

Title: **Tuesday, February 24, 1998**

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8:03 p.m.

[Mrs. Gordon in the chair]

Subcom.A: Provincial Treasurer

Subcommittee A – Provincial Treasurer

Gordon, Judy, Chairman
Severtson, Gary, Deputy Chairman
Bonner, Bill
Burgener, Jocelyn
Cardinal, Mike
Ducharme, Denis
Dunford, Clint

Friedel, Gary
Hierath, Ron
Hlady, Mark
Jacques, Wayne
Johnson, LeRoy
Lougheed, Rob
Mar, Gary

Massey, Don
Ober, Lyle
O'Neill, Mary
Pannu, Raj
Sapers, Howard
Zwozdesky, Gene

THE CHAIRMAN: I'm going to call the subcommittee of supply to order. This is an opportunity for the members that are present tonight to ask detailed questions about departmental responsibility and expenditures. The hon. members can each speak for 20 minutes, and we'll certainly lead off with the Provincial Treasurer, followed next by the opposition critic, and then back and forth. I will ask the minister, when he feels the need, to stand up and answer the questions as time goes on. We will go a full two hours, and we are going to document the time for the hon. Member for Edmonton-Glenora.

Hon. Provincial Treasurer, you can start now, and it is 8:04.

MR. DAY: Thank you, Madam Chairman. First, I'd like to table a number of items: Treasury ministry business plan, 1998-2001 – I have the copies of those – also some information that I said I would table in response to a question from the Member for Edmonton-Gold Bar which will more accurately depict and break down and further detail the revenue related to the lease agreement on the sheet that he referenced. There was the information there. All the numbers are there, and they are accurate, and the bottom line is there. It could have been clearer on the left-hand description side, where the wording talks about what each line refers to. For instance, gain on sale of real estate was in there. There's a breakdown, which I'm tabling right now, that shows in fact the lease revenue was \$312,000 and the gain on termination of pension plans at \$30,000. The numbers are broken down, and there's a clearer description there, so that should make things clearer in response to his question. I'd invite him to take a look at that and see if there's more detail there. Also, 1997-98 supplementary estimates, which were a number of questions that I didn't have time to answer on February 17, the Committee of Supply questions, some of which were asked by my hon. critic and some by others, are all there. I will table these items. Thanks, Madam Chairman.

I believe the business plan is a reflection of continual fiscal responsibility, which is a cornerstone of this government. I think it was fair and interesting to note that in the federal budget today even reporters and those who were looking at the budget commented on a lot of similar language that the federal Finance minister was using in terms of reflecting on his budget, similar language as to what is in our budget. I'm encouraged that a reflection of our own department spending and estimates here is reflected in the fact that a cornerstone of the Klein government is one of strong fiscal responsibility and fiscal control.

The operating expenses are down by about \$14 million – I'm sure members have noticed that – due to the nonrecurring provision of \$15 million in '97-98 for the settlement of the lawsuit by the Principal Group noteholders. So you can see the element

down there.

A strong economy. Because of that, we have higher tax revenues. The department's '98-99 revenue estimates are nearly \$600 million higher than the '97-98 estimates and again a result of a strong economy. We would hope that would continue, and all projections are that that will in fact continue, and that's by analysts not just from within our own department but in fact from outside, an exterior analyst.

Notwithstanding the reduction in the provincial income tax rate and the doubling of the Alberta family employment tax credit, personal income tax is expected to remain unchanged from the '97-98 forecast. There's an overall reduction in the '98-99 department revenue compared to the '97-98 forecast largely due to the provision of the \$164 million corporate income tax cushion in the '98-99 estimates.

Madam Chairman, members I'm sure will also notice a \$3.8 million increase in the ministry's '98-99 capital budget, reflecting the need to replace the aging computer system and equipment, and in the whole process of more efficiently conducting our operations, there are some necessary acquisitions that have taken place on the infrastructure side. Also, as I announced in the budget speech, there are some major projects that are under way. The tax administration system converting from a mainframe to a client server program and re-engineering some of the business processes that are employed by the Alberta pensions administration call for some significant upward movement in terms of efficiencies and in terms of using technology to accommodate some of the service challenges that we have.

The buoyancy in the capital markets is reflected by the fact that the Alberta Securities Commission has expanded its staff in the areas of enforcement and prosecution and policy. Of course, that particular operation is entirely industry funded and, as a matter of fact, seems to be setting some good precedent for others to follow in that particular area. It's been encouraging to watch that development.

As you know, Madam Chairman, I could talk for hours about the wonders of this department, and I can tell you that it is a very responsive department staffed by people who are committed to our business plan not only as a department but as a government. Long hours into the evenings and sometimes into the weekend are not at all rarities in this particular department as they individually as public servants make it their goal to get the job done and get it done in an admirable style.

So, Madam Chairman, rather than continuing on on the joys of Treasury, I will look forward to some good comments, some direction and guidance from all member of the House at this time.

THE CHAIRMAN: Thank you, hon. Treasurer.
Edmonton-Mill Creek.

MR. ZWOZDESKY: Thank you, Madam Chairman. Yes, I'm going to enjoy speaking tonight to and with the Provincial

Treasurer with respect to the ministry of Treasury's plans and in particular the budget that we're considering for approval tonight. I would like to make a couple of opening comments, if I might, and that is to say that I appreciate the role the Provincial Treasurer has undertaken here in terms of the huge responsibility that he bears in providing the financial management for the province of Alberta as well as the planning and fiscal preparations that he and his staff go through to present budgets such as we have before us tonight.

However, I would like to express one point of disappointment right off the top, and that is with respect to the Treasury ministry business plan, which has only now just been tabled. I was hoping to have received it earlier, Mr. Treasurer, and I'm sure there's some reason for that. Perhaps somewhere during your response you could tell us why it is that we weren't able to get that supplemental business plan any earlier, even had we been provided it this afternoon. I checked with the table officers to see if it had been tabled this afternoon because I thought maybe we had missed it somehow. I would hope the Treasurer would undertake to provide it on a more timely basis or at least explain why this time it wasn't provided in advance, because all other departments are provided that supplemental business plan, or the ministry business plan as it's referred to, somewhat in advance of the actual debate. I mean, I won't even get to see it until after I finish speaking, so I'll have to come back to that. As I say, just an explanation will suffice for this go-round, and perhaps we could have that remedied for the future.

8:13

In reviewing the general budget for the ministry of Treasury, I was also looking to see some indication, Madam Chairman, that the province was contemplating and perhaps acting on the suggestion that has been made over the last few years with respect to a fiscal stabilization fund or what we can also call an economic stabilization fund. I want to make that point again at the outset, unless of course it's contained in the just-now tabled ministry business plan. I'll have to wait and read it through to see if it is.

I want to just make this comment crystal clear, that we are headed for a major revenue problem in our province. I don't say that gleefully at all. I say that very honestly and very realistically. One of the ways the Treasury Department and the Provincial Treasurer could create a hedge against that difficulty would be to usher in and budget for a few years of contributions from GRF directly toward a fiscal stabilization fund that would protect us against some of the volatilities that we see happening, in particular the volatilities in the oil sector, where we're seeing prices jump around as much as they are, Madam Chairman.

We're going to experience a bit of a downturn for a little while, I would think. I know the Treasurer does his best job with his trusted employees to monitor this situation and to analyze two-, five-, 10-year projections in the area, but nothing would be better than if he and the government had at their disposal, at their availability, at their beck and call a stabilization fund that they could draw on in times of depressed or unexpectedly low oil prices, for example, so that there's an easily accessible and liquidable fund they could draw upon to balance lower than projected revenues. I know there's going to be a problem here in that area soon. I say I would hope there wouldn't be, but I just see the writing on the wall coming. Rather than resorting to program cuts, they could have this pool of money that's been set aside that they could then go to to assist with those kinds of revenue shortfalls.

The other thing I want to say off the top to the Provincial

Treasurer and to his dedicated staff is to at some point please also consider the repeated suggestion to look at and perhaps embrace what I call performance-based budgeting as opposed to the current system of only doing program-based budgeting. Performance-based budgeting, Madam Chairman, is much more easily tracked and much more easily understood and sets up very specific and easily identifiable and measurable outcomes in very simple, straightforward terms: here's the performance we expect, here's how we're going to accomplish it, and here's the amount of dollars required that we're going to get the job done with. So I would ask at some point, please, to have some sort of a response or a comment on whether or not the Treasury Department is considering some form of performance-based budgeting somewhere in the future and, if not, then just a simple explanation of why not. I would really appreciate hearing comments on those few opening things.

The last opening comment is with respect to the so-called blue-ribbon panel on tax revisions or the tax commission or whatever it's going to be called. I don't have the Treasury business plan yet in my hand, so I don't know if that's specifically referred to and embellished on in there, but maybe the Treasurer could tell us about that. We saw in the Treasurer's own business plan a reduction already in the personal income tax formula. The calculation has been dropped by 1.5 percent. Today we heard the federal budget announce two additional personal income tax changes, one of which is applicable to us and looks pretty good. But here again, there's stuff happening in this area already, and I would hope that the Treasurer will be moving with some haste to appoint that panel, if it hasn't been already appointed, and to get it mobilized and rolling and tell us what the time frame is. Is this going to be a two-year project, or is it sort of a one-year project? When will it come onstream? We would like to know.

I will now move specifically to the Treasury expenditures and revenues as projected. I want to begin with a comment surrounding the government's commitment to three-year fiscal planning and emphasize that in my view – and I made this point last spring too – I think it would be extremely advisable to present three-year projections for the ministry and the department in the main estimates book. If you take a look again at the 1995-96 government of Alberta booklet called *A Better Way II: A Blueprint for Building Alberta's Future* and you turn to the very, very last page, there's a section there titled *Alberta Treasury Three-Year Spending Profile*. What this is, Madam Speaker, is a breakdown of the Treasury's operating budget by vote, by object.

The operating budget there lists in some detail where it is that the operating budget is apportioned to, to which areas, and it was easier to compare those spending profiles with estimates. But this year and last year it was impossible to make those comparisons because things are not broken down by vote as they used to be in 1995. We get a nice consolidated income statement, which is reflected, I think, in this year's budget on – is it page 350 or somewhere in that neighbourhood, or is it in here on 350? I had it flagged; I'll tell the Treasurer later. What we do get is a nice consolidated income statement, but it lumps everything together in a way that's not consistent with how I think it could and should be done. You can't compare the estimates book to the consolidated income statements, and that's too bad, because I think that would be a good move in openness and transparency. I gave that suggestion to the Treasurer last year, and perhaps he'll undertake it more seriously this year.

So to put it into question form for the Treasurer, I'd like the Treasurer to explain why the ministry business plans still do not provide a three-year expense profile by program as they last

appeared in the 1995-96, 1997-98 business plans of this government. I want at the same time to emphasize that if the Treasurer wanted to be more helpful to readers of the business plans and the estimates books so that they could easily compare the program expenses within the department over a three-year time frame, then he would surely take up this suggestion to see the department report by program area for the years 1998 and into the future.

8:23

I want to move quickly now to the program-by-program diagnosis and discuss briefly what I see on page 379 of the Treasury statements and begin with the increase of 7 percent in ministry support services. I don't know that the minister covered that in his opening comments, but I'm hoping that he will explain why ministry support services are being increased by 7 percent in the upcoming fiscal year while the overall level of spending within the department is going down by 6.8 percent between '97-98 and '98-99. To put it another way, we've got the minister's own expenses and overall level of spending being increased; however, the department's expenditures are going down. I was curious when I saw that. I would want to know what the justification or explanation behind that is. We see ministry support services having gone up over the past few years by, I think, about 14 percent compared to an overall reduction to the department as a whole of about 12 percent. That shows up on page 379. So if we could have some explanation to that.

Alongside that, I wonder if the Treasurer could tell us, Madam Chairman, what performance measures he's developed to evaluate the effectiveness of program and service delivery by ministry support services that would justify the 7 percent increase that is projected in expenses during the upcoming fiscal year?

Another interesting point there as well deals with – I don't know if it's a department – the area called ministerial projects and liaison budget. I'm not sure; is that contained under ministry support services, Mr. Treasurer? If it is, then what is the budget for ministerial projects and liaison? I'm given to understand that a good, solid employee of the government occupies that position, and I'm not sure what it is that that person deals with. It's the area of ministerial projects and liaison. Now, I would hope that the Treasurer would explain, for example, what kind of projects the person or persons are responsible for and what it is that they liaise. I'm just very unclear. At the same time, perhaps the Treasurer could explain how much that function costs his department and, in turn, taxpayers. If there's anything else, Madam Chairman, with respect to the general job description or the terms of reference of that position, I'm hoping and asking the Treasurer to please provide that information as well.

Under vote 1.0.1, on page 379, once again I'm going to ask the Treasurer if he'll provide a breakdown of those operating expenses under that vote on an object basis; in other words, some specifics with respect to salaries, wages, and employee benefits, travel expenses, and things that I asked about last spring including transportation and maintenance costs relative to the clients they serve. Perhaps there are advertising costs, insurance, freight, postage, rentals, telephone, communications, data processing. Perhaps there are hosting expenses, contract services for professional, technical, and labour services. I mean, there must be a variety of things included there. Just some basic explanation of how the roughly \$312,000 is spent.

Under vote 1.0.2 I think there's an underexpenditure. Is that right? I was hoping the Treasurer would explain why the Deputy Provincial Treasurer's office underexpended its budget. I mean, that's probably a good thing. But could he explain why the DPT's office underexpended its budget in 1997-98 by approxi-

mately \$20,000, or 8.2 percent, yet at the same time the budget is again being increased by 11.1 percent from the previous year's comparable forecast of \$224,000? I'm sure there's a logical explanation, and if the Treasurer would just provide that, I'd be grateful for that.

Under vote 1.0.3, the financial and support services expenditure, perhaps the Treasurer could explain why financial and support services is receiving \$199,999, or a 13.7 percent increase from the previous year's comparable estimate. Again, maybe some of these answers are included in the documents the Treasurer tabled earlier, but likely the detail would not be there. Along that same line, are there some additional activities, Mr. Treasurer, that are being planned in financial and support services in 1998-99 that might justify this increased expenditure, or exactly what is the increase anticipated to cover?

The final question in that particular area deals with the following issue: how much of the financial and support services budget deals with the actual preparatory advice and/or ongoing monitoring by the Treasury Department of its three-year business plans of government departments and agencies? How much of it deals with the development and monitoring of accounting structures within the department? Has this more to do with the banking services and investment management or the ministry's deregulation initiatives? Some clarification in that respect would be quite helpful.

Under vote 1.0.5, which deals with corporate information management services, I'd like the Treasurer to explain why there's an 11.6 percent expenditure overrun, or to put it in dollar terms – what is it? – \$160,000 more of an expense will occur under this item during the previous year. There is an overrun there that I'm not sure if the Treasurer touched on or didn't, but perhaps he could explain that.

Finally, under this item perhaps the Treasurer could explain as well by giving us a description of the activities that he sees contemplated by the corporate information management services in 1998-99. What does he see them doing that justifies an increase of \$96,000 in their budget from the previous year's forecast?

Is that the bell I just heard, Madam Chairman?

THE CHAIRMAN: Yes, it is, hon. member.

MR. ZWOZDESKY: Okay. I'll come back later if I might then. Thank you.

THE CHAIRMAN: Yes. You can again.

The hon. Member for Edmonton-Mill Woods.

DR. MASSEY: Thank you, Madam Chairman, and thank you to the Treasurer for the amount of detail and the answers that we have received from his ministry in the past. He's always followed up on answers and supplied us with the kind of information that we've asked for, and I assume it'll be the same for this budget.

I'd like to, if I could, focus my specific questions on program 2, which is the revenue collections and rebates. This program collects provincial taxes and other revenues and debts owing to the Crown and administers the tax incentives and tax rebates. It is responsible for the collection of corporate income tax, financial institutions' capital tax, insurance premiums tax, fuel tax, hotel tax, pari-mutuel tax, and tobacco tax. So it has a wide range of tax-collecting activities, and there have been a large number of changes. There's a great deal of activity in terms of trying to streamline tax collection and trying to respond to taxpayers more expeditiously and also to try to sort out and make sure that the

government receives those taxes that are due it, so the questions I have are rather detailed in keeping with that activity of the department.

8:33

In his opening comments the Treasurer made reference to the \$2.596 million in capital investments for the 1998-1999 enhancements to the tax and financial management systems, making reference to mainframe computers. I wondered if we could have some further information on those changes. They account for a considerable amount of money in this budget and several other budgets in the estimates.

I wonder if the Treasurer could provide a breakdown of the gross operating expenses under the tax and revenue administration for 1998-1999 by the following subprograms: compliance, internal support, revenue operations, strategic management and integration, and tax services. Will the Treasurer provide a breakdown of the tax and revenue administration expenses for 1998-1999 by object? It's listed as \$13.502 million in the estimates. Could we be provided with the projections for the gross operating expenses for tax and revenue administration for 1999-2000 and 2000-01? Could we get a breakdown of the FTEs, the full-time equivalents, and the projections in the tax and revenue administration for 1998-99, 1999-2000, and further again to 2000-01 to get some idea of the kinds of personnel allocations that will be made in the department?

There have been a number of steps taken to reduce compliance costs within the area of tax and revenue administration. In December 1994 Treasury announced that effective in 1995, 50,000 corporations without taxable income would not be required to file a corporate income tax return with the Alberta government or pay monthly tax installments if their Alberta tax credit was less than \$2,000. Alberta companies that claim the maximum Alberta royalty tax credit will no longer have to apply each month for installments, and in addition to this, Alberta Treasury expected to save \$1.35 million per year from reducing the amount of compensation provided to tax collection agencies. So I have a series of questions.

What savings have been achieved by tax and revenue administration and the private sector with respect to this reduction of filing requirements for corporation taxes? Can the Treasurer provide us with an update on further discussions with industry and professional groups relative to further streamlining of corporate tax collection? What other kinds of things are in the works? What kinds of things are being discussed with those stakeholders?

Will the Treasurer table any reports or studies that have been prepared by the government and industry and professional groups regarding the benefits of streamlining corporate tax collection? I guess we'd like some of the background information that the government has been looking at as they pursue a really worthwhile goal of making it easier for corporations to file and to comply with the tax laws.

What increased efficiencies have been achieved by having propane taxes collected at the wholesale level and allowing retailers to obtain refunds on tax-exempt sales by means of an interactive voice response telephone system? These systems of course are receiving a great deal of attention, and we would be interested in any kinds of evaluations that the department will be conducting on that interactive voice mail response system. It's interesting, as others move into such a system, the kind of mixed responses they get. So we'd be interested in Treasury's experience in this area.

What is the status of the initiative to implement an electronic point-of-sale system to process the tobacco tax refunds for

retailers on Indian reserves under the Alberta Indian tax exemption program? Again, an attempt to help retailers and to cut down on the amount of paperwork involved and to make more immediate the response to ratepayers. What's happening with that initiative? Has the electronic point-of-sale system been expanded to the Alberta Indian tax exemption fuel tax refund? So is there an attempt to move it further from the tobacco tax?

Again, going back to the corporate tax returns, what increased efficiencies have been achieved by the implementation of the imaging and work for technologies for the corporate tax return assessment process, and when will these imaging and work for technologies be expanded to all facets of the tax program? As we move to paperless reporting, just what kind of efficiencies are being achieved? What kind of impact is it having on the Treasury Department as they try to implement this and cut down the amount of paper flow and make more instant the activities of the Treasury Department?

What increased efficiencies have been achieved by permitting those who are claiming the maximum Alberta royalty tax credit from filing one installment application yearly? What's been the impact of that? What are the terms of reference that have been established in the stakeholder consultation process for the review of the Alberta royalty tax credit planned in 1998? What is the background activity to those consultations? We'd like to be privy to that information.

The Treasury Department has, as I said, a lot of activity. A number of those initiatives are co-operative activities or plans or projects with other tax collectors, other provinces and the federal government. So I have a series of questions on some of the projects and some of that activity.

First of all, what is the status of the initiative involving Revenue Canada, Alberta, and Ontario to establish a common electronic filing process for corporations filing corporate tax returns? It seems, again, like a worthy project to co-operate with and benefit from the experience of other provinces in moving to a more paperless filing system. Just exactly what's happened to that project or that planning? Where is it going?

What is the status of joint compliance projects between Alberta and Revenue Canada related to the collection and auditing of tax to reduce compliance costs and to broaden compliance coverage? Again, a project in co-operation with the federal government. Further to that, what is the status of the collaboration between Alberta and Revenue Canada and other provincial jurisdictions to update information-sharing agreements between tax administrations to prevent double taxation and a number of other problems that jurisdictions face?

A couple of questions about, again, the work with the federal government. What is the status of negotiations between Alberta and the government of Canada with respect to the creation of a Canada customs and revenue agency? I understand that those negotiations are going on, it was reported, and the agency was to come into being. Again, related to the creation of that agency, what kinds of efficiencies and savings does the Treasury Department see coming or flowing from the establishment of such an agency? I think some of them are fairly obvious, but it would be interesting to get the thinking of the department on what they see as the benefits from the establishment of such an agency and again what some of the problems might be.

8:43

Could we have from the Treasurer some of the reports and studies that've been prepared by and for the government as it relates to increased efficiencies of a national or regional tax collection agency or agencies? Again, what is the background

information that's being used to determine the shape of those agencies should they go ahead?

A lot of specific questions, Madam Chairman, about the operations of the department. I'd like to, if I could, then move to some of the exploratory work that the Treasurer has talked about and the department has been working on in moving to different taxing systems. I guess I'd like to talk about moving from a tax-on-tax to a tax-on-income regime that has arisen. What are some of the administrative and some of the compliance costs that would result from moving from a tax-on-tax to a tax-on-income regime, particularly as it relates to the substitution or the creation of a new Alberta tax form as you shift to the tax-on-income regime?

Has the department or the Treasurer thought of the kind of mechanism, the kinds of things that would have to be in place or could be established under a tax-on-income model to ensure that there will not be a tax shift to middle- and low-income Albertans when such a move is undertaken? Can the Treasurer table any reports assessing the impact of a tax-on-income regime on the various classes of Alberta taxpayers as they stand now? There were some studies prepared by the federal/provincial committee on taxation between 1992 and 1994. Is there additional information that could shed some light on the impact on that kind of a tax program shift?

When is the federal/provincial discussion paper on tax on income expected to be initiated and completed? It's under way, is it? What are the terms of reference? I imagine we'd get the paper, but what are the terms of reference for the development of that discussion paper? Again, it may be in that paper, but we'd be interested in how many provincial income tax brackets are being contemplated under the department's proposal. It would be interesting to see how many brackets are being looked at.

What income thresholds are being considered for each provincial tax bracket? I think that kind of information is necessary to ensure that any kind of a shift maintains the progressivity of the existing tax system. We would be looking at some of the specifics in that proposal. At what levels would nonrefundable tax credit such as the basic personal amount, the age amount, equivalent spousal amount, the CPP contributions, employment CPP contributions, disability – what are the levels they're looking at in terms of establishing a tax-on-income system? Will all nonrefundable tax credits be fully indexed to the rate of inflation in order to prevent the occurrence of tax bracket creep? We've heard a lot about tax bracket creep the last two or three days as the federal government tables its budget.

Is the government considering any new credits under the proposed scheme that they're looking into? Will such a scheme eliminate the .5 percent flat tax and the 8 percent high-income surtax currently in place?

There are some proposals in terms of a flat tax. What impact would the introduction of a flat tax regime have on Alberta taxpayers in the various income classes? What kind of work has the Treasury Department done in that area, and could we have any of the studies that have been undertaken shared with members of the Assembly?

Just one further one. Has the Treasurer considered a phase out of the capital tax on financial institutions? Is that part of the government's thinking?

Now, to close, if I might. There are certainly a lot more questions on program 2 but just a couple more on the tax review committee. Will the Treasurer provide some further information on the mandate of the tax review committee which is going to be set up to examine the options and structures for Alberta's personal income tax regime as it relates to the impact on the economy and marginal tax rates, the impact on different demographic and

different income groups, the degree of simplicity and transparency, the tax competitiveness, and policy implications for families, individuals, and high marginal rates? Just what is the mandate of that committee going to be? How extensively can we expect them to explore the tax system as they review it? Can the Treasurer provide further information on the mandate of the tax review committee to review options for financing the knowledge-based industry in Alberta, research and development in particular, and motion picture, film, and video production? Some of those issues have presented problems in terms of their relationship to the tax system as the restructuring has proceeded.

So a lot of questions, a lot of detail, but it's the kind of detail that this budget evokes. Thank you, Madam Chairman.

THE CHAIRMAN: Thank you.

Edmonton-Glenora.

MR. SAPERS: Thank you, Madam Chairman. There's enough detail in here, the size of a dork I think, and I'm looking forward to . . . [interjection] Not to concern yourself.

AN HON. MEMBER: The size of a door.

MR. SAPERS: With a K. It's all right.

I would like to talk to you about your business plan, Mr. Treasurer, and if time permits, I have some specific questions as well about program 3. I'm always fascinated by the business plans as they've been evolving. I note that the business plan for your department this year is again a slightly different format from what we've seen in the past. I would very much appreciate from you a general comment first about what you perceive as the best way to present this kind of planning information. We've seen three-year projections and five-year projections, and we've seen business plans that don't have rolling time lines but that have key performance indicators. We've seen them combined, the key performance indicators with time lines, and we've seen a slight variation of that, which is how I perceive yours, which takes us through all of the goals of your department and then provides some detail regarding strategies, outcomes, and performance measures or targets.

[Mr. Severtson in the chair]

A general comment as well, before I get into the specific details, is that often some of the outcomes and performance measures can be a little interchangeable. Like, if you look at the wording, it would be pretty easy to move an output to an outcome or an outcome as a performance measure or a target. I know that a lot of work has been done in the government, and I know that your department has led some of that work, and it would just be nice to see some common language, not just throughout all of the business plans but at least within one department's business plan.

The first detail that I'm after is under goal 1, which is "a healthy and sustainable financial position." The very first set of strategies has to do with paying down the province's net debt. The outcomes as stated are that "the province's finances are in order and the debt burden for all Albertans is reduced," which is very nice. The performance measure is: "net debt; target: \$0/person." That is exactly the kind of target that screams out for a time line and to show what the impact would be. I've had economists tell me that it would be easy to get the net debt down: just not spend any money. You know, you'd put it all into the debt. So obviously there's a trade-off. I don't mean this to be a rhetorical question. Obviously, you've got to make some very

tough decisions, and one of those decisions is the speed, and we have had political discourse in this province over the speed of paying off the net debt. So for this target it would be nice to see where you've come down with this business plan on that discussion.

8:53

Later on in your business plan on the same general goal you make the point that as a strategy Alberta's position on federal/provincial fiscal arrangements needs more equality. The outcome is that Alberta will be treated equally. Equally to what? Is this in relation to all other provinces, or is there some ideal model? Is there some ideal forecast or projection in terms of transfer payments? The strategy talks about working with other provinces and issuing joint provincial statements. There are regional variations. The shifting of dollars around through the Canada Health and social transfer and some of the other mechanisms we had for equalizing the wealth to some extent in the country are designed to some extent so that all Canadians can enjoy a certain level of prosperity, and I'm just wondering what exactly it is that you're leading your department towards when you make the statement "Alberta treated equally."

I note that the performance measure says,

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

Does that also mean that the tax points and all of the other things would all fall into line so that there would be total equality? I'm wondering if that particular vision of being treated exactly the same as all other provinces might in some way backfire on us, if we do ourselves our disservice because of the rather robust nature of this province's economy. So I just need some detail there.

Goal 2, "an accountable government." You've certainly spoken at length about the openness and transparency of this government. I have to give the government a fair bit of credit. Over the short time that I've been in this Legislature, I've seen some changes that I think are very positive changes, and I think there has been some more openness and some more accountability. I'm concerned about some decisions, not rolling up all the departmental plans in one place. Anyway, I think there are some difficulties, but it's better than it's been in the past.

One of the strategies under goal 2 is to provide "reliable, relevant, understandable and comparable information" about the government's plans, goals, strategies, et cetera. The performance measures and targets listed for that set of strategies is as follows, that the "satisfaction of Albertans that the government's financial and performance report is complete and accurate." The target is that four out of five Albertans are satisfied or very satisfied. It goes on to talk about the portion of Albertans who are aware of the government's financial performance; four out of five are aware. "Portion of Albertans aware of the government's budget situation:" four out of five are aware.

Well, that's terrific. How exactly are you going to measure that? Is this part of an ongoing polling strategy? Is it focus groups? What happens if they're not and if you find that three out of five are aware or three out of five are satisfied? Do you do more polling? Do you ask different questions? Where do you make corrections if the communication doesn't seem to be working? Underlying that whole set of questions, Mr. Treasurer, is, you know, that this can't just be a communication strategy. You've demonstrated in the House that you're a student of history, and you know that it's easy to convince people of things if you repeat a message often enough and with enough power and if you have enough status as the teller of the tale. I don't think

this can just be a communications plan, and I'm not suggesting that it's just a communications plan for the government. But when you see a performance measure that just says that four out of five people are aware, it leaves me wondering whether that's the best measure of performance, that information is reliable and relevant.

Perhaps a different measure or better measure would be that people outside of the province were aware and considered the information to be accurate, that some other measures about outside investment, some other third-party or neutral indicators that the image of Alberta from outside of this province's own boundaries was enhanced by or was consistent with the government's vision. It just seems to me that maybe some external tests could be used there.

Another strategy under goal 2 is to "facilitate increased ministry responsibility and accountability for financial management." I think I mentioned this last year in debates, and I continue to be amused by this one. One of the performance measures there – and I know it's not indicated as a key one – is the "satisfaction of deputy heads with the government's accountability system; target: 4 out of 5 [of the deputy heads] satisfied or very satisfied."

Well, I have a couple of questions about this. The deputy heads are responsible for implementing the minister's policy and the vision of the government, and if the vision of the government and the government's policy is increased ministry responsibility and accountability for fiscal management and then we're looking, as a performance measure, to see whether or not the deputy heads are happy with the job they've done, essentially, it seems to me that we could guarantee a couple of things here. We could guarantee that five out of five are going to be very satisfied or that a whole bunch are going to be looking for new work. So, you know, it's a bit of a tautology there in the measurement.

I'm not saying that it's not important to get the view and the image from our deputy ministers, and I'm also not in any way slighting the effort that they or the people that work for them are doing. I'm just suggesting that's not perhaps the strongest performance measure, and you also don't go on to say how it's measured. I mean, that's a pretty select group, deputy heads; we don't have more than a handful of them. So it's not exactly the kind of thing we can do by a random survey. What's the downside if somebody says, "Well, no, Mr. Minister, I'm really not satisfied with the ministry responsibility and accountability"? It seems to be that would be tantamount to an exit interview. As I say, I think I mentioned this last year, and I see it again in the business plan. So maybe you could even tell us how it worked last year. I know there's been a little bit of turnover, and maybe that accounts for it.

Goal number 3: "a fair, competitive, and simple provincial tax system managed efficiently and effectively." A great goal. I see that one of the first set of outcomes includes "a tax system that encourages Albertans to work and supports families" and "high employment participation rates." The target is that personal income tax is the lowest in Canada. The provincial tax load for a family of four target: lowest in Canada. Absolutely admirable. Where do you calculate user fees? Where do you calculate health care premiums? Is your department actually going to paint a picture that takes in the entire cost of being a citizen in the province of Alberta? Each of us and each of our constituents pay to government or to agents of government considerably more money than the money that's taken off our paycheques at the end of every month. I'm just wondering if the calculation that you use for the tax load on a family of four doesn't include the typical family's user fees and health care premiums, whether or not it's really a reliable measure.

9:03

There's another one that I have some concerns about as well, and I'm at a real risk of being misunderstood here. We talk about taxes, and none of us are supposed to talk about the T word out loud. The "provincial tax load on business; target: the lowest in Canada." The outcome is to be "a competitive corporate tax regime that attracts business and investment." Well, that's great, and I would argue that that should be a goal, an appropriate goal. But it's also a bit of a game of chicken. What if another jurisdiction wants to commit suicide? In this race to the top or race to the bottom, what if another jurisdiction says: we're not going to let Alberta get away with that? There are people back east, Mr. Treasurer, that are doing really silly things in their jurisdictions, and maybe we don't want to necessarily hang our hat on that one. So at what point would you moderate that? Have you in fact calculated a bottom line or a floor level of corporate tax below which you would not probe because it would be counterproductive, because it would do a disservice to the people of Alberta because we simply would be abandoning revenue that (a) would be legitimate and (b) would be necessary to maintain the overall quality of life that we want for this province?

Goal 4: "Investment returns maximized and borrowing costs minimized subject to acceptable risk." I'm glad to see that goal in the business plan. I'm looking at the strategies related to the windup of non core financial assets, and you note in the business plan: including AGT and N.A. Properties. The outcome is sort of - well, it doesn't advance our understanding much of the goal. It just says: "increasing focus on market investment activity." Well, yeah. What else would you expect. My question is. You've got as a performance measure that the dollars received would be "better than book value" and that the "assets remaining to be disposed of [would become] zero" and that the "amount of contingent liabilities under administration [would be] zero." You make an allowance for ongoing programs. I'm just wondering what kind of management that is.

We've had one minister of Executive Council bragging in the past that we've written off 2 billion or 2 and a half billion dollars worth of assets with Alberta Mortgage and Housing Corporation properties, and it was seen as justifiable, that it was a good loss to take because it got us out of that particular line of business. I'm wondering what kind of time line we're looking at to get the assets remaining down to zero. Again, I'm wondering if in fact your officials have calculated a bottom-line figure. It's one thing to say that you have as one outcome or one target, "better than book value"; another is that they should be "zero." Where are you putting the priority? We can make sure that there's nothing left in the portfolio by selling everything off at a fire sale price. My impression is that that has been the direction of some ministers in this government, that the highest priority is just to get rid of the asset no matter what. So I want to know where you'd put the priority. Is the performance measure of a return "better than book value" a higher or a lower priority than getting the asset base down to zero? Again, over what time would you do that?

Goal 5: "an efficient, fair and competitive capital market and an efficient and fair regulatory environment for financial institutions." I also understand, coming from that goal - and I was surprised that I didn't see it; at least it didn't leap out at me. There's some legislation that's pending. At least we've seen the pre-session announcement of some legislation that probably flows from this goal, and I'm anxious to debate those bills in the House. One of the performance measures here that I was particularly interested in is the one that flows from the strategy that calls for

reducing, simplifying, and harmonizing regulations with other jurisdictions and talks about "an efficient capital market in Alberta and confidence in that market."

The performance measure is one that's put in bold, and we're told in your business plan that when it's a bold performance measure, it's a key performance measure. So this key performance measure is that Alberta's market share of investment capital is maintained. That's not a particularly aggressive performance measure. I would like to know why, especially in light of some of the other performance measures which are very aggressive - you know, we'll have the lowest in Canada; we'll get things down to zero - this one, particularly with the kind of strength that's in our economy right now, is sort of a modest performance measure. Could we not look at 5 percent, 10 percent, 2 percent, 1 percent growth in Alberta's share of investment capital?

I'm thinking particularly of all of the potential that we have right now in growing some of our high-tech, biotech, medical technology businesses and industries in this province. There's a tremendous amount of research activity, a tremendous amount of investment of intellectual capital in those fields right now that inevitably at least should be attracting financial capital. I'd hate to see all of that intellectual capital that's going to work in this province simply create market opportunities in other jurisdictions. I was a little curious about that one.

Also in goal 5 I note the performance measure that's linked to monitoring Alberta incorporated credit unions and relying on "federal and other provincial governments for the solvency regulation of financial institutions." The performance measure that's linked to that strategy says that the "percentage of recommendations relating to companies, compliance with legislation and sound business practices that are complied with" should be 100 percent. Well, that's great, but what is it now? This goes back to my first comment, Mr. Treasurer that these performance measures, outcomes, and strategies will sort of just hang in time all by themselves. If you don't have something to relate them to, it's hard to know whether that's a good or a bad measure. So if we've had 100 percent compliance in the province for the last five years, then this performance measure is status quo. If it's 70 percent compliance, then it's tremendous growth, and I'd like to know which.

I guess I'll have to rise again.

THE DEPUTY CHAIRMAN: The hon. Member for Edmonton-Gold Bar.

MR. MacDONALD: Thank you, Mr. Chairman. It's a pleasure to have the opportunity to ask the hon. Member for Red Deer-North some questions on his budget. It's an extensive document, and the staff must have worked long and hard at this. I appreciate the tabling of the errata concerning my questions yesterday in the Assembly. However, I'm not quite satisfied with his calculations, and I will get to them later.

The Provincial Treasurer, when I was first elected to the Assembly, came in here with this loony on his lapel, and it represented the sweat-soaked loony of the Alberta taxpayer. I'm sure he sees that, but I see something different. Every time I see the Provincial Treasurer come in with that loony in his lapel, Mr. Chairman, I think of Swan Hills and the dollar that this province is going to get back whenever that is sold. That loony represents loans gone bad, loan guarantees gone sour. We can think of the old black and white movies where at the frat house there would be one of the students that had a kick-me sign on his back. Well, this government should have a sign on their back: pick my pocket.

There's a lot of business interests that certainly over the years have picked the pocket of this government and its various ministries.

The loans and the loan guarantee division, Mr. Chairman. How much of the \$7.46 million budget of finance is being allocated in 1998-99 to administer remaining loans and loan guarantees and related asset sales?

9:13

Will the Treasurer indicate what steps his ministry has taken to track all indemnities and financial commitments provided by departments and provincial corporations and to properly assess exposure to loss. What system has his department developed to report all these indemnities and commitments and include this information within the public accounts and his department's budget?

Will the Provincial Treasurer provide any information on the process that is established to divest government of investments such as the AGT Commission and N.A. Properties (1994) Limited. Can he explain the role and function played by the interdepartmental divestiture committees. Does this divestment process include the following steps on a regular basis: for example, studies on business evaluations; information that's available to potential purchasers; soliciting, receiving, and assessing bids; conducting negotiations with one or more bidders in terms of divestment; making recommendations to ministers on the acceptability of the bids; executing the sale agreement; ensuring all preconditions are fulfilled for settlement of the sale contract?

How does the loans and guarantees division use monthly cash flow statements, quarterly financial reports, business plans, financial projections and appraisals, and valuations from companies that have received loans or guarantees from the government to prepare interim and annual financial statements as required under sections 5.2 and 5.3 of the loans and guarantees manual?

Will the Treasurer table the latest interim and annual financial statements and their analyses prepared by the loans and guarantees division under sections 5.2 and 5.3 of the loans and guarantees manual as it relates to the province's financial involvement in Centennial Food Corp., Pratt & Whitney Canada Inc., Alberta-Pacific pulp mill project, the Ridley Grain company, Murphy Oil Company Ltd., Vencap acquisition corporation, Alberta Newsprint Funding Corporation, Canadian Airlines International, Kananaskis Alpine Resort, the Centre for Frontier Engineering Research, Pocaterra Development Corporation, and North Saskatchewan River Boat.

Now, as I recall, the Premier made a commitment in February of 1998 in this Legislative Assembly on the Al-Pac loans, and that's very similar to these corporate enterprises. Will the Treasurer provide information on any restructuring proposals that have been worked on by loan and loan guarantees for such ventures as the North Saskatchewan River Boat, Centennial Food Corp., Kananaskis Alpine Resort, the Pocaterra Development Corporation, and this Ridley Grain Ltd.

Will the Treasurer provide a breakdown of the \$15 million provision for doubtful accounts – that's a nice way of describing it, doubtful accounts – and the \$15 million provision for loans, guarantees, and indemnities as of March 31, 1998, contained on page 72 of Budget '98.

Will the Treasurer also provide, Mr. Chairman, a breakdown of the \$44 million provision for doubtful loans, advances, implemented guarantees, and indemnities as of March 31, 1998, as disclosed on page 76 of Budget '98.

Will the Treasurer please provide a breakdown of the \$53

million estimated liability for guarantees and indemnities as of March 31, 1998, as disclosed on page 77 of Budget '98.

Will the Treasurer provide an update on the status of the \$1.3 million loan guarantee to the North Saskatchewan River Boat Ltd. What recovery is expected by the Treasury Branch on its outstanding loan, and what is the expected payment by the government under the guarantee? Will the Treasurer confirm that the \$1.3 million is contained within the \$53 million provision for estimated liability for guarantees and indemnities as of March 31, 1998, contained on page 77 of Budget '98?

Can the Treasurer please provide an update on the status of loan guarantees to Pocaterra Development Corporation and the Kananaskis Alpine Resort? How much of the \$9 million in guarantees is contained within the \$53 million provision for estimated liability for guarantees and indemnities as of March 31, 1998? This is also on page 77 of Budget '98.

Will the Treasurer confirm that a \$750,000 payment under guarantee was paid to the Alberta Treasury Branches on the Skimmer Oil Separators guarantee in May of 1997?

Will the Treasurer provide a breakdown of the \$1 million outstanding under the export loan program as of March 31, 1998?

Will the Treasurer provide an update on the status of the \$3 million loan guarantee to the Centre for Frontier Engineering Research?

Will the Treasurer please provide an update on the status of the \$11 million in guarantees outstanding to Canadian Airlines?

Will the Treasurer provide an update on the \$143 million in guarantees outstanding to the Alberta Newsprint Funding Corporation? What is the status of discussions with the lender as it pertains to the difference in reporting on the contingent liability as of March 31, 1997? That's \$136 million versus \$143 million.

Will the Treasurer provide an update on the status of the \$6 million loan to Pratt & Whitney Canada?

Will the Treasurer provide an update on the status of the \$141 million investment in Ridley Grain Ltd.?

[Mrs. Gordon in the chair]

Madam Chairman, will the Treasurer please provide further information on the terms and conditions of the repayment of the \$14 million loan provided to Centennial Food Corp.? Will the Treasurer indicate how much in interest payments have been made on the loan to the 31st of January 1998? Interest rates have varied very much, and we need to know how much unpaid interest has accrued on this loan between March 1991 and January 31, 1998.

MR. DAY: Which loan was that?

MR. MacDONALD: This was Centennial Food Corp.

How much of the \$14 million owing on the Centennial Food loan is contained within the \$44 million allowance for doubtful loans, advances, implemented guarantees, and indemnities as of March 31, 1998, contained in the budget?

What are the estimates of pulp prices produced by Resource Information Systems Inc. over the term 1997 through to the year 2010, northern bleached softwood kraft, northern bleached hardwood kraft, on which the carrying value of the Al-Pac loans, \$374 million – and there's a \$114 million provision for credit impairment. What are these based on as of March 31, 1998? Will the Treasurer indicate the cash flow projections for the Al-Pac project for the period 1998 to 2010 that were utilized by the Alberta Treasury to arrive at the \$260 million carrying value as of March 31, 1998?

Will the Treasurer release an evaluation and sensitivity analysis? Speaking of sensitivity, the members across the way are getting quite sensitive whenever we bring up the fact that many millions and millions of dollars of sweat-soaked taxpayers' loonies have been involved in the industrial strategies which have failed.

9:23

Will the Treasurer release and tell us what amount of net cash flow the Al-Pac joint venture has to generate on a monthly basis in order to make the \$2.8 million in monthly interest payments on the heritage fund loan? What are the required thresholds for pulp prices, volumes of production, volumes of sales, and operating costs that allow for the payment of monthly interest charges on the heritage fund loan to Al-Pac?

Now, the banking and cash management. This provides banking and cash management services to many government entities. What performance indicators have been established by your department to evaluate effectiveness in this area? Which benchmarks have been developed for these measures? What are the implications of maintaining banking systems to maximize cash, particularly in relation to the increase in liquid assets in the heritage fund and the consolidated cash investment trust fund?

How does the Treasurer expect to increase analytical capability, including external expertise, to assess alternatives, measure risks, and employ options, swaps, and other financial products to manage the liability portfolio?

Will the Treasurer provide further information on the operation of the consolidated cash investment trust fund as a tool of asset management and the financial institution reporting systems that are in place to monitor performance?

Will the Treasurer indicate the number of securities transactions that were undertaken by the cash, banking, and securities administration during 1997-1998 and the expected level of activity during 1998-99? Will the Treasurer comment on how effective the contracting of cash, banking, and securities administration with external financial institutions is in bringing cash quickly into the Alberta system? How much cash flow is banking and cash management projected to handle in 1998-99? I understand that \$194 million was handled in 1996-97. That's including revenues, expenses, investment, and debt transactions. How many further reductions in bank accounts are expected in 1998-99 resulting in improved banking efficiencies?

Now, Madam Chairperson, I've asked the Provincial Treasurer many, many questions. I hope in the future to only ask him one question at a time in question period. The hon. critic from Edmonton-Mill Creek has many more questions also for the Provincial Treasurer, so I will allow him some more time.

Thank you.

THE CHAIRMAN: Thank you, hon. member.

The hon. Member for Edmonton-Mill Creek.

MR. ZWOZDESKY: Thank you, Madam Chairman. I'm prepared to go ahead, but I was wanting to allow members on the other side of the House to ask any questions, should they wish to.

MR. DAY: They ask me stuff all day long.

MR. ZWOZDESKY: The Treasurer's telling us that they ask him questions all day long, so perhaps we'll leave it at that. If there's nobody from the other side who wishes to speak, then may I go ahead?

THE CHAIRMAN: Certainly.

MR. ZWOZDESKY: Thank you, Madam Chairman. I want to again just preface my questions with a couple of quick observations in a general sense. I wonder whether the Treasurer has now had an opportunity to review some of the Treasury Department management strategies and management techniques as employed by the state of Minnesota. I think the Treasurer may recall that I spoke to him about the issue of projections and calculations in terms of revenues and expenses and the Minnesota model being studied.

In particular, I was struck by the fact that the state of Minnesota, Madam Chairman, and perhaps other states as well, employs a system that requires them, I think legislatively, to be within a 5 percent accuracy rate on their expense projections. I don't think we have a problem in this province on expense calculations as such. But, at the same time, they also require themselves to be performing at a 95 percent accuracy rate insofar as projections on revenues are concerned. I think that's their target, hon. Provincial Treasurer.

MR. DAY: What happens if they don't hit it?

MR. ZWOZDESKY: Well, I mean, if they don't hit it, I don't they think they go to jail or anything, but I think they strive for that kind of benchmark.

What brings it to my attention at this time is simply the fact that as I read through and look at these projections for expenses and so on in the Treasurer's own department, I'm sort of taking a little broader view here. I'd like to know if the Treasurer would contemplate bringing in that type of performance measure or benchmark, a target if you will, that would require the department to not only aspire to that kind of accuracy projection but also would in a manner of speaking I guess help the release of documents to support those particular projections and calculations. The expenses are no problems. We're following those because they're listed differently, and we know that the government isn't going to overspend because there is a law that prevents them from ever going into a deficit position again, and I support that law one hundred percent.

On the other side, the revenue side, Madam Chairman, I think we can do a much better job as a province – more specifically they can do a much better job, you and the government can do a much better job – in presenting the types of forecasts that are a lot closer than we've seen in the last year or two. I mean, to project a \$100 million to a \$754 million surplus and then come in at \$1.3 billion or \$1.5 billion or \$2.2 billion or \$2.5 billion, let's admit that that's quite a huge spread. I mean, I'm happy to see that we're getting those kinds of surpluses. I'm simply saying that if we're out by billions of dollars, in my view that's a little bit out of whack.

I'm hoping the Treasurer will take this as a positive suggestion, again, to please look at what it is that the Minnesota model is all about. If he doesn't have it at his disposal, I would undertake to provide it to him.

Now, let's go back to the specifics of the Treasury department budget, which we're reviewing tonight. I'm struck by another area on page 379, to sort of pick up where I left off, and that's under vote 1.0.7, which is the communications department, Madam Chairman. I want to go on record as saying that I have a great deal of respect for the people who work in the Treasurer's communications department. These are very, very serious people who I think do a good job communicating whatever it is that the Treasurer requires to be done. I know that they're always out there, ever vigilant, listening to comments that I and other colleagues are making with respect to Treasury, and they handle

their job with great aplomb and with some respect, which I try to reciprocate.

In that regard, I was hoping that the Treasurer might comment on some of the initiatives and activities that his department of communications undertakes that actually require the expenditure of \$422,000. That's almost half a million dollars. I can appreciate that it's important to communicate. I can appreciate that it takes a staff of people to do that communicating, but I'm not sure what all is done by way of special projects and initiatives that require that large an expenditure. I'm not even sure how many staff there are. I've only met, I think, two or three people in that department. I'd appreciate some comment on what it is that the activities are comprised of.

So if we could find out from the Treasurer how many full-time employees are involved in the communications division and what his projected level of employment for that division is for '98-99, I'd be very grateful. Perhaps it would be helpful even to know how many of them are full-time and how many of them are part-time just so that we have some handle on that and/or if some are just on straight contract position with the Treasurer.

9:33

At the same time, still dealing with the communications budget, a repeat question from last year, Madam Chairman, if you'll allow it, but one to which we did not get an answer, so I'm going to pose the question again. This is not a barn burner question, but it is an important question that I get asked about and am curious about myself; that is, a breakdown again by object in the communications department. I'd be curious to know, as would many Albertans, what the salaries, wages, benefits, travel expenses, and all the normal things are that add up to that \$422,000.

Finally on this issue I wonder whether or not the Treasurer is contemplating a monthly staff newsletter. It seems to me that there was one talked about at some point. I'm not sure whether a monthly staff newsletter is still being prepared by the communications division or not, but I do believe there was one at one point. Maybe the Treasurer would put me on his courtesy distribution list. I don't know. There would be an interesting answer, I'm sure.

My last question on the communications division is directed to the Treasurer. How much of the communications division budget is devoted to the public relations consulting services and to the graphic design and print production phases of the Treasurer's operation?

I want to go now, if I could, to vote 1.0.8, which reflects the standing policy committee on financial planning and human resources. I don't know, Madam Chairman, what specifically it is that the standing policy committee on financial planning and human resources does or does not do in its review and/or approval of the three-year business plans, but I'm assuming they have some role in that respect, and I would like the Treasurer to begin by clarifying for us what specifically that role is.

I also want to say that this is another one of these standing policy committees which does not include any opposition members. There's probably a reason for that. I mean, the obvious reason is, you know, one of politics, but it's always I think in the government's best interest to live up to the OATH formula: openness, accountability, transparency, and honesty. I'm trying to implant that acronym firmly with all members, but particularly with the Treasurer, with whom I enjoy some rapport. I can't help but believe that it would be in his best interests and the best interests of the government to at some point open up the standing policy committees a little bit and perhaps from time to time include a guest such as the critic for an area.

MR. HIERATH: Open the door, Stock. Open the door.

MR. ZWOZDESKY: Well, the Treasurer has done some very open and accountable things in his time, and I've congratulated him for that. I'll give you one quick example, hon. Member for Cardston-Taber-Warner, and we saw that example just a couple of weeks ago when for the first time in the history of the province of Alberta this particular Provincial Treasurer allowed an MLA or designate from each of the opposition parties to come in on an embargoed basis and have a preview of the provincial budget. Well, that deserves some applause, because that was a good move.

I have said it before and I'll say it again: when the government does something correct and proper and something that moves the system forward and is in the aim of transparency and openness, I will congratulate the government on it. When it does something secret and, dare I say, arrogant, I will complain and comment on that as well, such as the 90-page Goepel Shields report which came to me through freedom of information with 84 pages deleted. Now, that's not open, honest, accountable, and transparent, hon. members; is it?

Nonetheless, the Treasurer could open some of this up in the same way that he's opened up some of the technical briefings that we've had with respect to certain bills. I think that was a very positive experience last spring. It was the first time in my history as an MLA that I was actually invited by a minister to a technical briefing session, and I'll tell you the results of that were, in a nutshell, that we in an hour and a half of working together got through more specifics and more reasons as to why this legislation was necessary than we could have in a week or two of sittings in this House. It resulted in a good, co-operative gesture on the part of the Treasurer's department and in this case the Treasury critic, and we were able to put forward a couple of points. In fact, we even got one of our amendments through in that fashion, and that was a heralded first good step.

So I'm looking forward to more of that, and when I see an opportunity for the government to open up that process a little bit, I have to rush through that door and point out exactly that: here is another chance for you to score some good points. That's part of the purpose of me being here.

I again say to the hon. Treasurer that these standing policy committees are one of those not so well understood functions of government insofar as the general populace is concerned, and perhaps he could clarify what their role is. At the same time, the members who sit on that standing policy committee: are they remunerated, or are they all volunteers the same way that opposition members are when they sit on whatever committees we might be invited to sit on?

Now, continuing on with the standing policy committee on financial planning and human resources, that serves the Treasury Board, I want to know what the nature is of the reports that they prepare relative to the evaluation of the three-year business plans and ask if the Treasurer would table the standing policy committee reports that they arrive at with respect to these three-year business plans.

Similarly, what role does the standing policy committee on financial planning play in the monitoring of these ministerial business plans that are examined on a monthly or quarterly basis? Does the SPC group receive year-to-date reports from the ministry to examine? Well, what is it that they do? In that respect, perhaps he could clarify what role they play with respect to the evaluation of quarterly budget updates.

Finally, in this respect, on vote 1.0.8 perhaps the Treasurer could tell us what performance indicators, outputs, outcomes, and

benchmarks, et cetera, he has established that require the standing policy committee to measure in fulfilling its goals and objectives with respect to issues of concern to the public.

Now, let me move over to vote 1.0.9, which deals with regulatory reform. How much time do I have left, Madam Chairman? Do you know? [interjection] I only have three minutes?

9:43

THE CHAIRMAN: Three and a half.

MR. ZWOZDESKY: Well, very quickly, under regulatory reform would the Treasurer please provide further details on the intent of the local authority's pension plan and the university's academic pension plan to remove themselves from statute by the year 2000. I recall this discussion last year, and it's one of the briefings that I was in on. I just want some comment as to when this particular move will be made.

Similarly, perhaps he could tell us what changes, if any, he's contemplating to reduce the regulatory oversight of credit unions under the Credit Union Act in 1998.

Let me just turn quickly to a couple of other quick issues here that are of a miscellaneous nature and pertain in this case to valuation adjustments and other provisions. Specifically, with respect to Gainers, I wonder if the Treasurer can tell us about the \$32,000 in miscellaneous revenues for 1997-98 as it pertains to the lease payments. I think this was touched on by the hon. Member for Edmonton-Gold Bar, but I don't recall what the answers were or if we got answers to that \$32,000 in miscellaneous revenues relative to lease payments. So we're still waiting for some response to that. The lease payments that are received from Maple Leaf Foods for leasing the Gainers site for the period September 29, 1996, through March 31, 1998, are more specifically what I'm asking about. At the same time did something happen to the escalation in the lease revenue amount that was projected to occur January 1, 1997, under the lease agreement for Gainers, or did nothing happen there?

I had a comment with respect to the \$500,000 of the \$30 million in valuation adjustments as they relate to payments made by the province under indemnity for the disposal of assets held by N.A. Properties (1994) Ltd. I think that an additional \$1.3 million likely relates to the loan guarantee that was provided to the North Saskatchewan River Boat company. Anyway, there's \$15 million as a general provision listed for accounts receivable, I believe. I was hoping the Treasurer would provide a detailed breakdown of the \$15 million provision for doubtful accounts for 1997-98 and the \$15 million provision for loans, loan guarantees, and indemnities for 1998-99, as contained on page 72 of Budget '98. There are oftentimes cases where certain lump sums are mentioned and then no detail is provided, and that would be one of them.

Also along that line perhaps the Treasurer could tell us why there is no projection for valuation adjustments and other provisions for future years. That would be for the periods 1999-2000 and 2000-2001, as was the case in the 1993, 1994, 1995, and 1996 budgets.

I hear the bell has sounded, which means I have to take my seat. I shall do that, and thank you for your attention.

THE CHAIRMAN: Thank you.

The hon. Member for Edmonton-Mill Woods.

DR. MASSEY: Thanks, Madam Chairman. If I could continue with a few of the questions I had under 2.0.1 and the co-operative

efforts of the Treasury Department with the federal government. I wonder if the Treasurer could report on the status of the marketing program that began in July 1994 for tobacco products and the government's efforts with other provinces and Revenue Canada to prohibit the illegal cross-province shipment of tobacco products. I know that that program was supposed to be under way, and I wonder what's happening with it.

In a similar vein, could the Treasurer provide an update on the initiative to join Revenue Canada in an underground economy task force? We heard some comments in the run-up to the federal budget today about increased revenues from things like the GST and some speculation as to what is happening in the underground economy. What kind of effect has it had on those collections?

I guess there's another series of questions but maybe just a couple of short ones. What is the benchmark established in 1998-1999 for the provincial tax load on business? I think we had information before that for 1997-1998 it was 72 percent of the Canadian average, 76 percent, something in that area. Secondly, what is the benchmark established in 1998-1999 for the total tax load in Alberta as a percent of the Canadian average? Again, in 1996-1997 I believe that was about 75 percent.

One last question, Madam Chairman, because I know the minister wants to respond in a few moments. What is the cost to government per hundred dollars of revenue collected in 1996-97 and 1997-98, and has there been a target established for 1998-99? Again, we were told that it was 67 cents in 1995-1996, so I'd like to know if there have been some targets established.

Thanks, Madam Chairman.

THE CHAIRMAN: Thank you.

The hon. Treasurer.

MR. DAY: Thanks, Madam Chairman. The Member for Edmonton-Mill Creek talked about giving credit where credit is due. I'm happy to show an example of that by giving credit to the federal Finance minister. This is a reflection on these estimates, because even citizens that I've talked to since the federal budget came out have commented that a lot of the language in the federal budget was wonderfully consistent with ours here in Alberta.

The federal Finance minister had indicated to me on a couple of occasions, not the least of which was early this morning, that there would be things in the federal budget that we'd like because a number of the things that he was doing reflected the same direction that we go. So I am returning the compliment to the federal Finance minister in terms of following some of our direction, and I think that needs to be noted. We still obviously have concerns, especially on the spending side. I would like to see a legislated debt pay-down plan, for instance. It works here in Alberta. I'd certainly like to see it on the federal side. I get a little nervous when we see contingency funds of, say, \$3 billion projected, and as that government moves toward its own mandate, you do wonder on a year-to-year basis if those surpluses are going to be used for spending purposes rather than debt reduction. Overall, we do applaud some of the direction in that federal budget.

I think in the spirit of accolades that seem to be going back and forth here, I appreciate the positive comments made by a number of the members in terms of openness of reporting by myself and by our officials and how they work. We'll try and maintain that standard. I think it's fair to say that we do listen to the questions and the criticisms that come from across the way. We may not always reflect it with glowing signs of gratitude, mainly sometimes because of the manner in which they're delivered, but we

do reflect on those criticisms and suggestions, and I think it's fair to say that some of our own budget realities are a product of that.

I can remember often saying: you know, all we hear is rhetoric from across the way on estimates; I wish we'd get some specific questions. After the performance by the Member for Edmonton-Gold Bar, I don't know; maybe I'm preferring a little more rhetoric, because that was quite a series of rapid-fire questions, which will take considerable time on my part and on the part of my officials, but we will endeavour to get the answers. I think it's fair to say, for the other members who commented – Edmonton-Glenora and Edmonton-Mill Creek and Edmonton-Mill Woods – that there's a high degree of fairly direct questioning there, which will give us cause to reflect on what we're doing, and I'll endeavour to get back. A lot of that was fairly specific material, which I won't be able to answer in its entirety tonight. I appreciate the good work they've done in taking a close look at the budget.

9:53

I'll try and go more or less in order of how some of these came up tonight. You know, we continue to hear about the request for a stabilization fund. It is interesting, Madam Chairman, that the former Treasury critic, who has now returned to the University of Alberta and who also co-chaired the Growth Summit, made some really specific comments related to a stabilization fund, as a matter of fact, spoke very clearly against that type of a process, saying that that would not be in his view – this is when he was the critic – the preferred way to go. Now, that's not to say that this Treasury critic from Edmonton-Mill Creek should reflect and echo everything that the former critic had to say. But I think it's significant that that critic did actually produce a fairly significant response in writing to the aspect of a stabilization fund and said that in his view that would not be an appropriate mechanism. The Auditor General also has commented on that, and we'll get those remarks over to the Member for Edmonton-Mill Woods for his consideration.

In fact, though we don't want to set up another fund, there is the revenue cushion. We project all the revenues that will come in through oil revenues and corporate income tax. We do the hard analysis on what we think will come in, and then we take 10 percent of that and set it aside but right within the budget as a cushion. It saves a lot of the other regulatory mechanisms that would have to come into place if you had a separate fund. I think the member may want to review the comments of the former critic and possibly the Auditor General on that one.

Performance-based budgeting. If I could get some information on it. Maybe it's just a matter of semantics. We have performance measures. We have goals. We have core government measurements. The entire document called Measuring Up is submitted to the Auditor General so that he can monitor in terms of our goals and our performance. This year for the first time ever in Canada, I believe, we're also introducing performance-based compensation, a small element, 2 percent, for rank and file in terms of meeting certain standards. So maybe it's a matter of semantics, but we operate in a performance-based way. I know that the member opposite is talking about a certain model of budgeting. I'd like if he would take the time to show how that particular model – he could do that just in writing to me – would compensate for what he perceives as weaknesses in the present approach that we're using, an approach of generally accepted accounting practices, one that's reflected on positively by the Institute of Chartered Accountants and also by the Auditor General. So if he's got some more information on that, that would be helpful.

Time frame on the committee looking at tax review. I would like to see if there's a possibility of changes to the tax system. I'd like to see those in place by the spring of '99. So for the tax review committee to complete their work and working closely with the Alberta Economic Development Authority, a good part of that work, at least coming up with some substantial options, will have to be completed, I would think, by the end of the summer so we can look at it through the summer and present it to all parties concerned in the fall. There's going to be some significant things done. That gives you an idea of the time frame.

There were questions related to the Provincial Treasurer's office in vote 1.0.1 and also in 1.0.2, 1.0.3, 1.0.5. If I can just quickly give some details on that. As far as the Provincial Treasurer's office, the projected surplus there of \$33,000 in '97-98, that's primarily due to lower than anticipated travel expenses, which I'll continue to try and maintain, and also a lower usage of wage contract resources and also employer contribution expenses. There's some lowering there of expectations. I do keep a close eye on the travel budget, and I only travel when I have to. If we can get information from another area or jurisdiction by E-mail or by some kind of other filing or telephone conferences, I prefer to use that particular approach.

On the Deputy Provincial Treasurer's office there was lower than expected spending on travel and also lower than expected spending on wage staff, and that accounts for that \$20,000 surplus that the member referenced, the Deputy Provincial Treasurer also not being one who likes to travel for the sake of travel but who keeps a keen eye on those types of expenses. I know he'll want to continue to do so.

In the area of financial and support services, the Member for Edmonton-Mill Woods mentioned a difference there of \$199,000. Actually, our calculations are that it's \$207,000.

MR. ZWOZDESKY: Mill Creek.

MR. DAY: Mill Creek, yeah. Sorry. We'll try and give credit where credit's due.

That increase in the 1998-99 spending is for the operation and maintenance of the financial and human resource modules of the new Imagis system. All ministries are facing increased costs in that particular area, so that accounts for that.

Under his question about the corporate information management services, the main reason for that \$160,000 overexpenditure, which he correctly identified, was as a result of some unbudgeted severance payments that totaled \$132,000 to three employees – there'd be two managers and one systems analyst there – and some additional funding provided for contracted systems maintenance support of about \$75,000. So that's some of the expenses in terms of the questions there.

I'm just looking to the ones that I can reference quickly for you right now so that you have those answers and you don't have to wait for them. The others I'll try and get in writing to you.

To the Member for Edmonton-Mill Woods: there are quite a few questions about increased efficiencies. I don't have that information now, but it's a valuable exercise for us to do it. I think that on most of those we've done the analysis. On ones on which we haven't, your questions will put us through a good exercise in making sure. You referenced things like the propane collection, efficiencies that are achieved there. As far as our emerging technologies on corporate collection, you referenced the electronic filing process, a number of other areas. So let me see what we can do, if we've moved along far enough to evaluate what the efficiencies are there.

In terms of some of the requests that we're getting from the

federal government to participate in the national collection system, we have expressed to the federal minister some concerns there. If we buy into that mainframe, that framework, where the technology is very advanced, by the way, we're not yet at a place of satisfaction with the federal government in terms of some of our policy concerns on tax issues.

Now, I want to give them credit. They have given us leeway in a number of areas. As the member has already referenced the whole process of going from a tax on tax to a tax on income and some of the provisions there, a lot of your questions there are going to be looked at by the tax review committee. Until we've got some of those settled, we're a little bit reluctant to buy into the big monster machine, even though there might be some efficiencies there. We think it could reduce our ability to address some of the policy issues if we buy too quickly into the overall collection issue.

It's an impressive system they've got, and I know they contract out to other jurisdictions. I believe that in P.E.I., for instance, they do all their municipal taxation collection by using that federal machine, as it were. But we're just holding back on that and holding back on our commitment on that until we feel satisfied and at a comfort level where we're not going to reduce our ability to address some of the policy issues. That's why there's some hesitancy there on our part.

All your questions about, you know, how many brackets we are looking at, the income threshold, elimination of flat tax and surtax – those areas are all areas of discussion. We want options back from the tax review committee and from the Economic Development Authority. Those will be put before committees here, yourselves, the people of Alberta, to see which might be the best. So I'm not going to presume on where that might go.

Time line. Edmonton-Glenora had a number of questions on the debt target. It's legislated. It was legislated that the net debt would be gone by the year 2010, and we've advanced that considerably, hoping and looking like it may happen by the year 2000, 2001. That's the time line on the net debt. Over the next year or two we need to go out to Albertans and we need to consult with opposition members and all Albertans on the remaining debt, the first mortgage, or the gross debt. And it is gross; it's over \$13 billion. We're going to ask Albertans: how rapidly do you want us to move to retiring that debt also? Are you happy with the present pace? Do you want a little money held back for other types of initiatives? So that's a reference to speed and time line there.

Your question about Albertans being treated equally on that goal related to the CHST. First, I want to make it very clear that we support the process of equalization payments, the broad system of transfer to provinces that are in difficulty, if you want to use that, which is actually a constitutional process. We don't always rejoice at the fact that Alberta is a net payer-out rather than a receiver-in, but that reflects our better financial shape and economy, which, we like to think, is partially based on govern-

ment policy. So that we support, and we know there's not equality there, because we pay out more than we get in.

But on the CHST, we're maintaining very strongly that that should be equal on a per capita basis. We have agreement with most of the other provinces on that. Newfoundland and a couple of the Maritime provinces had some concerns because they want to make sure that doesn't mean a net loss for them. So we're putting a couple of provisos in place. If we go to equal per capita CHST, then it must be on the approach that it can do no province harm; in other words, no province can lose out from what they're presently getting.

10:03

In fairness, we don't think we should be penalized when we put something into place that yields some administrative efficiencies and then we get docked for that on the CHST payment. We don't feel that's the correct way to go. So that's the equality, and it's a confusing one, especially because the terminology is confusing. We say equality, and then it talks about equalization payment. They are two separate items, but you often get a crossover there when we use the same language.

In terms of measuring awareness of people out of province as an actual goal, we don't do that by a polling method, but I can tell you that when I talk in other provinces, for instance in going to Toronto and talking to investor groups, they are very much aware of what we're doing here in the province. They're acutely aware of where we are in our fiscal plan and how we're doing. That's in a specific sense. In an anecdotal sense, I was on a radio talk show a week ago Friday, and there was actually a caller from British Columbia who said: we know what you're doing in Alberta; we love it, and we wish we could move there. I mean, that's anecdotal, but did you hear that? [interjection] The hon. member heard that. So there is some awareness even in other provinces. That's not a highly scientific survey, that particular one, but it did give us some reflection.

I believe that given the hour, we're going to move to a conclusion here. I understand we're coming back again on Thursday. Hopefully by Thursday we'll have some of the written responses to some of the questions, and I'll be able to address more of these. I thank you for your good input.

Madam Chairman, I would move that the committee rise and report progress.

THE CHAIRMAN: Thank you, hon. Treasurer. Having heard the motion by the hon. Treasurer at 10:05, does the subcommittee agree with the motion?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Opposed? Carried.

[The subcommittee adjourned at 10:05 p.m.]

