

Legislative Assembly of Alberta

Title: **Tuesday, March 9, 2004**

Date: 2004/03/09

[The Deputy Speaker in the chair]

The Deputy Speaker: Please be seated.

head: **Government Bills and Orders
Committee of the Whole**

[Mr. Tannas in the chair]

The Chair: I'd like to call the Committee of the Whole to order. For the benefit of those who are in the gallery, this is the informal part of the Legislative Assembly. It's Committee of the Whole, where you're allowed to go through a bill item by item and members are allowed to move around quietly to other places and converse. So if you've got a map of where everybody is, they may or may not be in the place that they appear to be.

Before we begin, I wonder if we might have the committee's approval to briefly revert to Introduction of Guests.

[Unanimous consent granted]

head: **Introduction of Guests**

The Chair: The hon. Member for Edmonton-Centre.

Ms Blakeman: Thank you very much, Mr. Chairman. I'm very lucky tonight. I have two introductions to make, two different groups. First of all, I would like to introduce to you and through you to all members of the Assembly Mr. Jay Ball, who is the president of Junior Achievement of Northern Alberta and Northwest Territories. He's here in the public gallery with nine visitors. They are the staff, volunteers, and students of Junior Achievement. I would ask them all to please rise and accept the warm welcome of the Assembly.

My second set of introductions – I'm always very excited when we have parents of students in our school systems come to see us. I have a number of parents to introduce. These are all parents from Lendrum elementary. First of all, there's Kathleen Marta, who's the parent of two children attending Lendrum elementary and the co-chair of the Lendrum parents school council. Greg Falkenstein is a parent of two children also at Lendrum; Sherri-Lyn Lane, also with two children at Lendrum; Kathy Okamura, with a child in Avalon junior high and a child in Victoria composite high school in my riding of Edmonton-Centre; and finally, Susan O'Neil, who's the parent of two children at Lendrum and also the editor of *Commission Watch* and an active member of Action for Education. All of these parents are present in the gallery as part of the Education Watch initiative. They're concerned about the quality of education their children are currently receiving and about funding for public education. Thank you very much. Please join me in welcoming them to the Assembly.

The Chair: The hon. Member for Edmonton-Glengarry.

Mr. Bonner: Thank you very much, Mr. Chairman. On behalf of the hon. Member for Edmonton-Gold Bar I'd like to introduce to you and through you to all hon. members here in the Legislature the Connors Hill Boy Scouts. They are accompanied this evening by their group leader, Lee Loewen. They are seated in the public gallery, and with your permission I'd ask that they all stand and receive the traditional warm welcome of the Assembly.

Bill 10

Justice Statutes Amendment Act, 2004

The Chair: Are there any comments, questions, or amendments to be offered with respect to this bill? The hon. Member for Edmonton-Centre.

Ms Blakeman: Thank you very much, Mr. Chairman. At this point I'm happy to support the government in the Justice Statutes Amendment Act, 2004, that's been brought forward. The minister and I went through it in a fair amount of detail during second reading, and I had put forward some questions which I'm hoping the minister will answer during Committee of the Whole. I'm fairly certain that he'll be able to answer those questions, and if all appears in order at the end of that, I'm happy to support this bill passing through Committee of the Whole. I'm pleased to see it, and I look forward to the comments from the minister.

The Chair: The hon. Minister of Justice and Attorney General.

Mr. Hancock: Thank you, Mr. Chairman. I would be delighted to answer the questions. I had actually gone through *Hansard* with respect to the speech made by the hon. member on Thursday at second reading to determine whether in fact there were things that needed to be answered. As I interpreted the comments, it was an interpretation of my legal language to her lay language, and I didn't find any questions to answer. So I'd be happy to answer them if she would put them again in clear language for me.

Ms Blakeman: It's not necessary. I'm now remembering. No, that's exactly what I did, attempted to unlegalize the language. I think that according to the feedback loop that we've had in the community, everything that's being proposed appears to be acceptable, and I'm happy to support the bill that the minister has brought forward.

The Chair: The hon. Member for Edmonton-Calder.

Mr. Rathgeber: Thank you very much, Mr. Chairman. It is a pleasure to rise and add a few comments on the record as they relate to Bill 10, the Justice Statutes Amendment Act, 2004.

This bill, as sponsored by the Attorney General and Minister of Justice, amends a number of justice statute amendments including the Court of Queen's Bench Act, the Motor Vehicle Accident Claims Act, and the Judicature Act. I fully support all of the amendments that are being proposed to these respective acts, but I would like to focus on the latter, the Judicature Act, and make a few comments regarding what I think are some very much-needed and valuable improvements to that act.

As many of my colleagues are aware, prior to becoming a member of this Assembly, I practised as a lawyer and spent a lot of time doing insurance and automobile-type cases. So I have some experience with the issue of settlements and would like to make a few comments on the proposed structured settlements as they are proposed in Bill 10, the Justice Statutes Amendment Act, 2004.

The Attorney General in his comments on second reading quite accurately pointed out that large lump-sum settlements which are awarded following litigation can prove to be problematic in that occasionally an individual for a variety of reasons is unable to manage that large settlement of funds, and they find themselves after a not-too-long period of time to be completely without funds because the funds have been extinguished through poor financial planning or through poor investment choices or for a variety of other reasons. It

is for these reasons, Mr. Chairman, that I submit, as the Attorney General said at second reading, that structured settlements can be very beneficial to the plaintiff following a successful court application.

But I submit to this House that structured settlements can also be favourable to the other side of the equation, that being the defendant or the person actually paying the settlement. When a large lump-sum payment is made pursuant to a judgment, that settlement or that award will ultimately be subject to taxation in terms of the income-earning portion of the large settlement, and it will also be subject to inflation. Now, in order to make these large lump-sum payments inflation proof and to index them for future taxation consequences, it's necessary to build in what we call a tax gross up as part of the ultimate settlement. This tax gross up is a cash payment that's paid by the defendant or, in most cases, the insurer for the defendant and actually increases the cost of the actual payment.

So by spreading out the payment over a period of years, the periodic payment or, as they're referred to colloquially, the structured settlement actually reduces the financial obligation of the defendant or, in most cases, his insurer.

Members will recall last summer and fall when amendments were being proposed to the Insurance Act that many options were being bandied about to try to bring down insurance premiums and costs to the insurers. Structured settlements, or periodic payments over time, was one consideration that was put forward. This is one of the considerations that actually received the endorsement of both the plaintiff bar and the Insurance Bureau of Canada. The reason for that is quite simple. By allowing defendants or in most cases their insurers to pay structured settlements or periodic payments over time, it ultimately reduces the costs that they will have to pay.

8:10

So with those comments, Mr. Chairman, I certainly endorse Bill 16. I think the structured settlement addition to the Judicature Act will help plaintiffs who receive lump-sum settlements manage their funds in a responsible manner and will allow defendants and their insurers to plan for making periodic payments over time and, ultimately, at less cost to them.

Thank you.

[The clauses of Bill 10 agreed to]

[Title and preamble agreed to]

The Chair: Shall the bill be reported? Are you agreed?

Hon. Members: Agreed.

The Chair: Opposed? Carried.

Bill 15

Fiscal Responsibility Amendment Act, 2004

The Chair: Are there any comments, questions, or amendments to be offered with respect to this bill? The hon. Member for Lethbridge-East.

Dr. Nicol: Thank you, Mr. Chairman. I rise this evening to make some comments about some of the clauses in Bill 15.

It's interesting in the sense that the original bill, the Fiscal Responsibility Act, has been in place for about one year, and already we're seeing changes in the level of transferability of dollars in and out of the sustainability fund. I guess the question that comes up

there is: are we going to be doing this on a regular basis? You know, when we discussed the idea of a stability fund, a sustainability fund, over the last two or three years, there was always this projection and this idea that the act itself should be almost self-modifying in the sense that it would not be subject to being changed one session and then go back the next session and go back the next session to meet the needs.

We had proposed that instead of having a particular dollar amount for that transfer, it should be based on a moving average so that it trended with the changes over time in our natural resource royalties, so that as they trended up, the amount we transferred into the general revenue fund would trend up. If it started to trend down over two or three years, the average would move it down so that we would end up reducing the amount that was transferred in and out of that sustainability fund.

The idea there is that it doesn't become a political issue, that you deal with changing it up one year and down the next either to suit expenditure needs or to suit expectations of change in the natural resource revenue. By using that average, you know, when it's going up, you've got more to put into because you're putting the residual into the sustainability fund. When you're going down, you're taking a little bit out of the sustainability fund so that the actual expenditures that you have on a year-to-year basis don't change quite as much.

So I guess what this really does is just say that the fears we had or the concerns we had about the bill last year when it was brought in – we said that we need to have a mechanism in there. Rather than just putting a dollar value in, you know, the 3 and a half billion dollars that was put into it, we need to have a formula built into it so that it does not become subject to political whims on a given year.

I have no problem with the idea that we're actually going to be moving more money out of the natural resource revenues into general revenue so that we can use it for programs, because we're seeing our natural resource revenues going up. So the fact that you're putting more money into the general revenue fund I think is a good idea. The concern I've got is that, you know, this leaves it open again to year-by-year-by-year guesses about what it's going to be rather than building it off a trend or a historic level of natural resource revenues.

So I think that it's probably too much to ask the government to approve something so complicated as that in an amendment, but they should be thinking about it so that we end up in other years not having to deal with those kinds of annual changes in the transferred amount. You know, we did suggest an amendment last year that would put in a formula. It was rejected, so there's no real reason to put it in again this year just to have it rejected again.

If we look at the next set of amendments, I guess I have some real questions for the minister on what is section 4(a), the amendment there. They're changing the wording of that section of the act to deal only with nonrenewable resource revenues; in other words, only our oil and gas revenues, coal, revenues from all of the natural resource that are nonrenewable. But in the act last year they had actual revenues.

Now, I guess what this does is lead me to question why they're allowing for variability only in our natural resource revenues. The way I read the act now is if, let's say, from one year to the next we have exactly the same natural resource revenue, there would be no change in the operation, flow in or flow out, of the sustainability fund. But if we're in a particular economic cycle – Mr. Chairman, I think we probably will see that this year because our agriculture income in this province is probably going to be down this year, whereas our oil industry is still sustainable.

So what we're saying is that that variability in the potential

revenues of the province from changes in income tax or business tax or any of the other taxes that are associated with the non natural resource industries – if they go up and down, we can't adjust the sustainability fund to deal with those changes in revenues. Why not? To me, that's one of the critical things that was so good about the way the act was worded before, when we dealt with all of our revenues. What it did was allow for some counterbalance so that if natural resource revenues were up and the non natural resource revenues went down, they'd average each other out. That would help, you know, to mitigate the variability we have in our incomes and our revenues from one year to the next.

But here now we're only allowing the change in dollars going into the sustainability fund or coming out of the sustainability fund to be triggered by the change in the natural resource royalties. So, you know, with our downturn in the ag industry this year because of the BSE crisis, if we had revenue shortfalls this year, we couldn't take money out of the sustainability fund to support education, to support health care, to support our social programs. I find that unconscionable, Mr. Chairman.

We need to make sure that this act serves to sustain our expenditures in all of our programs, all of the commitments that the government makes in a budget at the beginning of the year through that whole year so that we end up with manageable, predictable, reliable commitments to our communities.

Here we're saying that if natural resource revenues don't change, it doesn't matter what happens to any other revenue; we can't take money out of the sustainability fund. That limits the flexibility that we need as a government to sustain our programs. What are we going to tell children out there in our schoolrooms when we have to cut the Learning budget? What are we going to tell individuals needing health care, waiting on a waiting list for an operation, waiting to get into emergency? These people will say: with all that natural resource revenue, why can we not sustain expenditures in our social programs?

So I guess I would suggest that amendment 4(a)(i) really puts a limit on the flexibility that was the whole purpose behind the sustainability fund. If we look at that section, we need to really think about it and figure out whether that's really what the Legislature wants in terms of the operation of the sustainability fund.

8:20

Clause 4(b) I think is a good amendment. I think everybody would support this one. Basically, what it says is that if there are increased revenues that come in targeted to a specific program, then we have the right to take those dollars and put them into the program rather than putting them into the residual that then goes into either debt paydown or to the heritage fund. The example we're going to see here probably this year is if there are federal dollars. A number of federal dollars came to support the BSE programs. They were not in the original budget, so if they didn't get included in an amendment like 4(b), we wouldn't be able to spend them. So I think 4(b) is a good amendment. Let's support that one so that when these dollars do come in, they can be used for the purpose for which they were directed.

Section 4(c). I think the way I read that and look at the operation of the fund, I don't really see a lot of problems with it.

Section 4(d) again, I think, is just setting a change in tone of the act, you know, because in effect it's changing "funds required to pay" to "amounts paid or payable". It's kind of saying that governments don't have to pay; they choose to pay. That's, I think, just a tone change in it.

I've got some other concerns that I'd like to raise about section 4(e). I like the intent of this amendment. This amendment basically

says that if there's a settlement agreement to be reached with a First Nation community over a claim, whether it's a land claim, whatever it is, then we can take the dollars out of the sustainability fund for that claim. I think that's great because that's an unplanned contingency. We need to have dollars to do it.

But let me ask a question then, and we'll know this in a couple of weeks when we see next year's budget. Does that mean that the normal line item that's in the budget every year for land claim settlements will be removed? If we're going to have a line item in the budget under the ministry of aboriginal affairs, then why have this clause in the Fiscal Responsibility Amendment Act to deal with land claim settlements that are unplanned? So I think that this is something that we need to look at, because what we're in effect going to say is that we've got the option to pay them out of two different places in the budget.

Remembering back to our Financial Administration Act that a minister has the prerogative to move items from one line to another line within their ministry, in effect the Legislature passes a budget saying that so many dollars will be in the minister's budget for the cost of claim settlements with First Nation communities, and then if we get a claim and the minister wants to take that money and use it in a different program, that can be done. Then they can go to the sustainability fund and bring money out for the claim. So in effect there are two sources of money to settle that one demand. I think that we need to make sure that when the budget comes down – I think it's scheduled for the 23rd now.

An Hon. Member: The 24th.

Dr. Nicol: The 24th? Thank you.

We make sure that that line item is not in the budget so that we have those options clarified. We're either going to use the sustainability fund for these unplanned contingencies like land claim settlements or any other First Nation settlement agreement or we're going to use line items in the budget the way we have in the past. We shouldn't be allowing for either/or options to spend money as a government.

I guess the other thing that I just want to do kind of in conclusion is give an overall tone to how I see these fitting now with the Financial Administration Act and some of the other legislation that's on the books for our province. As I look through and read this new formatting for the sustainability fund, the separation of natural resource revenues from all revenues, and go back to our tax increase legislation where we have in the laws of this province that no tax increase will be enacted without a referendum, what I'm seeing here is a very limited amount of expenditure that we can make out of our natural resources royalties. We have fixed income coming from our non natural resources – in other words, our tax base – yet we have changes in our programs in terms of demand, in terms of budget allocations. Where are we going to get the revenues for those programs if we don't allow for that interplay between the non natural resource revenues and the nonrenewable resource revenues that are limited now by this new amendment 4(a)(i)?

I guess as I work through this and I try to figure out where we're going to get those additional revenues, it becomes quite obvious that the only source of revenue for health or learning or social programs or other expenditures that we have to have because of growth in the demand for those services that is not consistent with the growth of the economy – so if we have a 4 per cent growth in GDP but a 5 per cent growth in Learning, where do we get that extra 1 per cent? User fees? That's basically the only option available to us if we pass this act the way it's worded.

I think it's really critical that we review 4(a)(i) because that's the

one that puts the limit on the use of these nonrenewable resources for support of programs. We need to look at that and make sure that it does have an option to move those dollars, because I don't think that we want to end up being a province where the only way we can support growth in our programs is through user fees, growth over and above the normal growth of the economy. Our tax revenues grow in proportion to the growth of the economy, but if any one of our programs grows faster than that, where do we get the money? I'll leave that for the House to decide.

I hope we get a chance to pursue this. I ask for clarification of it. We still have lots of time in this session to fix it up if we want to make a change in it, and I would hope that the minister would look at that as we go through and move forward in trying to make sure that this act really does provide fiscal stability yet allows for the sustainability of our critical programs like health, education, and our social programs for the people of this province.

I will have trouble supporting one of the amendments out of the five that are here. If we could separate them out, to four I'd say yes, but one leaves too many questions to support at this point. Thank you, Mr. Chairman.

The Chair: The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Chairman. Just an opportunity perhaps to speak to some of these issues just raised by the hon. member. I didn't make note of all of them, but he started, I believe, by talking about the increase from \$3.5 billion to \$4 billion being allowed from resource revenue and the indication that there had been a couple of changes to this act. [interjection] This is the first increase, but it's the second change to the act, I believe.

That's an important note to make, because this Fiscal Responsibility Act, in fact, was brought in a year ago. It was brought in an attempt to provide some stability to fluctuating revenues and provide for the ability to flatten out that revenue stream on the volatile renewable resource side. As the hon. Minister of Finance pointed out in speaking to the bill in second reading, the number wasn't fixed in stone. It essentially was a target that was started, and it was meant to be adjusted over time depending on performance.

8:30

One of the things we found is that the sustainability fund has been fully funded more quickly than was anticipated, yet we do have some issues that need to be dealt with with respect to education funding and health funding. In the belief that we can maintain the sustainability over the long term with a \$4 billion expenditure as opposed to the \$3.5 billion expenditure and still have the sustainability fund in place, it was felt prudent at this time to increase that number.

So far from being a weakness of the bill that we've moved to make that change, it's actually one of the things that might have been contemplated in the Fiscal Responsibility Act when it was first brought in, that this has to be an act and a concept that can be worked with until we find where the appropriate levels are and, of course, working with the fiscal realities of the province over time.

With respect to the amendment that he more particularly referred to with respect to how you calculate nonrenewable resource revenue versus other revenues, this, I believe, is an amendment to actually more accurately reflect the original intention of the policy and the Financial Management Commission, which was embodied in the act before. That is to say that there is an expectation that as the province grows and as income levels grow, income from tax levels that is related to that growth should be available to help support that growth and help support the programs.

So the definition very clearly needs to isolate out the nonrenew-

able resource revenue as that being the revenue that one is trying to flatten out, not the revenue from other tax sources such as personal income tax or corporate tax. Those tax sources already lag behind growth in the province. It's very difficult already to meet, as the hon. member pointed out, the needs caused by the growth in the economy from the revenue that's derived from that growth. There is a lag time, so we need obviously to have the flexibility, not be constrained by a Fiscal Responsibility Act in tying up those revenues but really making sure that it just ties up the nonrenewable resource revenues that were originally anticipated and contemplated by the act.

I don't believe I heard the hon. member speak to the other provision with respect to First Nations settlements being paid from the sustainability fund, but again I would just briefly speak to that because it is an important section of this act. We already have the flexibility to pay for disasters as declared by the Lieutenant Governor in Council. We have the ability to use funds for capital plan purposes once the limit has been achieved, but one of the areas of difficulty in budgeting – and I know this from my previous existence as minister of intergovernmental and aboriginal affairs – is that you cannot actually budget for land claim settlements, and if you do, you may actually interfere with the negotiation of those settlements. So it is more prudent to have a fund of some sort.

Now, that fund could have been set up by paying monies into the fund over time, but a number of years ago, about 10 years ago, this government moved away from having specific funds for specific purposes. So this is one way of actually having a fund that you can use for that specific purpose, that can be allocated for that specific purpose, and that works better in terms of the accountability process and in the negotiation process. So I would say that that's a very good amendment, and I would ask members to look at it in that light.

The final comment that I'd make is that, really, by having the Fiscal Responsibility Act in this form, in forcing the government to come back to the Legislature if it wants to change the amount, is a good accountability framework in terms of: as this growth in government and, as I said earlier, the demands on government for infrastructure, for the growth that we've seen, whether its roads or hospitals or schools, exceed the supply of funds that is driven by the growth in the economy, there's always going to be that pressure to dip into the resource revenues. Putting in the accountability of having it come back to the Legislature if you ever want to change that number I think is a very, very good accountability structure to have.

So I hope that addresses some of the concerns the hon. member has raised.

Dr. Nicol: The points made with respect to 4(a)(i) in terms of the separation of total revenues from the nonrenewable resource revenues – in listening to the minister, I just realized that the philosophy behind his interpretation of the act and the reason that I assume that we have the act are too different.

He's using the act solely to stabilize revenue. I'm using the act to stabilize a revenue stream in order to sustain expenditures in programs. So I guess that until we come to an agreement over why we have the act, whether it's to sustain our programs as opposed to just smooth out our revenue by separating them out the way we're doing now in 4(a)(i), we in effect say that the only purpose behind this act is to stabilize renewable resource royalties and revenues and not to stabilize all revenues so that we can have stability to sustain expenditures which are locked in by budget.

So I guess that until we realize that there's a broader purpose for the act, we're going to be looking at two different interpretations of it, and we won't come to an agreement.

Mr. Hancock: Mr. Chairman, I'd have to fundamentally disagree with the hon. member. Of course, the purpose of having a sustainability fund is so that you can have the revenue in the future that you need to sustain the programs. That's exactly the purpose of the fund. You take the peaks in resource revenue, and you apply them to future valleys in resource revenue, and in doing so, you sustain the ability to pay for programs that Albertans have come to rely on.

So it's not just a matter of flattening out the revenue. That's easy to do: you just put a number and say that's all you're going to spend, and you put the rest in the account. But the natural consequence of that is either to build assets, which you do by spending those funds on capital, which is necessary to help build growth, or save it so that in the future when you get into the inevitable debt in resource revenue, you have the money to bring back in to sustain the program spending.

Obviously, we agree on the purposes of the bill. I don't understand why we disagree on the amendment.

Dr. Nicol: Mr. Chairman, simply because if we truly wanted to do what the member just said, we would try to stabilize all revenues through the stability fund rather than just one component of the revenues. That's the simple interpretation of what the purpose is.

I gave an example in my previous discussion. We are going to see a downturn in income through taxation, especially in the agriculture sector this year, based on the history that we've had. So we're going to be short of revenue in our projections from tax revenue sources. Why not use the stability fund to stabilize that so we can sustain our programs as well?

We're not using the fund to the full extent that we can to create the stability that we want. We're relying only on one component, and right now because we've got an increase in that component from last year to this year, it's going to be easy for us to change from \$3 and a half billion to \$4 billion in our transfer. What happens if we would not have had the increase in renewable resource revenues that we could do that with? We need to look at all of our revenues as we try for stability, not just one component of them. The act would be much better if we looked at stability over all of our revenues.

Mr. Hancock: Well, Mr. Chairman, it becomes even more obvious as we listen that we agree more than we disagree, and it's simply a matter of interpretation now. Obviously, nonresource revenues are going to fluctuate as resource revenues do. The significant volatility has always been on the resource revenue side, not on the other side, but there is volatility on the other side as well, and that has to be managed.

Of course, it is the drop in revenue, not just from resources. It's not just a factor of looking at resource revenue in the future to pay for programs. It's looking at all revenue. To the extent that we at some point in time dip below in a three-year business plan in the third year out or as you roll it forward and your projections would show that you go down below the necessary income to sustain the programs, you then have to look at the sustainability of those programs. Instead of taking dramatic drops, you can measure that with the proceeds from the sustainability fund.

But as revenues start to go down, you have to start lowering your expectations and lowering your program spending, not dramatically as we've had in the past but in a measured and sustainable way, and that's what the whole benefit of the sustainability fund is.

So we'll have to agree to disagree on whether this particular section accomplishes that purpose, but it seems obvious to me that we're striving for the same purpose.

8:40

Dr. Nicol: Mr. Chairman, just on what he said, I agree fully with it, but what's written here won't accomplish that, because it says that we can only trigger movements in and out. It says:

Within the General Revenue Fund amounts may be allocated to and from the . . . Sustainability Fund as follows:

(d) subject to subsection (3), if for a fiscal year.

Now, the amendment says:

(i) actual non-renewable resource revenue exceeds non-renewable resource revenue for fiscal policy purposes.

So the only time we can move money in and out of the stability fund is if there's a change in the renewable resource revenues, not if there's a change in the other revenues, and that's my issue. Why can't we bring money out of the sustainability fund if there's a change in the revenues from the other sources?

The Chair: Edmonton-Highlands.

Mr. Mason: Thanks very much, Mr. Chairman. I'm not quite sure yet whether the two hon. members agree that they disagree or disagree that they agree, but I'm sure that somewhere down the line they disagree about something.

Mr. Chairman, I have some questions for the government. I spoke to this bill at second reading last night and laid out a number of concerns. One of them was that the province's gas revenues were headed for a significant decline as we were faced with declining proven natural gas reserves. While I was contradicted by the Minister of Infrastructure on one point I made, I wasn't contradicted on that point. However, today in question period in dealing with a question from the hon. Member for Edmonton-Riverview, the Energy minister said, "At one time it was felt that Alberta was running out of gas, that we were down to the last nine years of gas reserves." Then he goes on to say: "Well, since that time we've been able to double our production. We now produce over 13 billion cubic feet a day."

The question I have is whether or not, in fact, the proven gas reserves in this province are declining. Perhaps somebody can say what the government's best estimate is and at the current rates of production how long they expect gas revenues to hold stable.

Gas revenues provide the lion's share of the natural resource revenue with which the Alberta government has been blessed, but it should be obvious to anyone that by simply doubling production without changing the rate of discovery, you will increase the depletion of your gas reserves rather than the other way around. So the minister's comments today were quite confusing.

The reason I ask this is because it's apparent to me that this bill, which will increase the amount of nonrenewable resource revenue the government can use for programs by half a billion dollars, from 3 and a half billion dollars to \$4 billion, will increase the government's reliance for year-to-year program spending on, essentially, natural gas royalties.

So at a time when we appear to be running out of gas reserves and they provide the lion's share of the nonrenewable resource revenue, the government has instituted two financial policies. One is to decrease the ongoing tax base of the province by over a billion dollars through staged cuts to the corporate income tax, which I believe goes from 15 to 8 per cent, and we are about halfway through that process. As I've mentioned earlier in the House, we were the only party in this Assembly to oppose that direction. At the same time, the government then increases its expenditures by half a billion dollars from resource revenues, from nonrenewable sources. That might be a reasonable approach if, in fact, natural gas revenues were going to be around for the foreseeable future.

So the question is relevant to this bill, and I would really like to know what the government is projecting with respect to its gas reserves and the revenues that they expect to get from them over, say, the next 10 years or so.

The question of land claims came up in the earlier discussion, and I want to ask about the potential liabilities to the fund which might arise out of significant land claims settlements. Is the government expecting to have to dip into this fund in a very substantial way over the next period of time? What's the risk to the fund from land claims settlements? I think we should know that before we vote to use this fund as something that they can dip into to settle those.

With respect to infrastructure has the government considered various options, I guess, apart from P3s to finance infrastructure? Is nonrenewable resource revenue the best place to go for these needs? Has the government considered capital borrowing for that?

That brings me to my last question, which is: what long-term projection does the government actually have for this fund, taking into account all those different aspects? So given the various sources of revenue for the fund, the dependence upon natural gas revenue, the reserves, and then looking at things that will draw on the fund such as land claims, infrastructure, and so on, has the government produced a long-term plan for the fund? Can they predict in a general sense how the fund is going to grow based on what gets put into it and what gets taken out of it? I'm thinking of a five- to 10-year projection.

So I wonder if the hon. Justice minister and Government House Leader could share some responses to those questions.

The Chair: The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Chairman. First of all, with respect to capital and land claims settlements it should be clear that by making it possible to allocate funds from the sustainability fund to pay for capital in the capital plan or to pay for land claims settlements, it doesn't either put an obligation on the fund to do so nor does it make it necessary for government to do so. In other words, if there were a land claims settlement that could be accommodated out of the normal budgeting process or the general revenue fund, it's still open to government to do that. So, presumably, one could do that in the manner that it has been done in the past, which is to normally bring it through as a supplementary estimate in the House.

By settling land claims, one has to look at the ability to pay, and by voting this amendment, one isn't making the fund automatically liable for all future land claims settlements. One still has to go through the affordability process, and one still has to understand what's available to pay the land claims settlement before the land claims settlement is negotiated.

I think I can perhaps say, though, on behalf of the minister of aboriginal affairs that Alberta has had an exemplary record in land claims settlements, so a good number of the claims that needed to be settled have in fact already been settled. There are a modest number of future claims available to be resolved, but there are some. It's not possible, I would submit, to know what obligation may have to be paid.

Remembering that the province's obligation on land claims settlements is the transference of land and the monetary portion that accompanies that is usually a question of clearing up title to land, clearing up leases relative to land, we're not normally talking about huge sums of money in the context that most people would associate with land claims settlements. Hopefully, that clears that particular issue for you.

8:50

In terms of the capital borrowing issue the Minister of Infrastructure may wish to speak to this. We have, in fact, three different

processes relative to capital now in the province. First of all, we'll have a balance sheet, which we'll be able to put capital assets on, and we have a capital plan, which is a three-year plan, with respect to capital projects, a five-year plan, actually, but three years for business planning purposes. The capital projects in that three-year capital plan can be funded by directed voted capital spending, voted through the budget process, or by allocation of funds that are in the capital fund portion of the sustainability fund or through capital borrowing either in the traditional sense of direct borrowing or through some other alternative financing process such as a P3 or a lease process or others.

So there's the capital plan, there's the capital fund, and there's the capital vote. I think one has to look at them all in context and look at the balance sheet of government to understand that this is a very significant step forward in terms of the capital planning process to make sure that the infrastructure of this province keeps up with the demand of both the economy and the necessity to develop human capital.

Mr. Mason: Thank you for those answers, Mr. Chairman.

I would wonder if the minister did want to tackle the question of declining gas reserves and the impact on nonrenewable revenues flowing into the fund.

Mr. Hancock: Well, that one is actually out of my purview in terms of knowledge about the actual detailed number of gas reserves and gas supply. I am here responding to questions on behalf of the Minister of Finance with respect to this act, so I wasn't anticipating talking about gas supply.

However, I think it is common knowledge that conventional sources of gas and oil are at or near their peak capacity, so we're moving into an innovation age both in our traditional economy and the new economy. In the traditional economy that means that we're looking for gas embedded in coal. It means that we're looking at tertiary recovery. We're looking at a lot of different ways to enhance recovery in the province.

I think we're in good shape for the long term to come with respect to gas production, with respect to oil, whether it's conventional or synthetic or bitumen, and with respect to other ways to extract the natural resources in the commodity basin and enhance them in this province. We can expect to receive a royalty stream from that for a good time to come.

The Chair: The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you. I wonder if the minister would undertake to ask his colleague to provide some sort of answer, a little more specific, like one that had numbers in it, for example, perhaps in writing. I think it would be most helpful.

Mr. Hancock: Mr. Chairman, I will certainly undertake to approach the Minister of Energy with respect to a publication that I've seen and that I think is in the public domain and ask him if he would send it over to the opposition.

[The clauses of Bill 15 agreed to]

[Title and preamble agreed to]

The Chair: Shall the bill be reported? Are you agreed?

Hon. Members: Agreed.

The Chair: Opposed? Carried.
The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Chairman. I would move that we rise and report bills 10 and 15.

[Motion carried]

[The Deputy Speaker in the chair]

Mr. Lougheed: Mr. Speaker, the Committee of the Whole has had under consideration certain bills. The committee reports the following: Bill 10 and Bill 15.

The Deputy Speaker: All those who concur in this report, please say aye.

Hon. Members: Aye.

The Deputy Speaker: Those opposed, please say no. The motion is carried.

The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Speaker. I'd move that we adjourn until 1:30 p.m. tomorrow.

[Motion carried; at 8:56 p.m. the Assembly adjourned to Wednesday at 1:30 p.m.]

