER: So, similar to the retirement annuity, that portion eventually over time will be gone?

MR. DINNING: Presumably.

MR. RENNER: As those responsibilities cease, then we go strictly to a premium basis?

MR. DINNING: Yes, sir.

MR. CHAIRMAN: Thank you, Mr. Renner.
Mr. Chadi.

MR. CHADI: Thank you. Just following up on the WCB – and I'm giving the Provincial Treasurer a bit of a break.

MR. CHAIRMAN: A novel concept.

MR. CHADI: Prior to 1986 the amount was \$30.4 million apparently. What is it today? I know we've been paying annually towards the WCB to extinguish that, but where are we at today?

MR. DINNING: What would be our total . . .

MR. CHADI: Our liability to WCB.

MR. DINNING: Oh, liability. It's \$600 million and change.

MR. McPHERSON: Well, that's the total unfunded liability of the WCB.

MR. DINNING: Is that what you're talking about, Sine? You're not talking about our premiums and things like that? You're talking about the WCB's unfunded liability?

AN HON. MEMBER: It's a Stock answer.

MR. DINNING: Well, I'm reminded that it's a Stock answer, so you should ask the question of the Minister of Labour, but if you look at page 17 of the public accounts, you'll see that it's \$575 million.

MR. CHADI: Okay, thank you, Mr. Chairman. I'm ready to proceed to 4 if everybody else is.

MR. CHAIRMAN: Thank you, Mr. Chadi.

I have one more speaker on the government side. Mr. Hlady.

MR. HLADY: Yes. I'm not sure if we've covered it in the last couple of hours or not – actually, I can't remember – under 3.3.1. [interjections] I wasn't sure. I can't remember what the answer was. I didn't write it down; I'll have to read *Hansard* to know. Investment Management: if you could just give me a description on that, please.

MR. DINNING: Well, I'll ask Allister to perhaps just describe it for you, but we have estimated it. My most recent numbers in front of me right here are December 31, 1992, Mark. We have a pension portfolio of \$6.9 billion, heritage fund portfolio of about \$5.3 billion, a WCB investment portfolio of \$1.8 billion, endowments, AMFC and other to the tune of about 2 and a half billion dollars, so it's a rather sizable investment portfolio for which we are responsible.

That is the direct responsibility of Allister McPherson, and I'll let him comment further.

MR. McPHERSON: Well, I think that's really the sum of it. It's managing those portfolios. Also in that division, though, is the liability management. Our borrowing/debt operation is in that same division, so we sort of make it a capital market kind of activity.

MR. HLADY: My first supplementary. We've cut out \$1.5 million in the Investment Management. What areas have we cut with that?

MR. DINNING: Although we haven't reduced our expenses there, we've recovered greater costs, say, from the pensions funds, which are now paying us for the management of their portfolio. So on a net basis it's been reduced because they're paying a fee for investment management service.

MR. HLADY: Just if we can fit that in there a little bit. In regards to the pension funds themselves, administration costs right now and possibly a bit of how we are looking at continuing at the administration costs we have with our pension funds. Is there any way of managing them differently that we're looking at?

MR. DINNING: Well, it's an area that we're constantly assessing. Some of that portfolio is managed by people outside the department, outside of the government, so we have a means of measuring our performance internally versus others outside. We're constantly reassessing that. It would be tempting to shed all of the pension fund management responsibility, especially for those funds that are not provincial government; say, local authorities or special forces. That's something that those boards may decide to do, but I'm told that once you get above a certain amount of money, the billions and two billions and three billions, divvying that and giving that out to the private sector becomes a very lucrative contract to the private sector without necessarily a higher return, in this case, for the provincial government. I think that's something we've got to assess, but we'd be willing to do that as long as it's not going to cost us a whole, whole, whole lot more.

We've got to constantly measure our investment management performance against the best. Muriel was talking about benchmarks, but against other external benchmarks. I can tell you that,

say, over the last five years, at September 30, '92, our rate of return exceeded sort of the critical mass of those investment managers. Our five-year return was better than a whole lot of people's out there.

MR. CHAIRMAN: Ladies and gentlemen, the Clerk just informed me that that is four hours. If we wish to continue, we would have to have a motion as such and a majority vote. Clearly, my preference would be, obviously, to stop.

Without that motion on the floor, under Standing Order 56(7) debate has now concluded on the consideration of the Treasury Department's 1993-94 budget estimates. Before the department escapes, I would like to say that in the spirit of the new co-operation between the two different sides, I believe that our minister, in this case the Hon. Jim Dinning, has been more than open, more than fair, as was Minister Ady last night for advanced education. I don't believe there was actually a question refused today; there may have been one early, early on. As I say, I think congratulations go to both sides in this instance and in particular to the minister responsible for the Alberta Treasury. I think everyone's done a fine job, and we've done a good piece of business.

I know Mike Percy would like to say a few things.

DR. PERCY: I would just like to thank the chair for the way he ran the meeting. He was very open, very easygoing, and very co-operative. I certainly would like to thank the minister and his colleagues for the openness with which they addressed our questions. Even though he did get a lot of material down for the record . . .

MR. CHAIRMAN: As did the opposition.

DR. PERCY: Every statement we made was dispassionate.

Again, I'd like to thank the minister for his support, frankness, and openness.

MR. CHAIRMAN: Would any other members of the committee like to say something, or perhaps the minister?

MR. DINNING: Well, Mr. Chairman, it's been a pleasure to be here, but I hope that pleasure will not have to be repeated.

MRS. ABDURAHMAN: I think that this meeting this morning demonstrates the effectiveness of the size of this committee, and I was hoping that it will certainly be considered to make the Public Accounts Committee a functioning committee that could utilize a room of this size.

I want to thank all participants as well. It was most beneficial from my perspective.

MR. CHAIRMAN: Thank you. Any other comments?

We have one other piece of business to conclude. The department is excused, if I may use that word.

MR. DINNING: Thank you, Mr. Chairman.

MR. CHAIRMAN: I was never a schoolteacher; I want that understood right up front. I'll read this right off the Standing Orders:

56(8) No substantive vote shall be made in a Designated Supply Subcommittee except

(a) to make recommendations to the Committee of Supply; and,

(b) to conclude discussion and rise and report.

If there are no recommendations, we will . . .

DR. PERCY: Can I just have a brief discussion?

MR. CHAIRMAN: Sure.

DR. PERCY: Members, if you care to.

MR. RENNER: Can I make a motion as soon as your brief discussion is over with?

MR. CHAIRMAN: Do you want to wait until the discussion is over? [interjections]

DR. PERCY: That was a brief huddle. See? It can be done.

MR. CHAIRMAN: Thank you.

Mr. Renner, for a motion.

MR. RENNER: Thank you, Mr. Chairman. I would like to move that

this committee advise the Committee of Supply that we have had a thorough and frank discussion of all Treasury estimates and that we recommend that no further discussion is required of the entire committee.

MR. CHADI: I think I'd like to just amend that, if I may, Rob. The motion said that we've had a complete discussion. We've had enough; that's all. We didn't complete; we just had enough.

12:22

MR. CHAIRMAN: We've had enough discussion.

MR. RENNER: I would be pleased to amend: we have had enough. We'll put that into the record.

MR. CHAIRMAN: All those in favour? Any opposed? None opposed.

A motion to adjourn.

AN HON. MEMBER: I so move.

MR. CHAIRMAN: So moved. All those in favour? Any opposed? Please don't. Thank you, folks.

[The committee adjourned at 12:23 p.m.]