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8:02 p.m.

[Mrs. Gordon in the Chair]

Subcom.A: Provincial Treasurer

Subcommittee A – Provincial Treasurer

Gordon, Mrs. Judy, Chairman
Severtson, Mr. Gary, Deputy Chairman
Burgener, Jocelyn
Cardinal, Mike
Ducharme, Denis
Dunford, Hon. Clint
Friedel, Gary

Hierath, Ron
Hlady, Mr. Mark
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Mar, Hon. Gary G., QC
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Oberg, Hon. Lyle
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Pannu, Dr. Raj
Paul, Pamela C.
Sapers, Mr. Howard
Zwozdesky, Mr. Gene

THE CHAIRMAN: So I would welcome subcommittee A. We are gathered in the Assembly tonight to hear the estimates of the Provincial Treasurer. With that, I will certainly allow the Provincial Treasurer the floor. Go ahead, Provincial Treasurer.

MR. DAY: Thank you, Madam Chairman. I would first like to table four copies of the errata for Budget '97: Post-Election Update. This is ongoing and a similar reflection to the adjustments made related to the Al-Pac notation and how that reflects through into a number of the projections.

I won't take an undue amount of time tonight, because I do want to hear from the gathered representatives of the people in terms of their thoughts, insights, criticisms, and suggestions related to the budget of Treasury. This is not a budget speech. This is not a reflection on the overall budget of the government but in fact a reflection on the department: how the department has been spending and where it's been spending.

I think it's fair to say, Madam Chairman, that the Treasury ministry has certainly been out front, and I won't say solely in the lead but has clearly taken a lead in terms of advancing the whole concept of A Better Way, which was the byword of this government and its business plans back in 1992-93. I think this department has certainly set an example of prudent fiscal responsibility and truly the willingness to be innovative and the willingness to look at situations and say: how can we do this better? How can we improve? How can we improve service? How can we improve delivery? How can we better deliver services for Albertans?

For instance, between '92-93 and '97-98 the voted spending of the department decreased from \$57 million to \$44 million. I think that's significant. If you don't add in the one-time \$15 million Principal Group settlement, that actual reduction would have been from \$57 million down to \$28 million in terms of the actual operations of the department, which is quite a significant reduction, I might add.

Staffing has been reduced by 289 full-time equivalents. Other highlights include a savings of \$141,000 realized in the Deputy Provincial Treasurer's office as a result of eliminating a senior official's position. That was a question each year for a number of years in terms of the efficacy of a variety of positions. That one was looked at and dealt with.

Tax and revenue administration have achieved reductions of 1 and a half million dollars and 25 FTEs through restructuring. I think that's significant, Madam Chairman.

The variety of methods and innovative procedures that has been undertaken by this department has been noted in a variety of publications and assessments.

I would leave it to the members of this Assembly to further

speculate on the estimates of this particular department, to give me advice, advice that officials who are here can listen to and that also can be passed on to all members of this department so that we can be staying in touch and keeping in touch and looking at being continually on the leading edge of better government and finding new and better ways of doing the things that we do; in fact, even looking at things that we do which maybe we shouldn't be doing and others could be doing more effectively.

So with those few comments, I would invite participation from members all through the House who are vitally concerned with the operation of this department.

THE CHAIRMAN: The hon. Member for Edmonton-Mill Creek.

MR. ZWOZDESKY: Thank you, Madam Chairman. I appreciate the comments made by the Provincial Treasurer and his straightforward approach to the business of governing our provincial purse, as it were. I'll make a few brief comments in a general sense, if you'll permit, Madam Chairman, and then we'll get into some of the cut and thrust of questions and debate.

I think the Provincial Treasurer has taken some very bold initiatives here in terms of what it is that he's undertaking to become responsible as the provincial purse-keeper, for providing the kind of financial management and financial direction, the strategic planning, if you will, that underlies all of the different government departments, including any advice and analyses as they relate to things like co-ordinating the government's business plans with the fiscal plans, preparing and monitoring the provincial budget, making sure that we don't get into any further debt but making wise decisions along the way, and providing the kind of financial facts and economic analyses that Albertans expect.

In addition, he's challenged with the idea of creating certain financial standards and reporting mechanisms that make government accountable and, I would say, understandable to the people. We know that the nature of Treasury relies on the management of our assets and liabilities in a general sense and the specific monitoring of many loans, some of which he's referred to and some of which we've been sharing in question period, including loan guarantees, long-term investments, and so on, as well as the general task of collecting tax dollars and allocating them properly, and then, of course, regulating financial market placements.

I note off the top that in the 1997-98 estimates the department of Treasury is asking for a total approval of some \$45.668 million, and I again want to say thank you for breaking out the operating expenses from the capital investment. I know that move happened a few years ago, but it's refreshing to see it carried on, Mr. Treasurer. I also note that the total votable expenses of \$45.6 million in this department represent about a 41 percent increase from the past year's comparable budget and a 36.8 percent increase from the '96-97 forecast and that the increase here, as the Treasurer has already said, is the sum of about \$15 million primarily to pay out the finance division of the Principal Group holders. So we understand that.

But I want to get into some of the specifics of the business plan itself. Mr. Treasurer, one of the things that I recall seeing in the past couple of years was what we called a three-year spending profile. You may be familiar with it. I have a single-sheet photocopy of the one that we did have as early as '93-94, and I think it carried on for a few years. What this did was it broke out the operating budget, Madam Chairman, and gave some specifics. I'll just read you a couple of the headings here to refresh your memory, Mr. Treasurer. Under the title of programs, operating budget, we see some detail with regard to the breakdown of the total operating budget, which at the time was \$37,277,000. We see, for example in the year, let's say '96-97, \$5,680,000 going toward business and fiscal management. We see \$16,013,000 toward revenue. We see financial assets and liabilities accounted for in the amount of \$2,762,000. You see what I mean, Mr. Treasurer? I'm glad you're nodding your head, because I'm talking about something that we had that we thought was pretty good. Then as you go on to the next part, which is programs, statutory payments – it's page 12 of Treasury, '95-96 estimates through to '97-98. Anyway, under statutory payments we see a breakdown here of the amounts going toward corporate tax interest refunds, farm credit stability program, small business term assistance program, and then the write-off, I suspect, or whatever it is here, of the land purchase fund. That predates me.

In any event, the point I'm trying to make here, Mr. Treasurer, is that there was a little bit more of an accompanying document to the two statements of operating budget and statutory payments. I think that somehow got lost unless I'm not seeing it here in the budget. It seems to be that there was a little bit more detail provided in what they called the three-year spending profile. If that's here somewhere, then just direct me to it and I'll go away happy, but I don't see reflected here that at the moment. So I would like to ask whether or not the Treasurer could explain why that's no longer done if in fact it is no longer done. We don't see it. Perhaps, could he give some consideration to reinstating it? Not for this year, because it's too late so to speak, but maybe in coming years. What we would have then is a three-year spending profile that outlines operating expenses and capital investment of the ministry by program area for the next three years.

8:12

The other area that just in a general sense, Madam Chairman, strikes me as interesting here is the area of FTEs, or full-time equivalents. The employment in the Treasury ministry is slated to decline from the current level of about 662, I think, down to 639 by the '97-98 term. This represents a decline of about 23 FTEs. I note that since 1993-94 and projected through to '97-98, then, the number of FTEs in the ministry of Treasury is projected to fall from a total in 1993 of 808 down to 639 by 1998. That represents a fairly significant decline of about 170 people, or 17 percent. I suspect that's all being done under the guise of streamlining and efficiency and so on.

Nonetheless, if the Treasurer could provide information on the plans for FTEs in the department of Treasury as well as the Treasury revolving fund, the Alberta Insurance Council, the Alberta Pensions Administration Corporation, and the Alberta Securities Commission for 1998 through '99 and '99 through 2000, that would be very appreciated. FTEs, full-time equivalent positions, are a direct reflection, I think, Madam Chairman, of the volume of work in a general sense that is expected to be done in these different areas, and I'd like the Treasurer to provide some information and comment on what his plans are in that regard.

Similarly, as I look a little further, I wonder if the Treasurer could provide a breakdown of the departmental operating and

capital expenses by object for '97-98 in the following areas: salaries for permanent positions, salaries for nonpermanent positions, wages, payments to contract employees, travel expenses, telephone and communications, and also hosting, just so that we have some idea of what the proportions there are. I think it would be very helpful to the readers and to the people who follow government very intensely, forensically you might say, to see that information. Is that the word today? Okay. I don't know if I got it right there or not, but I think the Treasurer understands what I'm saying. We'd simply like a breakdown of those departmental operating costs and capital expenses by object.

I want to move now to the specific program areas, Madam Chairman. Program 1, which is departmental support services, is of course the division responsible for providing administrative support to the Provincial Treasurer and to the Deputy Treasurer. As such it encompasses a lot of areas, so we have to be vigilant on the expenditures there, because after all these are the people who are being vigilant on expenses elsewhere, so I'm sure they'll accept that we're trying to be vigilant in our regard as well. It encompasses the Provincial Treasurer's office, as I said, the Deputy Provincial Treasurer's office, the communications division, human resource services, financial and support services, records management, standing policy committee on financial planning and human resources, and so on. The proposed budget here is \$4.145 million in operating expenses. Unless I missed it, Mr. Treasurer, I don't see a lot of detail to support that particular operating expense. I don't think I'm looking for minutiae here; I think just some general statements from you with regard to some breakdown of how those moneys are apportioned would be useful in our discussions and in our debate.

Program 1 has, for example, a need to be broken down again by object, as I referred to earlier: salaries and wages, contracts, travel expenses, telephones, communication, hosting, et cetera. If we could just get a breakdown of whatever sort, that would help us a great deal.

While he's there – I've already commented on the number of FTEs that he has, the fact that our number of FTEs is declining – perhaps he could at the same time provide us with a breakdown of the number of FTEs for ministry support services that he specifically requires in the different areas for at least the next couple of years.

The projections for operating expenses and capital investments of ministry support services for 1998-99 and 1999-2000, as I understand it, will include all of the areas I just mentioned above – the Treasurer's office, Deputy Treasurer, financial support services, and so on. I was hoping that the Treasurer could provide a little bit of detail in regard to those specific projections as well, because I don't see anything really outlined here that would clue me in as to what he expects the operating expenses in those different areas to be versus the capital investments in those areas.

In the area of ministry support services as well, which comes under this program 1, I wonder if the Treasurer could explain why the ministry support services are only being reduced by 4.7 percent, Madam Chairman, over the four years, when the overall level of reduction within the broader department is 13.1 percent. So what I'm saying here is that the broader picture, Mr. Treasurer, shows a reduction of 13 percent, 13.1 to be exact, but your own ministry support services shows a reduction of only 4.7 percent. Is that because you're expecting more work to emanate from your own office? Perhaps there's some other explanation. I shouldn't be trying to explain for him. I'm sure there's an explanation, which perhaps he'll be kind enough to provide to us.

While he's there, Madam Chairman, perhaps he could also give

us some justification regarding the need to reduce ministry support services by this 4.6 percent over the four-year period. Is this something that in terms of his own ministry support services is all going to take place within the first year, or is it over the four-year period in total? Is there nothing in the first year? I don't see how that's broken out, and perhaps he could just explain to me what specifically will happen in what year and how that balances off against the 13.1 percent that's happening throughout the larger department. What are the sort of comparable figures there?

Moving on. Perhaps the Provincial Treasurer could also comment on what performance measures he's adopted, Madam Chairman, or performance measures that have been developed to evaluate the effectiveness of program and service delivery by the ministry support services that would justify the current level of expenditure that he has and that he is projecting for the four years. Specifically, what type of outcomes are you expecting, and what have you developed by way of specific performance measures?

As I move to vote 1.0.1, the Provincial Treasurer's office, the operating expenses of \$315,000 in '97-98 represent about an 11.2 percent reduction, or a reduction of about \$40,000, in expenditures from the previous year's comparable budget. I think it's good to see the trimming that he's doing. I'm just hoping that the Treasurer would provide a breakdown of the operating expenses under vote 1.0.1, again for the same issues that are normally reflected by object, those being salaries, wages, employee benefits, travel expenses, transportation, maintenance of clients, advertising, insurance, freight, postage, rentals – who knows? – telephone communications, processing of data services, hosting, technical and labour services, and so on. There's a variety of them. I suspect that the Treasurer has probably worked out some quality indicators or benchmarks to substantiate these particular projections, which I would suspect his own department has now established to measure the performance to see if they are meeting their mandate. I was hoping the Treasurer would comment on specifically what those quality indicators or benchmarks might be, Madam Chairman. That would help us understand a little more clearly where he's going.

I would note, as members in the House perhaps already know, that New Zealand treasury business plans do include performance measures; for example, measures of correspondence from the public. They tell us the number of people who are satisfied, for example, versus the number of people who aren't satisfied with the level of service from the department. It's a quality indicator. It's a performance measure, something that I think the government would do well to undertake.

8:22

Finally on this issue, what benchmarks has the Provincial Treasurer established regarding the number of estimated draft replies of things like Legislative Assembly questions or ministerial correspondence or reports to cabinet and to the Treasury Board? What time frame or due-date benchmarks have been established for that type of ministerial correspondence?

Moving on to vote 1.0.2. I realize I'm throwing a lot at you, Mr. Treasurer, but I'm sure in a day or so *Hansard* will be able to provide you with copies of all of this, and we'll be able to discuss some of the additional details surrounding all of this. Under vote 1.0.2, which is the Deputy Provincial Treasurer's office, I note operating expenses of \$244,000, which again represents a significant decrease over the previous year's comparable budget of about 17 percent, or 60,000 in net dollars. I suspect that that, too, is again an attempt at streamlining. It might also be as a result of the outsourcing that we understand has taken

place recently, the decentralization that has taken place, the fact that departments are now doing a lot of their own administrative stuff, including payroll calculations, and then just forwarding it to the Treasurer's office for ratification and for cutting the cheques. I'd like to ask the Treasurer if he can confirm that the \$60,000 expenditure overrun between budget and estimate in '96-97 pertains to some specific act. We note that there's an additional \$60,000 in operating expenses overrun that occurred during '96-97 under vote 1.0.2, which I suspect may pertain to the payout of perhaps the former Deputy Provincial Treasurer in finance and revenue, who I believe left the department mid-term to pursue perhaps a career in the private sector. I'm not sure.

MR. DAY: Pursuing the Alberta advantage.

MR. ZWOZDESKY: Yeah, he's out there pursuing the Alberta advantage perhaps, as the Treasurer just commented.

Maybe you could just clarify for us if that is what in fact the \$60,000 cost overrun was.

Finally, under this vote perhaps the Treasurer could also tell us what the expected outputs and outcomes are that are used to evaluate the performance within the Deputy Provincial Treasurer's office. I do have some connection to that department, Madam Chairman, with individuals who have come in contact with it, so I'd be interested to know what specific outcomes and measurements for outputs he has in mind to evaluate the performance of the Deputy Provincial Treasurer's office.

Under vote 1.0.3, financial and support services, here we're looking at operating expenses of about \$1.3 million, which interestingly enough represent about a \$12,000 increase, or almost a 1 percent increase, over last year's comparable budget. My question would be: how much of the financial and support services budget deals with the preparation, advice, and ongoing monitoring by Treasury of the three-year business plans of government departments and agencies, the development and monitoring of accounting structures and procedures for the department, for banking services through the Treasury revolving fund, and perhaps the ministry's deregulation initiative? How much of the budget is in fact apportioned to each of those areas?

The final question here is: what outcomes, outputs, and quality indicators have been established to monitor the performance of the financial and support services sector?

I hear the bell has gone, Madam Chairman. I'll relinquish my spot so that others can continue, and I'll come back later.

THE CHAIRMAN: Thank you, Edmonton-Mill Creek. Edmonton-Mill Woods.

DR. MASSEY: Thank you, Madam Chairman. I, too, appreciate the opportunity to scrutinize the estimates of the Treasury Department. It's interesting to look at the kinds of performance measures that this department has developed and to compare those with other departments such as advanced education and Education and to look at how specific they are and the kinds of things that are used in terms of standards and performance setting, the kind of criteria that are used.

I'd like to, if I may, confine my questions to program 3, the financial management and planning section of the estimates, on page 379. Just a few questions there. I notice that the operating expenses of \$6.983 million represent a \$391,000 increase from the comparable 1996-97 forecast and a reduction of \$118,000 from the comparable 1996-97 budget. The part that interests me is the decision by Treasury to decentralize the responsibility for accounts payable and payroll services to a joint venture involving ISM

Alberta and the Treasury Department and the system that we all know as the PSC, the Payment Systems Corporation.

Can the Treasurer indicate whether the \$3 million in projected cost savings over five years from the establishment of that joint venture for accounts payable and payroll services will actually be achieved? That was the projection at the time. That's the kind of savings that Alberta taxpayers could look forward to. My question is, first of all: how is that \$3 million arrived at? How did they come up with that kind of figure, and can we expect that figure to hold as they do their work?

I also wonder, in terms of benchmarks, just what benchmarks have been set by the corporation relative to evaluating the effectiveness of the joint venture in performing these services of accounts payable and payroll services; that is, can you give us, for example, the cost per payment to each vendor? Is that a standard? Is the cost to each pensioner or each employee through the corporation? Is the benchmark the timeliness and the accuracy of the payments that are made by government or the number of bills that are paid within 30 days? Is there a benchmark, any kind of indication on the terms of the accuracy and the recording of the department financial information? Is there any kind of a benchmark that gives some indication of how closely they're adhering or not adhering to legislative compliance? I'm looking at the PSC plan and trying to find out from the Provincial Treasurer how he and his colleagues will judge the effectiveness of that particular operation.

Can the Treasurer provide an update on the decision by PSC to market its payroll and accounts payable business services to the private sector in Alberta and across Canada? We haven't heard much about that decision since it was made and what has happened. Will the government still receive, as we were originally led to believe, 40 percent of the cumulative pretax income from the company over the first five years and then dividends on the same basis as common shares? Are those agreements still in place, still intact, and is that what we should be able to anticipate will happen in terms of PSC and the payroll and accounts payable services?

The Provincial Treasurer in his opening comments talked about the number of full-time employees that were no longer with the department, and I took it that it was with some pride he was speaking about the downsizing. Unfortunately, in this city those figures represent something quite different. How many of those Treasury employees' payroll accounts and payroll services were transferred to the joint venture? My concern is: what's happened to those people? Many of them are residents of this city and represent what's happened to employment, the devastation to public service employment, and has had quite an effect on the city. So I'd be interested if Treasury has done any tracking of those employees and their fate.

8:32

Given the Treasurer's commitment to providing improved disclosure and reporting of financial information to Albertans, I wonder if he could indicate again the kinds of standards and guidelines that have been established to allow the office of the Controller to ensure that individual departments follow consistent internal audit, financial, and reporting procedures. What are the standards that Treasury has established within government departments that would allow them to make some judgments about other departments, and how consistently are they doing business in the way the government would like to see them do business? Again, what benchmarks and what indicators have been established for the accuracy of reporting departments' financial information? Are there benchmarks with regard to the timeliness

of reporting departmental financial information? Are there standards, again, of legislative compliance that departments must adhere to or at least try to achieve? Again, are there guidelines, are there standards set that departmental budgets must not exceed? What are the rules set by the standards that govern the behaviour of departments in their planning and budgeting?

One of the questions that I thought would be of interest to maybe a wider number of Albertans is: how does the Treasurer propose to measure the satisfaction of Albertans with the government's financial reporting? There's been much made about the government's financial reporting. There's a great deal of time and energy that's put into the reporting. Just exactly how will the Provincial Treasurer be able to judge whether Albertans think it's a success or not? If there are benchmarks that are established, what will the cost of implementing those benchmarks be? Why was a benchmark of 80 percent satisfaction specified and why not 90 percent? Again, we're trying to get at the underlying assumptions, beliefs about those benchmarks: how they're established, the cost of establishing them, and again, the audience they're aimed at. Who is supposed to look at those benchmarks, and who's supposed to be satisfied by the kinds of information they provide?

What plans has the department for allowing the Auditor General to provide a formal audit of ministry performance measures in annual reports? The Auditor has expressed the wish that the performance indicators would be audited. Are there plans to allow that to happen, and if so, when? What sort of standards are being developed for auditing performance reports, and is the government considering adopting these standards? Again, the Auditor General would like to audit performance measures included in the March 1999 annual reports, according to information from his office. What sort of standards for those performance reports are being established?

Can the Treasurer provide further information on the report prepared by the private-sector accounting firm Financial and Performance Measure Reporting, and will he release a copy of this report? Again, that gets at our underlying interest in performance measures: how they're established, the kinds of assumptions that underlie the establishment of those performance measures, and the kind of criteria that are considered important in establishing performance measures.

I wonder: why do the 1997-2000 business plan instructions not require the disclosure of underlying assumptions about future events and an assessment of their impact, particularly the downside risk to ministry plans? Much of what is contained in the business plans and reflected in the budget estimates, again, is based on predictions of the future and future events. It seems that if you're going to all the difficulty and all the work of establishing performance measures and goals and objectives, those underlying assumptions should be made explicit - what you believe about the future, what's going to happen - and can they not be shared with the reader so we can understand more fully what the performance measures are based upon?

Within the department can the Treasurer indicate whether his department tracks measures of workload within budget and fiscal policy, including the percentage of staff time spent on budget development, financial planning and reporting, financial analysis, and budget implementation; that is, how much internal monitoring of Treasury activities is done? Is there a tracking mechanism? Why is there no performance measure relating to the variance of actual versus forecasted expenditures and revenues? Some states south of the border indicate a variance benchmark of 2 percent. How much variance is Treasury willing to tolerate within the department in terms of those forecasted expenditures and revenues? Why isn't there a measure? Shouldn't there be a measure that we can judge their performance by?

Given the need to keep Albertans informed about the province's fiscal and economic prospects over the short term, say, three years, and in the longer term, 10 to 15 years, has the Treasurer given any consideration to adopting the New Zealand requirements such as the preparation of detailed three-year economic and fiscal updates and medium-term 10-year fiscal forecasts and outlooks within the provincial budget? We're looking at the forecasting mechanism that New Zealand has used to govern some of their decision-making. Has the Treasurer considered incorporating those forecasts into the budget?

I'd like to turn, if I might, then, just briefly to the section on investment management and ask the Provincial Treasurer if he can provide information on any initiatives to consult with stakeholders on alternatives for investment management, including the increased use of external investment management firms. What kind of initiatives have been taken along this line? Have we learned from the heritage trust fund? In some of those discussions, we heard some talk about the use of outside consultants and how that was arrived at. What kinds of initiatives has the Treasury Department undertaken? Can the Treasurer indicate what criteria is used by the heritage fund Operations Committee to determine whether various investments should be outsourced to external investment managers? There's \$2 billion of investments now being managed by external managers. How do you decide whether you're going to use an external manager or not? A little bit along the same line, how much of the \$1.9 million in administrative expenses for managing the fund in 1997-98 is being directed towards external investment management? How much of that \$1.9 million is going to those external managers?

8:42

I guess I've got a couple more questions. Why was a minimum investment grade of triple B by a recognized rating agency chosen as the threshold for investing in interest-bearing securities under the transition portfolio? Why triple B?

Just three last questions, Mr. Treasurer. What criteria were established by Alberta Treasury and the HSTF Operations Committee to establish the mix of assets? How did they decide there were going to be 35 to 65 percent in securities and equities: 65 to 35 percent in the endowment portfolio? What criteria were used to determine the division of securities between bonds – they came up with 47 percent to be in bonds – the money market, 3 percent in equity; Canadian stock, 30 percent; foreign equities, 15 percent; and real estate, 5 percent? How did they come up with those numbers? Those are obviously very important investment decisions and greatly affect the performance. Can you give us some indication, again, looking at the standards, of what governs the government's decision-making in this area?

What criteria were used to select international benchmarks such as the Scotia capital markets universe bond index and the Morgan Stanley capital international world index and the Russell Canadian property index for the endowment portfolio? What led to the decisions to select those international benchmarks?

Finally, what are the rates of return being generated by Canadian equities, U.S.A. equities, international equities as of March 31 of this year, and how do they compare with the projections and forecasts that were put forward in the heritage savings trust fund three-year business plans? We had those projections in the three-year business plan for the HSTF, and how does the performance of these now compare?

There's a lot of detail. The Treasury Department of course is filled with a great deal of detail. The business plan gives us much more than we've had in the past. They're being refined year by year. They're becoming more useful documents.

I thank the Treasurer.

THE CHAIRMAN: Thank you.

The hon. Member for Edmonton-Strathcona.

DR. PANNU: Thank you, Madam Chairman. This is my first attempt to address the complex matters related to the department of Treasury. I seek some indulgence from the Treasurer as well as from the other members of the House in this regard tonight. I do find the task challenging, sometimes intimidating. The hon. Treasurer has been around for a long time; for me it's all new territory. Moreover, given the circumstances, I'm responsible for perhaps eight to 10 different portfolios, and that's a task which I'm sure you appreciate is beyond anyone's competence in general. But I'll try.

The Department of Treasury obviously is one of the most important departments in the government. It's a department which tries to create conditions for healthy economic growth and development in the province. It's a department whose policies affect all Albertans with respect to the taxes they pay, the returns that they get on their taxes, and the kind of general economic conditions under which they and their families can work, prosper, and, hopefully, live in economic and social security. So I certainly appreciate the importance of this portfolio and this department.

Since the economic growth strategy that this government has adopted focuses on increasing exports from this province to markets both inside and outside Canada, I'm sure that the Treasurer and his department take cognizance of the impact of the policies they develop, the goals they adopt, the business plan they have put in place, and the prospect of increasing Alberta's trade, export trade in particular.

Trade policy specifically is the responsibility of the Minister of Federal and Intergovernmental Affairs I suspect. Nevertheless, Treasury's policies have an impact on many of the other departments, if not all of the other departments, in this government. This would include, therefore, I guess the Department of Federal and Intergovernmental Affairs and its trade policy responsibilities.

Looking at the mission statement of the department and the goals, I notice that

The Ministry's mission is to provide excellence in financial management, services and advice to achieve a healthy and sustainable financial condition for the province with [of course] the lowest possible [tax rates].

It is also responsible for "maintaining a framework that fosters government accountability." By this I obviously hope that the government means accountability both in fiscal as well as social terms.

Every dollar the government collects it must spend such that nothing is wasted and more is gained, rather than less for every dollar spent, but also so that both the collection of revenues and the expenditures are directed not only at economic growth but also at delivering to Albertans economic security, good jobs, and services they can depend on.

Now, when I go down to the level of goals, I notice that there are obviously six or seven goals there. I'll only draw attention to one or two.

- To ensure government is accountable to Albertans for its business plan and finances . . .
- To ensure an efficient, fair and competitive capital market and regulatory environment for financial institutions.

I'm clearly pleased that the government up front undertakes to be accountable to Albertans, to ensure that conditions of competition are fair, and so on and so forth. I'm also sure that the hon. Treasurer and his colleagues in the cabinet understand that many of these conditions are not entirely within the control of the provincial government.

Reference is made often to globalization and how globalization sometimes renders provincial control over conditions less than predictable, less than effective. That being the case, I also hope that the Treasurer and his colleagues in the ministry, in the cabinet, don't treat globalization as a natural phenomenon, something that is inevitable, something that we must learn to live with. Globalization is a process that certainly is a matter of interest to all kinds of players in the financial markets and economic markets in the international economy. It is possible perhaps to exercise some control over it. I would like to in fact hear out the Treasurer on whether or not he thinks it is possible for us to affect the direction or the speed of globalization, if not commit ourselves to the ability to resist it if we think its consequences are negative for most Albertans or at best are a mixed blessing.

8:52

The trade aspects of globalization bear on, of course, the ability of transnational corporations to be able to move into a territory, a province, a country and set up business, whether it's manufacturing, whether it's financial services and their delivery or other such activities. Multinational organizations do this under varying conditions of freedom to move, freedom to invest, freedom to make profits, a condition to reinvest part of the profits in the country or not. We know that NAFTA and the World Trade Organization are two such institutions whose decisions I suppose affect to some degree the creation of conditions for economic growth and development and prosperity in a province like ours.

In addition, I have learned that another multilateral agreement on investments – it's known by the short acronym of MAI – is in the works at the moment. There's very little public debate on the multilateral trading agreement and its consequences for national and subnational governments, such as our provincial government here, and the ability of particularly a subnational government such as the government of Alberta to remain in effect the master of its own economic house. The role of the Treasurer in that process is clearly a central one. I would like to hear from the Treasurer if he and his department have been working on the possible ramifications of the multilateral agreement on investments that at the present is being negotiated among members of the OECD. If he has seized this new challenge, then I would like to hear from him soon what his assessment is about the potential impact of the set of conditions which are being negotiated at the moment. If not, I would hope that he will certainly pay some attention to it and bring back to the House at a later date his assessment of the possible impact of MAI on the ability of the provincial government here to remain in control of the economic situation and to direct economic conditions in ways which are seen as desirable by Alberta taxpayers and citizens of this province.

Without going into details about the MAI provisions, let me just make one general comment that the MAI, some people claim, takes aim at statutes. In any nation that links the provision of subsidies, tax breaks, and other benefits to a corporation's behaviour, this then could be used to challenge a host of local, regional, or federal measures including requirements that companies meet job creation goals, that banks invest in underserved areas such as the rural areas of Alberta, where Alberta Treasury Branches have been serving those needs up until recently rather effectively, and that companies receiving public aid or contracts pay workers a living wage.

The point, then, is that the MAI, if and when it comes into effect, has far-reaching implications for the ability of this government or the governments that succeed it later on to be able to develop a more or less autonomous economic development

strategy whereby economic subsidies, if necessary to local emerging fledgling industries and businesses, can be provided by the government if it so deems proper. So I'd like to hear about it. I don't see any reference in the business plan to such an eventuality. There is an absence of any attempt to anticipate, if you wish, the impact of the introduction of provisions of this, yet another international agreement which appears to be in the making.

Moving now to a few specific questions. Alberta Treasury Branches has been a matter of concern here in this House from the day I entered this House, over the last two to three weeks. The Premier floated an idea a couple of weeks ago that some proposals to purchase it by some private investors has reached his desk or ear. My colleagues on the Official Opposition side suggested eagerly that it should be privatized because it's been having some problems and the real solution to the problem is quick privatization.

The Treasurer's business plan seems to bypass the problem of the ATB entirely. There is an absence of any real attempt to deal with the difficulties, which appear to be fairly serious. I wonder if the Treasurer, rather than following his Official Opposition colleagues sitting in front of him, would consider, rather than privatizing or selling off Alberta Treasury Branches, setting up perhaps a Crown corporation that would handle the affairs of this rather important financial institution, which is still seen as an important source of credit by a large number of Albertans who live in the rural areas.

Just a few other questions, minor ones. I notice that in the section on key performance indicators, the section that refers to Alberta's investment rates of return on heritage trust investment funds, there is a rate of return that's for Canadian equities that's mentioned as one column or row. The one-year estimate of returns, again, was 16.3, and the 10-year estimate is at 7.6.

9:02

I'm less concerned about the overall rate of return in my question at the moment. My real interest is in finding out if the Treasurer has any information on whether or not any of the heritage investments and Canadian equities include investments in Bre-X. Albertans are extremely concerned about what Bre-X has turned out to be and its consequences for them. I understand the Premier was asked some questions on this by the press today. The health of several important pension funds to some degree appeared to be associated with the fortunes of Bre-X, and I just wonder if the Treasurer would care to comment on whether or not there's any stake that Albertans have in the fortunes of Bre-X in relation to the Canadian equities related investments of the heritage trust fund in it.

I may be wrong because I didn't – I suppose I shouldn't make excuses. I certainly didn't have enough time to spend on carefully looking at the department's budget figures here, but there's obviously an increase of about \$11 million over last year. Is this true, Mr. Treasurer? I just don't know. I'm trying to figure out why this increase is necessary. Where do we find it justified, if my observation is correct?

Madam Chairman, I guess I must stop at this point and hope that the Treasurer will respond.

THE CHAIRMAN: Thank you, hon. member.

The hon. Provincial Treasurer.

MR. DAY: Well, Madam Chairman, there's been a volume of questions, a number of them good ones from the Member for Edmonton-Strathcona and a flutter of other good questions from

the Liberals. I've been writing and scribbling as fast as I can, so I'll attempt to address some of these, and then I understand there are members who wish to ask even more. So not necessarily in the order in which the questions came but in the order in which I've written things down, and I'm trying to go chronologically through the estimates book.

Edmonton-Mill Woods was asking for some more detailed analysis on the breakdown of the reduction of full-time equivalents. To be exact, I had mentioned that ministry staffing was reduced by 289 FTEs. I didn't give an exact breakdown at that moment, but hearing the question: 191 of those employees received severance packages; 97 actually received the SPR and 91 the VSA. Thirty-eight of those employees moved to the private sector directly as a result of the outsourcing. Nine employees were placed in other government positions. The remaining 51 equivalents were through attrition.

I take some umbrage at the notion, as mentioned by the Member for Edmonton-Strathcona – he talked about the devastation of public service employment. I think we have to recognize, not just in Treasury but across government, that as we looked at how we did things, we realized that a number of things, quite a number of services, could be delivered outside of government directly. You've seen that through liquor stores, you've seen it through the registries, we see it in transportation services, certainly in the Department of Labour in many, many areas – even inspection services were moved out to certified and qualified people: I would say over the last four years largely without incident and to the appreciation of clients. When we see a move out of government, that's not a zero-sum gain. That can be a win/win situation.

What was also noticed is the people moving from government into similar situations in the private sector actually delivering services in a different way and doing it, in many cases, in a very innovative fashion, a reflection of a statement that was made by a wiser person than myself who said that the public, broadly, looking at the public service, unfortunately often sees it as not good people and not good delivery. But in fact, it's a case largely of good people trapped in bad systems. When the system's changed or when they're allowed to change the system, they come up with far more innovative and productive systems.

Interestingly enough – and I think the hon. Member for Edmonton-Mill Woods would say this – it's often said of us as human beings that we're resistant to change. We accept that as almost a direct corollary about our nature. I don't think we're resistant to change. I think at 6 o'clock tonight if it was said to you, “Do you want to come to a certain buffet and try a number of dishes from another province?” for instance, you'd say, “Yeah, I'd like to try that.” If you were offered the ability or the chance to try a different holiday venue for a week, most people would say: yeah, I'll try that. If you were offered to hear a certain type of musician that you hadn't heard before, you'd probably tend to say, “Yeah, I'd like to hear it,” or see a different type of movie or read a different type of book.

[Mr. Severtson in the Chair]

We're not resistant to change. We are resistant, however, if you're given the thought that: I want to change something, and you could lose your job and the ability to put groceries on your table. Then you're going, “Whoa.” So it's not resistance to change. It's a reluctance sometimes to lose something personally. When the opportunity comes and the person is empowered to change within their own sphere, they'll often respond to that. But it has to be presented in such a way that it doesn't mean it's going

to be a zero-sum for them but that in fact there is some gain. So it's not resistance to change as much as it is to reluctance to lose something personally, and that's where we've tried to approach the changes in the public service along those lines: what can we offer people who will be delivering services in a different way? That's the breakdown of the actual Treasury staffing and gives you somewhat of an idea in terms of the specifics.

There was also a question related to savings of \$141,000, and that's been alluded to and addressed – the hon. Member for Edmonton-Mill Woods I believe asked that. In vote 1.0.2 the \$141,000 reduction is indeed from the elimination of the Deputy Provincial Treasurer, Finance position. We can pass that information on to the member. Something that had actually been questioned in this Assembly a number of times by opposition members: what did that position entail, and why was it there? Obviously a good service was being delivered, but that position is now eliminated and being picked up through a restructuring of the service, and a considerable expansion of service and requirement going onto the sole and sometimes lonely existing remaining Deputy Provincial Treasurer. I see the violins playing in the gallery.

But it shows significantly how something that formerly had to be done by two people, with restructuring and bringing a good support team into place, in fact one person can move on to pursue the Alberta advantage in another sphere, and one can stay to enhance the Alberta advantage in an existing sphere, and it can work out, albeit with increased workload.

The \$60,000 over budget. The Member for Edmonton-Mill Woods had asked that question on the \$60,000 on vote 1.0.2 and in fact was correct in the conjecture that, indeed, it is due to a \$110,000 severance payment. That payment was partially offset by the surplus created when the position became vacant halfway through the '96-97 fiscal year. So Edmonton-Mill Woods was . . . [interjection] Sorry. Edmonton-Mill Creek. He's up the creek and you're in the woods. Okay. That is indeed what happened in that particular situation.

9:12

There were comments made related to performance measures. I have to say that I was a bit surprised to hear that because in fact the strategies, outputs, outcomes, and performance measures and targets are all listed clearly in the ministry business plans 1997-2000, which were tabled here in the Assembly. Copies can certainly be made available. I would have assumed you had a copy, but if you didn't, that can be made available. It covers the strategies. Each strategy is matched with an outcome and a performance measure target, and it does – I heard it referenced a couple of times – cover elements from “Satisfaction of Treasury Board [members] with advice, recommendations” down to satisfaction of ministry senior officials and satisfaction of ministries with the services that are provided and going right out to “Satisfaction of Albertans with respect to the province's financial performance.” Those are all measured, those are strategies, those are outcomes, and they are all indeed measured. Another performance standard: the “Satisfaction of the Auditor General with the government's accountability system.” Of course, we're pleased to report that the Auditor General, at least to date, is very satisfied with our particular performance system.

We have a strategy that talks about maintaining “Alberta's personal income tax system to promote self reliance, wealth creation, and fair taxation of Albertans.” The outcome of that would be “A tax system that encourages Albertans to work and that supports Alberta families,” and that's measured in terms of a “tax load for a family of 4,” and our target: to be the “lowest

in Canada." So there's another example of how there's a strategy, an outcome, and a certain performance target.

The Ontario budget is out today, and it does show that they are committed, albeit over time, to that 30 percent reduction in their personal income tax rate. They are committed to that. It came out in their budget. So we have a "Performance Measures/Target" here that says of our tax load that we want to maintain that as the "lowest in Canada." We want to maintain our personal income tax rates as the lowest in Canada.

These are things that we're going to have to consider. How important are these things to Albertans? Right now, with the Ontario budget being announced the way it is, we're still the lowest, even on the personal income tax side, but their phased-in reductions, which they're committed to following, will put that target in some jeopardy. Again, that's not to maintain that target just to have bragging rights, but in fact we believe it is an incentive, and we believe it is an attractive element to living in Alberta. So it can be attractive to people coming here and attractive to Albertans to stay here. I know that in recruiting to management positions within government, people from other provinces have specifically said that one of the reasons they are attracted to the public service management positions here is because of the tax advantage, and we have been able to effect somewhat, in a positive sense, of a brain drain from other provinces because we have an effective, attractive tax regime. If we lose that, we could lose some of our Alberta advantage. So to maintain that tax side is not just, as I said, for bragging rights, but it's fundamental, we believe, to maintaining a strong foundation of human resource here in the province. So that's an example.

To be quite specific in that ministry business plan that was tabled, the goals begin on page 1 and continue on through there: the goals, the outcomes, and the performance measures and targets, quite a variety of them, are all listed in there. I would recommend that pursuit of reading to members before they retire even tonight. I don't mean retire from the Assembly, though feel free.

There were questions regarding the heritage savings trust fund investment policy. The investment Operations Committee was actually only formally established in March, if you recall, and the first meeting will be in May. Investment strategies were established on the basis of advice of professional managers in Treasury but also external advisers. Informal advisory committees of private businesspeople also reviewed the heritage savings trust fund business plan, and it was approved by the Standing Committee on the Alberta Heritage Savings Trust Fund on January 21, 1997.

There was a question related to benchmarks such as Scotia-McLeod and Morgan Stanley. These indexes were chosen on the basis of widespread acceptance in the financial community, a combination of that and relevance to our own particular portfolios and business plans, and we believe those were soundly and wisely chosen. Tab 3 of the ministry business plan has more detail on that related to the heritage savings trust fund.

There were also some questions, I believe, from Edmonton-Mill Creek on the object expenditures, and I'm happy to give some of those. In terms of support services there was a question related to permanent and nonpermanent salaries and wages and travel and contract services and hosting: a tall order to be delivered on short notice. However, I will deliver. I will deliver even now, as I speak.

In terms of salaries 1997-98, the estimate under permanent would be \$1,964,300; those being nonpermanent, \$159,400; wages at \$77,600; travel expenses, \$104,800; contract services,

\$488,000; and hosting, \$26,600. That's under program 1, support services. In terms of total department, salaries permanent is \$12,474,900; salaries nonpermanent, \$749,800; and wages, \$441,900. The travel expenses are \$411,800; contract services, \$6,607,500; and hosting, \$57,700. So I think that's a breakdown along the lines of what the member was asking.

Also, there were some questions related to some of the key assumptions, some of the sensitivities and risks that go with our business plan. If members wanted to consult with the Budget '97 update, pages 50 and 51 are fairly clear in terms of showing how we arrive at the key assumptions, what the sensitivities and risks are to the government business plan. I won't read through those, but I know members will want to take a look and consult with that.

The questions related to PSC. Currently the costs to the government departments are within the plan, and the savings have been achieved that were anticipated. There are some very specific standards that are set out in the contract with PSC along the lines that the members contemplated. The cost per payment and per employee, the time lines, and reliability of payments are all issues that are addressed there. Despite some significant reductions in the volume of the transactions due to government streamlining, the costs have been maintained in accordance with the original plan. So that service is largely on track. We continue to look for improvements, but it's largely as anticipated and largely as planned.

There was a question related to why program 1 was not reduced by the same percentage as the overall department. The answer to that is simply that there have been functions added, and that would include FOIP-related functions for the ministry, regulatory reform being moved to the ministry, and SPC support. But you are right on track there, hon. member.

All services that have a per capita basis for allotment have been reduced, so it's important to know that per capita allotment. For example, there are five persons in the personnel area now. That's about half of what there were in 1992. So a number of those areas have been addressed.

Edmonton-Strathcona, I can tell you that you don't have to feel because of your newness on the job or the large requirement for you to cover a number of different departments - what, you're covering 10 single-handedly? That's commendable, and I know you'll do the job well. You never have to feel intimidated. The dumb question that you're afraid to ask sometimes is the one we are most afraid you're going to ask, so never hesitate to ask that question.

9:22

You've raised a number of broad issues. I can just comment briefly on some of them. You talked about delivering economic certainty to Albertans. We believe that the way we do that is by having an economic environment that is stable, that has a low taxation regime, that is predictable, that has a people-friendly regulatory regime that's also environmentally friendly but is based on common sense and is not overly burdensome in nature. That is the way economic certainty is delivered, by having a system that allows people equality of opportunity.

Obviously, we don't guarantee equality of outcome. Different governments through the years have tried that, mostly eastern bloc, and have failed miserably. When you allow equality of opportunity, you grant the largest amount of wealth to be created in the population as a whole. So we feel that if we're talking about delivering economic certainty to Albertans, it's that environment of political and economic stability, low taxation, commonsense regulatory regime that's going to attract the

innovative people to the province and keep the innovative ones here and allow them to realize their dreams. In doing that, they help others, who are pulled along in the vortex of that, to realize their own dreams.

Globalization, the possibility to effect globalization, to speed it up or direct it. Well, since the time of the ancient Phoenicians it's been known that if you truly want to promote things such as peace and exchange of ideas, you do it through trade, in fact. It is only in the area of human endeavour when attempts at restrictions of trade have been significant that you have friction between people. Then you have not the free opportunity to trade. Of course, regimes develop who will say, "Well, if I can't get your goods freely, I will try and get them by force." But when you have liberalization of trade on a global basis, that's truly when you develop the human family as a true family seated around the large table of the earthly globe, sharing the resources and the talents which they individually acquire.

NAFTA, of course, is for Alberta a wonderful example of that, of how we've been able to expand opportunities for Albertans and at the same time promote ideals of freedom. When we do that, it's interesting that the people who then travel back to our own province, who are often seated up in this gallery, are people wanting to expand economically. Of course, you cannot have political freedom unless you have economic freedom, and with economic freedom comes a desire to know how a parliamentary system does work, how a democratic system does work. Strangely, people come to this province to see it work in front of their eyes, and they take that back home. That's how we promote global initiatives.

Did you want me to keep going? [interjection] Hearing one person wanting me to keep going, I will plod on. If you want, I can sit down and stand up again, if you want me to complete these answers.

THE DEPUTY CHAIRMAN: It would need the unanimous consent of the committee if you wanted the minister to continue.

It's Edmonton-Glenora's turn.

MR. SAPERS: Mr. Treasurer, I will look forward to your continuation, but I want to add to the – what did you say? – gaggle of good questions or the giggle of good questions. I'm not sure what your point was.

Thank you for that last answer and for your previous answer, where you once again tore the balaclava off the head of another ugly myth.

MR. MAR: Baklava.

MR. SAPERS: No. That's a dessert, Minister of Education. We keep on having this exchange.

I was interested to note and I'll certainly pass along to those former public servants that I talk to from time to time that they weren't fired, that they were simply part of the enduring Alberta advantage. That's good for them to know that. As you talked about the experience of reducing the civil service in this province, it is curious that I note that while program spending went down by about 20 percent net overall, the reduction of the civil service was closer to about 35 percent overall. Obviously, that means that a fair bit of money went into outsourcing. At some point, I guess, it would be nice to see an accounting of exactly how many jobs ended up in the private sector and what the net impact on the economy overall has been, particularly the local economies of cities like Edmonton so that we can get a sense of what the real contributions have been in terms of either increased or decreased tax revenues.

I'm going to restrict most of my comments and questions to the business plan and the performance indicators. I know that you have already addressed them somewhat, but I have some other queries. Before I get to the business plan, though, there is one piece of irony in the Budget '97: Post-Election Update fiscal plan that I would be interested in your comment on. It's on I assume it to be page 21. It's not a numbered page, but it says: 1997-2000 fiscal plan update. The third bullet from the bottom of the page is

an \$8 million increase in Heritage Fund revenue forecast in 1996-97 primarily due to the disposal of the Millar Western investment for more than the current book value.

What I find ironic about that, of course, is the write-off in the final analysis of the Millar Western loan, the original loan being at a value of about \$120 million, the interest that was lost of \$150 million, whatever it is. It seems to me that somebody got a good deal out of this. Somebody saw value in buying that loan. I guess it was the CIBC that paid about \$28 million, whatever, for the loan, so they got a good deal. They seem to be able to collect on it. The irony here is that we see it presented as a good thing when in fact what it represents is a quarter of a billion dollar loss. I guess it could have been a quarter of a billion dollars plus this \$8 million, and that would have made it a worse thing. So it is a little bit better than it otherwise might have been, but I just find it ironic that that would be on the highlight page as soon as you open up the fiscal plan of the government.

MR. DAY: What page was it?

MR. SAPERS: It's page 22 of the Budget '97: Post-Election Update, Building Alberta Together, Stockwell Day, Provincial Treasurer. This one.

Now, my questions about the business plan. I'll try to go through them . . . [interjection] Well, have we got the right book?

MR. DAY: Yeah.

MR. SAPERS: Okay. Go to this page. See; it's not a numbered page. If you look under the 1997-2000 fiscal plan tab and you go to page 22, which is a numbered page, then go back one to get to the cover page.

MR. DAY: Got it. Thank you.

DR. MASSEY: Whose budget is this?

MR. DAY: Well, we've got different pages.

MR. SAPERS: Oh, yours aren't numbered. A Treasurer without numbers, Mr. Chairman.

MR. DAY: No, no. Mine is numbered. We'll step outside for coffee and compare books.

MR. SAPERS: Anyway, we'll continue with the debate through the chair, although this is interesting.

Mr. Treasurer, goal 1, "to keep our province's finances in order," a laudable goal. Related core government measures: net debt, provincial credit rating, cost of government. First strategy: Plan to balance consolidated revenue and expenditure and then pay down the province's net debt in accordance with the Balanced Budget and Debt Retirement Act. Great stuff.

Performance measures/targets. The first one: "Debt retirement; target: milestones as identified in the Balanced Budget and Debt Retirement Act." The second one:

Satisfaction of Treasury Board with advice, recommendations, analyses and support received; target: all members [of Treasury Board] satisfied or very satisfied.

Is something lost on me here, Mr. Treasurer? We're talking about slogan legislation that the executive brought in, that the government brought in – right? – the Balanced Budget and Debt Retirement Act. So this was a flagship piece of legislation that the government brought in, and the measure of satisfaction is that Treasury Board, which are members of Executive Council mostly if not entirely, is satisfied or very satisfied. So basically our measure here is whether or not the front bench of the government, the ministers, are still happy with their own piece of flagship legislation; not a terribly helpful or instructive measure of satisfaction.

9:32

The next one, I daresay, is equally problematic from my standpoint:

Satisfaction of ministries' senior financial officers . . . with standards, policies, and guidelines issued by Treasury; target: 4 out of 5 SFO's are satisfied or very satisfied.

Well, two questions I have for you. How many points is the scale? Like, what kind of choices do these people have? Is it a two-point scale: they can either be satisfied or very satisfied? Or is it a three-point scale or a four-point scale or a five-point scale? Secondly, aren't these SFOs the very same people who provide the advice to Treasury Board about what those guidelines and standards and policies should be? Aren't we getting into an awful lot of circular reasoning, and you've got a tautological performance measurement here? "We're satisfied because we say we're satisfied because we plan to be satisfied."

Mr. Treasurer, I will give the government credit for going some ways towards making the budget process and the financial reporting process far more transparent in this province than it has been before, but I would encourage you to please work with your department to get rid of the bunk and the jargon and the double-speak in these kinds of performance measures and say plainly and clearly what it is that you're going to measure so that the people of Alberta can make a judgment to see whether or not you got there.

Next one, performance measure and target, again under goal 1:

Alberta per capita cash Canada Health and Social Transfer . . . from the federal government; target: transfer equal to other provinces.

Well, on what basis? It can't by definition be equal to other provinces. I mean, you're fully aware, your department's fully aware of how the Canada health and social transfer works, but somebody who's reading this who hasn't studied the federal government policy may not be fully aware. They may say, "Well, gee, how come Alberta isn't getting the same as another province?" Well, it's because that's not the way it's designed, and you know that. So why isn't there something in here about on what basis and at what level do the tax points come into this discussion? What is the true cost and benefit to Alberta of participating with the federal government in this exchange of both cash and tax points? Wouldn't that be both a more clearly stated performance measure and a more accurate one?

My problem with these measures in goal 1 is that they tend to be internal, subjective, and they don't really advance our understanding of what you've been able to do as Treasurer or what your department has been able to accomplish. I would be interested in seeing in terms of the cost of government a perfor-

mance measure that talks about the cost ratios of departments in this province versus other departments, identifying clearly cost centres of what government has taken to calling its core businesses, setting up a matrix across government so that we can compare administrative charges and administrative costs in each department and compare them amongst and between departments. It would be helpful if the government would develop a standard policy and a framework for a cost-benefit analysis when it decides to outsource or downsize or privatize or sell off. Those, I believe, are the kinds of performance measures that would give Albertans a true indication of how Treasury is doing in relation to net debt, provincial credit rating, and cost of government.

Goal 2, "To ensure government is accountable to Albertans." The very first one:

Provide reliable, relevant, understandable and comparable information about the government's: plans and goals, strategies, et cetera. The first outcome that's listed, Mr. Treasurer, is, "Public understanding of the government's performance and financial position." The performance measure says, "target: 4 out of 5 Albertans satisfied or very satisfied." I won't repeat my points about what scale you're using, but I will ask you this: if the outcome is supposed to be public understanding and the measure is satisfaction, what's the linkage? How do you operationalize one to the other? I mean, if you're going to measure understanding, then there's a certain competency that's implied there, which has got nothing to do with whether people are satisfied or not. I may understand or not understand, and I may be satisfied or unsatisfied. They're two unrelated concepts. Maybe you could let me know how you're going to link those two things together.

Next one. If you're still with me still, Mr. Treasurer, on page 265 of the Treasury update, I'm looking at the bullet that reads under performance measures: "Satisfaction of deputy heads with the government's accountability system; target: 4 out of 5 satisfied or very satisfied." The deputy ministers of every department are the ones who are charged with developing the accountability structure and reporting back to their political masters about that. Boy, I'd be nervous if 5 out of 5 weren't satisfied or very satisfied. They're the ones whose career is based on that, and I'm wondering why it's 4 out of 5 and not 5 out of 5. What would you do, Mr. Treasurer, if that performance measure or target wasn't met?

Of course that's more sort of a general question across all of these performance measures, that clearly we don't see any kind of a consequence here, particularly when you're using subjective measures like satisfaction based on consumer understanding of something. It's very hard to even imagine what a consequence would be if that measure wasn't met. Is it good enough for the government and for the people of Alberta simply to say, "Well, we'll try harder next time"?

You have a reputation, Mr. Treasurer, for being fairly straight ahead in dealing with problems, and I would suggest that this is a problem that needs your very straight-ahead approach. I mean, what are you going to do to convince Albertans that you're serious about these performance measures when the language isn't really clear and the consequences aren't spelled out in any way?

The next one, "Goal 3: A fair, competitive, simple and efficient provincial tax revenue system." I'm looking at the performance measure that reads: "Satisfaction of taxpayers with tax system; target: 4 out of 5 satisfied or very satisfied." Now, that would be interesting, if you asked Alberta taxpayers and you got 4 out of 5 that said they're very satisfied with the level of taxation. In fact, I remember all too clearly your Alexander the Great parable, or story, or diversion during your Treasurer's address when you talked about the slave being beaten.

MR. DAY: I'm glad you remember that.

MR. SAPERS: Well, that and the balaclava are images that are emblazoned in my mind, Mr. Treasurer.

These poor beaten taxpayers, these taxpayers that are flagellated – I can say that; that's parliamentary? – by their provincial government . . .

MR. DAY: And federal and municipal.

MR. SAPERS: Yes, but of course we're not debating municipal or federal tax systems; we're debating provincial ones.

So these poor beaten, downtrodden, slave-like taxpayers – now you're going to ask whether four out of five of them are satisfied or very satisfied. Have you ever heard of the Stockholm syndrome, Mr. Treasurer?

MR. DAY: During a hostage taking you fall in love with the guy that's holding the hostages.

MR. SAPERS: Yeah. So I have some difficulty with that as a performance measure, particularly given your own interventions.

Mr. Treasurer, perhaps a more useful performance measure here would be satisfaction measurements developed based on program spending, access to publicly funded programs, and the quality of services received from those publicly funded programs. Certainly the most important element of taxpayer satisfaction with paying taxes to government is what value they receive. So when you operationalize this performance measure, I would hope that it's based on quality and access and the array of public programs. Maybe Alberta taxpayers would pay more if they knew they were getting more; maybe they would want to pay less. We've never really asked them, and you don't ask them here.

9:42

Mr. Treasurer, I notice the next performance indicator, "Number of businesses in Alberta; target: net positive growth." Great target. Easily defined. We can measure that. It's not subjective. That's a good one. I like it. But what about the longevity of these businesses, and what about new entries into the business world, first-time businesses? What about a measure of bankruptcies? I understand that bankruptcies are at or about an all-time high for the province of Alberta. So if that's the case, then having more new businesses start in Alberta but at the same time having more new businesses fail in Alberta, I'm not sure where we're at. So why wouldn't you put that in as a measure? I'm sure that as a Treasurer interested in getting tax revenue, you would want to see businesses be profitable and grow and not simply go out of business.

Next performance measure: "Number of initiatives to eliminate duplicate tax collection." That's a performance measure under goal 3 as well. A question that I have for you: are you talking about things like eliminating Alberta health care insurance premiums? I mean, that is a tax, so it is a duplication, and we spend millions of dollars collecting it. I notice that when you create your comparative tables looking at the tax advantage that Albertans have vis-à-vis other Canadians, you calculate in the health care insurance premiums, so even in your own documents you acknowledge that it's a tax. So I'm just wondering whether this is a little hint that you're working on that, and if it is a little hint, let's talk about it in public, and let's get a debate going on whether this would be a good or a bad thing.

"Goal 4: Maximize investment returns and minimize borrowing costs subject to acceptable risk." Well, I want to talk a little bit

about the heritage trust fund. "Return on the Heritage Fund Transition Portfolio; target: return at least equal to the costs of our debt portfolio." Well, how does this compare to other like funds? Why do we want it just equal to the costs of our debt portfolio, and how exactly are you going to measure that, given that it's a transition fund that we're talking about? I'd be interested in that.

The next one, "Returns on the Heritage Fund Endowment Portfolio; target: return at least equal to the return on a benchmark portfolio," is a lot more helpful, except that we don't know which benchmark portfolio or how it's chosen or who chooses it or what its component parts are. Still, it's a much clearer statement, and I guess I'd like to see the same for all parts of the heritage trust fund.

The next one that I want to draw your attention to and ask for your comment on has to do with the selling off and "wind-up of non-core financial assets including those of the AGT Commission and N.A. Properties." The goal is to have no "assets remaining to be disposed of." Could you provide us with a list of the assets and their current market value?

I'll continue at my next earliest opportunity, Mr. Chairman.

THE DEPUTY CHAIRMAN: Thank you.

The Member for Edmonton-Mill Creek.

MR. ZWOZDESKY: Thank you, Mr. Chairman. Just to continue with the excellent debate that we're involved in here, I want to just quickly visit back to vote 1.0.4, which is around where I stopped.

[Mrs. Gordon in the Chair]

I've just a couple of quick questions there for the Treasurer. This of course is the – what do they call it? – human resource services sector, with operating expenses of some \$258,000, which represents a small increase of 3,000 bucks or so from last year's comparable budget. I wonder if the Treasurer could provide an update on the role of human resource services in identifying re-employment opportunities and providing career counseling and retraining, given the plan to reduce FTEs by a further 23 positions over the next couple of years. Also, how many separation payments for restructuring does he anticipate during 1997-98?

I want to quickly go now to the area of the liabilities and debt management portion of the budget. What we see here is approximately \$800,000 being provided by the Treasurer for the administration of the province's borrowing program. I have a few questions I need to ask the Treasurer here. In light of the \$3.1 billion projected for the term debt maturities and redemptions borrowing program in '97-98, can the Treasurer provide us more details on the contracting out of fiscal agencies for each debt issued to financial institutions? In other words, how effective is the outside contracting method as compared to in-house management of the borrowing program?

Secondly, what type of analysis is being undertaken by the debt management division to identify a debt configuration which is low risk on the exposure to the interest rates and the exchange rate risks but which also takes into account the expected costs that are associated with reducing those risks? Can the Treasurer indicate why the debt management division has chosen to pursue a debt management policy under which \$9.1 billion, or 58 percent, of the total direct general revenue fund debt of the province of Alberta will mature over the next three years? It seems to me, Mr. Treasurer, that this is the highest among the Canadian provinces.

Let me turn quickly to the finance programs portion of the

budget. This is the area that administers major project loan agreements and agreements relating to guarantees and/or indemnities of one form or another given out by the Crown. I see \$600,000 here listed to administer the remaining loans and loan guarantees and the related asset sales still under the responsibility of the Treasurer. I wonder if the Treasurer would make a commitment to make available a copy of the guidelines that have been established by the loans and guarantees portfolio here to monitor the loans, guarantees, and long-term investments that are included thereunder? Could the minister indicate what steps his department has taken to track all the indemnities and the financial commitments provided by the departments and provincial corporations and to properly assess exposures that we have to possible loss? What system has been developed to report all indemnities and commitments and include this information within the public accounts and the budget?

I also wonder if the Treasurer could provide information on the process that is established to divest ourselves of government investments such as the AGT Commission and N.A. Properties (1994) Ltd. Can the Treasurer explain the role and function played by the interdepartmental divestiture committees? Does the process include following certain steps on a regular basis, such as scoping studies or business evaluations; perhaps information dissemination to potential purchasers; soliciting, receiving and assessing bids; and that type of thing?

Also, just rushing along here pressed for time, what types of monitoring procedures are in place within the finance programs division to monitor investment and to minimize exposure to taxpayers? For example, monthly cash flow statements, quarterly financial reports, business plans, pro forma financial projections, and appraisals and evaluations: are these the types of monitoring procedures you have? If not, what do you have?

9:52

Specifically now, I wonder if the Treasurer would table the latest monitoring of financial statements as they relate to the province's financial involvements in Centennial Food Corp., Pratt & Whitney Canada, the Alberta-Pacific pulp mill project, Ridley Grain Ltd., Alberta Newsprint Funding Corporation, Canadian Airlines, Kananaskis Alpine Resort, Centre for Frontier Engineering Research . . . [interjection] Yeah, it's spelled in the French way here, centre, so I thought it was the French version, but it's the Centre for Frontier Engineering Research. I'm not familiar with that particular one, Mr. Treasurer. Perhaps you are, but I'm not, and if you could shed some light on the monitoring of their financial statements, that would be helpful. Also on that list would be Pocaterra Development Corporation, Skimmer Oil Separators, and, to complete the picture, North Saskatchewan River Boat Ltd.?

MR. DAY: Oh, I love that boat.

MR. ZWOZDESKY: Yes. The boat's afloat, and Albertans have been put down the river a ways.

What steps has Treasury taken to comply with the recommendation of the Auditor General to ensure that the rights or financial obligations that remain after the sale of assets is identified or monitored?

With regard to the Lloydminster biprovincial upgrader I wonder what portion of the profits earned by this upgrader in 1996 will actually accrue to the province of Alberta under the 20-year agreement. To share in the profits of the upgrader, should it attain a cost differential of \$6.50 per barrel between heavy and synthetic crude? It seems to me we did have some clause that

covered that. I don't know if that was the upside interest clause or it was some other clause, but it seems to me there was something there.

We also would like information on the restructuring proposals that are being worked on by finance programs, loans and loan guarantees, for such ventures as the North Saskatchewan river boat, Centennial Food Corp., Skimmer Oil Separators, Kananaskis Alpine Resort, Pocaterra Development Corporation, and the Ridley Grain Ltd. organization, which I have some more questions on.

Now, specifically on the North Saskatchewan River Boat Ltd., an issue which I raised today with the Treasurer in question period, we really do need an update on the status of the loan guarantee, Mr. Treasurer, especially in light of the sale of this boat for only \$800,000. I understand that the builder is actually looking for \$1.6 million. The court has awarded \$800,000, and they're holding that money in trust, Madam Chairman. We should get an update on the status of this loan guarantee. Where are we at with that whole thing? I know that came about through Alberta Treasury Branches, but what recovery does the Treasury Branch expect on this outstanding loan? What payment can be expected under the guarantee that we've provided? That would be helpful.

Similarly, I think we need a number of other updates, Mr. Treasurer, with regard to the status of our loan guarantees to pretty well all of the entities I mentioned a little bit earlier in relation to the monitoring of financial statements. We really do need a more current picture of what's going on with the Pocaterra Development Corporation and the Kananaskis Alpine Resort. How much of the \$10 million in guarantees is contained within that \$70 million provision for estimated liabilities for loan guarantees and indemnities as of March 31, 1997? Can you tell us the update and status of the \$1.2 million loan guarantee to Skimmer Oil Separators? As well, the \$2 million outstanding under the export loan guarantee program: can we get a breakdown there? Perhaps we could get an update on the \$4 million loan guarantee to the Centre for Frontier Engineering Research. Can the Treasurer provide an update on the status of the \$13 million in guarantees that are outstanding to Canadian Airlines? How about a comment on the \$143 million in guarantees outstanding to the Alberta Newsprint Funding Corporation? Of course, the \$10 million loan to Pratt & Whitney Canada should, I hope, catch the Treasurer's attention, and maybe he'll make a comment on that as well.

Now let me move to Ridley Grain Ltd. This is an interesting deal, and I hope it's working out okay for the grain terminal in British Columbia, but we sure would appreciate a status report on the \$102 million investment that we've made in that grain terminal. I was hoping the Treasurer could provide some further information on the provincial committee that was established to examine restructuring of the \$102 million debenture held in Ridley Grain. What's the nature of the proposals that have been submitted by the board of directors of Ridley Grain and Prince Rupert grain terminals, and is there any provision for deferral of interest payments on this loan as a result of the proposals that are being presented? Finally, could the Treasurer provide an update on the 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 that consortium?

Let me move for a moment to the Al-Pac joint venture agreement, which falls under this category. Can the Treasurer please provide forecasts - short-term, midterm, and long-range - on the pulp price thresholds required by the Al-Pac joint venture to

trigger interest payments to the province on the \$250 million loan that we've provided to the AI-Pac group? At what point do we expect these prices to start bouncing back up again and make this a viable operation up in the Athabasca country? In that regard, can the Treasurer provide all economic and feasibility studies that were prepared by or for the AI-Pac joint venture group and submitted to the government of Alberta assessing the viability of the paper mill aspect of the project? As we know, it's a single project with two phases built in; that's how the agreement reads. My last question in that regard is this: will the Treasurer provide the latest cash flow reports, budget estimate reports, and financial statements submitted by the AI-Pac joint venture and the joint venture partners under the Alberta-Pacific pulp mill project credit agreement?

I will move quickly now to Alberta Treasury Branches, a subject of great discussion of late. I wonder if the Treasurer can provide a copy of the five-year strategic plan that was prepared by the Alberta Treasury Branches and explain perhaps why this plan has not been made available to the true shareholders of the Treasury Branches, that being the people of Alberta. Secondly, has the Treasurer given any consideration to having the superintendent of the Treasury Branches appear before the Standing Committee on Public Accounts that meets in this Legislature every Wednesday morning to account for the implementation of ATB operations in order to improve its accountability? We've asked this question a number of times, and I'm seriously hoping that we've got the Treasurer's attention on it now. Next, I wonder if the Treasurer can indicate whether Alberta Treasury Branches will in fact eliminate that \$51 million projected and accumulated deficit by the year 2000 perhaps. I understand it's \$51 million now, but it may come in well above that, unfortunately. I don't say that with any glee at all. I'm just facing the reality of the situation.

Moving on, given the government's commitment to creating a tax environment in Alberta which promotes capital investment, wealth creation, and a level playing field, has the Treasurer given any concern to having the Alberta Treasury Branches start paying deposit insurance as was recommended, I think, by the Alberta Tax Reform Commission, the Flynn report, and the Mazankowski report as well? Can the Treasurer provide more information on the external study on the net cash proceeds accruing to the government of Alberta from the sale of Alberta Treasury Branch operations as cited on page 4 of the Flynn report of December 1994? We have asked for this external study, and I'm going to ask for it again. It was referred to in that report. I'm sure there are no hidden secrets in it. Let's just have a look at it and see what it says. We may be able to provide some insight to the Treasurer. Can the Treasurer provide more information on the Alberta Treasury management response to the Flynn report that was cited on page 1 of the Treasury Branches working group report of February 1995? Will he release a copy of that report?

Going quickly here in the interest of time and the ticking clock, can the Treasurer provide some information on the initial loan review prepared by or for the Alberta Treasury Branches assessing commercial loans over \$5 million and commercial loans rated as having higher risk? Will he release a copy of the initial loan review? Will the Treasurer also provide information on the formal loan review that has been conducted by or on behalf of the Alberta Treasury Branches assessing its commercial loan portfolio? How much is it worth and can you tell us what that loan review concluded?

10:02

There's also a study, Madam Chairman, that was conducted by Peat Marwick related to improprieties and irregularities in the

banking practices of the ATB, and I would hope that the Provincial Treasurer at my request now would provide us with a copy of that study or at least some information on it. Let's find out what's going on over there. I'm sure they're all working hard and trying hard. I know they have a new management board of directors that has done a lot of very excellent work over the last couple of years. I'm sure they have many more challenges to overcome, but studies like the Peat Marwick one would be very helpful in providing a better understanding as to what some of the irregularities have been, and I think that something positive by way of correcting those things could be accomplished.

Also, could the Treasurer provide additional information and a breakdown of the \$94.3 million provision for credit losses of the ATB as of March 31, 1997? That's the comparable forecast. We see that provision for losses bouncing around a little bit, and I think you'll find it on page 404 of the Treasury business plan. I can't spot it here just - yes, there it is. Provision for credit losses, comparable forecast '96-97 is listed at \$94,300,000. That's up significantly from the projection of \$52 million, and we need some explanation of why.

Moving right along, given the legislation that is slated to be introduced to allow Treasury Branches to branch off into ancillary services, why is other income projected to increase by only \$8 million, or 12.2 percent, between now and March 31 of 2000? It seems that there should be a significantly higher projection there if in fact that is what the government intends to do. Can the Treasurer indicate what steps have been taken by the Treasury Branches to respond to the recommendations of the Auditor General as follows: one, "consider the net present values of future cash flows when selecting the optimum method for recovery of delinquent loans;" two, "improve its procedures for identifying loans that should be accounted for as non-accrual;" three, "improve its profitability measurement systems by allocating all non-interest expenses and [fees] to products."

Another question is: what steps have the Treasury Branches taken to ensure that borrowers provide comprehensive and reliable information about their business operations and plans and the security they provide before funds are advanced? I think we need these important checks and balances, Mr. Treasurer. I'm sure you'll agree. What improvements have Treasury Branches made with respect to the process of due diligence in that regard, on the information provided by these borrowers?

There are policies for minimum and preferred reporting by borrowers that have been implemented by the Alberta Treasury Branches. These include things like monthly cash flow statements, audited financial statements, and so on. I just wonder what policies exist in that regard or which ones have in fact been implemented.

What was the result of the audit by the Auditor General and the chief inspector of Alberta Treasury Branches into the allegations of inappropriate business practices at the ATB? Do we have some comment from the Provincial Treasurer on that, and if so, could we please have the Treasurer release the statements that are appropriate?

What steps has the Treasury Branch taken to automate the generation and recording of loan fee revenues?

Finally, winding up here, what steps have the Treasury Branches taken to automate and make more reliable and comprehensive the reporting of information on connected accounts, classified advances, letters of guarantee, and letters of credit?

Very quickly, under credit unions and Credit Union Deposit Guarantee Corporation I want to just ask the Treasurer about a more level playing field here. We know that Treasury Branches don't pay any capital taxes, and we know that they don't pay any deposit insurance, but we do know that other banking institutions

such as trust companies and credit unions do. So what further steps is the government contemplating to allow the credit unions to enter a more level playing field in relation to their competitors?

I hear the bell has gone, and I'll have to take my seat. Thank you, Madam Chairman.

THE CHAIRMAN: The hon. Treasurer.

MR. DAY: Just briefly. The Member for Edmonton-Glenora went on at some length discussing our strategies, outputs, outcomes, performance measurements. I'm all for being open about criticism of those, because we are one of the few jurisdictions in North America that actually even has made an attempt to have strategies, outcomes, and performance measurements and targets. So I will definitely take those criticisms and see if we can improve.

I will say on a couple of points – for instance, when we ask taxpayers, “Do you like it; do you like the system?”, I'm hoping that our response to that becomes increasingly negative, that taxpayers more and more awaken to the fact that all of us are grossly overtaxed. There have been articles lately by a number of economic luminaries who talk about tax creep being the slow, increased marginalization of taxation. But you know what? We are the tax creeps. We are. We're the ones who impose the taxes. So as tax creeps I do think we need to ask Albertans: do you like being taxed the way you are? Do you like the rate of taxation? Do you like being lashed this way, as the member said? I hope the answer is not that four out of five like it. I hope it's zero out of five, to give us the mandate for change.

I should also say that when we're asking senior officials in terms of what they think related to standards, policies, and guidelines, senior officials in this department know that when they are asked and when their input is required both on a proactive and a reactive basis, they are being asked for their honest response. They are not yes-men and yes-women. They say clearly what they think about a particular issue or they advance a particular initiative, and it is from that type of response that ongoing performances and initiatives are evaluated. They are not running

around saying: yes, yes, yes. If that's all they were doing, I suggest their jobs might be suspect.

The other aspect about the CHST – and I go quickly because members, though they would like to stay here for hours and hours, are growing impatient. The CHST equal to other provinces: we're just asking that the same criteria be applied. We know that because we're seen as a have province, so-called, we transfer more dollars out to the have-nots. We are asking for an increasing diligence on the part of the federal government to ask: why are we supposedly a have province? A lot of it is because we've taken some very tough fiscal measuring and made some very tough management decisions which have put us in an advantageous position, and when we get penalized for that, as we have been in this latest so-called reduction of the reduction, we get upset with that. That is not equal treatment. That's not comparing apples to apples. So we would say to our provincial Liberal colleagues: instead of being silent on the issue, join us. Join us in the clamour and in raising the outrage at which we're being treated by your federal cousins on this issue. We are not being treated equally, and we don't like it.

Now, before I get activated and aggravated on that issue, and considering the hour, Madam Chairman, I will thank all members for their input, for good questions tonight on which I'll do further research and will respond to as many if not all.

I would at this point move that the subcommittee rise and report.

10:12

THE CHAIRMAN: It has been moved by the hon. Treasurer that subcommittee A rise and report progress to the Committee of Supply when we reconvene. Do you concur?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed? Carried.

[The committee adjourned at 10:13 p.m.]