

## Legislative Assembly of Alberta

Title: **Monday, March 13, 1995**

**8:00 p.m.**

Date: 95/03/13

head: **Committee of Supply**

[Mr. Clegg in the Chair]

THE DEPUTY CHAIRMAN: Order. Order.

head: **Main Estimates 1995-96**

### Treasury

THE DEPUTY CHAIRMAN: I would ask the Provincial Treasurer if he cares to make a few opening remarks.

MR. DINNING: Mr. Chairman, I was engaged in debate earlier this afternoon. I went home and talked to my children about the nature of the debate this afternoon, and they reminded me of the young girl who spoke to the hon. Member for Edmonton-Whitemud when he came to her school and asked him a very open and honest question. The young girl said to the Member for Edmonton-Whitemud: why do you keep asking all those questions and trying to do all those things when you know you're always going to lose? So when I went home tonight, I had a conversion. I have now seen the light. I don't think it's appropriate at this stage of the legislative sitting to say anything that might be considered incendiary, so I'm going to temper my remarks and simply suggest that the numbers at page 307 in the estimates book speak for themselves. I'm going to do my very best to listen to the hon. members and take their questions and consider them very seriously before answering in a very moderate tone, sir.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Whitemud.

DR. PERCY: Yes. I am going to bring up two sorts of issues this evening with the hon. Provincial Treasurer. The first concerns the business plan for Treasury and performance measures and the like. What is significant in terms of omission in terms of the business plan and what I would think are performance measures is the role that Treasury and the budget play in the stabilization of this province. This province is among the most volatile by every conceivable measure, and what is really glaring in its omission is any statement within the business plans or the budget itself regarding the role the government plays in trying to provide some form of countercyclical behaviour either in terms of the rules of the game or in terms of its fiscal position. I think that when you look at that issue, Mr. Chairman, and then you look at the legislative agenda of the government, particularly Bill 6, what you see is that this government has basically closed up shop when it comes to fiscal policy as it pertains to the budget, as it pertains to operating measures and performance measures set out in the business plan.

We are going to be held hostage to Ottawa, just as we were during the Mulroney years, just as we were during the NEP because we will not be in a position to pursue an independent fiscal policy, and that comes out clearly in the absence of such measures and benchmarks in the business plan. It comes out clearly with regards to Bill 6 and the way that that is structured.

So the first point is that I think there is a serious shortcoming in the business plans about a broader role for the provincial government in pursuing economic interests for Alberta, and

although the business plans do set out benchmarks for the internal operations of Treasury, they do not set a broader context for the role of the budget and the role of government in this province in what are going to be increasingly volatile times. That's the first point, and I think it's a serious shortcoming. Because we cannot lock ourselves into automatic rules, that means that if there is a series of cuts at the federal level, they're transmitted automatically to the provincial level and downloaded onto local governments. There is a legitimate role here for a provincial government that operates in the interests of Albertans in the short term and in the long term.

I think the Treasury plan and the budget itself are remiss in that they set out no mechanisms by which the volatility of both the market economy and revenues in energy, agriculture, and forestry are transmitted to government or the volatility in policy decision-making, whether it's 1981-82 or the policy-induced recession in the late '80s. That is a serious issue that I think warrants some consideration.

My next set of remarks, Mr. Chairman, relate to specifics of the budget and various votes. I would like to concentrate on votes 3.3.1 and 3.3.3. Vote 3.3.1 is investment management. Gross operating expenditures of \$650,000 in this particular vote represent an 8.6 percent reduction from the previous year's comparable estimates and a \$22,000, or 3.5 percent increase, from the previous year's comparable forecasts. Now, what I want to focus on here is what this division does. My questions are quite specific, and there's a number of them.

Can the Provincial Treasurer provide further information on the initiatives to consult with stakeholders on alternatives for investment management, including the increased use of external investment management firms, with regards to the heritage trust fund? This has been the recommendation often from the Alberta heritage savings trust fund standing policy committee. What are the mechanisms, then, that have been taken to provide a larger private-sector component in management? Are there any? Can the Treasurer indicate what criteria will be used to determine whether various investments should be outsourced to external investment managers? What criteria might be adopted to assess whether or not, in fact, there can be international investments by the fund as opposed to just those on the TSE 300?

Can the Treasurer update on the recent practice of investment management to retain Alberta-based and international private-sector investment managers to invest in Canadian and international markets? What type of risk diversification criteria are utilized by investment managers to broaden investment opportunities of assets? The issue here is that clearly there is always a trade-off between risk and return. There is a very passive, conservative criterion presently used, which is the basket that sort of is indicative of the TSE 30, excluding bank stocks. What is, in fact, being assessed in terms of other investment strategies that are a little more proactive but take you into greater areas of risk but also possibly areas of higher return?

Can the Treasurer describe the standards that are used to evaluate active managers and outside consultants of the heritage savings trust fund commercial investment division, and the benchmarks that are used to make this evaluation? Is there a specific time period in which active managers are expected to equal or exceed the performance of the relative benchmark? Clearly there are these average benchmarks that are set out in the business plan, but when you come to operational considerations, it always has to be specific to individuals and individual managers. What consideration has been given to allowing target investments in foreign equities from such countries as the United

Kingdom, United States, Japan, France, Germany, and Hong Kong using international benchmarks such as the Standard and Poor's 500 index, the Russell completion 2500, and the Morgan Stanley index? What about Europe, Australia, and the Far East? Again, we have a comparable: the Alaska permanent fund, in fact, earned a rate of return of 9.2 percent in 1993-94 in such investments.

What are the current rates of return for '94-95 being achieved from the following assets within the province's investment portfolio: the workers' compensation fund, the AMFC sinking fund, endowment funds, pension funds, and the consolidated cash investment trust fund, the CCITF? What are the projected targets or benchmarks that have been established for '95-96? Again, the business plan sets out the broad aggregates, but clearly this is an issue related to individual funds.

Can the Provincial Treasurer provide further information on the use of derivative securities and new analytical investment opportunities? From a question in the House we know that in fact there are strong – and I must congratulate the Treasurer on this – stringent safeguards that prevent the use of derivatives. One might ask: what about the Treasury Branches? What, in fact, is being assessed within Treasury about how far they go? As the Provincial Treasurer said in question period today, where do you draw the line when it comes to financial innovation? It's clear that derivatives are far on one side of the line, but there are a number of other financial innovations that may be on the right side of the line. What's being done to assess those within Treasury?

#### **8:10**

Is there an investment manual prepared for managing the assets of the heritage fund? Can the Treasurer indicate whether there has been a formal investment strategy adopted by the heritage investment committee to gradually increase the short-term liquidity of the fund, particularly cash and marketable securities, in order to manage the debt more effectively? It's clear from the language used in the Treasury business plan that the issue is financial management, and financial management means assessing both the term to maturity of your debt as well as the term to maturity of your assets. Financial management, then, means operating on both sides of that ledger. Can the Treasurer indicate what criteria have been established to assess risk and rate of return by the investment management division and whether there are specific asset allocation levels specified for securities, bonds, mortgages, equities, and real estate which balance risk and rate of return?

My previous questions have referred to the commercial investment division. This is basically a variant of that question for the investment management division. Is there a specific or threshold credit rating by Standard & Poor's, Moody's, CBRS, or DBRS that must be met before investing in fixed-income classes of government securities or corporate securities? Again, this relates to the general issue: is there a manual? But this is a specific question. What would be contained in such a manual in terms of the threshold credit rating?

Is there a particular threshold of fixed-income and marketable securities book value or market value specified in the investment manual relative to total heritage fund assets? Are there any rules with respect to the average life to maturity of various holdings – government securities, asset-backed securities, corporate securities – of the cash and marketable securities division? Again, if you look at the Alaska Permanent Fund, the ratio there is 65 percent, and it's not to exceed 15 years respectively.

Can the Treasurer indicate the frequency of reporting of investment management to the heritage fund investment committee and the contents of the report? That is, does it include amounts

invested in various classes of investments on an amortized or unamortized basis, unrealized gains or losses, and the amount of each class of investment as a percent of the portfolio? Do these reports, given their frequency, include a comparison of the performance with recognized private-sector indices, the TSE 300, TSE 35, or the ScotiaMcLeod T-bills indices?

Can the Treasurer indicate whether there are threshold percentage levels for classes of investments within the commercial investments division? Can the Treasurer explain whether investment strategy includes the establishment of benchmarks to evaluate the performance of investment managers, and if so, what are these benchmarks or targets for 1995-96? Again, we have the average, but given whatever a particular manager does for the portfolio that he or she governs, there ought to be differentiated benchmarks.

Why did Treasury use a four-year rate of return to evaluate asset performance in Measuring Up? I mean, there were any number of years you could have chosen. Three years; often it's a five-year average. Why four? I know why we chose 24 for 2020, but I'd like to know why you chose four for the benchmarks.

Can the minister provide an update on the status of disposal of noncore assets such as the Alberta General Insurance Company, which is clearly noncore, AGT commission subsidies, and N.A. Properties (1994) Ltd.?

Can the Treasurer indicate what steps are being taken by his department to comply with the following Auditor General recommendations with respect to investment? Again, these relate to "additional performance measurement criteria in its investment objectives and provide additional performance information on the investments which it manages" and to "determine the cost of its investment services," to "obtain current information to manage and value mortgage investments," and to "identify Provincial organizations that could benefit from investment management services." There's been a number, in fact, where there have been risk assessments, but how broad has that move been?

I'd like to now go to 3.3.3, finance programs. Here you find that the gross operating expenditures are \$1.575 million, and that's a 4.3 percent decrease over the previous year's comparable estimates. A number of questions here. There is the broad question that we've asked both at Public Accounts and here, I think last year, and that is: will the Treasurer make a commitment to make available a copy of the guidelines that have been established by the department to monitor loans, loan guarantees, and long-term investments? Is there a manual, and what are the criteria in that manual? Can the minister indicate what steps his department has taken to track all indemnities provided by departments and provincial corporations and to properly assess exposure to loss; Treasury Branches, for example, and West Edmonton Mall? What system has been developed to report all indemnities and include this information within the public accounts?

Now another generic policy issue. Can the Treasurer provide any information on the process that is established to divest of government investments such as Gainers, Alberta Intermodal Services, and Northern Lite Canola? There's been a variety of different techniques that have been used. Alberta Intermodal was divested by the department. The hon. minister of agriculture used a different method. There's been a variety of methods to divest of noncore assets by government, and one would have thought there would have been a consistent policy in terms of either the process of tendering, using outside groups, but we see a real heterogeneous grouping of ways of divestiture of noncore assets. So is there a plan, or is it just according to the whim of each minister in each department?

Does the divestment process include the following steps on a regular basis: a scoping study, business evaluation, receiving and assessing bids, conducting negotiations with one or more bidders on the terms of divestment? In some cases it has; in some cases it hasn't. Are we moving, then, to a role where one department consolidates all of these functions and ensures a consistent set of criteria applied to the divestiture of noncore assets? The MagCan divestiture seems to be a good example of how it ought to be done in terms of advertising, in terms of soliciting bids.

Can the Treasurer provide information on the restructuring proposals that are being worked on by finance programs for such ventures as North Saskatchewan River Boat, whatever phase we're in on that, Pratt & Whitney Canada, Universal Industries Ltd, and Ryckman Financial Corp.?

Here is a question, whether we're either looking at the dead hand of history or a conscious management policy by the minister's own department. Can the Treasurer indicate why the debt management division has chosen to pursue a debt management policy under which \$6.391 billion, or 41 percent of total direct funded debt of the province of Alberta, will mature over the next three years? This is highest among the Canadian provinces, and in fact in '95-96 alone \$2.846 billion of debt matures in the coming year. How much of this \$6.391 billion in debt will be refinanced at the short end of the market, Euro yen notes or Euro medium-term debentures, over the next three years?

Can the Treasurer explain why only \$775 million of U.S. debt is hedged against fluctuations in the exchange rate? I know that the answer is going to be that we have a natural hedge in terms of our resource base, but on the other hand there is also the fact that you can get better protection as well and smooth out the cycle by hedging in the market and that you can in fact gain from your natural resource revenue base from depreciation and at the same time hedge against that on your borrowing. It's not clear why we haven't pursued that strategy and instead have relied on the one. I would just like to know: have studies been done that have shown that the strategy which is being currently pursued is cost-effective? Given the variability of the U.S. dollar and the fact that 41 percent of our debt will be due over the next three years, the issue of hedging in the face of a very volatile Canadian dollar is extraordinarily important.

8:20

Can the Treasurer comment on the February 1995 report by DBRS, which gives Alberta a negative or poor rating on its proportion of foreign debt exposure? Herein I can quote DBRS where they state: its main problem is that 20.1 percent of its debt is non-Canadian dollar, which leaves it vulnerable to a weak Canadian dollar. They're well aware of the Treasurer's argument about a natural hedge, and despite that argument they are critical. They give Alberta a negative or poor rating on that proportion of the debt that is externally held, notwithstanding the argument that he will give me shortly on the natural resource hedge.

Can the Treasurer indicate whether a natural hedge will be in force for the \$2.463 billion in U.S. debt, which comes due in the next three years, if natural gas prices and oil prices fall significantly below the 1995 budget thresholds of \$17 per barrel west Texas intermediate and \$1.50 per MCF and if there are production declines and the exchange rate remains in the 71-cent range? In light of the natural hedge, can the Provincial Treasurer provide further explanation on the performance measures, the total cost of carrying the debt portfolio, both cash interest and the change in market value of debt outstanding, measured in Canadian dollars? What benchmarks have been established for 1995-96?

With those comments, I will take my seat.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Manning.

MR. SEKULIC: Thank you, Mr. Chairman. I don't think you have to strain your neck looking to the right. You can expect that we'll be the ones jumping up and asking some of the questions.

Mr. Chairman, through you to the Treasurer, I'll be directing my comments on valuation adjustments, obligation under guarantees and indemnities, and other provisions found on page 327 of the estimates. Here we have an estimate of \$9.5 million in 1995-96, representing a \$44.5 million, or 82 percent, increase from the previous year's comparable estimate of \$54 million. Significant recoveries on loans and loan guarantees were made in 1994-95, as the latest forecast is a recovery of \$59.787 million.

It should be pointed out that the \$9.5 million estimate in valuation adjustments and obligations under guarantees found within the Treasurer's estimates differs from the \$47 million consolidated estimate found on page 52 of Budget '95. The discrepancy represents provisions made against accounts receivable in other departments and agencies within government. A \$2 million provision for accounts receivable is being made for the department of Treasury. Given the government's commitment to openness and accountability, can the Treasurer provide a detailed breakdown of valuation adjustments, obligations under guarantees and indemnities, and other provisions in the department of Treasury estimates as contained on page 327 of the 1995-96 government estimates book?

Mr. Chairman, to the Treasurer: I'll be listing a whole host of questions, and for those that he can't formally respond to this evening, I'm sure that he will direct some of his staff to respond in writing at some later point.

The next question is: what is the breakdown of \$18 million in obligations under guarantees and indemnities for 1995-96 as disclosed on page 52 of the 1995 budget? What is the breakdown of the \$83 million allowance for doubtful loans and advances for 1995-96 as contained on page 56 of the '95 budget? What is the breakdown of the \$38 million estimated liability for principal on loan guarantees for 1995-96 as contained on page 57 of the '95 budget as well? Why is there no projection for consolidated valuation adjustments and other provisions for future years - i.e., '96-97, '97-98 - as was the case in the '93 and '94 budgets? Why have we changed here? Can the Treasurer indicate what steps are being taken to comply with the recommendations of the Auditor General to record losses arising from guarantees and indemnities and investments in the general revenue fund as expenditures of the other departments which initiated the guarantees and indemnities and investments?

Can the Treasurer provide information on the terms and conditions of the contract between the government of Alberta and Price Waterhouse relative to the search for a private-sector buyer for the Magnesium Company of Canada? Will the Treasurer confirm that the \$2 million outstanding on the guarantee provided to MagCan as of December 31, '94, is contained within the \$38 million estimated liability for principal and accrued interest as noted on page 57 of the Budget Address?

Can the Treasurer comment on why the \$600,000 loan guarantee to Universal Industries has been written down? Are their shares under the indemnity and share options agreement of October 19, 1994, not considered to have any value? Can the Treasurer provide further detail on the terms and the conditions of the indemnity and share options agreement of October 19,

1994, which was concluded with Universal Industries? When does the Treasurer expect the preferred shares, that were issued to the Treasury Branches with repayment guaranteed by the province, to be redeemed by the company?

Can the Treasurer comment on the status of the \$813,000 loan guarantee to North Saskatchewan River Boat in light of the sale of the boat for only \$800,000 and considering that the builder has an outstanding claim of \$1.3 million? What recovery is expected by Treasury Branches on its outstanding loan? Can the Treasurer indicate how much of the \$833,000 is contained within the \$38 million provision for estimated liability under principal for loan guarantees?

Can the Treasurer comment on the status of loan guarantees to Pocatererra Development Corporation and Kananaskis Alpine Resort? Can the Treasurer provide a breakdown of the \$5 million outstanding under the export loan guarantees program?

Can the Treasurer indicate what arrangements have been made between the Royal Bank, Bovar, the Alberta Special Waste Management Corporation with respect to the repayment of the \$94 million guaranteed loan? Will the Treasurer confirm that this guaranteed loan remains in place even if the government divests its 40 percent interest in Swan Hills?

Can the Treasurer comment on the question of the status of the \$4 million loan guarantee to the Centre for Frontier Engineering Research? When will the government be required to pay out the \$2.35 million outstanding on the \$5 million Royal Bank loan to Fletcher's Fine Foods as established in the September 1994 agreement with the Alberta Pork Producers' Development Corporation?

Will the Treasurer indicate whether the reduction of the \$578,000 loan guarantee to Atlas Lumber is a writedown, or does it represent a repayment by Atlas Lumber of the guaranteed loan?

Can the Treasurer comment on the status of discussions between the government and Ridley Grain relative to the annual capital expenditure program for the terminal and future taxation issues of concern to members of the consortium?

Can the Treasurer comment on why the agreement which provides for a \$3.5 million loan to Ryckman Financial Corporation contains provision under which the corporation is not required to keep detailed records on the continued operations of the Calgary Stampeders' football club past the date of October 2001? Does the Treasurer feel that this provision allows effective monitoring of the outstanding loan, given that the term of the loan is over a 30-year period? Can the Treasurer provide a status report on discussions between the government and Larry Ryckman relative to early repayment of the \$3.5 million loan outstanding?

Can the Treasurer provide further information on the terms and conditions of the \$15 million loan to Centennial Food Corp.? Can the Treasurer indicate the interest payments that are being made on the loan? Note that interest rates range from zero percent to 12 percent, based on company profitability.

Can the Treasurer indicate why the loan provided to Millar Western by its principal lender, the Canadian Imperial Bank of Commerce, takes precedence in repayment over the \$30 million non interest bearing loan to Millar Western Pulp (Whitecourt) Ltd.? Can the Treasurer indicate the amount of unrecorded capitalized interest which has accrued on the \$90 million loan to Millar Western as of December 31, 1994? Can the Treasurer indicate whether consideration has been given to extending the repayment schedule for the \$120 million loan past the year 2004?

Can the Treasurer comment on the status of discussions with Vencap with respect to accelerated or early repayment of the \$119 million heritage loan? Will the Treasurer confirm that a consul-

tant investment house, accounting firm, or banking institution has been retained by the province to conduct an assessment of the value of the province's investment in Vencap?

**8:30**

Now I'll just refer to program 4, the regulation of securities markets. The gross operating expenditures of \$5.664 million represents a \$168,000, or 3.1 percent, increase over last year's comparable estimates of \$5.496 million, a 7 percent increase from the previous year's comparable forecast of \$5.291 million. There was \$533,000 in dedicated revenues projected for 1994-95 under this vote as a result of the activities carried out by the Alberta Stock Exchange and the Investment Dealers Association of Alberta. These fees will result from allowing self-regulated organizations - i.e., the Investment Dealers and the Alberta Stock Exchange - to provide regulatory services on behalf of the government and collect fees for these services. Service fees will be remitted to these organizations through the Treasury budget based on a percentage of revenue collected.

The Alberta Securities Commission reviews prospectuses and other offering documents. Any person or company trading in securities, franchises, or commodities is registered. Investigations into any alleged violations of the securities and franchises legislation are conducted and appropriate enforcement action is initiated for administrative hearings before the commission for prosecution through the courts. The commission sits as an administrative tribunal at enforcement hearings, considers applications for discretionary exemptions from the Securities Act and Franchises Act. It also hears appeals from decisions made by the Alberta Stock Exchange and the Investment Dealers Association.

Now, with regard to this area, can the Treasurer provide further information on the initiative to establish the Alberta Securities Commission as an industry-funded provincial agency? Can the Treasurer provide further information on the implementation of rule making by the Alberta Securities Commission? Can the Treasurer indicate what benchmarks have been established for the following performance measures: satisfaction of Albertans with the balance between market access and investor protection, the number of security fraud cases, the number of financial failures of Alberta dealers, the value of Alberta-related claims on the Canadian investor protection fund, and the size of the investment dealer industry in Alberta?

Going to 4.0.1 - I'm on the same page, page 317 - and referring to the office of the chairman and board, where the gross operating expenditures of \$575,000 represent a decline of \$10,000, or 1.7 percent, from the previous year's comparable estimates of \$585,000 but an \$88,000, or 18.1 percent, increase from last year's comparable forecast of \$487,000, can the Treasurer explain here the need for an \$88,000, or 18.1 percent, increase in the expenditure of the office of the chairman in 1995-96?

Going to vote 4.0.3, administration, the gross operating expenditures of \$1.246 million represents a \$63,000, or 5.3 percent, increase over the previous year's comparable estimates of \$1.183 million and a \$141,000, or 12.8 percent, increase over last year's comparable forecast of \$1.105 million. Can the Treasurer here explain the reason for the 5.3 percent, or \$63,000, increase in the administration costs for the Alberta Securities Commission for 1995-96?

Turning to vote 4.0.4, capital markets. Once again here we have gross operating expenditures of \$731,000, representing a \$232,000, or 46.5 percent, increase over the previous year's comparable estimates of \$499,000 but a \$39,000, or 5.1 percent, decline from the previous year's comparable forecast of \$770,000.

Can the Treasurer explain here why gross operating expenditures have to increase by \$271,000 from the 1994-95 estimate in order to generate an additional \$234,000 in dedicated revenues during 1994, with \$560,000 in dedicated revenues forecast for 1994-95. What services are being provided to generate the \$553,000 in dedicated revenues? What fee for service is being remitted to the Alberta Securities Commission and the Investment Dealers Association for self-regulatory activities?

Turning to 4.0.8, legal/policy development. Gross operating expenditures of \$947,000 represent a \$36,000, or 3.7 percent, decrease over the previous year's comparable estimates of \$983,000 but a \$154,000, or 19.4 percent, increase over last year's comparable forecast of \$793,000. Can the Treasurer explain the reasons behind the 19.4 percent, or \$154,000, increase in this area during 1994-95 from the previous year's forecast?

Turning to the pension administration fund, the pension administration fund provides a number of services to the public-sector pension plans, including the receipt and deposit of contributions by members, employers, and the government, payment of benefits to pensioners and their beneficiaries, financial and investment management, and counseling information services for pensioners and participating employers and employees. Treasury charges the pension fund for these services at rates which recover costs.

I'm just going to go straight into some questions here. Can the Treasurer detail what steps have been taken by his department to deal with the concern of the Auditor General that the financial information provided by employers to the pension administration division is not timely and is inaccurate in some cases, leading to the incurring of additional costs for the fund? Can the Treasurer detail what steps have been taken to address the concern of the Auditor General that revolving funds do not contain all of their operating costs, which leads to users paying less than they should for services rendered or services received? How many employees are currently involved in pension administration? That's something we need to see and should see. How many employees will be affected by the move to corporatization? Will there be layoffs, or will these employees be transferred to the corporate entity?

In terms of protection for employees, what are the successor rights to the AUPE? What cost-benefit analyses or studies have been undertaken that indicate that the corporatization will reduce costs, increase cost recovery for services provided, and lead to greater efficiencies in providing services? Has a business plan been prepared for the new corporate entity? What performance criteria is the organization expected to meet? Will the business plan be made public? If so, I would hope that you'd forward a copy. Will investment and financial management services continue to be offered in-house, or will they be devolved to the pension administration corporation? Is corporatization a preliminary step towards full privatization of pension administration by a private-sector corporation or DAO?

Given the plans to corporatize pension administration, how does the Treasurer propose to deal with some of the problems that have plagued the corporatization of state-owned enterprises, SOEs, in New Zealand: the separation of commercial and noncommercial activities, the implication of government funding for noncommercial activities versus the establishment of clear commercial objectives for board and management, and the limitations imposed on the pension administration fund to diversify the services that it provides from a commercial perspective resulting from public funding? Is the Treasurer prepared to commit further government funding to allow for the diversification of services? Can the

Treasurer explain what is meant by usefulness and timeliness of pension administration services and reporting to pension plan participants and boards? What benchmarks have been established to measure performance? I'm sure they'll come as a surprise to the Assembly as well as the Treasurer.

8:40

Pension liability funding. Can the Treasurer provide a schedule of the yearly payments that will be made to reduce pension liabilities between the fiscal years 1996-97 and 2059-2060? Can the Treasurer provide a schedule of estimated annual change in unfunded pension liabilities for the years 1998 to 2060? Can the Treasurer indicate what steps were taken by pension boards regarding concerns expressed by actuaries about the assumptions used on the real rate of return and future membership growth rates which are used to determine the amount of unfunded pension liabilities? Can the Treasurer comment on whether pension boards have conducted new actuarial evaluations for pension plans in order to establish each employer's liabilities? What are the revised liabilities that have been calculated for each plan? Can the Treasurer provide an estimate of the province's obligation to the unfunded pension liabilities in light of the new actuarial evaluations? Finally, can the Treasurer indicate what steps have been taken to prepare a plan to show the growth of the unfunded liability for the special forces pension plan as recommended in the Auditor General's annual report?

Now having listed just a few questions, I know the Treasurer is eager to either stand or perhaps hear one of my colleagues raise some additional questions with regards to estimates pertaining to his department.

With that, Mr. Chairman, I shall take my seat.

THE DEPUTY CHAIRMAN: The hon. Member for Redwater.

MR. N. TAYLOR: Thank you, Mr. Chairman.

AN HON. MEMBER: Wake 'em up, Nick.

MR. N. TAYLOR: I don't know. I've got to find my file first. [interjections] Some people behind me are telling me that it never stopped me before. With friends like that, I think I'll go over there. Where's Yankowsky?

I'm talking about loan guarantees now. You have a \$600,000 loan guarantee to Universal Industries.

MR. DINNING: Peter's already asked that question. It's page 13. He's already that.

MR. N. TAYLOR: Okay. You've got an answer to that one, have you? [interjections] Well, obviously you remembered it. How about the loan guarantees to Pocaterra Development in the Kananaskis?

MR. DINNING: That was next. He's already asked that one too.

MR. N. TAYLOR: Okay; that's fine. As long as he's going to answer. You can say you're answering for the Premier or whatever you like.

How about the \$4 million loan guarantee to, of all things, the Centre for Frontier Engineering Research Institute? Is this for old John Wayne movies or what? Why did you refer it to the hon. Member for Athabasca-Wabasca? Did you think it was something to do with the Custer foundation or what?

To move on here, you've got the government required to pay out the \$5 million Royal Bank loan. Now, I happen to know that that's been switched around. The Royal Bank's out of there, and the TD, my old banker, is in there. So maybe you could enlighten the House. [interjection] Well, they're lucky they had any money left after they finished with me. Nevertheless, maybe the member could tell the House just what the new arrangements are for Fletcher's. [interjection] Would you get rid of my namesake there? You know, there's no need to come around in front of the Treasurer and genuflect, Member for Cypress-Medicine Hat, beat your head on the floor.

We move into the area of votes 3 and 4. Now, one of the things that worries me on vote 3 – and this is getting off on a bit of a tangent. This isn't in detail now. What I'm interested in is the government working on reducing foreign borrowing. I can hear you saying, "Why?" which is a good question. But you've got to remember that I've borrowed a fair amount of money in my life, and if you borrow foreign money, you have to pay back in foreign money. Now, you can possibly hedge on securities, you can buy forward to pay down the loan, but I would have thought that because you're the government, if you borrow money from an Albertan, the interest you pay comes right back into the economy and you make money on it, whereas if you pay interest on a loan from somebody outside Canada, the interest is lost.

I would think you could put your little gnomes to work on their slide rules and figure out the premium you could give. I remember dealing with Eurodollars years ago. They used to think that if money was borrowed internally, like the deutsche marks and the Swiss franc, you could afford to pay three-quarters of a percent more interest than you could for borrowing externally, because that extra interest you paid on the borrowing admittedly stayed in the country and got invested back in the economy and consequently created more jobs and so on and so forth and government in turn then realized income tax and so on. That used to be the rough rule of thumb, around .6 to .75.

Now, I wonder why the Treasurer has not thought of an issue to Albertans that paid maybe a half a percent more than other prime bonds to get Albertans to buy these bonds. You would immediately transfer over the money, buy American money or the deutsche marks, whatever you had, pay them off now, and be through with it. Then from then on the debt would be owed internally to your own people at half a percent more interest than you were paying externally. However, the advantage would be that you wouldn't have to worry about currency fluctuations anymore. Employ a bunch of gnomes, people with computers, to try to balance out your foreign payments you'll have to make down the road. More importantly, the interest on your borrowing would be in your own Alberta economy, which would then be paid back interest of so many millions a year. It would be then spent in the local economy creating jobs, more income tax, keeping the country under way. So I offer that as I have seen no evidence of that research. Canada borrows at a lot higher percentage than most countries do in the world – most of the big seven, let's put it that way. I don't think we calculate how much money borrowing internally will do. There are terrific savings that could be made.

Sometimes you could give that half percent not even up front; you could give it in an extra income tax deduction when they file their income tax or an extra credit, if they are Albertan, for Alberta bonds. So therefore you're not even putting the money out until they file their income tax. You lose a little income tax that way. I just wanted to toss it out because I've often wondered why they didn't.

8:50

I'll move on to another area that I think maybe the Treasurer could do more about, vote 4. Well, there's no question – and I think the Treasurer will agree with me; this is one of the reasons why the old Conservative government got in so much trouble – that capital generation is one of the biggest things you need to do today when you expand your economy. The biggest obstacle that small entrepreneurs have to manage is how to acquire capital. That's almost neck and neck with management, I would say, acquiring capital. Now, they solved the problem by just reaching into the heritage trust fund and handing out the capital to these different organizations; hence, we got all sorts of things like – remember this? – NovAtel and various other things. This is how they created capital. They reached into the public purse and like the days of old, instead of going in a coach and four-horse team, throwing little gold pouches out of the window as you went down, nodding and waving to the crowd, they threw out little pouches of money from the heritage trust fund to start capital going. What happened then is the same thing that happened way back in the days when the Queen used to throw it out. People got hungry, and they cut off the Queen's head. What happened here is that the government darned near lost their head, but not quite.

What I'm arguing is that there don't seem to be the facilities, there doesn't seem to have been the heavy thinking going on to allow the private sector to acquire capital. You do have the Alberta Stock Exchange, but I think you already know that it is small. It is too small. Hon. Member for Edmonton-Manning, don't interfere with him. I thought I had his attention, and then my own party comes along and screws it up. Can you imagine that?

The point is that the Calgary stock exchange is not big enough to generate capital. Now, you do have junior capital pools on the thing. I hope your little gnomes up behind you are listening. Oh, they are. I notice one of them has got his solar panel going with his hairline. [interjection] Okay.

You know, the stock exchange in Calgary is just not big enough. [interjections] It's all right. Keep talking. [interjections] I'm just giving him a taste of his own medicine. He turns his back on me.

THE DEPUTY CHAIRMAN: Hon. Member for Redwater, we do like the look of you better turned around, but I think it's only proper that you look at me.

MR. N. TAYLOR: When I was in the PNWER organization, I brought that up there too. The biggest shortage that I found talking to investors in Washington, Oregon, and Montana was that they too had trouble accessing capital. Their closest stock exchange is down in San Francisco. They pay not that much attention to the northwest pacific. Vancouver operates on its own. I don't know why the minister doesn't make a more concentrated effort in this modern era of computer hookups and computers being able to do everything. You could take the computer, hook it up, and then you could be trading, and you could trade right across the country. As a matter of fact, you can trade, for instance, right now, Mr. Chairman, on the London curb or the New York curb out of a Calgary broker's office just as easily as not. I think what we have is a dinosaur from the past holding onto the Alberta Stock Exchange. B.C. has their stock exchange. Winnipeg, Manitoba, has a stock exchange. Toronto has a stock exchange.

One of the intriguing things about Canada is we do not have uniform security laws from coast to coast, and we're not likely to

get them for a long time. So why not take the lead? Alberta could be in a good position here to try to expand and try to pressure the Alberta Stock Exchange and the Vancouver Stock Exchange. Talk with the counterparts over there, and I'm sure – I've already talked, and I can give you the names in Washington, Oregon, Montana, and Idaho – they would love to come in to a giant stock exchange. Think of the access you'd have, the funds for entrepreneurs to get started.

You've done well with your junior capital pool. That was a good idea, and B.C. has copied it. I think they call it venture capital something, VCC, venture capital corporation, the same type of idea. So he said: "Now, this is atypical. Don't trust B.C." The point is that if you could get that whole area working together in a stock exchange and the trading set up, you could have the trading in Vancouver, Calgary, Montana. It could all be hooked up into the same exchange on a wire service, and you'd do a heck of a lot to raising the type of money that you took out once the heritage trust fund disappeared. You tried to do it with the heritage trust fund, but that wasn't a good idea. But we do need some way, if we're going to grow faster out here, to generate capital. Otherwise, you have to go cap in hand down to Toronto and beg for money.

Well, Mr. Chairman, I think that finishes it. I enjoyed the fact that I could turn around and talk in all directions at the same time, and I notice I got the Treasurer's attention to that.

These are the two main points I wanted to make: foreign borrowing and, secondly, putting your work together on the securities exchange and trying to put a northwest U.S./Canada stock exchange together. You would be remembered forever. We'd have a statue in copper made of you out in front of that big joint exchange that the pigeons wouldn't even dare touch if you came up with that idea.

Thank you.

**THE DEPUTY CHAIRMAN:** The hon. Member for Edmonton-Roper.

**MR. CHADI:** Thank you very much, Mr. Chairman. [some applause] Thank you. I see the Provincial Treasurer is still applauding. It must be because of what I said about Bill 6 earlier this afternoon. I know that I'm going to come back in committee and speak to it again, so if the Provincial Treasurer would like to know when I'll be speaking, I'll send him a memo and advise him so he can be present.

**MR. DINNING:** Your vote.

**MR. CHADI:** He wants me to vote for it. Well, I just might. [interjections] Not quite.

Mr. Chairman, I have some questions with respect to Treasury. I've wondered for some time now when I'd be given an opportunity to ask them, and I'm pleased to be able to rise today to perhaps maybe get some answers.

The one area of concern for me was the corporate income tax collection. It wasn't so long ago that we thought it was an exciting idea that we would have the federal government collect the corporate income taxes along with their federal corporate taxation system. That's the way it was years ago when you submitted your taxes. I mean, the federal government collected the taxes and gave the money back to the provinces. I think in every other province in Canada, if I'm not mistaken, with the exception of Alberta, Mr. Chairman, that is the case.

It wasn't so long ago, in fact, in the subcommittee of Treasury that I and a couple of my colleagues sat before the Provincial Treasurer and asked that very question: what sort of cost savings are we going to anticipate for Alberta? The Treasurer gave glowing reports of why we should first of all give it back to the federal government. The reason given was that it was going to cost us a fair amount of money, I think Budget '94 and the business plans said somewhere in the range of about \$4 million, 1994-95, and '95-96 was somewhere in the range of about \$7 million. The Treasurer is flashing seven fingers, so I must be right. Very good. So \$7 million was the cost savings supposedly, Mr. Chairman.

I remember asking the Treasurer in that subcommittee the question: how much will the federal government charge us for collecting the taxation and refunding it back to us, forwarding it to us? At that time, Mr. Chairman, he said zero. I note that he's still standing true to his word, because he put up the figure zero with his fingers. But if that was in fact the case, that it wasn't going to cost us anything and we were going to get the corporate income tax back to Alberta at no cost to us, what happened? What happened? Why did we break off these negotiations? What happened? I need to know. I think all Albertans need to know. What went wrong? It seemed to me that there would be considerable savings, and it just doesn't sit right with me.

**9:00**

I notice that the Treasury Department has now announced that about 50,000 corporations in Alberta, Mr. Chairman, will not have to submit a corporate tax return. I'm hoping that the federal government still insists on getting a tax return, and I'm wondering what system is in place for Alberta corporate tax to receive something, even if it's a nil return like a nil GST return. Is that going to come from the Alberta corporations, or is it going to come from the federal government? I suspect the feds might send us some information, and if that's the case, then at least we would have something on record. If not, then I would suggest to the Provincial Treasurer that we at least get some kind of one-pager from any corporation in this province that will indicate that it would be a nil return.

[Mr. Herard in the Chair]

I believe the Treasurer undertook some type of streamlining of corporate income tax collection initiatives. I know the savings that we anticipated before were in the range of \$7 million, but now that we cannot or will not deal with the federal government, that that deal has hit the rails, what sort of savings do we expect from the streamlining that the Treasurer is undertaking now with respect to corporate tax collections? I also wonder if the Treasurer can indicate whether any further discussions are ongoing with industry and professional groups relative to maybe further streamlining of corporate tax collection in the future.

The discussions between the federal and provincial governments relative to moving from a tax on a tax to a tax on income system, as discussed in the Alberta Tax Reform Commission report: I wonder if the Treasurer can perhaps maybe give us the status of those discussions. As well, I would like the Treasurer to indicate whether his department has given serious consideration to eliminating the half percent Alberta flat tax rate.

Another area of concern that for some time has been on the minds of a lot of people in the tourism industry as well as those in the hotel business is of course the hotel room tax.

MR. GERMAIN: Isn't that a sales tax?

MR. CHADI: Yeah, it is somewhat of a sales tax. The Member for Fort McMurray wonders if it's a sales tax, Mr. Chairman.

Well, let me read to you what the Alberta Tax Reform Commission documents state. They said that this 5 percent hotel room tax "is a selective sales tax," - a sales tax, Mr. Chairman - "primarily paid by Albertans." That's because the majority of people using those hotel rooms all across Alberta and paying those taxes are Albertans. "In an otherwise 'sales tax free province,' this room tax should be discontinued." That's from the Alberta Tax Reform Commission.

I'm wondering what the Treasurer has in mind with respect to addressing these recommendations from the Tax Reform Commission and perhaps the phasing out of this hotel room tax. If that's not the case, another recommendation, Mr. Chairman, was to move some of the hotel room tax to the tourism industry. Now with the Alberta tourism corporation and the fact that that is starting to get under way, maybe you are looking, Mr. Treasurer, towards moving some of that hotel room tax over to the Alberta tourism corporation. No? I know at one time around \$4 billion in tourism revenues by the year 1997 was suggested, and they were talking a further \$4.4 billion to that amount of money by the year 2000. That comes right out of Seizing Opportunity. It also said at the time that there was a possible creation of almost 18,000 jobs directly related to that industry. I'm kind of excited about the Alberta tourism corporation, and I'm curious to know where it's going to be funded from. I suspect that perhaps some of those funds from the hotel room tax would go there.

I'm going now to vote 3.4, risk management and insurance. This is an area of concern, and it ought to be for all Albertans. I believe what it is, Mr. Chairman, is the liabilities of the province with respect to accident claims and perhaps maybe even personal injury claims. I note that last year we looked at somewhere around \$1.9 million. This year we're looking at a budget of just over a million dollars. I wonder if you can explain the difference, Mr. Treasurer. Why do you anticipate that this year, 1995-96, is going to be less than last year? I don't know what the figures were for previous years, but if you took an average, my guess is that you're going to have it a lot higher than a million dollars.

Something in the back of my mind makes me ask this question. In Health the other day, in responding to appropriation, I think it was, we were taking \$38 million and going to set it aside for the different regional health authorities. I believe that at that time it was directly related to certain liabilities in the Department of Health, perhaps maybe some lawsuits in that the province was being sued within the different health regions in the province, and what we needed to do was to put those funds aside to ensure that we can cover our liabilities. So if it's happening in Health, I'm curious to know: is it happening in other departments? Is this \$1 million in just one area, or is it from all departments of government that the Treasurer looks after, the risk management? I don't believe that it would only be a million dollars for what we've got out there, that our liabilities would only be a million dollars for the risk that we have all across this province. My guess is that it's a lot higher than that, and I'm curious to know if in fact that is the case.

I wonder if the Treasurer can explain why such a high level of claims is being projected for the risk management fund during '95-96 for pre-April '95 claims, given that the departments are now purchasing their own insurance coverage. If in fact the departments are insuring on their own and getting their own

coverages, why are you looking at a million dollars for this vote, Mr. Treasurer? I wonder if the Treasurer can provide some indication on the nature of claims. I note in 1994-95 almost \$1.9 million, and if we're looking at a million dollars this year, Mr. Chairman, I wonder what the nature of those claims is with respect to this risk management fund. Perhaps maybe identify what categories, whether it's property, automobile, personal injury liabilities, theft, or crime.

I wonder if the Treasurer can explain whether the allowing of the different departments to choose the appropriate levels of coverage and corresponding premium charges may lead to situations where departments decide to underinsure assets as a means to reduce their costs in their departments. I'm curious to know what formula is used, if any, to determine what sorts of premiums they would charge. What standards is the Treasurer prepared to set out to ensure that individual departments continue to provide adequate levels of insurance to protect these public assets? Can the Treasurer explain what benchmarks have been established for the performance measure of the cost of uninsured losses, the number and costs of losses compared annually?

Mr. Chairman, those are my questions for now. I hope to be able to rise a little bit later on with just a few more. I'm going to allow a few of my colleagues to ask theirs.

Thank you.

9:10

THE ACTING CHAIRMAN: The hon. Member for Clover Bar-Fort Saskatchewan.

MRS. ABDURAHMAN: Thank you, Mr. Chairman. With regards to the Treasury estimates my questions will be dealing specifically with the program 1 vote. A few comments before I get into specifically asking questions. One must never forget that the Treasury is there on behalf of the people of Alberta, and I sometimes believe - not just sometimes; I firmly believe - that that's something the government of Alberta for the past decade, or in fact 15 years, has tended to forget. I still think there's an element of that present even in this government. When we look at the dollar expenditures within the estimates, we must never forget that this is Albertans' money and that we are here as the stewards, and it should be good stewardship irrespective of what vote we're dealing with. Indeed, through this Treasury budget the government is a servant of the people, and this money belongs to Albertans. Whether it even be vote 1 or 4, indeed it's no different than your household budget, and the reason that you earn money or collect money is to look after the family. In this case it's Albertans. Any government is actually measured by how they look after their seniors and their children.

So that's the premise by which I address this budget: that the government is the servant of the people, that it's no different than a family, and that you get value for your dollar and you make sure it's expended in the most efficient and effective way. People certainly know when there's a sign of good government, and it's not always how cheaply you do something or how cheaply the job is done. It's how you do it; it's how you do that job.

With those few comments I would like to address program 1, departmental support services. We clearly see the gross operating expenditure of \$4.4 million in the '95-96 budget year, and this represents an increase of 5.4 percent, or \$231,000, over last year's comparable forecast of \$4.2 million and a \$34,000, or .8 percent, decline over the 1994-95 estimate of \$4.5 million. This is certainly inconsistent with the overall direction being taken in the department in 1995-96, when the gross operating expenditures



are projected to decline by 18.1 percent from '94-95 forecast and 3 percent over the '94-95 estimates.

Mr. Chairman, I'm assuming – and I hope I'm assuming correctly – that there is someone present within the government who will take note of my questions or that the members on the government side in the gallery, the servants of the people through the civil service, are listening to my questions or that *Hansard* will be read so that the questions indeed can be answered. Can the Treasurer or his civil servants explain why he has decided to increase the departmental support services by 5.4 percent in '95-96 from the previous year forecast and only a .8 percent decline in light of the direction that he's taken in the department as a whole? We're looking at an 18.1 percent decline from the forecast and a 21.3 percent decline from the estimate, and I think that definitely has to be answered. Indeed, what benefits, results, and outcomes can Albertans expect that will justify this additional expenditure of \$231,000 from last year's expenditure forecast? This is when we're looking for value for money. I'm sure Albertans want to know the answer to that.

In comparison the overall department gross operating expenditures are projected to decline by 29.6 percent over the time period of '94-95 through '97-98, from \$52.9 million to \$37.2 million, and 34.2 percent over the time period '93-94 through to '97-98, from \$56.6 million to \$37.2 million. Once again, I'd ask through the Chair to our civil servants: can they explain on behalf of the Treasurer why support services are only being reduced by 3.6 percent over the next three years when the overall level of reduction within the department is 29.6 percent? What justification, through the Chair to the civil servants, can this minister provide to Albertans for reducing support services by only 3.6 percent over the next three years? I'm assuming that indeed the Provincial Treasurer is not interested in the questions that I am asking and that indeed the civil servants will address these questions. What performance measures have been developed to evaluate the effectiveness of the program and service delivery by support services that would justify the level of expenditure over the next three years? It's key, particularly for Albertans, to know what those performance measures are.

Can the Treasurer provide a breakdown of program 1 by subvote? For example, the Provincial Treasurer's office, the deputy Provincial Treasurer's office, financial and support services, personnel services, systems, records management, communications, standing policy committee on financial planning for the fiscal years '96-97 and also '97-98? I believe it's also important that the Treasurer provide a breakdown of the 801.8 full-time employees for '94-95 and 615.1 full-time employees projected for the '95-96 by votes 1, 2, 3, and 4.

It's amazing how silence goes unnoticed in this House. I was just testing if anyone was paying attention, Mr. Chairman. I sincerely hope the civil servants are.

Vote 1.0.1, the Provincial Treasurer's office. Gross operating expenditures of \$355,000 in '95-96 represents a \$24,000, or 6.3 percent, reduction in expenditures from the previous year in the comparable estimates of \$379,000 and a \$3,000, or .8 percent, decline from the previous year's forecast of \$358,000. So what we have to ask the Treasurer is to explain why his own office is subject to only a 6.3 percent reduction in the '95-96 fiscal year when his department is taking a 21.3 percent reduction overall? I find it absolutely fascinating that a minister's office would only drop 6.3 percent, yet he's asking his own department people to absorb a 21.3 percent. So, through the Chair, it might be that the Treasurer should be answering this question and not the civil

servants. It looks as though the civil servants are actually doing their jobs.

9:20

Can the Treasurer provide a breakdown of expenditures within vote 1.0.1 for '94-95 estimates and forecasts and '95-96 estimates by object? That is, for example, your salaries, your wages, your employee benefits, your travel expenses, transportation and maintenance of clients, advertising, insurance, freight, postage, rentals, telephone and communications, data processing, servicing, hosting, and contract services, including professional, technical, and labour services.

Mr. Chairman, to the civil servants in the members' gallery, without that level of detail you really can't use performance measurements that mean anything, because unless you have a detailed budget, it doesn't really make any sense. For example, if I would say that my household budget was . . . [interjections]

SOME HON. MEMBERS: Through the Chair. Through the Chair.

MRS. ABDURAHMAN: Well, Mr. Chairman, the civil servants in the members' gallery are at least paying attention and listening. I'm not quite sure on the government side who's taking the notes.

DR. L. TAYLOR: We're hanging on every word.

MRS. ABDURAHMAN: I'm really glad I at least have the attention of the renowned member sitting over on the other side who's named after the Member for Redwater, same name.

Now, just going back to describing my grocery bill, I want to know how much goes into meat and how much goes into canned foods. Likewise, within this budget we want to know how much is spent in the areas that I clearly identified. Only when you have that level of detail do benchmarks or performance measurements mean anything. So what benchmarks have been established for the number of estimated draft replies to the parliamentary questions, ministerial correspondence, reports to cabinet and Treasury Board? What time frame or due date benchmarks have been established for ministerial correspondence? When we have that level of information, then we might begin to know whether indeed there's an effective utilization of the taxpayers' money.

Now, let's look at vote 1.0.1. Mr. Chairman, a member on the other side of the House is saying that there's too much detail, but you know, if I want to run an effective household budget or treasury, I want to know right down to the last cent how my money has been expended and look at where it's not being spent in an efficient manner. If previous governments had done that, we wouldn't be dealing with the kind of fiscal mess that the present Provincial Treasurer was part of and went along with previous Provincial Treasurers.

DR. L. TAYLOR: You were a Conservative back then. You must have been part of it too.

MRS. ABDURAHMAN: I was smart. I saw the light. I didn't want to be part of a cover-up, if you want to use that, where there was anything but a balanced budget. I think that when we actually look at it, when you stay in bed with something that is very questionable, you become part of that system, and there's no way that the Member for Clover Bar-Fort Saskatchewan would ever want to associate herself with that kind of cover-up, quite

frankly. So I don't apologize one bit for doing what I did. In fact, I'm proud.

Okay. Getting back, Mr. Chairman, to the Deputy Provincial Treasurer's office, you look at gross operating expenditures of \$410,000, which represents a \$20,000, or 4.5 percent, decrease over the previous year's comparable estimates of \$430,000 and a .5 percent decrease from the previous year's comparable forecast of \$412,000. Once again this is inconsistent with the general direction of the department. They're giving mixed messages. They're speaking out of both sides of their mouth. So once again can this Treasurer explain why the Deputy Provincial Treasurer's office is being decreased by only 4.5 percent of the previous year's estimate? It would appear that the higher you are in the hierarchy, the greater your advantage is, and lower down, you're really penalized. So I would question whether this is good stewardship of our dollars. What are the expected outcomes and outputs which are used to evaluate performance within the Deputy Provincial Treasurer's office?

Now moving on, Mr. Chairman, to vote 1.0.3, financial and support services, you look at gross operating expenditures of \$1.2 million, which represents a \$44,000, or 3.6 percent, increase over last year's comparable estimates of \$1.2 million and a \$210,000, or 19.6 percent, increase from the previous year's comparable forecast of \$1.069 million. Can the Treasurer indicate the reasons why financial support services is being increased by 3.6 percent from last year's comparable estimates? You know, you really have to have a sound explanation for why you're looking at that increase there. How much of the financial and support services budget deals with preparation, advice, and ongoing monitoring by Treasury of the three-year business plans of government departments and agencies?

You know, when you look at the fact that the money in Treasury is the people of Alberta's money, the one thing that I feel is lacking in the whole business plan for Treasury is the essence of why government's in place. That is the people. Why was that money collected in the first place? It was for services for the people of the province of Alberta. Really, if they don't need those services, then the money should be left in private hands. It shouldn't be taken out of private hands and put into public hands and then back into private hands through Bill 41. Once again what are the outcomes and outputs and quality indicators that have been established to monitor the performance of financial and support services to justify, as I said, the increased expenditure there?

Moving on, Mr. Chairman, to 1.0.4, personnel services – and I think it's important that I repeat these numbers – gross operating expenditures of \$444,000 represents no change from last year's comparable estimates and a \$5,000, or 1.1 percent, increase from the previous year's comparable forecast of \$439,000. Can the Treasurer explain why the expenditures in personnel services are remaining largely unchanged from the previous year in light of the fact that there is a reduction of 186.7 full-time employees? You would certainly have thought that they would have reflected a reduction in that budget when you look at a reduction in full-time employees which is significant.

Now, vote 1.0.5, systems. Gross operating expenditures of \$1.1 million represents a \$23,000, or 1.9 percent, reduction from the previous year's comparable estimate of \$1.1 million and a \$30,000, or 2.6 percent, reduction from the previous year's comparable forecast of \$1.1 million. Once again can the Treasurer explain why a \$7,000 expenditure overrun occurred under the systems division during '94-95, and can the Treasurer describe the activities that will be performed by the systems division in

'95-96? What outcomes, once again, and outputs and quality indicators have been established for the systems division?

You know, it would be most helpful and meaningful if members of this House could pick up the Treasurer's budget or for that matter any budget and understand fully how moneys have been expended. The average Albertan should be able to do that. Yet here we're asking questions, asking for information that should be obvious, and it's anything but obvious, the way the budgeting and the estimates are done in the province of Alberta. Likewise, I could move to the public accounts. While they've improved, it still takes a lot of digging to make any sense of some of the numbers. So that is not good management from my perspective. How can you indeed measure whether that dollar has been effectively expended?

Looking at vote 1.0.6, records and management, there are a number of questions that need to be asked once again, following the line of my other questions. That is, the gross operating expenditures of \$312,000 represent a \$1,000, or a .3 percent, increase from last year's comparable estimates of \$311,000 and a \$42,000, or a 15.6 percent, increase from the previous year's comparable forecast of \$270,000.

Mr. Chairman, I certainly hope that the civil servants have been attentive and that I will get the answers to my questions.

Thank you.

9:30

THE ACTING CHAIRMAN: Well, I'm sure that the people from *Hansard* have been very attentive.

MRS. ABDURAHMAN: I'm sure they'll share it with the Provincial Treasurer.

THE ACTING CHAIRMAN: Yes.

The hon. Member for Fort McMurray.

MR. GERMAIN: Thank you very much, Mr. Chairman. You know, earlier during the wonderful speech of my colleague a member opposite in his usual style indicated that he had to do something here to have some fun. Well, I might suggest to the hon. member and to all of the hon. members, if they respond that they are tired of hearing the constructive criticism coming from this side of the Legislative Assembly, that they do something about it in their own practical way; that is, rise to their feet, and on behalf of their constituents all across Alberta add to their constructive criticisms and bring their constructive criticisms forward into this Assembly as we discuss these issues of profound impact on the province of Alberta.

My comments . . .

AN HON. MEMBER: Adam, we want to be out of here by July.

MR. GERMAIN: That's fine. Then members would do well to remember that every time they heckle, that extends the time of the speech, if they really do want to get out of here by July.

My comments on the budgets tonight, Mr. Chairman, begin with the concern that I have expressed in relation to other budgets, and that is that the expression of manpower in this entire department is always expressed as one global figure at the bottom of the page covering all departments. What I would like to suggest and what I would like to think would be useful to do and what I know the Provincial Treasurer will have no difficulty in doing because he is able to project into the year 2000-plus the status of Alberta's cumulative government debt – if he is able to

project the cumulative government debt that far into the future, I know that he will have no difficulty in breaking down his manpower . . .

THE ACTING CHAIRMAN: The hon. Member for Clover Bar-Fort Saskatchewan is rising on a point of order.

**Point of Order  
Decorum**

MRS. ABDURAHMAN: Yes, rising on a point of order. It would be appreciated if we could extend some courtesy so I can hear the questions. If the government members aren't interested in Treasury estimates, I am. [interjection]

THE ACTING CHAIRMAN: Hon. member, do you have a . . .

MRS. ABDURAHMAN: Mr. Chairman, the Provincial Treasurer stated, "Go and sit beside him." I have no intention of moving from my seat. I want to hear what the member has to say.

THE ACTING CHAIRMAN: Order please. [interjections] Order please. Hon. member, every point of order should have a citation. Since you did not cite one, I guess I will ask the House to please be quiet and listen to the hon. Member for Fort McMurray.

**Debate Continued**

MR. GERMAIN: Of course, Mr. Chairman, in your infinite wisdom you know that common courtesy requires no point of order. Much as I appreciate the Provincial Treasurer's efforts on my behalf, I'll have to speak on alone here in the wilderness.

Picking up the theme that I was on . . . [interjections]

THE ACTING CHAIRMAN: Proceed.

MR. GERMAIN: Thank you. The department should have no difficulty producing their manpower figures on a per department, per program basis rather than on a globally presented bottom-line basis, and I would make that request on behalf of the Provincial Treasurer.

Now, in this province of Alberta at the present time, as the Provincial Treasurer well knows and as this Legislative Assembly well knows, we are in fact closing schools, and we are in fact closing hospitals. One of the suggestions that has been made from time to time, and I endorse it heartily, is that the Provincial Treasurer and all government departments do their best to cut the fat at the top. The Provincial Treasurer constantly encourages us to believe that he has done just that, cut the fat at the top. So I would ask the Provincial Treasurer to go look at his own higher echelon budget in this particular budget and see if maybe he just can't squeeze a few more dollars out of that budget at the top rather than where the cuts have been borne in this province, which is at the bottom.

[Mr. Tannas in the Chair]

The next point that I want to move on to, Mr. Chairman, is that I must say that despite the time now . . .

**Chairman's Ruling  
Decorum**

THE CHAIRMAN: Hon. members, we have Fort McMurray trying to speak to the considerable estimates of the Provincial Treasury and would invite those people who want to engage in

lively debate to check with their Whip and remove themselves from the Chamber and go out to the lounges, where they can enter into those. Otherwise, we'd appreciate being able to hear the hon. member.

The hon. Member for Fort McMurray.

**Debate Continued**

MR. GERMAIN: Thank you very much, Mr. Chairman. I appreciate your ruling in that regard. Normally it wouldn't bother me, but I am struggling with a bit of a cold this evening and am not able to project my voice quite as successfully as other times.

Mr. Chairman, we have had several indications from the Provincial Treasurer that the government is no longer in the business of loan guarantees, that the government is no longer in the business of secondary loan guarantees, that the government in fact has reformed previous practices that had been undergone by previous Provincial Treasurers. Sometimes when the question is asked about how much loan guaranteeing the government has actually done, and when we recognize that the Provincial Treasurer in fact has spoken in favour of government-guaranteed rural development bonds to come to life in this province again, I would ask the Provincial Treasurer to once and for all publish and list in a short, concise summary each and every guarantee that this government has entered into of which the Provincial Treasurer is aware after consulting with each and every member of his staff that ought to know about the existence or whereabouts of these personal guarantees. I would like to be able to assure the residents and the constituents of Fort McMurray, Alberta, and elsewhere, when it comes up, that in the province of Alberta we have an absolute, irrevocable, uncontroversial, full and final list of the government's personal guarantees that have been issued by this government and that the Treasurer still carries forward on his books.

The next point that I would like to move on to in the review of the budget of the Provincial Treasurer is the issue of the collection of money from the administration and management of the securities department, a certain amount of dedicated revenue that the department gets back from operating essentially the Securities Commission and that type of thing. It seems to me that the recoveries are presently running about 10 percent of the total, unless I have misread the budget figures. I would like the minister to clarify exactly what percentage of the total administration of the enforcement of the security regulation business there is in the province of Alberta, how much he is recovering, and what his projections are for future recovery, if they vary from those contained in the business plans of the government.

I now want to turn and touch on an irritant that many in small business Alberta have brought to my attention, and that is the continued irritant that they along with the residents of the province of Quebec are taxed on an individual basis by their Provincial Treasurer as opposed to paying one blended income tax to the federal government and then getting the slice back from the federal government flowing back to the provincial government. Small business has continually pointed out that this costs them additional money. Often, like the timid young student caught between two bullies – the federal government and the provincial government, each trying to dig deep into the corporate taxpayer's pocket – they find that the audit teams, like SWAT teams, will descend upon them, each of them duplicating the efforts of the collection branch of the other government and doubling up their jeopardy, doubling up both their risk and their costs. So I would like the Provincial Treasurer to again return in his efforts – and

he has made this promise to Albertans before – to get the corporate taxes in Alberta collected in a blended way through the federal government and wait for his receipts back from the province.

9:40

Now, the Provincial Treasurer indicated to us last time when this negotiation fell short that he could not persuade the federal government to allow the provincial taxes to be collected only annually when in other provinces the provincial taxes on corporations are collected quarterly. Well, at first blush you would think the business community would be grateful that the Provincial Treasurer allows them an entire year to pay their taxes when other taxpayers pay quarterly. On the other hand, in fairness, each of those employers, each of those corporations have in turn employees that they see on an individual basis paying their taxes monthly through salary deductions, let alone quarterly, let alone yearly. Secondly, when you wait an entire year to collect something, it is not always ascertainable that a company or corporation is in trouble, and the risk of loss to the provincial government skyrockets when you have annual collection versus quarterly collection.

It seems to me that if the Provincial Treasurer really wanted to do something for Alberta businesses, he could say: we will allow the taxes to be collected through the federal scheme. We will then be able to once and for all get rid of all of those tax collectors that are duplicating the work of the federal government. We would be able to satisfy our community objective of cutting fat at the top. If the Provincial Treasurer is genuinely concerned about the Alberta businessman losing income-earning potential by paying his taxes quarterly as opposed to annually, he could do something else. You know what he could do, Mr. Chairman? He could make the Premier look good. [interjection] They say to me that the Premier already looks good. But it is the objective of all good Treasurers, I'm led to believe, to make the Premier look better.

He could make the Premier look better by lowering the business rate of taxation to compensate for any perceived evil that collecting taxes quarterly would be. I suggest to the government and to the Provincial Treasurer that you would then have a no-lose situation. You would put Alberta corporations on an even par with corporations being taxed in B.C. and in Saskatchewan and in Manitoba and in Ontario and in the eastern provinces. You could then make up for what you feel any penalty to them is by an appropriate adjustment in the tax rate.

MR. DINNING: Do you live in Fort McMurray?

MR. GERMAIN: Yes, I live in Fort McMurray, just as we all know that you live in Edmonton, Mr. Treasurer. I'm proud of the community I live in, and I'm sure you're proud of the community you live in.

But the issue tonight is whether this particular province should continue to have an Alberta tax recovery system that operates independent of the federal government. It's good enough for every other province in Canada except Quebec, and it isn't good enough for Alberta. That, to me, is both a paradox and an anomaly.

I want to move on, Mr. Chairman, forgetting the obvious that flows from that, that there would be some cost savings by avoiding the duplication of work, and forgetting that the Premier in fact in a throne speech a couple of throne speeches ago said, to great thumping from that side of the Legislative Assembly – by golly, I believe even the Member for Cypress-Medicine Hat was desk thumping – that they would eliminate the Alberta corporate tax collection system in the province of Alberta. I believe those

were his exact words: eliminate. There was much thumping over there, and two years later we still don't see the tax eliminated. The warmth of the thumping has gone, but the tax collection is still not eliminated.

DR. L. TAYLOR: It's the Liberals that got thumped.

MR. GERMAIN: Well, here we go. The Member for Cypress-Medicine Hat has woken up again, and I think you're looking at me with those eyes that say I probably caused it, Mr. Chairman, so I won't waste my *Hansard* time by reflecting on who is the . . .

I want to move on to the land purchase fund. I want the Provincial Treasurer to explain to me how exactly he got his surpluses in the land purchase fund to show a profit. What I would like to do is ask him to tell me whether that in fact represents 100 percent of the sale price or whether that in effect represents the sale price less the cost price, whether it represents the figure net of legal fees or whether legal fees and disposition costs were spun off into another department and to expand those items and give us a little bit of background on how he was able to deal with that.

Now, Mr. Chairman, the last point and observation that I want to leave the Assembly with tonight is this. There is one program of the minister's department that it is not dropping, nor is it possible for it to drop under the existing conditions that we find ourselves in in Alberta. And what program is that? That is the Frankenstein monster of compounded interest.

The Treasurer recognizes that as a result of eight or nine or 10 years of negative, deficit budgeting in the province of Alberta, we have a situation in Alberta where interest is now just about one of the largest departments of the province of Alberta and a department without its own minister and without its own staff, unless this minister, the Provincial Treasurer, wants to take credit for it. We have a situation where interest rates for the provincial government are going to have to go up. We have a situation where people holding Alberta capital bonds will quickly be coming to an opportunity when they can redeem those Alberta capital bonds. Is the Provincial Treasurer going to make a move to increase the effective rate of those bonds, and if so, what impact will it have on his provincial budget?

Is the Provincial Treasurer going to take any steps whatsoever to try and repatriate some or all of the existing provincial debt that is held outside of this country? If the Provincial Treasurer is going to take some of those steps, if the Provincial Treasurer is going to make some efforts in that regard, then I would be grateful if he could tell us that, because if there is a major concern in the Provincial Treasurer's budget items, it is the growing fright of the interest on the debt of the provincial government. I'm always grateful when the Provincial Treasurer expands on that concept. I'm even prepared, frankly, to put aside for a moment how it was that that debt got created and why that debt got created, to put that aside for a moment and hear the minister out on the constructive objects and ideas that he has to bring down that debt.

Thank you, Mr. Chairman. That concludes my comments tonight. Before the Provincial Treasurer does respond, I'd like to thank the extra audience for their gracious attendance.

THE CHAIRMAN: The hon. Provincial Treasurer.

MR. DINNING: Thank you, Mr. Chairman. Having been galvanized to rise and respond by the galvanizer himself, it is a pleasure to have heard a number of very well researched and very

well typed up and very well delivered questions, exceedingly well scripted, a little repetition by the Member for Redwater, but I'm sure that *Hansard* can exorcise some of that duplication.

I was so astonished by the onslaught of questions that my pen ran out of ink, so I'm sorry, Mr. Chairman, that I won't be able to respond to all 173 and a half questions that were asked by the Member for Edmonton-Whitemud and his sidekick from Edmonton-Manning. But one word in the blur that I heard was "volatility," and words such as "be held hostage by Ottawa." Well, if anybody would know about being held hostage, it would be a Liberal professor of economics from the university who's unalterably tied, whether he likes it or not, to the Liberal Party of Canada, who happens to be the government of Canada.

9:50

The member properly addresses a really very important issue. It is the driving force, really, behind the measures that we have taken, and I have had the chance to speak with him privately about this. We spelled out a plan to reduce our spending by \$2.7 billion. The very purpose of that is to get our cost structure down to a point where we can better withstand that volatility.

I haven't got the precise audited number, Mr. Chairman, but the revenues in this province dropped to about \$1.9 billion on the oil and gas side in 1986-87, and that isn't that far from the amount that is actually being budgeted for revenue purposes in this year's budget. Our whole approach is to get our spending down so that in the essential areas, the priority areas, as the member would agree, in advanced education, something near and dear to his heart, the Ministry of Health, the Ministry of Education – you know, look at these three fine people next to me. Regrettably they're to my left.

DR. L. TAYLOR: To your other right.

MR. DINNING: To my other right; all right. They are the larger spenders. The Minister of Family and Social Services was also here. We're trying to get our costs in those areas down to the point where no matter where we are in the economic cycle, the Minister of Health will be able to assure Albertans and secure for Albertans quality health programs.

I see my colleague the minister of advanced education. You know, he is literally on the edge of his chair, Mr. Chairman, about some exciting initiatives that he is about to announce as it relates to degree granting for our colleges and for our institutes of technology. I think of the Minister of Family and Social Services, the exciting steps that he has taken. Again our costs are coming down so that Albertans will never again have to be worried: "Oh my God, we're in another trough in an economic cycle. We're going to be exposed and vulnerable to more and more and more cuts."

Mr. Chairman, the Member for Edmonton-Whitemud addressed it very well when he talked about the whole notion of volatility. What we're trying to do is provide some assurance, no guarantees because we're not Liberals. We can't. We can't provide guarantees that others would want us to do, and clearly that is a business that we've chosen to try to get out of more and more and more.

Mr. Chairman, the Member for Redwater – I'm sorry. I hope the Member for Redwater is within earshot. He talked about hedging and interest lost, our borrowing outside of the country. Where I think it gets a bit confusing for folks from time to time is – it's not so much where you borrow. It is a matter of in which currency your borrowing is denominated, if it's in Canadian dollars or U.S. dollars. With the exception of Alberta capital bonds, our debt is held by people unknown to the Provincial

Treasurer. A U.S. denominated loan could in fact be held in large quantities by a mutual fund operated by somebody here in downtown Edmonton, or one in Canadian currency issued in the last year could just as easily be held in Tokyo, Bangkok, Sydney, New Delhi, London, or downtown High River. So it's a matter of the currency in which it's denominated. Invariably those interest payments go to a clearinghouse in Ontario or somewhere in the world where those interest payments are dispensed and disbursed. The Treasurer and the Treasury do not know the individual names of all of those people who hold our debt.

I appreciate his interest. He would want us to borrow at an inexpensive rate. Our advisers, in fact, are suggesting that we ought to be borrowing more in U.S. dollars and borrow in the Yankee market because that is a cheaper market, a less expensive market to be in.

Corporate tax – I know that members are anxious to get out of here, and the Deputy Government House Leader hasn't quite given me the signal yet – is something that Edmonton-Roper and Fort McMurray raised, Mr. Chairman, and I think it's something that's important to address here. We came to a standstill with federal Finance. When we initiated this in May of 1983, the Rt. Hon. Donald Mazankowski agreed that he would commit to a bilateral agreement. It would require some negotiation, but he'd send his officials off to do this. Regrettably, after a number of months federal Finance officials for all intents and purposes basically said, "Well, it's our way or the highway." When they went and told the federal Finance minister that that Provincial Treasurer in Alberta had finally broken off talks, the federal Finance minister was rather surprised, picked up all the books off his desk and pitched them to the other side of the room, and stated some words, Mr. Chairman, that I would not, could not, would like to but should not repeat here in this here Legislature. 'Bowchesnee' would put a stop to me as quickly as you could possibly imagine.

Mr. Chairman, we did come to a standstill because we wanted to protect and ensure that Albertans, those who were enjoying the small business installment, were able to make those annual payments rather than monthly. We'd like to see it for personal income tax payers, but we don't have any control or influence over that at this point. Why is Ottawa smarter in holding on to a monthly allotment of a corporation's tax payable? Why is Ottawa smarter in holding on to that money, or why is a government smarter than the company itself, whether you're running a tourism business, a travel agency in downtown Okotoks, or whether you're running a chartered accounting practice in Grande Prairie or even a professional corporation in Fort Saskatchewan, a medical practice?

What you're saying is that government is smarter in holding on to that money than the individual is, and that's the difference. That's where we can draw a line in the proverbial green sand right here. The Liberals think governments are smarter than taxpayers in holding on to their dollars, and the government, the Progressive Conservatives under Ralph Klein, believe otherwise. The more money that can be left in taxpayers' pockets longer – they're smarter, and they're going to make smarter decisions about how those dollars are spent than in fact a government will.

Mr. Chairman, we did come to a conclusion that we didn't want to . . . [interjections]

#### Chairman's Ruling Decorum

THE CHAIRMAN: Hon. members, I know that you're all dying to add to the Treasurer's concerns and points, but could we hear him, please. Other noises were drowning him out, and I want to

ensure that all hon. members are able to hear the Provincial Treasurer.

**Debate Continued**

MR. DINNING: Well, Mr. Chairman, I sense a certain weariness descending upon the Assembly, so I would respectfully move that the committee do now rise and report.

[Motion carried]

[The Deputy Speaker in the Chair]

THE DEPUTY SPEAKER: The hon. Member for Dunvegan.

MR. CLEGG: Thank you, Mr. Speaker. The Committee of Supply has had under consideration certain resolutions of the Treasury Department, reports progress thereon, and requests leave to sit again.

THE DEPUTY SPEAKER: Does the Assembly concur in this report?

HON. MEMBERS: Agreed.

THE DEPUTY SPEAKER: Opposed? Carried. So ordered.  
The hon. Deputy Government House Leader.

MR. EVANS: Thank you, Mr. Speaker. I know that hon. members have been spellbound by these discussions this evening and are somewhat exhausted by the process, so I would accordingly move that we now adjourn the Assembly and reconvene tomorrow.

[At 10 p.m. the Assembly adjourned to Tuesday at 1:30 p.m.]