

Title: Estimates of Provincial Treasurer, Monday, March 6, 2000

Date: 00/03/06

Time: 8:01 p.m.

[Mrs. Gordon in the chair]

### Subcommittee A – Provincial Treasurer

Gordon, Judy, Chairman  
Severtson, Gary, Deputy Chairman  
Bonner, Bill  
Boutilier, Guy  
Burgener, Jocelyn  
Cao, Wayne  
Cardinal, Mike

Ducharme, Denis  
Dunford, Clint  
Friedel, Gary  
Hierath, Ron  
Jacques, Wayne  
Johnson, LeRoy  
Klapstein, Albert

Lougheed, Rob  
Marz, Richard  
Pannu, Raj  
Sapers, Howard  
Smith, Murray  
Wickman, Percy

THE CHAIRMAN: Okay. We'll proceed with the Provincial Treasurer and the department of Treasury. I just might mention something that one might consider. I did have the opportunity the other night to chair a meeting in 512, and it was the Minister of Economic Development. The way we worked it – and it worked very well; I think everyone would agree – the members that wished to ask questions took their time and the minister actually answered their questions within the 20 minutes and then they started again. It worked very, very well, and I thought a lot of the questions were answered. Those who were in attendance at that meeting, did you think it worked well? It's just an idea.

With that I will call upon the hon. Provincial Treasurer to lead off the debate.

MR. DAY: Thanks, Madam Chairman, especially for those who have packed the galleries tonight.

MR. MAR: The seat is jammed.

MR. DAY: My colleague the Minister of Environment said, "The seat is jammed" . . . with four people.

I would just like to advise members, though I don't think they need the advisement, that of course the estimates of the department are like the estimates done with every department. This is not a presentation of the entire government business plan. This is the estimates and the involvement of the Treasury Department. Its scope of activities is wide, covering everything from the Alberta Heritage Foundation for Medical Research endowment fund; the Alberta heritage savings trust fund investment practices and protocols; the Alberta heritage scholarship fund; the Alberta risk management fund; issues to do with the Alberta Insurance Council; the Alberta Municipal Financing Corporation; the Alberta Pensions Administration Corporation; the Alberta Securities Commission; the Alberta Government Telephones Commission; the Alberta Treasury Branches, albeit arm's length from government; the Credit Union Deposit Guarantee Corporation; and on it goes.

The breadth is considerable, Madam Chairman, and the responsibility also that Treasury officials play in working with every department of the government in terms of helping them to monitor and account for the revenues and the expenditures; then the reporting that is involved with Treasury Board in terms of the ongoing workings of government on a month-to-month basis, day-to-day basis at times; the involvement in putting together the quarterly reports, which is really like minibudget preparation, every 90 days and is a vital part of the ongoing operation and reporting of the overall government business plan.

The ministry itself expects to bring in an increase in revenue

overall this year of about \$674 million over the '99-2000 budget, yet program expenses continue to decline, with decreases of \$36 million, or about 5.3 percent, for the '99-2000 budget and down \$17 million, or 2.5 percent, from the forecast. Debt-servicing costs are down by \$109 million, 10.1 percent, for the '99-2000 budget and \$59 million from the forecast.

Ministry capital investment is also decreasing by about 21.4 percent. So there's the ongoing maintenance and overview and the work that goes on with all the departments in terms of maintaining the government business plan and doing that in a way that I believe continues to be seen as fiscally responsible.

I can say that I don't mind at all just reflecting a sentence or two on those who at times probably feel like it's a sentence working in the department, with the demands that are put on the many employees in the department of Treasury, the reflection from outside. It's all fine and well to talk amongst yourselves about how well you think you're doing or performing, but the toughest criticism come from those outside, and I consistently and continually get reports from those outside of government who for whatever reason deal with the Treasury Department who report on their high level of commitment, of professionalism, of dedication, and excellence. I also hear that from other provinces when we work on, for instance, finance ministers' meetings with other provinces and with the federal government, and I'd just like to acknowledge that publicly.

Many of the officials that I work with in the department, it is as if they don't own clocks or watches. They work early in the morning and late at night. Whatever the task is that needs to be done gets accomplished and always with that high degree of excellence. I publicly commend the employees, the public servants, in the Treasury Department for the high level of commitment to task in serving Albertans.

I could go on at some length, Madam Chairman, and I know members would want me to, but I want to give time for Her Majesty's Loyal Opposition and of course my own colleagues who have, I'm sure, many things to add to the overview and advice. It's an important time in the Assembly to hear from our critics and from those who would also constructively support and give us advice on how better even to manage the estimates in the year ahead of this department of Treasury and that which we have spent over the past year.

So with that I would yield the floor to the official critic and to others who may feel so moved, Madam Chairman.

THE CHAIRMAN: The hon. Member for Edmonton-Glenora.

MR. SAPERS: Thanks, Madam Chairman. Thanks to the Treasurer for being uncharacteristically brief. I appreciate that.

The department of Treasury does provide us with a rather interesting smorgasbord of issues in terms of the responsibilities of the Provincial Treasurer and the men and women who toil in his department. I'd like to echo some of the first remarks of the

Treasurer regarding the service of the public servants in Treasury. I know that they are called above and beyond the call of duty to do work, and I can only imagine what it would be like working with this particular minister.

You know, Mr. Minister, I actually had a very pointed comment to make about the experience during the 1997 election campaign when Treasury officials were called upon to do some work that was political. Having said all these nice things, though, about the staff there, I won't make the comment in the pointed way that I had originally intended, but I will ask this. I remind the Treasurer that a commitment was made in writing, I believe, that there would be some investigation and follow-up on that suggestion or that allegation, and I don't think that any report has come forward.

I also note at the same time that the number of full-time equivalent positions in Treasury is slated to increase to over 740 positions. I think it's an increase of some 50 or 60 FTEs this year. As we get closer to an election, certainly closer to one than we are to the last one, you can imagine how the imagination of an opposition member would run wild about the increase in FTEs, given the experience in the '97 election. So I wouldn't mind if the Treasurer did comment, in fact, on that increase in person power in his department.

I have some particular questions regarding growth in the Alberta Securities Commission. I know that it's going to be about a 16 or 20 percent increase in personnel in the commission, and while I understand that a fair bit of this activity may be because of the increased economic activity in Alberta, the number of individuals and corporations who are relying on the commission to bring offerings to the table, et cetera, I have to say to the Treasurer – and I would appreciate his reflections on this.

Increasingly over this last year I've been hearing from members of the Alberta business community about the frustrations they have in working with the commission. One gentleman in my office just the other day referred to it as the Bre-X chill. What he meant by that was that ever since Bre-X, it seems to be very difficult to carry on the legitimate work of bringing a company public, and he was talking about increased levels of bureaucracy and red tape and costs and compliance issues.

I'm not going to for a moment suggest that we shouldn't be vigilant, and I'm not going to for a moment suggest that we have to do everything possible to make sure that scandals do not rock particularly this new exchange that we've got going here in western Canada and going at some great pace as well, something for us all to be proud of, but I do want to hear the Treasurer's comment on these concerns that have been raised, and I wonder aloud whether he's heard the same concerns and if he has some suggestions on what he may do through his department and through whatever influence he does have with the Securities Commission in terms of resolving the concerns of excess bureaucracy, red tape, compliance conditions, et cetera.

8:11

Now, I will note that as we've mentioned last year and the year before that, there is some information lacking in the Treasury business plans. Once again there's no information in the plans for 2001 through to 2003 for the gross operating expenses and capital investments by program vote and by subprogram vote. The last time this was provided was actually the 1995 budget, and I believe every year since then the critic for the Liberal opposition has asked the Treasurer to explain that change in presentation and transparency and the subprogram votes. We're faced again with the same issue.

Now, to assist the Treasurer in answering the question, let me say that one of the issues is that there's no comparability year to year when you don't have it broken out by subprogram vote. Also, if you

don't have the estimates of the ministry with the consolidated income statement, you can't really hold the minister responsible for in-program spending variance.

Now, I will note that other ministries do provide a comparison of operating expense by program and subprogram over the three years of their business plan, and it occurs to me that Treasury really should be the trendsetter here. Let me say this. As often as I will criticize the government for what I see as failings in transparency, I will say that things have gotten better over the years and that I believe this Treasurer is sincere when he says he wants to be as open as possible. He and I may quibble about what the boundaries of "as possible" may be. While I will appreciate that efforts have been made, I will say that I would look to Treasury to set the example. If other departments can do these estimates, provide the comparisons by program and subprogram, I would expect Treasury could do the same.

In order to emphasize the government's commitment to three-year fiscal planning, it would certainly be advisable to present comparable three-year projections for Alberta Treasury in the main estimates and the three-year ministry income statement found under the business plan, as I say, as is the case in all other departments.

Now, in the Treasurer's comments to follow, I hope he'll explain why Alberta Treasury business plan still does not provide a three-year expense profile by program and subprogram. I'm also hoping the Treasurer will assist readers of the business plans and estimate books to compare gross operating expenses by program and subprogram within the ministry over a three-year time frame by providing a three-year spending profile of the department by program area for the years 2001 and 2002. Mr. Treasurer, what I mean by this is: operating expenses and capital investment, again, broken down by program and subprogram.

I'm also hoping the Treasurer will provide information on the plans for the full-time equivalents in the department of Treasury, the Alberta Pensions Administration Corporation, the Alberta Insurance Council, and the Securities Commission for the end of the planning cycle presented in his business plans.

Mr. Treasurer, I'm also hoping that you will be providing the Assembly with a breakdown of departmental expenses by object for 2000-2001 through to 2002-2003 in each of the following: salaries, wages, employee benefits, travel expenses, advertising, telephone and communications, contract services, and hosting.

Mr. Treasurer, under the general headings of communications and contract services, something that I've been puzzled with is: where exactly is the government going to be recording the expenses in this latest communications campaign regarding the private health legislation? I note, in looking at Executive Council, that PAB has an overall budget of around \$8 million. Now, we don't need to get into the debate that took place in question period today of course, unless you want to, regarding the total expense for this communications campaign, but it's going to be a considerable chunk of change. It could be easily \$3 million or more. I doubt that it's all coming out of PAB. I doubt that it's all coming out of Alberta Health and Wellness. Maybe you can tell me what direction Treasury has given departments in terms of accounting for this expense. My information is that it was not anticipated during the budget planning process. Therefore, it must be in-year spending that's going to be taken from someplace that it wasn't originally designed to meet.

Madam Chairman, one of the issues that the Treasurer and I have had some discussion on has got to do with the collection of fees, licences, and premiums. I do note that the government has made a start in rolling back some of these premiums and in fact has made a \$60 million commitment in terms of the reduction of fees, and many of them are now in place. We still haven't seen the report that was

done I believe under the chairmanship of the Member for St. Albert. We still don't have cost-of-service data for any of the fees, so we really don't know which of the premiums, fees, and licences exceeded cost of service and how cost of service was defined and whether the same definition was used across government. I'm hoping that the Treasurer will provide us with that information as well as a breakdown of all the premiums, fees, and licences for the planning cycle by type of premium, fee, and licence.

I'll note that within his own department the amount of revenue generated by premiums, fees, and licences ranges from about 26 and a half million dollars through the end of the planning period to just shy of \$33 million. Again, that's a considerable amount of money. The Treasurer does talk about how the only way that taxes are going is down. I submit that many of these premiums, fees, and licences are things that in other jurisdictions are covered through people's tax contributions. Since this government tends to collect that revenue in the way of user fees instead, is this growth some evidence to the contrary of the Premier's assertion about taxes only going down, or is this based on increased business or population growth in the province? I'm certain that the Treasurer will answer that it is based on increased business and population growth and that in fact it's not an increase in the fees, but it does sort of look suspicious when you see an increase of some \$6 million or \$7 million over a three-year period on something that many would hold to be a regressive form of taxation.

Also, in the Treasurer's estimates he has other revenue listed for some 35 and a half million dollars. I'm wondering if he will provide us with a breakdown of exactly what that other revenue is by source and by amount. Most interesting to me would be some sense of history as well: is this up or down?

I would appreciate if the Treasurer will explain why program expenses under fiscal planning and accountability are increasing from just shy of \$9 million in last year's budget to just shy of \$11 million in the coming budget cycle. This is an increase of over 20 percent in three years. It seems to be a little out of keeping. In the ministry income statement, Mr. Treasurer, I reference you to page 281. You'll see that the program expenses under fiscal planning and accountability are slated there to increase over the planning cycle from \$8.8 million to \$10.614 million. Again we see that expenses under the tax and revenue collection line item are increasing by about 12 percent over three years. The same question. That's also in the income statement on page 281.

Furthermore, I would appreciate an explanation from the Treasurer as to why program expenses under investment management are increasing. This is a fairly dramatic increase, Mr. Treasurer. Unless I have the numbers wrong, it's about a 65 percent increase over three years. These are investment management expenses. Now, are some contracts up for renewal, or does it have to do with the dollar volume? How do we explain a two-thirds increase in that expense category over the three years?

8:21

Also, Mr. Treasurer, I'd appreciate an indication as to why program expenses under the government risk management and insurance line item are increasing from \$6.7 million in '99-2000 to \$7.8 million in 2002-2003. This is an increase of over a million dollars, or 15 percent, and I'm just wondering if you can shed some light on that projected increase.

Mr. Treasurer, I think I'm going to run out of time before I get through the majority of my questions. Maybe I'll have a chance to come back since this is committee.

I did want to ask you as well about the impact of the tax plan. I know you cautioned us in your opening comments that this is really

about your department's estimates and that we shouldn't be dwelling on the overall fiscal plan of the government, but I would be interested to know where in your department you will be doing the analysis to determine whether or not you've met the feedback targets on your tax plan. How quickly will that information be prepared? Have you calculated the flow-through impact of the latest federal budget? Are you looking at perhaps making some changes mid-stream now because of some surprising moves by the federal government in terms of their tax relief? I guess I would probably be on safest ground, Madam Chairman, if I limited my comments about the tax plan to those general questions. Maybe we'll get a chance in some other forum to discuss the relative merits or problems with the flat-tax proposal.

Looking at vote 3.0.2, finance, I'll note that this is where the government manages all of its financial assets and liabilities, including arranging the financing for the province and monitoring loans and loan guarantees. I have a number of specific questions to do with this rather staggering list of existing loans and loan guarantees, but I want to start off by asking the Treasurer to explain the 5 percent increase in operating expenses for this unit within his ministry. I understand that it's going to be going up by nearly a half million dollars in the coming fiscal year. Is that where we're going to see some of the increase in the FTEs, and if so, what new positions are being created to provide what valuable work?

I'll also note that under finance, capital investment is planned at about \$300,000 during the year. I'm wondering if the Treasurer will tell us what Albertans are going to receive in the way of assets for this \$300,000 and also of course the information on FTEs, that I referred to earlier, across the whole ministry.

Will the Treasurer table the latest interim and annual financial statement 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 Ridley Grain, Centennial Food, Vencap Acquisition Corporation, and the Centre for Frontier Engineering Research Institute? These questions should be familiar to the Treasurer as I believe I asked for them last year as well.

Will the Treasurer provide a breakdown of the \$22 million estimated liability for loan guarantees for 2000-2001 as contained on page 57 of Budget 2000? I would also like to know about the \$42 million provision for doubtful loans, advances, and implemented guarantees as of the end of the fiscal year contained on page 56 of Budget 2000. Together we're looking at about \$64 million, \$65 million just in those two categories.

I would appreciate the Treasurer providing a breakdown of the \$11 million forecast provision for loans, loan guarantees, and indemnities for 1999-2000 as contained on page 46 of Budget 2000. Along the same lines I would request that the Treasurer provide a breakdown of the \$2 million provision for loans, loan guarantees, and indemnities for 2000-2001 through to the end of the planning cycle, as of March 2003. A \$2 million provision is disclosed on page 46 of Budget 2000.

Hon. Treasurer, this is my opening round of questions. I hope that you'll have a chance to answer some during this debate this evening and will trust that those that you don't get to tonight, you'll provide written answers to in time that I can review them before we're called upon to vote your estimates in the Assembly.

Thank you very much.

THE CHAIRMAN: Do you wish them to continue, hon. Provincial Treasurer?

MR. DAY: Well, I'm always anxious to get as much input as

possible from the members opposite, so I'll ask them the question: do you want me to respond after each speaker, or do you want me to cover what I can when you've depleted your speakers and then get the rest back to you in writing? I'll give you the choice on that.

MR. SAPERS: I'd certainly appreciate some preliminary responses now, Mr. Treasurer. It might save some questions from some of our colleagues during the course of the evening.

MR. DAY: Okay. Madam Chairman, I'll try and cover some of the ones I can immediately get to. The list as usual is a detailed list, which I appreciate, and I think I usually do a reasonable job of getting back on the details. On those details that we don't get back on, we like to hear about that.

There were some questions regarding the FTEs. I'm not sure where the 700 number came from that the member was using, but he is correct in saying that overall we report a full-time equivalent increase of 8.7 percent. That's 59 positions. The Alberta Pensions Administration will have an increase of 17 of those, and they're just in the business process right now of re-engineering. There's a whole process going on of a project and various special projects related to APA, the Alberta Pensions Administration. Of those 17, a certain number will be temporary in nature, so you will see them drop. Certainly it is indicated that there will be an increase of 17 there and a 16 FTE increase in the Alberta Securities Commission. Now, as you know, those are not direct employees, but we report on the consolidated picture in those areas which are under our responsibility, so it's included there.

That leaves, then, just 25 FTEs, and those are primarily going to the tax and revenue administration, to the audit and compliance areas. The economy, as you know, has expanded so incredibly over the last several years, with far more reporting going on, far more incorporations. As we have indicated, taxes are only going down in Alberta, and as I think the member knows, we have launched the business tax review to see how we can keep taxes going down even more. However, with a veritable explosion of corporate activity over the last several years we are hard-pressed to actually audit and monitor the compliance of taxes that are due, albeit at a lower rate. We're not sending out hordes of tax storm troopers, but just our ability to bring on new mainframe equipment and also to move in the area of audit and compliance has resulted in an increase of 25 FTEs on the tax administration side. The others, as I've indicated, are outside of the department.

The member asked if I'm hearing about the Bre-X chill effect, as he was saying. This is one of the constant challenges in terms of not just policy but a regulatory regime being established in any area: to monitor how policy is being followed. It's always a balance. How far do you go? Certainly after something that gets the sensational type of reporting that a Bre-X does – and there have been other incidents that will always happen as people either deliberately or accidentally fail to comply with regulations. The Securities Commission above all wants to maintain the integrity and the stability of what's going on in the province in terms of the investment community. I haven't myself been hearing to any degree of alarm concerns about it becoming burdensome or overregulatory.

8:31

I can think notably of one case several months ago where a certain company found themselves in that position and thought that was the case, and we made sure that there was follow-up done with the Securities Commission, an assessment done to see if indeed there wasn't some overzealousness on the part of the commission. But

other than that one case – and I will check with department officials and also pass the concern on to the Securities Commission in terms of: are we being too exuberant, and is it having a chilling effect? I'll follow up on that.

If the member has cases like that, by all means feel free to alert us to them so we can also do some follow-up. On issues like this, however they vote in the province is not a factor. We want to make sure that they can be part of the Alberta advantage, so if you have situations like that, I would say to the member: let us know so that we can do the follow-up.

I want to get back on the specifics. There was mention of the capital investment and operating costs and the types of breakdown. I will try to provide what dollars there are. I'm not aware of other ministries reporting on some things that we aren't ourselves reporting on in Treasury, but I will do some follow-up again with senior officials on that and see if there's some detail that we can provide that would be valuable. I would ask the member then to let us know if he thinks we're avoiding some areas or if there are some specifics that we should be getting into. I'll do some work on that.

I believe that last year we did provide further breakdowns on things like salaries, benefits, telephone charges, and things like that. I think we did that last year, and we can comply if the member will tell us specifically: is that right across the entire department you're looking at? Is it the deputy's office, minister's office, across the department you're talking about? All right. We'll see if we can provide some details there. It may not be available.

Without igniting a debate, because I know we don't want to do that, we have no expenses at all going into communication related to something that the member referred to as private health care legislation. We don't have any such legislation before the House. So if there's something like that that he'd like us to report on, I'd be happy to know, but we have no private health care legislation before the House.

In terms of the fees and charges, yes, the report will be coming soon to a theatre near you. I don't know exactly what date. I will check with the member who's been chairing that and doing a good job of it. Yes, there will be a breakdown of costs. It's very detailed; some of it may be seen to be exciting reading. We'll have a breakdown there, and I hope it will meet the demands of our critics, and if not, we will do some more work to get more detail.

I just was able to jot down quickly a couple of the questions, if the member will give me a minute to find the pages that he was referring to. There was a question about increases in the investment management section, and I'm referring to the \$19.3 million increase in 2000-2001 expenses over the 1999-2000 budget. That's primarily for increased transfers to the Alberta heritage foundation for science and engineering research of \$11.6 million, the Alberta Heritage Foundation for Medical Research of \$5.5 million, and Alberta Learning for heritage scholarships, \$1 million. So that makes up that \$19.3 million increase. That's reflecting those transfers.

Related to the tax situation, yes, we are tracking and we will begin to track what we will eventually – the reformed legislation that we're introducing has attracted a lot of interest both provincially and nationally. So we will certainly track revenue flows and revenue patterns, as will, I'm sure, the academic community and the business community. It'll be interesting to see what we can directly attribute to being a result of the income tax decrease.

The macrostudies certainly show that in other jurisdictions when taxes have gone down, there's been a corresponding invigorating of the economy. I know that the academics will argue whether that was because the taxes went down, but there is that amazing coincidence of activity. It happened with the follow-through on the 1961 tax reductions of John F. Kennedy in the United States. There's a

comparable upswing in revenues from the Reagan tax reductions in 1981, 20 years later. We see it in different jurisdictions. Certainly the experience in Ireland seems to reflect this coincidence, and whether you're talking about Ontario or Alberta, there is a coincidence. We think the two events are directly related, but we will track that and obviously try to make our case, as will others.

Will we do some changes midstream as a result of the federal budget? There's no question that with the federal reductions – and I've given credit to the federal government, limited credit, for some of the reductions that they're doing. We won't get into the tax debate here, because I know the chair would rule us out of order. Yes, we are prepared to make adjustments. You may call it midterm.

There have been some reports recently that once the federal deductions fully flow through in their four-year plan that they're talking about – there's some question of: would our 11 percent plan then mean that people would pay less provincial taxes in four years than they would be in our present system? We respond to that by saying that we're not going to wait four years for the federal deductions to flow through in entirety. Our entire plan comes through next year.

Now, we will track it, and if in four years the federal government – we don't really think they're going to be there in four years, but if they still are and those projections flow through and if it can be shown that our 11 percent single rate and the exemption levels are not returning more to Albertans than the present plan that we have, then obviously we will be prepared to either lower the single rate from 11 percent or raise the basic exemptions or do a combination of both. We've said that the only way taxes are going is down, and we will maintain the integrity of the single rate system and make those adjustments should the next federal government maintain the four-year commitment to tax reductions.

I'll get to the member the breakdowns of the loan arrangements that I can related to Ridley and Vencap and Centennial and Frontier research. We'll try and make that available to him and also the details that we can on the \$22 million of loan guarantees. I think it's exciting really to note when you do the comparisons on what was on the table and owing in 1993 in terms of loans and loan guarantees and then following the Klein commitment to get out of the business of being in business and bringing in the business limitation act, when you take the full list of what was there in 1993 and now look at what's there today, how greatly diminished that is. We're down to literally a handful of commitments, whereas before it was an arm and a legful, those of course being accounting terms which I know the member is familiar with. We'll get the full breakdown of that and show the very positive progress that's been made on those.

I'll listen now to more advice from across the way.

THE CHAIRMAN: The hon. Member for Edmonton-Rutherford.

MR. WICKMAN: Thank you, Madam Chairman. I want to make some general comments on the Treasury as the department of course relates to the budget, because we are talking budget. First of all, I have to compliment the Provincial Treasurer for standing up when he gave the budget. It appeared to me that he didn't have any notes. He didn't have the budget in front of him. He gave a 40-minute spiel from what must have been well instilled in his mind. You know, I think he deserves a compliment for that particular one.

I also want to take this opportunity to wish him well as he charts his course towards the chair of the federal Official Opposition. Some may compare it to a deckhand bailing ship when it starts springing some cracks, but I'll let Albertans make that judgment.

8:41

Getting on to the documentation we have in front of us, my first comment is to deal with the flat tax. Now, it's referred to as a flat tax, but in reality it is not a flat tax. A true flat tax is a flat tax that doesn't allow for exemptions and credits and such. This is what I call a single rate tax of 11 percent.

I analyzed the figures, and I had other people analyze them for me, and the federal minister, according to comments in the paper, appears to agree that the people that are going to feel the least benefit – maybe everybody will feel some benefit – are the middle class. Those that live below the poverty level will feel some benefit. No question about it. Those that are above the middle class, the really high-income earners are the ones that will really reap the rewards of the single rate tax.

Now, Madam Chairman, I'm really, really curious as to why the Treasurer is so gung ho on proceeding with this plan when it in fact is not going to really benefit those that have been asking for some consideration during the last few years. They're the ones that have been basically asked to pay the price. Like I say, they may feel some marginal benefit but not to the same degree as the high-income earners. Maybe it's to do with the brain drain, maybe to try to entice high-income Albertans to stay. Possibly the Treasurer will respond to that.

The employment tax credit. I've always had a bit of a problem with the way it's implemented. The concept of it is good, but it does overlook a segment of the population that is in a position where they cannot possibly benefit from the employment tax credit. That's because they're persons with disabilities to the degree that they're deemed to be unemployable. As much as they would like to get out there and work and benefit from the employment tax credit, they can't. The very nature of their limitations doesn't allow them to benefit. I wonder why the department of Treasury has never, never taken into consideration trying to revamp that program to realize that there are those that can't get the benefit of that particular program, which otherwise is not too bad of a program.

The gas tax has been talked about. The Treasurer has talked about it, but I've never seen anything come out in writing. I noticed today when I was watching the news and they had the world price of oil, over \$32 U.S. a barrel, if I remember right. The gas pumps went up again, I think another 2 cents a litre. I'm not advocating that there is a magical solution to this. I just wonder if the Treasurer has been serious when he's made these comments that possibly money could be funneled down to the motorist. There was some anticipation that possibly motorists would see some benefit.

Now, Alberta is in a very, very unique position when it comes to the gas tax. First of all, we're in that position where we can what I used to term double-dip: the increases in the royalties, which have increased at a tremendous rate over the last 12 months, a tremendous rate and, of course, continue to collect that gas tax. We're also in that position of not having the provincial sales tax. There isn't that tax on top of that tax. Now, there is the GST, I acknowledge that, but there isn't provincial tax that is taxed on the gas to even increase the flow to the government. So that part of it is unique.

I thought it was an opportunity for the Treasurer. Is he seriously considering a break at the pumps, I guess is the expression used, or is that just some talk to sort of appease the lineups as people probably buy less gas each time they buy gas because filling up a tank now can be quite costly?

Another area that I listened to the Treasurer talk about, not only the Treasurer but the Premier as well, is the criticism of the federal government for the reduction in the so-called transfer payments; in other words, the downloading. There was downloading that

occurred from the federal government to the provinces. We all acknowledge that. Some of it really concerns me. For example, the reductions in the health care transfers concern me, education and such. But at the same time as the government likes to be so critical of the federal government for downloading, they're doing the same thing to the municipalities. It has cost the city of Edmonton, for example, millions and millions and millions of dollars in terms of revenue. So, on the one hand, the Treasurer likes to be critical of the federal government for downloading, but at the same time – I guess the expression is: if you live in a glass house, one shouldn't throw rocks.

I'm not sure of the exact figure. Maybe the Provincial Treasurer could provide us with that figure, exactly how much has been downloaded by the provincial government onto the municipalities, who have no place to pass it on other than to the local taxpayer. They can't download it to another level of government. They have to pass it on to the taxpayer, and that's why when the two other levels of government, the feds and the provincial government, are under stress to reduce taxes, the municipal taxes by and large throughout the province are going up, at a fairly small rate but they're still going up. That's the reason why, because of the downloading and the fact that they can't turn around and transfer that downloading to another level of government.

We see a reference in the Treasury budget, as we do in most departments now, of lottery funds. In this particular case, if I recall correctly from reading the documentation, it's something like \$50 million of lottery funds that goes into the Treasury I guess through general revenue. My question to the Treasurer would be: is that \$50 million specifically earmarked to reduce debt? Is it just put into general revenue and becomes part of that overall revenue picture that is then divided between the various departments and such? Most departments already get some lottery funds. I'm not sure if it's lottery funds on top of lottery funds that are given to the various departments.

I thought it was quite interesting going through the documentation of references. I realize there are no estimates this particular year on areas like N.A. Properties and Gainers and such, but I guess it's a reminder of when this government – the Provincial Treasurer was part of the caucus, and the Premier was part of that cabinet – was in the business of compensating big business, providing concessions and such. For the government to get out of it was the right thing to do. Unfortunately, it took them a long time to come to that realization, probably after \$3 billion of taxpayers' dollars were spent.

The Member for Edmonton-Glenora talked in terms of user fees, and I echo his thoughts. User fees to me are another form of taxation. Our user fees, I would say, on a per capita basis probably rank amongst the highest in Canada, particularly when we take into consideration that there are only two provinces in Canada that impose a user fee on health care in addition to what they pay through taxation. Even for things like camping we see user fees. Registration now for a vehicle is \$53; \$48 of that goes to the Treasury; \$5 goes to the registry company. To dissolve a corporation – I had to dissolve a corporation a couple of weeks ago – \$186.75. The bulk of that of course goes to the Treasury, and the user fees go on and on and on. People don't realize in most cases that the user fees do go to the provincial government, the biggest portion of them, that they are in fact another form of taxation.

The Provincial Treasurer did say that that report will be coming down shortly. It will be interesting to see the impact of that report and how the Provincial Treasurer follows up on that report. There are some reductions in the budget that was tabled a few days ago. I'm not sure if we're going to see a continuation of those reductions when the report comes down, but it will be done with some interest.

The pension liability when I look in the documentation is of interest to me from the point of view that when the government talks in terms of its various forms of debt, its net debt, for example, which we no longer have, its overall debt – now, when they talk in terms of the overall debt being \$12.6 billion, if I recall correctly, does that include the pension liability, or is the pension liability on top of that \$12.6 billion? If so, then the true debt of the provincial government, the gross debt, whatever you want to call it, would be considerably higher than the \$12.6 billion.

8:51

The last point I'm going to make before I pass, because there are other members of the caucus here that want to speak. The one thing that really astounded me – and it's a simple little item, really, in terms of the big picture, but it's important to the hundreds, the thousands of people, former students, that got letters from a division of the Treasury Branch saying that they had obligations for student loans that occurred in some cases 10 years ago, 15 years ago, 20 years ago. A number of them, I think, were squared away. There was a great deal of confusion, because in a lot of cases the federal portion of the loan was squared away through a collection agency in terms of a settlement.

I was involved in one case, negotiated a deal on a student loan that was paid off. The fellow involved was facing financial hardships. The mother stepped in and said: look, I can afford so much. The collection agency settled for it, and as far as he was concerned, it was all paid. That was the end of his student loan. His mother had bailed him out, and that was in October of 1989. A couple of months ago he got a letter saying that his income tax refund is going to be withheld for the student loan. In that whole period of time he was never once sent a notice or a letter saying that he even owed this provincial student loan. He didn't know he owed this provincial student loan.

Now, the Treasury Branch must have felt somewhat guilty, because they didn't impose interest on that 11-year period that this loan was unknowingly outstanding, and when I contacted the division, they did agree that once that refund is held back, for the balance they would be prepared to work out a monthly plan so that it could be paid back over a period of time. But, still, it was a shock to that individual. It was a shock to hundreds of others that out of the blue, many, many years after they thought – in some cases I'm convinced that in fact the student loans were fully paid and they weren't accounted for. I notice the federal government sent out letters in error to thousands of students as well, which is just going to compound that fright, that concern that was held.

I don't understand how those types of things happen. You know, I can't just blame the provincial government because the federal government is guilty of the same thing. But how can it possibly be that that many years would go by and there's no acknowledgement of his student loan and suddenly at one point, with no notice, they're simply told, "Your income tax refund is going to be withheld"?

Madam Chairman, thank you for the opportunity to add my thoughts to the Treasury budget estimates, and I'll pass to the next speaker.

THE CHAIRMAN: The hon. Provincial Treasurer.

MR. DAY: Yeah. Just some brief comments, Madam Chairman, if I may. The member is quite right, of course. In our tax reform this is not a flat tax. Sometimes in the vernacular of the day it is referred to as such, but it is in fact a single rate tax, and we do make that point. One of the significant reasons that it is – the member talked about certain credits and refunds being available, but with the very

significant increase in those basic exemption levels, low-income earners, of course, are spared from paying any tax at all. So their progressivity is very dramatic at the low end, and we don't make apologies for the fact that progressivity drops off after that.

That's to acknowledge the fact that people who are working hard and wanting to work harder should not be punished for that at an ever increasing rate. The nurse who wants to take that overtime shift should not be discouraged from doing that by the fact that she or he is sensing that they will be moved into, quote, a higher bracket, and then the incentive to work overtime, whether it's at a hospital or at the packinghouse or on the construction site, whatever it may be, that becomes diminished, and people are treated equitably and not punished at a higher rate because they want to work harder or stay on a particular job longer or, in fact, get more education or experience. Why should they be incrementally punished at a higher rate? We make no apologies for that.

I think it's important to recognize, and we can't go through the entire range of every person's income and are they single, married, how many deductions, but in general terms. For instance, if you were to take a family income, a single income-earning family, \$50,000, their saving under this plan is going to be \$907. To me \$900 is a lot of money, and the families that are earning \$50,000 tell me that \$907 is a lot of money to them.

Now, if you add the federal reduction on top of that – it's not as large as ours, but it's significant, and it goes up and down, again depending on income, et cetera – there's one family that is going to be saving approximately, next year, some \$1,500. That's a significant amount of money. Should it be even lower? Should taxes drop even lower? Well, it would be great if they could, but I don't think this is insignificant, and that's right to the middle income.

If you want to cut a broad swath through some different categories. If the family income range is approximately \$100,000 – and that would be two teachers, for instance; their family salary would be \$100,000 or more – they're going to experience an approximate decrease in income taxes at the provincial level of about 9 percent. In the middle income range it will be a decrease of about 18 percent. Of course, as the member has already acknowledged, at the low-income end they won't pay any income tax at all.

So is it perfect? No. Would it be nice if we could cut it even more? Yes. I still talk somewhat dreamily, I admit, about the day when possibly there's no provincial income tax being paid in this province. That's another day, but it is not so far out of reach that it's never-never land.

The other thing I want to say to the member. If year to year there are adjustments in the federal plan, which diminish the savings on the provincial plan, we can either drop that single rate, because it's very transparent, or in fact we can raise exemption levels or a combination of the two, resulting in a maximum number of Albertans benefiting by that.

When the member said the family tax credit, I believe he's referring to the employment tax credit. I am not making an apology for the fact that it is called an employment tax credit. It is meant to be an incentive to work and to move beyond a certain level. Now, for those who are persons with disabilities – though many persons with disabilities obviously do work. For those who are unable to do so, there are programs there for them to be able to sustain a quality of life that allows them to live with dignity. But we don't make apologies for the fact that this is an employment tax credit. You need to work to get it. That's the whole reason that it's in place.

There were reflections on the gas tax and the price of oil, of course. It is still definitely north of \$30, some \$32, in that range. Most leading analysts feel that it is not going to stay there. There is about a 76 percent compliance rate right now with OPEC nations,

and that is seen to be under some strain. The offsetting effect, of course, is that we are coming up to the summer drive season, and we know that's affecting contract and futures prices right now. But most analysts are saying that it is going to come down.

I would say that the member should stay tuned for some of the work that the minister of agriculture is involved in right now in terms of looking at costs to farmers, especially as they come up to spring seeding, and there may be something – I am underlining "may be something" – coming forward in an enhanced package, whether it's under the farm income disaster program or something similar to it, that reflects severe input increases like costs of fuel. So there may be something there that we can do on the agriculture side.

It's difficult to put in a per barrel sensitive policy that would say that if oil hits a certain amount per barrel, then the fuel tax would drop and that if the price of oil drops, then the fuel tax goes up again. If I can use that just as an example, let's say that we had a policy where if oil hit \$30 a barrel and stayed that way for a certain period of time, then we'd take, just for argument's sake, 3 cents off our 9 cents per litre. Then when it hit \$25 or \$20, pick a number, the 3 cents would go back on. Well, everybody would shout for joy when we took the tax off, and when it hit \$20, with the agreement that it goes back on, of course everybody would forget that it had been reduced, and we'd be in the position of being seen to raise people's taxes when we said that the only way taxes are going is down. I think the members opposite would be faithful to remind us of that at that point. It becomes difficult if you try to do a volume purchase situation, where all consumers maintain their receipts and their invoices. That becomes an administrative situation. What we would look to at this point is the longer term. If oil stays at this over a long term, obviously that improves our overall revenue picture, and maybe then we're able to do something on the tax side long term from that 11 percent rate as we see that we can sustain that out over two or three years. So that's where we are.

9:01

I would remind the member that our per litre tax is the lowest in the country and that when the price of oil per barrel goes up, the Treasury of the government does not take in more revenue. We only get 9 cents per litre. That doesn't increase, as you know, when the price of oil goes up. If anything, consumers purchase a little bit less gas when the price is going up. It is interesting – and maybe the member could join us in a communication to the federal government – that the federal government has a 10 cents per litre excise tax, and on top of all taxes and all other costs then they add the GST. So the federal government, in fact, does collect more percentage-wise when the price goes up. I'd think the member would be happy to communicate with us to the federal government and say: hey, could you put a lid on things there as far as that GST goes?

[Mr. Severtson in the chair]

MR. WICKMAN: I'll see Paul Martin tomorrow.

MR. DAY: Yeah, we'll see him at that fund-raising dinner tomorrow. I'm probably too late to get a ticket.

MS CARLSON: I'll give you one.

MR. DAY: You'll get me a ticket? Okay. The member says she would give me a ticket for the event that the federal Finance minister is coming to. If you want to send that over, I'd be happy to see if I could adjust my calendar.

N.A. Properties. I think I heard the member correctly. That

company was put together of course to dispose of mortgage and real estate that had been acquired from troubled financial institutions in the late '80s. As you know, the bill for doing that was very high. Most of that has been moved through the system now, and we have divested ourselves of those mortgages. Up until November 30, 1999, the company was actually managed by Canadian Western Bank. From that date onward, because the amount of property is so diminished now, Treasury employees assume responsibility for managing that particular portfolio.

The company itself may have to be retained for a period of time just for legal reasons related to commitments to the credit unions and to Canadian Western Bank indemnities and to deal with some of the remaining assets that are very difficult to dispose of. I think you'll see NAP in existence for some time, with what's left of it managed through the department of Treasury. I think it is an example of what happens over time when government becomes too heavily involved with business. There's a great area of caution there, and the member quite rightly reports on that.

The debt vis-à-vis pension liability. The debt that we report, that \$12.6 billion figure, is the result of accumulated deficits through the years from approximately '85 to '93, when there were deficits adding up to some \$22 billion. The Auditor General has quite correctly said that pension liabilities – if those pension funds are actuarially sound, we still record those. We show what those amounts are. As you know, with a number of the pension plans, because of the increased contributions which we put in and the employees put in in '93, this in fact resulted in a surplus a little over a year ago, which resulted in a decrease of the contribution rate. We were able to lower the contribution for employees. Those plans are actuarially sound and are fully listed in terms of the long-term actuarial requirements. That is a normal accounting procedure. You don't see at the federal level the CPP liability tacked onto the \$577 billion debt, for instance. We're fully aware of what those figures are, and they are both accounted for clearly and in separate columns.

I can't comment on the federal loan notifications. We've heard some interesting stories with the program now under the federal government jurisdiction of contacting people who had thought loans expired. I can't comment on that other than to say that there is a program going on for both provincial and federal loans in terms of getting in touch with those people and saying: the requirement is to pay; please get in touch with us so that we don't have to hold back any possible tax that may be coming to you. Some of them, I've heard, got contacted and in fact have taken care of that loan, and it's cause for some heartburn there. We hope that gets cleared up. I've also heard from people who have either paid off their student loans or are still paying them off, and they say that they feel it is appropriate that people who haven't need to do that. In the present budget, which I can't get into in detail because it's not my estimates, of course, there are some very significant increases in student loan assistance, but that's not my area, so I won't boast about that for too long.

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

MS CARLSON: Thank you, Mr. Chairman. I'm happy to put a number of questions that I have about this department on the record, but first of all, I'd like to answer one of the Treasurer's concerns. He was stating that he was having some problems, as I heard, connecting with the federal minister. Certainly we're happy to arrange that on this side of the House. If he has time early in the morning, he can join the Member for Edmonton-Glenora at a breakfast. If that doesn't fit his schedule, I can arrange for him to be

at the reception in the evening, and if that doesn't fit his schedule, I'm sure that between those of us meeting with the minister tomorrow, we can arrange a meeting with this Provincial Treasurer so that he can get his questions asked and his points raised. Certainly there's no doubt that there's a great deal of accessibility available in that regard.

Now, my questions today with regard to the Treasury budget will all centre around financial management and planning, Mr. Chairman. That's program 3, as a reference, on page 390. This program talks about supporting programs and services of government by providing planning management and reporting of the government's financial affairs and by maintaining a sound financial services industry. This is the area of this department where I have the most concerns.

When we're talking about a budget of \$19.1 billion and spending \$17.7 billion and we have a department that cannot bring in quarterly budgets and adjust accordingly given the volatility of the incoming dollars in this province, then we have to wonder what it is that this department is doing. We always have some concerns that they are not operating in the same kind of responsible fashion that we're seeing from private industry in terms of making market adjustments and bringing updates to the people of the province, as they are required.

Instead, they bring in these huge surpluses. They're unaccountable in terms of both the revenue and spending side, and we think that's a real problem, Mr. Chairman, and we think that the people of the province also think that's a real problem. As a result of that, we've got a number of questions with regard to the various sectors of this particular program that we're hoping the Treasurer will answer for us, and we'll try to find out, since the Treasurer doesn't seem to be able to do it, where the problems are in that department.

Is it the department itself, or is it the mandate of this government now? I know some of those department staff, and I know they work very hard and they're very competent. So I tend to believe that the problem lies with the mandate of the government. They don't truly want to be accountable to the people in terms of what they spend and the dollars they take in, but perhaps with the additional information we will receive from these debates, we will be able to get a better handle on that.

First of all, Mr. Chairman, in general, I would like to get a breakdown of the projected gross operating expenses, capital investment, and dedicated revenues for the years 2001-2002 and 2002-2003 for the financial management and planning subprograms. If we could get that detail.

All my questions are somewhat detailed in nature, and perhaps the Treasurer could just undertake to provide those answers to us in writing in the very near future. I say in the near future because it's quite customary to get questions answered long after the budget has been voted on. I hope that won't happen in this particular instance.

9:11

We heard the Treasurer talk about the FTEs in general in the department, but if he could specifically break down what those projections are for the years I just mentioned, that would also be helpful.

Specifically on the office of budget and management I've got some questions. We see some situations here where budgets were exceeded. In the office of budget and management in the '99-2000 budget the costs were exceeded by 9.5 percent, and I'm wondering if the Treasurer could tell us in some specific detail, not just a general overview, what accounted for those increases. Perhaps he could even table a list of the variances by category so that we can see why it is that in this particular department, which should have a better handle on their expenses than any other department in this



government, they exceeded their budget by nearly 10 percent.

Then I'm sure there's a very easy answer to this question, and perhaps the Treasurer can respond to it immediately; that is, if he could tell us why dedicated revenues in this line item are expected to fall by almost 31 percent in the 2001 year. Perhaps there have been some changes in departments. I'm not sure. We don't have enough detail here. If he could address that, that would be helpful.

Speaking of detail, Mr. Chairman, that seems to be a problem throughout these departments. These days this government likes to squeeze us on the budget debates in terms of the amount of time that's committed to them and splits the committees up so that some people are in a different room debating a different department at the same time that we are here. That's a problem for us, because the way the budgets and the business plans are presented, there is a lack of detail in terms of finding out where the expenditures and revenues come from and those expenses are made. If we could get more detail prior to getting into these debates, that would be very helpful.

Some of the questions in terms of the lack of detail presented in these budgets are consistent from year to year, and certainly the very excellent staff in these departments can anticipate some of the kinds of questions and some of the kinds of detail that we're going to need to be able to make adequate judgments before we can vote on these budgets yearly. Perhaps they could provide that to us prior to our entering into debate, and then I wouldn't be as concerned that other budgetary debates were ongoing at the same time as I was committed to another room, in this case this evening the Assembly, to ask the questions that I have concerns about. So perhaps the Treasurer would be prepared to take that under advisement and give us some sort of a comment in terms of whether we can see greater detail in the future.

My next question is under the gross operating expenses. We're seeing an increase of 12.8 percent there for 2000-2001. Mr. Chairman, once again, my question very simply is: why is that increase there? We would like some details on that.

We'd also like to know some explanation on the dedicated revenue that will be generated by the office of budget and management in 2001 and the basis on which those projections were made. So some detail on that would be helpful.

I think the next question that I'd like to ask is: what standards and guidelines have we seen being established to allow the office of the controller and the office of budget and management to ensure that individual departments follow consistent internal audit financial reporting procedures? It is always a concern when we're talking about these large dollars. I'm sure that there is a process. We would like to know what it is, because to have consistent and ongoing reviews made on the reporting procedures and the financial procedures and ensuring that even outside – the Auditor General's office isn't enough when we're talking about this. There needs to be some internal checks and balances. I'm sure that the Treasurer has them, so it should be quite easy for him to provide that information.

Next I have some questions on benchmarks for the same line item, and the questions I have on the benchmarks are around performance indicators. With regard to the accuracy of recording the department's financial information, timeliness of reporting departmental financial information, adherence to legislative compliance, and department budgets, can we have some information on that? Specifically what benchmarks have been established, and why don't I see those in the business plans? Maybe I've missed them. If so, the Treasurer can point them out to me. It seems like those are pretty important benchmarks to talk about, and it would be helpful if we had some more information on those.

MR. DAY: Which area?

MS CARLSON: We've got a bunch of them: the recording the department's financial information, timeliness of reporting departmental financial information, and adherence to legislative compliance. That would be helpful.

Consulting projects, Mr. Treasurer. Do you have any undertaken in this area of budget management for the upcoming year and if so specifically what areas? This is a volatile market. There are lots of things happening out there. We'd like to know if you're using the services of outside consultants, the mandate of those projects, and the process by which consultants are chosen in this particular area. That would be helpful.

Also in this area, Mr. Chairman, what review criteria and guidelines have been established by Treasury in consultation with the Auditor General that will permit formal audits of ministry performance measures in annual reports? Once again, I don't see this information anywhere, and it would be very helpful for us when we're reviewing the performance measures. Along with those guidelines, there must be some time lines for implementation, so we'd like to know what they are too.

When we talk about guidelines, I think it's very important to remember that when we take a look at the business plans, the formatting and the numbers that are compared from year to year often change, and that does create a problem in terms of being able to monitor performance from year to year. I'm wondering if the Treasurer would comment on why they do that. We think they do it on purpose, Mr. Chairman. Perhaps there's a better reason than that, and the Treasurer perhaps can give us some information about that.

[Mrs. Gordon in the chair]

Budget and management. With regard to the Auditor General's recommendations to provide financial results for each of the four quarters of the fiscal year, what steps is this department taking to comply with that request? It's a very important recommendation, Mr. Chairman, and it's interesting to see that this Treasurer is not prepared at this point to comply with it. We hope that that's going to change. We hope that he can make that commitment to us this evening. We really would like to see financial results for each of the four quarters of the fiscal year within the consolidated budget.

You know, it's impossible to compare actual financial performance against any of the benchmarks for the quarterly budgets without this information, and I would suggest that it's also irresponsible of the department not to do it. So if we could get some comment on that, and if the Treasurer could tell us what the time frame is for including quarterly results in the annual budget. Critical information. Unbelievable that they don't provide it. Never get away with it in private industry, but a Treasurer who's in charge of over \$19 billion of revenue and the equivalent disbursements does get away with this. Madam Chairman, I suggest that this only happens in Alberta, that it could never happen in any other province in this country. A Treasurer who would operate in that kind of manner would likely be tarred and feathered elsewhere, but here he gets away with it. Well, isn't that true? It's a big concern. Unbelievable.

MR. SAPERS: I was just working on the image.

9:21

MS CARLSON: The image, yes. Well, that image goes with his new haircut, Madam Chairman, but I won't comment any further on that.

I think this comes within this budget item here. In terms of the capital assets, Madam Chairman, what steps is the Treasury contemplating as it relates to including capital assets in the consoli-

dated balance sheet? I know that this has been a discussion in terms of government financial statements, whether or not this should happen, but I think it's a good idea. We would like to see that debate happen inside the Legislature or anywhere we would have some ability to participate in it. I think it's important for people of the province to know the kinds of capital assets the province has on the balance sheets. So if he could give us some information about that, that would be really good.

Also, I have some questions with regard to issues that still have to be resolved that have prevented Alberta from including RHAs, school boards, and postsecondary institutions within the consolidated financial statements. We haven't heard a good argument on that one, Madam Chairman, and certainly we think it would be the responsible thing to do. Certainly we hope that it's under discussion at this point in time. We would like an update on that, particularly with regard to those issues that are still outstanding.

We'd like the question answered about why Treasury believes that consolidation would add to the complexity and confuse relationships between government and these organizations. I don't think anything could be further from the truth, Madam Chairman. They're an extension of the government in many respects. We see other organizations that are extensions included within the budgetary review process. So what's the rationale behind this? If we could get some information on that, it would be very helpful.

Also, with regard to that, what impact would consolidation of these entities have on the consolidated surplus and the net debt of the province? You know, you just can't say that the net debt is reduced or gone or whatever the latest catchphrase is for the Treasurer. I think to be responsible you have to give a full and complete information flow in terms of all of the areas. That information would be very helpful to us. We want to know why he doesn't do it, other than saying that it isn't convenient. That isn't a good enough answer.

To get a complete information flow and for people to be able to evaluate not only issues like what the real debt is or what the real surplus is in this province but what the performance of the government is – this information is essential. We are asking the Treasurer to tell us why he won't do it. By him telling us, we'll be able to tell Albertans.

This information is very important to be included within the consolidated financial statements particularly. I don't believe there is a school board or a postsecondary institution in this province that wouldn't think that the right thing to do is to have that included in there. They are extensions of what the government does by virtue of where the majority of the revenue funding comes from. We see that happen in many other foundations that receive the majority of their funding from government, so why don't we do it in this particular instance? We think that would be a responsible position to take.

Madam Chairman, I have quite a few other questions to ask. Maybe I'll just touch on a couple of them. Could the Treasurer tell us how much of the project management and transition budget will be allocated to fee-for-service consultants? This ties into my earlier question about asking about any consulting projects that they have ongoing. If we don't get the information, we'll pursue it through other avenues, but I am hoping that he'll be happy to tell us what's on the books for the next year, because it's important to us to know which direction this government is taking.

Particularly we would like them to take a look at the way they make the presentation of their financial statements and the way they calculate surpluses and contingency funds and economic cushions. We think the way they are doing it is not correct. I would say deceitful, but that wouldn't be a correct term to use, so I won't use that, Madam Chairman, but certainly what they're doing is not open

and accountable. It does not properly represent a government that wants to be open and accountable to the people, and for us that definitely is a problem.

Thank you.

MR. DAY: Just reporting on some specifics, and then I want to address some of the gross generalities that were entered into the debate here.

As far as office budget management, there has been a \$902,000 increase there in gross expense from '99-2000 to this budget. That consists of \$500,000 for the internal audit of all the investment and debt portfolios, the type of audit which the Auditor General looks for and which is necessary in making sure we're maximizing our investment opportunities there and also maximizing on the debt portfolio. All but the GRF debt portfolio component, which is \$50,000, is actually recoverable as dedicated revenue, so that should be noted there.

In '99-2000 the projected gross expense was \$672,000 over budget due to implementation of an internal audit function, and in August 1999 the Treasury Board approved a dedicated revenue initiative of \$750,000 just for that purpose there. There was also a \$300,000 capital investment for the entire replacement of the telephone and communications system to keep that up to date both for internal purposes and for communication purposes with our external partners outside of government.

A couple of areas I think need to be addressed. I was tempted just to let these areas go, but some of the statements the Member for Edmonton-Ellerslie was making, in fairness, I think were unfounded and ill thought out. Even my critic from Edmonton-Glenora, though I think he would disagree with me on methods of forecasting, has never hinted or insinuated that anything deceitful has gone on. Certainly we probably disagree on process in how we should do the forecasting. So I really think it was improper to try and bring the debate to a lower level, especially when it's not based on fact.

Madam Chairman, the assessment of our books in Alberta is done not just by ourselves, not just by the Auditor General, but by national and international credit rating agencies, national and international investment companies on whose livelihood is based the soundness of their analysis. And one after another, whether we like it or not – and I tabled them here in the Assembly to the silent cheers of the opposition – comment about how we do things like forecasting and how we do our reporting.

So if the member is taking issue with how we report and how we forecast and how we reflect our prudent fiscal management, she is taking offence, then, and should be offended by every credit rating agency in North America who gives us the top credit ratings in the country. She is taking issue with the people who put their livelihood and their reputation on how they assess other governments. So if you're going to make remarks like that, then stand and say: I am making a remark that is based on nothing in fact; I'm just blowing steam off the top of my head, and I have nothing to base it on.

I say that obviously with some feeling and passion on this topic, because it is a painstaking task not just for myself but for every member of this government and for members of Treasury to account in such a way that we get that type of national and international recognition. So disagree on how we do it, but please don't suggest that there is a lack of accountability. There's full accountability.

To suggest that quarterly reports be included in the annual report, I wonder if the member has any idea of what would be involved. Contrary to what she just said, if you've ever attended the annual general meeting of any corporate entity, you will see their annual report. You will not see a compilation; in many cases, breakdowns of the quarters but not an assumption of the quarterly reports.

9:31

Now, we could do that. We could take those and print them. In fact, Madam Chairman, we report approximately every 90 days. It's a very detailed report, and each quarter it reports where we are in terms of the forecast from the last quarter and where we are in terms of the forecast when the budget was tabled. The member might not like the quarterly reports, but to say that they are not done in an accountable and transparent way is to simply be ignorant of the process that we have put in place, largely a process that is expected and respected by the private sector, the only differences being those cases where general accounting principles are changed or adapted for public service accounting. So I would ask her to consider her remarks and temper them when she is talking about accountability and transparency and the method in which we do our reporting. It is recognized as being second to none in the country.

The consolidated budgeting issue is one on which we have an ongoing disagreement, and we were quite open about that with the Auditor General. To include in our consolidated report the budgeting and the budgets of every school board and regional health authority would be for us to intrude unnecessarily in a micromanaged way into those particular entities.

Now, school boards have to have full audits, and they do have full audits, and those audits are reported. Every regional health authority has to be fully, completely, and totally audited by an external audit source, and those are reported. So we always know the state of affairs of our regional health authorities and school boards.

If we were to report them on a consolidated budget, then the Member for Edmonton-Glenora, quite rightly, could stand up, as he did, and say: why is there an increase, for instance, in the Alberta Securities Commission; why is there an increase in the Pensions Administration Corporation? Do you think school boards would want us giving an account of why they have a certain number of employees, why they hired some more, why they let some go? Do you think the regional health authorities would want us intruding in their particular areas saying: why did you have an increase in activity in this area, and why did you purchase certain equipment there? Those entities have boards which have responsible people and have a reporting chain of command in which they have to report all their activities.

Or universities? Can you imagine if we were here giving an account and I was coming into the Assembly tonight, my phoning the president of a university or a dean of a department and saying: "Why on earth did you teach that, and why did you have so many undergrads teaching this program? What are you doing for your purchasing here? What are you doing for your purchasing there?"

Those entities and the people that occupy the responsible positions in those entities would quite rightly say: what is the government doing micromanaging our affairs? That's one of the reasons we don't put them under the consolidated reporting picture. Do we know where they are at all times in terms of their own finances? Yes, we do. As a matter of fact, last year in recognizing the deficit positions of a number of school boards, we allocated \$151 million to deal with those deficits, as we did with the regional health authority deficits. We didn't come in telling them how to manage the intricacies of each of their departments. They're held accountable to do that.

Now, the discussion that's been going on with the Auditor General. We've actually taken that to the national level, and we have asked the public accounting associations to engage in this discussion with us to see if there are ways in which some kind of reconciliation can be had in terms of the debate. Let it be clear that these entities are fully audited, fully accountable, and fully mandated in terms of the protocols of all their auditing procedures.

To bring them into the government consolidated picture and treat

them like the Department of Environment or the Department of Justice or any other government department is simply untenable. They themselves would not stand for it. I would ask the Member for Edmonton-Ellerslie to go talk to the chancellor at the university and say, "Hey, how about it? Do you want to get dragged into the government consolidated picture? Do you want the Treasurer stomping through the hallways here and telling you what to do and how to spend the money?"

Now, when we send those grants out, we do have certain broad parameters, but in terms of the decisions that have to be made at those levels, I would ask the member to go talk to the board of governors at the U of A, talk to the U of C and say, "Hey, I've got a great idea for you folks. We're going to drag you into the government consolidated reporting picture, and we're going to have the MLA committees swarming through here and telling you when you're paying certain division heads too much or professors too much or whatever it might be or allocating certain programs to students." I ask the Member for Edmonton-Ellerslie, before she addresses this question: bring those folks in here. I want to hear them clamour to be a part of our consolidated reporting picture. I'd like to see that happen, and then maybe we'll give it some consideration.

I thank her for her remarks.

THE CHAIRMAN: The hon. Member for Edmonton-Glenora.

MR. SAPERS: Thanks. I thought the Treasurer was just getting warmed up. He caught me by surprise.

A number of comments. One thing to preface this, my second round of participating tonight in estimates debate, is: after a particularly heated exchange in the Assembly about a year ago during budgets, the Treasurer and I bumped into each other in the rotunda by the fountain. He commented to me that he wasn't entirely satisfied with the way that the debate had gone, that it seemed to be personal. I think if you read *Hansard* from about a year ago, you'll see that there were some things that had gone on. You know, there's always the danger, when you're talking about something that you so are personally and emotionally committed to, as the Treasurer is in terms of his policies and priorities and as members of the opposition are to their policies and priorities, that debate can tend to get heated and personal. I wanted to compliment the Treasurer this time around for not adopting the tactic that he has used in the past, and I will acknowledge that the comments from this side tended to be very pointed.

But I can tell you, Mr. Treasurer, that it's not because there's a disagreement with those organizations that earn their livelihood by commenting on other people's forecasts. It's because there is a deeply held belief on this side of the House that government by policy does some things with the presentation of the forecasts and the projections that one may describe as prudent and another may describe as shading the truth. So please be advised that the measure of the forecast and of what the experts say about the forecasts is ultimately their accuracy and not really how people talk about them or what use they may make of them.

I'll also say on the issue of consolidated reporting that this is a long-standing argument. The Auditor General and the Treasurer have had the debate and the Treasurers that preceded this one have had the debate and this member and this Treasurer have had the debate. You know, there is a disagreement, and it's an honest disagreement, but I think it is far too easy to dismiss the substance of the argument by then saying: well, should we go micromanage and stomp down the halls of a university?

In fact, Mr. Treasurer, I think that you could say the same thing,

that the Alberta Treasury Branches' statements are consolidated with the government financial statements, yet you always argue that you don't micromanage ATB. So it seems to me that there's a way to reflect consolidated statements without treading down this path of micromanaging and telling other people what to do. You know, we consolidate the Alberta Securities Commission in your own department's reports, and I haven't heard anybody from the commission accusing the Treasurer of stomping down the hallways of the ASC and micromanaging. Of course, this would be a good opportunity to do so, because they're in the middle of an executive search right now. I mean, what better opportunity?

So, Mr. Treasurer, please don't overstate the case. I mean, it is an honest dispute in terms of where we can go with consolidated reporting, but it really doesn't advance the debate at all to go down that path of trying to strike terror and fear into the hearts of school board administrators everywhere.

9:41

Also, Mr. Treasurer, in my first round of questions I asked about the government's health privatization bill. I forgot that it's called the Health Care Protection Act. So for all of my questions replay the tapes: ditto, insert Health Care Protection Act where I said privatization, and the same questions. If you could provide some substantive answers, I'd sure appreciate it.

The other thing. You know, when the Treasurer is talking about accountability – and I even heard the Member for Edmonton-Ellerslie say that there were some things that were positive in terms of the government's reporting – it often stops short of where it could be. When any member in the opposition talks about the shortcomings, including the suspicion that they're not accidental shortcomings, that they're purposeful – certainly I've said to the Treasurer that I suspect that revenue projections, for example, are low on purpose, and then I think the Treasurer said: well, would you want me to make them high on purpose? That's not really the point. We want them to be as accurate as they can be on purpose.

When we talk about whether or not the government is doing everything it can to live up to its own claims about accountability, let me quote the Provincial Treasurer himself in the document A Plan for a Debt-Free Alberta, dated March 1999, where the Treasurer says that "business plans are one of the cornerstones of Alberta's prudent fiscal management." Now, with that statement in mind regarding the business plans being the cornerstone of Alberta's fiscal management, let me quote what the Auditor General has said about the government's record with business plans.

In the Budget 99 cycle, information on Alberta's economic outlook for factors such as population, unemployment rate, exchange rate, and interest rates were not provided to Ministries until October 1998, several months after some Ministries began their business planning . . .

In Budget 99, core businesses are still defined variously in terms of goals, strategies, activities, or performance criteria. Strategies are sometimes defined as desired results rather than broad actions to achieve them. Goals are sometimes defined in terms of activities rather than end results . . .

In our review of the Ministry business plans in Budget 99, we found that over half the Ministries had at least one goal that did not have a performance measure associated with it. Overall, 24% of all the goals in Ministry business plans did not have a performance measure. In addition, in many business plans where performance measures were included, the linkage between the goals and the performance measures was not apparent.

I could go on. The Auditor General comments on how "some performance measures are not measured annually." He goes on to say that "82% of the performance measures had targets. However,

two thirds of Ministries had at least one performance measure that lacked a target." The Auditor General notes that "in Ministry business plans, output and outcome measures are not always well defined, measurable, and clearly related to core business goals." The list does go on.

I know the Treasurer is familiar with the Auditor General's report, but my point of repeating this in the Assembly now is to say that it is not a universal analysis that there is tremendous accountability in government reporting. In fact, there are some serious deficiencies in the business planning process, and while it may be better than other jurisdictions – and that in and of itself is very subjective – it is still not as good as it can be. So let's make sure that we don't get simply carried away with defending what it is that we do and, instead, pay some attention to how it can be improved, because that is, after all, what a large part of this process is supposed to be all about.

I do have a couple of other rather specific questions for the Treasurer. The Treasurer and I have had this conversation about Centennial Food in the past, and we've got quite a healthy correspondence file, but I'm going to ask some questions in the hope that Albertans can gain just a little bit more insight into what's happening with their money in this regard. Will the Treasurer provide further information on the terms and conditions of repayment of the \$13 million loan provided to Centennial Food Corp? Will the Treasurer indicate how much in cumulative interest payments have been made on the loan between August 1 of '97 and the end of February 2000?

I do note that interest rates ranged from 3 to 10 percent during this time period, with the actual interest paid dependent on the amount of cash flow generated by the company. Maybe the Treasurer can confirm my understanding on this payment schedule, which is that if cash flow was inadequate to permit payment of the minimum interest of 3 percent, then interest accrues at 3 percent and is due at maturity, which is 2003. How much of the unpaid accrued interest has accrued on the loan from March of '91 to the end of February 2000, and what are the terms and conditions of the cash flow thresholds required for the company to trigger the sliding scale of interest payments on the loan, the scale of between 3 and 10 percent?

In addition, I'm hoping the Treasurer will tell us how much of the \$13 million owing on Centennial Food's loan is contained within the \$42 million allowance for doubtful loans, advances, and implemented guarantees and indemnities which I referred to earlier, which are found on page 56 of Budget 2000.

I also know that the Treasurer had some discussions with Centennial Food back in June of '98 relative to the loan agreements. I don't think those discussions have ever been made public. Can the Treasurer help us in this regard? It is a considerable amount of money, and it's one of those chapters that I think we'd both like to see come to a close.

Now, the Treasurer also has in his department some 143 pages of documents that have been identified through freedom of information requests, et cetera, that pertain to valuation reports, fairness assessments, workout and exit options, term sheets, and letter agreements between March 25, '98, and April 6, '99, pertaining to the loan agreement between the government and Centennial Food. I've never received a satisfactory explanation as to why these 143 pages of documents are being withheld from taxpayers. I know which exclusions of the freedom of information act have been cited, but I'm not satisfied that the public interest wouldn't be better served with more complete disclosure.

Mr. Treasurer, there are a couple of questions I wanted to ask you about the investments of the provincial government. One question I have is: will some action be taken in terms of ensuring that the various investment portfolios managed by the government of Alberta or on behalf of the government of Alberta take into consideration

providing access to capital or investment to Alberta-based business, particularly emerging businesses? What can we do with our portfolio of tax-funded investments to help grow Alberta businesses, and is there room to be more aggressive in that regard?

What type of advice does the investment and debt accounting group provide on accounting treatment and reporting presentation? What role does the investment and debt accounting group play in reviewing internal policies and procedures and monthly performance measurement regarding investments and liability portfolios?

I'd be interested to know what criteria are used by the Alberta heritage fund Investment Operations Committee to determine whether various heritage fund investments should be outsourced and managed by external managers. Will the Treasurer agree to release the investment policy manual of the Alberta heritage fund Investment Operations Committee? Now, if it's true that Alberta Treasury uses external managers to invest in certain asset classes, such as small cap companies and U.S. equities or global equities, what is the role of the external advisors, and why would we not see this manual?

I note that at a press conference a couple of weeks ago the Treasurer was asked a question regarding the future of the Alberta heritage savings trust fund, and it had to do with the announcement of the \$230 million, the inflation-proofing in essence, that went in this year. The Treasurer's response I found intriguing. What I heard him say – and this would be his chance certainly to clarify my understanding – is that, yes, the future of the Alberta heritage trust fund is being reviewed and that if there was going to be a major policy change, that policy change is something that Albertans would have to be consulted about and that it's possible that such a major policy change could be in the future of the Alberta heritage savings trust fund.

9:51

While I'm mentioning the decision to retain \$230 million of the trust fund income in the fund in the third quarter so that it would be inflation-proofed, I'm wondering if the Treasurer will consider amending the Fiscal Responsibility Act to ensure that there is a mandatory provision that the fund be inflation-proofed on an annual basis. I know we've had this discussion before, but I think the time is right to make that commitment. Certainly, as the Treasurer always says, while legislation can't necessarily bind one Legislature to another, it certainly sets a direction and a goal and a standard, and the government will at some risk circumvent or change its laws when it comes to matters of fiscal responsibility. I'd appreciate the Treasurer's updated comments in that regard.

The Treasurer hasn't talked for a while about the investment management mandate to be established for portions of the heritage fund that are externally managed, and I'd appreciate him providing us additional information on this mandate. If these mandates are going to vary by certain parts of the fund, will the Treasurer provide copies of the investment management mandates when they're compiled and completed? While I'm asking about those, will the Treasurer refresh my memory as to the process of how these mandates are being constructed and ultimately approved?

I have some other questions about the fund. Why is the policy weighting of the real estate holdings in the endowment portfolio being increased from 7 to 9 percent? What real estate holding acquisitions are planned for this fiscal year and for each of the fiscal years during the planning cycle? Will the Treasurer provide a breakdown of the \$357.1 million fair value of holdings in the private real estate pool and the ownership percentage as of the end of the calendar year last year?

What is the frequency of reporting of Alberta Treasury and external managers to the Alberta heritage savings trust fund

Investment Operations Committee, and what are the contents of these reports? For example, do they report on amounts invested in various classes of investment, on an amortized and unamortized basis, on unrealized gains and losses, and on the amount of each class of investment as a percentage of the portfolio, on the average life to maturity of securities, et cetera?

Will the Treasurer provide a breakdown of the investment management fees paid to the following heritage fund external managers in 2000-2001: Guardian Capital, Bissett & Associates, Standard Life, Mawer Investment Management, Van Berkom, Bolton Tremblay, AMI, JP Morgan, Morgan Stanley, Pyrford International, Baring Asset Management, Morgan Grenfell, ABN Amro, UBS/Philips & Drew, Fleming, Bankers Trust, Stein Roe & Farnham, and GE Investments? If I've missed some of the external managers, maybe the Treasurer could add those into the list as well. That's the list that I could compile, and I acknowledge that it may not be exhaustive. Also, while the Treasurer is providing that breakdown, maybe he can tell us what the custodial fee is that will be paid to State Street Company of Canada in the year 2000-2001.

Madam Chairman, I know that that's a number of very detailed questions, and we do have more. In fact, that only touches on about a quarter or a third of the questions that I have. That brings me to perhaps my closing comment, which is just some reflection on this process.

Tonight has gone better in examining this minister's department than other nights have in examining this minister's department, I believe. I think it's because there was, with exception but with rare exception, a willingness to listen and provide a reasonable response. One of the difficulties, however, is that tonight at this very same time there's a budget examination committee looking at the Department of Justice. Now, both the Treasurer and I have an abiding interest in Justice issues, and I'm sure that we both could have used our time well upstairs in room 512.

It was the Treasurer when he was Government House Leader, I believe, who created or at least implemented this process where we break into these subcommittees and we accelerate the budget review. I think time has now proven that this is an unsatisfactory way to do business. It may serve the government's interest in that you get through the 28 days more rapidly, but I don't think it fully serves Albertans' interests when it comes to disclosure and careful budget examination.

Thank you.

MR. DAY: I'll endeavour to reply in detail to the detailed questions, especially those related to the Alberta heritage savings trust fund.

Just a couple of comments on, again, some of the broad reflections. I'd like to say that when we do the revenue projections, we do not project revenues – and I'll quote the Member for Edmonton-Glenora – we don't make those low on purpose. For instance, the present budget is projecting for the year ahead, till March 31, 2001, that for that budget year the price of oil will actually average \$19. Now, when it's floating around \$32, that seems a little bit out of whack. However, members will remember that a year ago when I tabled the budget, February 24, '99, we were projecting \$13.50. On that particular day oil was \$12.61, and we were saying \$13.50. In fact, it was \$12.61. Some people thought we were being optimistic. The Liberals in their estimation were slightly above the \$13.50.

In fact, when we make these projections, we consult with leading analysts provincially, nationally, and internationally, those investment houses and those industry experts who, again, propose and purport to have some sound fundamental principles in doing those estimates. We survey the waterfront, as it were, and then consult again with our own unique economic conditions. Then we make a

projection based on what we actually think that figure will be; for instance, \$19 this year, and last year it was \$13.50. We actually project that. We don't go low on purpose so that we can be guaranteed to have a so-called surplus or economic cushion.

The way we make sure there's an economic cushion just in case prices drop is that we do all our revenue projections as realistically as we can, whether we're talking about oil or gas, the different fees that are coming in, or transfers from the federal government. We take all that into consideration at the start of the budget year, and then we take 3.5 percent of that and set it aside as an economic cushion just in case things turn on us, global commodities or some other issue beyond our control. Then we can draw from that cushion of 3.5 percent of revenues. It's a savings account, as it were, if things crater and they start to move downwards. Then we don't have to reduce spending on health and education and other departments. So we don't use our revenue projections to deliberately lowball so that we've got a cushion or a surplus. The cushion is right up front, set aside in that 3.5 percent.

**10:01**

Now, we may miss it in terms of where our projection will go. If we miss it, we usually miss it with the rest of the world, as we did with oil. We were saying \$13.50 last year. Some people projected \$12.75, some were saying \$14.50 or \$14.75, but we were all kind of in that same band together.

When we tabled the budget, did our preparations, some of the investment houses and other analysts were saying that it was going to be a little bit below \$19, some were saying \$20. I think averaging out about \$20.35 is where people are. So we're just a little bit below that average, but we think it's going to come down to that. If it doesn't, then of course we will have more of an economic cushion, 75 percent of which goes to the debt. So I just wanted to make that point.

This will be a difference of opinion, but I'd like to say that over, I think, the three or four years since we have had this type of estimates process, where we break into different committee rooms and simultaneously can be considering different parts of the budget process, even as the federal government does – as a matter of fact, that's where we got the idea from. When they get into their committee process, especially on legislation, they break into any number of committees at the same time. I think it actually has resulted in a better process of questioning. There's a closer feeling that you can see now as members come in.

This is the way it used to be: a lot of members on this side, some members on the other side, a lot of background noise. In fact, I think it took away from the process.

So whether it's here in this particular Assembly room or in one of the meeting rooms or actually around the table, I think it raises the quality of questions and puts more pressure on the quality of response. Now, that's my view, and we will differ on that.

On the questions which we have not answered, I will get back to you, Madam Chairman, in writing to the members.

At this point in time I would move that we rise and report progress.

THE CHAIRMAN: Having heard the motion by the hon. Treasurer that we now rise and report progress of subcommittee A, all in favour, please say aye.

HON. MEMBERS: Aye.

THE CHAIRMAN: Opposed, please say no. Carried.

[The subcommittee adjourned at 10:04 p.m.]