

Legislative Assembly of Alberta

Title: **Wednesday, April 21, 2004**

8:00 p.m.

Date: 04/04/21

head: **Committee of Supply**

[Mr. Tannas in the chair]

The Chair: Good evening. I'd like to call the Committee of Supply to order.

For those in the gallery this is the informal part of the Assembly. People are allowed to move around and that kind of thing. They're not allowed to talk loudly, but they can converse softly with one another, and we have the agreement that only one person stands and talks at a time.

Before we commence tonight, I wonder if we might have the consent to briefly revert to Introduction of Guests.

[Unanimous consent granted]

head: **Introduction of Guests**

The Chair: The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Taft: Thanks, Mr. Chairman. It's my pleasure to rise tonight and introduce a group of people from Edmonton-Ellerslie. I'm introducing them on behalf of the MLA for Edmonton-Ellerslie, Debby Carlson. They are from LDS Knottwood Blazers Scout troop, and there are 30 of them in the public gallery, up here as you can see. I'll ask them to rise in a moment, but let me first introduce the people who are with them: Shannon Gilson, Raschel Mighton, Fay Paterson, Darcy Holthe, Jamie Gilson, Laura McGill, Marcela Mowser, Tod Thorne, and Lawrence Woodruff. Would all of them please rise and receive the warm welcome of the Assembly.

Thank you.

The Chair: For the benefit of the group that was just introduced, the moans were not because of you but because the hon. leader forgot that we don't refer to each other by our first or our last names. We refer to each other by the position, so a minister of something or other, or by the seat which we occupy, which is our constituency. That's honoured sometimes as much in the breach as in the keeping, but anyway . . .

head: **Main Estimates 2004-05**

The Chair: The chair would like to clear it up at the outset so that we all know we're on the same line. It has been agreed that for the first hour the estimates of the Ministry of Finance will be considered. The procedure that has been agreed to by the House leaders is that the minister will take approximately a five-minute statement. The next 45 minutes will be allocated to questions from the opposition. The remaining 10 minutes will be allocated to questions from government private members should they wish to ask those questions. Otherwise, the members of the opposition may continue to question the minister. At the end of one hour we'll go to the next, and then we'll vote for both these issues at the end of the two hours. Is that basically what has been agreed? This is not a dictation by me but a question.

Hon. Members: Agreed.

The Chair: That's agreed. Okay. We may proceed then.

Finance

The Chair: For opening comments the hon. Minister of Finance.

Mrs. Nelson: Thank you, Mr. Chairman. It is a great pleasure to be here to present the Ministry of Finance's estimates for 2004-2005.

Before I start, I would like to introduce some very important people who are members of the staff of the Department of Finance. They've worked very hard in putting together our budget and our business plan. They are seated in the members' gallery. We have Bonnie Lovelace, our senior financial officer; Richard Shelast, our senior manager of budgets, who puts our budget together; Juliette Blair, who is the manager of business planning and reporting; and Barry Meilleur, our business analyst from the office of budget management; and I can't really see, but Tim Wade, my executive assistant, is around somewhere. So I'd ask the members to please rise and receive the warm welcome of this Assembly.

I'd like to say, Mr. Chairman, that the staff from the Department of Finance are very much involved in every ministry throughout government. They have special postings, and each of them has a number of departments that they work with to put together their business plans and budgets so that we can bring them together in the budget presentation. So I would like to thank all the other members of Finance who work very, very hard. Starting in about October they very rarely have a Saturday or Sunday off. So it's kind of nice when the budget does come in and is filed with the Assembly. They then only have to go through copious hours of being here as we debate the estimates of that budget. So I do welcome them, and I thank them very much again.

As Minister of Finance, Mr. Chairman, I am very proud again to say that we have filed our 11th consecutive balanced budget in the province. It's a budget that puts us on course to achieving the strategic vision that was outlined in the province's 20-year strategic plan. Budget 2004 also keeps us on route to achieving Albertans' priorities for fiscal responsibility while at the same time investing in programs and services that meet the needs of our citizens.

Albertans have so much that they can be proud of. Our province still maintains the lowest overall tax load in Canada, and there is no general sales tax, no capital tax, and no payroll tax. In fact, a typical one-income family with two children earning \$30,000 pays approximately 85 per cent less in taxes and health care premiums in Alberta than the average family earning that same amount of money in any other province in this country. So to put this in perspective, Mr. Chairman, Albertans and Alberta businesses would pay over \$6.2 billion more in taxes if they had to pay under the system in British Columbia and over \$10.8 billion more if they had to pay under the system in the province of Quebec.

Tax cuts this year will save Alberta businesses roughly \$142 million. On the personal side we see a saving of \$1.5 billion less in personal income taxes. Mr. Chairman, Albertans have enjoyed the benefit of the single-rate tax system. That left Albertans paying \$1.5 billion less than they would have otherwise.

The other thing that I can report, Mr. Chairman, is that we are in striking distance of eliminating our accumulated debt. I'm very pleased with the work that Albertans have done to help this government reduce the accumulated debt of over \$20 billion by nearly 90 per cent. By the year 2005-2006 the debt forecast is at \$2.7 billion. Lower debt means lower debt-servicing costs, and as a result of our debt reduction efforts \$1.4 billion in annual debt-servicing costs have been freed up for Albertans' program priorities and to lower taxes. Alberta has by far the lowest debt load per person of any province in Canada.

Mr. Chairman, I'd like to provide a few of the highlights from our

budget as well as our business plan, and I'd like to provide you with a quick overview of our ministry's key roles. The department itself has four main areas, including office of budget management; pensions, insurance, and financial institutions; treasury management; and corporate support. The Ministry of Finance also includes the Alberta Capital Finance Authority, Alberta Pensions Administration Corporation, ATB Financial, Alberta Insurance Council, Credit Union Deposit Guarantee Corporation and their subsidiaries.

Alberta Finance's vision is "A province that is innovative and globally competitive with a fiscally sustainable and accountable government." Our business plan identifies five high-level strategic priorities. These include maintaining Alberta's fiscal framework, public/private partnerships, enterprise-wide risk management, automobile insurance, and public pension plan governance. In addition to these high priorities Finance will continue to do our day-to-day job of managing the province's finances.

Mr. Chairman, there are core businesses of this department, but I gather I don't have the time to go over them in this process that we're dealing with tonight. [interjection] Oh, the opposition says it's okay, Mr. Chairman.

8:10

Dr. Taft: We always like to be helpful.

Mrs. Nelson: Thank you very much.

Core business 1 is fiscal planning and financial management. Our goals are to have a financially strong, sustainable, and accountable government, to have a fair and competitive provincial tax system, and to manage financial assets, liabilities, and risks effectively.

The second core business is the regulation of the provincial financial institutions. Alberta Finance regulates the credit union, insurance, loan, and trust industries in Alberta. Our goal is to ensure that Albertans receive reliable and competitive financial and insurance products. Alberta Finance continues to work with the insurance industry to implement reforms based on the government's review of automobile insurance.

The third core business is pension policy, regulations, and administration. Our goal is to ensure that pension benefits for pension plan members are secure, and Finance will work in consultation with public pension boards and stakeholders to facilitate the improvement of pension governance frameworks.

Core business 4, financial services. Our goal is to have quality and competitive financial services accessible to Albertans and local authorities. ATB Financial and the Alberta Capital Finance Authority are key components of the financing servicing sector. ATB Financial will continue to develop their commercial banking capacity and wealth management services. Our targets include specific measures to reflect our position as the owner of ATB Financial, and we have targets for the Capital Finance Authority to maintain the lowest borrowing costs for Alberta municipalities and local authorities' satisfaction with ACFA policies and efficiency.

Mr. Chairman, that is a very quick overview of what we're going into in 2004-05. Now I'd like to give you a few highlights of our budget and our estimates.

Ministry revenue is projected at just over \$797 million, a decrease from the \$869 million forecast in 2003-2004. Our investment income for 2004-05 is \$35.3 million lower than the 2003-04 forecast, primarily due to the lower interest rates on new loans issued by the Alberta Capital Finance Authority, lower balances in the capital account and GRF, and reduced interest received under the credit union stabilization agreement as a result of better than anticipated credit union deposit growth in 2003-2004.

We'll also see a decrease of more than \$31 million for internal

government transfers that represent contributions from the lottery fund to my department for the contingency reserve.

The net income from our commercial operations is projected to be \$9.7 million lower than the 2003-2004 forecast. This is due to nonrecurring revenue of \$19.8 million in 2003-04 by the AGT commission, partially offset by a \$9.8 million increase in the net income of Alberta Treasury Branches.

In terms of program expense we're estimating it to be almost \$438 million. This is a decrease of \$6 million from the 2003-04 forecast. The decline is due to a drop in interest costs on money borrowed by the Alberta Capital Finance Authority to lend to local authorities.

I'd like to take just a couple of minutes to highlight a few other areas within our estimates that I think you will find of interest. Our total capital investment for 2004-05 is estimated at \$2.3 billion. The Alberta Pensions Administration Corporation accounts for most of the capital spending with a budget of \$2.1 million for computer system upgrades and facility upgrades.

Another area that we've always been interested in looking at is the full-time equivalents. Overall, the ministry has increased its staffing by five FTEs, to 384. The department's staffing levels will be 181, six more than last year. The increase is primarily for managing proposed changes to the regulation of automobile insurance. Alberta Pensions Administration has been provided with 183 FTEs, one less than last year. Alberta Insurance Council staffing levels remain unchanged from last year, at 20 FTEs.

So, in conclusion, Mr. Chairman, this is really a very quick overview of Alberta Finance's business plan and budget estimates for the year 2004-05. I look forward to hearing the comments and questions, and any that we don't get answered tonight, we will undertake to answer in writing at a subsequent time.

Thank you.

The Chair: Before I call on the hon. Leader of the Official Opposition, I wonder if we might have consent to briefly revert to Introduction of Guests, which will not count against the time that's allocated.

[Unanimous consent granted]

head: **Introduction of Guests**

(reversion)

The Chair: The hon. Member for Bonnyville-Cold Lake.

Mr. Ducharme: Thank you, Mr. Chairman. It's my pleasure to introduce to you and through you to all members of the Assembly this evening the following guests that are present for this evening's second reading of Bill 30, the Metis Settlements Amendment Act, 2004. They are seated in the members' gallery, and as I call off their names, I'd ask if they could please stand. With us this evening are Mr. Harry Supernault, the president of the Metis Settlements General Council; Mr. Randy Hardy, council member from Kikino Metis settlement; Glady Anderson, chair from Gift Lake Metis settlement; Dale Anderson, council member from Gift Lake Metis settlement; Gary Youngman; Horace Patenaude, chair from Buffalo Lake Metis settlement; and Peter Patenaude, chair of East Prairie Metis settlement. I'd ask that you all join me in giving them the traditional warm welcome of the Assembly.

Mr. Chairman, it's also my pleasure to introduce to you three guests that we have here from Paris, France, that have come to visit the province of Alberta and have decided to come to the Legislative Assembly this evening. They are Helen Czarniecki, Marguerite Daire, and Gabriel Daire. J'aimerais bien vous féliciter et vous donner la bienvenue ici en Alberta. I'd ask all of you to join me in giving them the traditional warm welcome.

head: **Main Estimates** 2004-05

Finance (continued)

The Chair: The hon. Leader of her Majesty's Loyal Opposition.

Dr. Taft: Thank you, Mr. Chairman. I appreciated the comments of the minister, and I assume I'll be able to follow a process of other years and do a sort of question and response back and forth. That would be more interesting for both of us; I'm sure.

The Department of Finance and the Department of Revenue combined are in many ways the backbone of the provincial government. They are the departments that collect the money, that ultimately control how resources are distributed in the government, and are crucial in planning the long-term health of Alberta's economy. In fact, that of course comes up in the first core business goal of maintaining "a financially strong, sustainable and accountable government."

I'd like to just ask the minister a general kind of question in terms of the managing of Alberta's nonrenewable resource wealth, which is really what separates Alberta in so many ways from the other provinces and from other parts of the world. Billions and billions of dollars of nonrenewable resource revenues flow through Alberta Finance and, I guess, through Alberta Revenue through the hands of the treasury, as it were, of the provincial government every year and have for decades. Yet I'm concerned that when I look at the position of the government, almost all of that money is gone. We do have the heritage fund, but that really accounts for a very, very small percentage of the total nonrenewable resource revenue.

Philosophically, as an Albertan I can't help feeling like we're living off the capital of our land. We are taking the resource revenue, and we are either spending it or we're paying down debt that was incurred by earlier governments. But what is the plan? What is the philosophy? What is the vision, if I dare use that word, what is the philosophy of Alberta Finance and, I guess less so, Alberta Revenue for managing the unbelievable wealth that the people of Alberta have inherited?

I know that's a very general question, but it underlies the decisions we make here. Ought we to be saving for the long term? Ought we to be trying to convert that nonrenewable wealth into something permanent? Should we be investing it and spending it on things that we think will generate wealth immediately? What's the view from your side of the Assembly here, Madam Minister, on those kinds of general issues? How do we manage our wealth in this province?

8:20

Mrs. Nelson: Well, Mr. Chairman, I think that's an excellent question, actually, and one that's very key when you start doing budgets and business plans. This year we introduced a strategic plan, and that didn't come without a lot of thought as to where we're going. We know where we've been, and in the past we were fortunate to have the resource revenues come through, and they were healthy and strong. It enabled us to get our fiscal house in order: to get rid of our deficit, to pay off our debt quicker than had been planned, to take almost \$20 billion of operating debt out of the equation and get rid of that. If we hadn't had those resource revenues, that would in all likelihood not have been possible.

So then we got into a new structure and said: now that we're getting close to the end of that goal and accomplishing that goal, where do we go from here? As you know, we introduced last year a new structure that was recommended by the Financial Management Commission. A lot of people focused on a lot of the recommendations, but to me probably the most important recommendation was recommendation 12, which said that governments have to start to

think strategically. They have to think beyond the political mandate of four, four-plus years, that parties go through elections every four to four and a half years, and think beyond the five years, the 10 years, and the 20 years and try and visualize what Alberta will look like 20 years out. You have to be open-minded enough to think of what that's going to look like, because we don't really know. But if we're going to enjoy the growth, security, the dynamic of this province as we do today, then we have to do some planning.

Part of that recommendation that came forward from the Financial Management Commission was to not overspend, to not get caught in the flavour of the day, in the highs and the lows of the oil and gas pricing mechanism but to put in place a scheme that says: let's have some predictability, some sustainability, and some discipline in what we do with those resource revenues. That's why we allocate \$4 billion on an annual basis to support programs that the Crown offers back to the people. The balance of the money goes over into a sustainability fund that helps us prepare for that long-term vision, helps us secure that long-term future.

Now, we still have some debt to clear off, which should be a priority because you want to get rid of the debt servicing cost. That's a dead cost that doesn't help anybody, particularly when it's as a result of operating overages in previous years. So as we prepare to move forward, we have to be cognizant of those resource revenues and protect them and make sure that they go into areas that count in the long term.

Your question of how do we save, how do we prepare is very, very apt. Our sustainability fund is substantially different from funds that have been put in place in other jurisdictions. We have some tight requirements on the use of that sustainability fund. Basically, what it says is that we can use the fund once it exceeds \$2.5 billion to continue to pay off our debt or to invest in capital or other assets, on the asset side of the equation, so that we're developing long-term legacies or institutions or endowments that will be there for the next generation. It's a kind of saving, but it's a saving on the capital asset side of the equation.

So I think that your question is very appropriate right now and one that I welcome, quite frankly. It's one of the better questions we've had in a very long time. I'm glad you're thinking in the same direction that we are, that we have to be very cautious and safeguard those resources for the longer term. The Minister of Justice and Attorney General has been working very hard as the lead on that strategic plan. I think we're the only jurisdiction in Canada that has a proper strategic plan to date, and it's a start.

I can tell you that other provinces have asked us about it and said that we should all be forward-thinking. The difference is they're not in a position to do that. They're going through survival for the day. Our planning has got us to the point where we are now, and if we stay the course, then we should be able to have success not only today and tomorrow but 10 years out, 15 years out, 20 years out if we do the proper planning and if we think strategically now as opposed to at the last minute.

So that's the essence of what we're doing. Again, I welcome that question. I think it was very well done.

The Chair: The hon. leader.

Dr. Taft: Thank you. I guess my question comes down to when you say that if we stay the course, we can add prosperity 10, 15 years in the future and beyond. My problem is that it's not really very clear what the course is. Anyway, I've gone through the 20-year strategic plan, and it's too vague, too general, I find.

The minister spoke about tax levels. I was a little surprised at some of her statements. I've certainly seen analysis done by I think

it was PricewaterhouseCoopers suggesting clearly that the tax rates at the lower and middle levels in Alberta are actually higher than in B.C. and Ontario. I don't have that material with me right now, but I've seen those calculations. I think I've got them back in my office.

I have a particular concern and a particular question with taxes. This will not come as a surprise to the minister, but the way the taxes add up in Alberta, if you include the health care premiums, which are a tax by any other name, in fact a family with a couple of kids at, say, a \$36,000 income is paying a higher percentage of their income to the province in taxes than a family at a \$100,000 income. Between the combined effect of the flat tax and the health care premiums it's actually a regressive tax hitting the working poor, say people at the \$35,000, \$38,000, \$40,000, \$45,000 a year income, if that's a family income, the hardest.

Let's see. How can I put this? Is there any chance, is there any hope that the people of Alberta will see a different tax system in which, for example, at the very least health care premiums are abolished or in which the tax system is reworked so that families at a \$38,000 a year income aren't paying a higher percentage to the provincial government in taxes than families at \$100,000? Can we not at least make some progress on bringing that kind of fairness to the tax system of Alberta?

Mrs. Nelson: Mr. Chairman, we've done a number of reviews on the tax policy that we have in the province of Alberta. Quite clearly, if you take all of the taxes and all of the fees that are there, the normal ones, including the health care premiums, and you compare Alberta to the other jurisdictions across Canada – and it's a good exercise to go through – if you actually take any other province and take their structure and transplant it on top of the demographics in the province of Alberta, it's quite a shocking equation to look at how fortunate we are overall in Alberta.

In fact, I think the lowest one I looked at was Newfoundland. If we took their structure, Albertans would pay something like an extra \$4.9 billion on an annual basis in taxes. Now, albeit a good part of that is their provincial sales tax, but even if you take that out and you just focus on the more normal taxes – and I suppose in most provinces a sales tax is a normal tax – Albertans would be far worse off with any other structure in Canada.

8:30

Can taxes continue to go down? I sure hope so. I'd like to see them continue to go down, and we're on that track. However, when we are charged with offering core programs in health and education and social programs, et cetera, et cetera, we have to have dollars come through to fund those programs. It wouldn't be realistic to say that those programs could be offered without some form of taxing entity.

I've been asked several times if I would get rid of the health care premium. Well, I could go out and do that and become a hero on the front page of the newspaper, but I'd have to tell people that we're going to have to add it somewhere else, because it's still \$8 billion. It cost \$8 billion this year to run the health system, and it has to be paid for. You can always go, "Well, that guy over there" – and we can do that, make that guy over there pay for it, but the system still has to be paid for.

You know, I could do the hero thing, and I'd be the big hero of the province, but I would be fooling people. At least, when you have a premium, people know that the systems costs. When you go to other jurisdictions, they think their health system is free, and that's just not true. Their finance people hide it in their system.

Now, I have no problem with creative ways of collecting the money, and, you know, we've talked about different ways of doing

it. Instead of a health care premium bill maybe you have a health fee that goes out and is attached to whatever. The bottom line is that you still have to collect the money. You have to collect the money. I'm always open to fairness on how you do that. I'm open to that.

I know that the minister of health will be going through some recommendations on reform over the next 18 months, and I'm sure he's going to come forward with some recommendations to me. I'm open. But to say that we're not going to charge for health is just not real. We're going to have to do that because it's still \$8 billion. I can dance it, but I can't get away from having to collect the money to pay for the system. Now, how it comes in – I'm sure there'll be lots of recommendations come forward, so we'll have to wait and see, but I'm open to looking at all of them. I can tell you that.

Dr. Taft: Still on the tax system and actually combining my first two questions, at least in theme, how do we convert the nonrenewable wealth we're living on into something permanent, and how do we manage our tax system more fairly and effectively? How much of our tax revenues – I'm not talking about royalties or land lease sales and things like that. How much income tax revenues and thus direct sources such as, well, corporate taxes can be traced back to the activities of the petroleum industry in Alberta? In other words, if the petroleum industry weren't there, it's not just that we wouldn't have the royalties, but we also wouldn't have a lot of other taxes as well. [interjection] Should I repeat the question?

You may not have that right now, but if your officials could provide that information. Do you understand the question I'm getting at? That would be helpful.

Mrs. Nelson: It's a good question. You can all read the budget and pick up the resource royalty number. Then the question is: how much of the investment that's come into the province is picked up in corporate tax; how much is picked up on the personal tax side; how much is paid regularly through that? That's a good question.

Dr. Taft: How much is driven by the petroleum industry? How much is it worth to us beyond just the royalties?

Mrs. Nelson: Oh, a huge amount.

Because I don't have that with me, I will go back, and in the next while I'll get that back to you as a written question, because it's a very good question. What it will demonstrate, Mr. Chairman, which I think is really important, is how critical this industry is to the well-being of this province and how it should not be taken for granted. Not only is there a direct royalty, but when you look at the spin-out through the people who have come here through migration to work in that industry, how they have now started contributing on the personal side, and the support companies that have come in to support the capital investment, it's a huge impact to our province. So I will undertake to get that for you.

Dr. Taft: Thank you. I appreciate that. It will be interesting to see where that comes from.

Now, I guess I'll switch gears, although I could continue on that. Actually, I'm going to ask one more question on that general theme. I'm not sure which minister it goes to, but it is basically this. There were some indications by the Premier a few weeks ago over a period of two or three days that perhaps some of the oil sands companies, because of higher oil prices, are actually moving through the generic royalty regime quite quickly. They're capitalizing their projects and will hit the 25 per cent royalty payout this year. I'm wondering, although that's not in the budget, if there is a chance that that will happen with any of the plants that have been built under the generic royalty regime.

Mrs. Nelson: Well, let's keep in mind that part of the generic scheme was that all companies were brought under one structure. As the capital was invested, they were required to pay 1 per cent of the gross revenue. So revenues have been coming in all along. Now, as the capitalization of that project goes through, it then starts to step up and transfer up to 25 per cent, which is a net. The transition from the 1 per cent gross to the 25 per cent net is on a project-by-project basis.

Naturally, with higher prices the recovery is quicker than was anticipated at the time. So there is a potential that some of those projects could transition over sooner as opposed to later because – let's be very candid – we've had higher than normal or anticipated oil and gas prices, oil in particular, which has a positive impact on the recapturing on those facilities.

Dr. Taft: Will that happen this year?

Mrs. Nelson: I don't know if it will happen this year, but you may see it in the next couple of years, which would be a number of years ahead of schedule, quite frankly. That'll depend on if the price stays firm.

The forecasts from industry, quite frankly, are not that way. They're expecting that there would be a correction in the market and that the end prices will come off. However, we're not seeing that at this stage. So we're going to have to monitor that. That's one of the hard parts, to look at that on the long term when you have so much volatility and uncertainty in where that price is going to end up and, really, no control over what the price is going to look like. So we'll monitor it, but it may be ahead of time.

The Chair: The hon. leader.

Dr. Taft: Thank you, Mr. Chairman. Well, let's switch gears completely and go to public/private partnerships, which are one of the business areas of this particular department. Certainly, on this side of the House we have serious questions about P3s involving for-profit partners and especially private-finance initiatives, as they're called in other jurisdictions. Today we've had information that the Calgary courthouse, for example, is really going through the roof in terms of costing.

So the frustration here for the opposition and I think the concern by the public is that the process seems very murky. Let's just pick the courthouse for an example. If the province had simply gone to tender in the traditional way for the courthouse and all the bids had come in and the envelopes were opened and instead of \$150 million they were \$300 million, the process is very clear: then it's back to the drawing board.

8:40

What we have here, it seems, is a much murkier process where we don't know and it's not immediately clear what's driving up the costs. Is it the cost of the money? Is it the borrowing costs of the private investor? What are their borrowing costs expected to be? Or is it changes in their rates of return? The lead investor in the Calgary courthouse is a big insurance company. Well, the insurance company's gone through some turmoil. Are they looking for higher rates of return? So there's all this turmoil and turbidity around the whole process of P3s, and that's being played out in the Calgary courthouse.

What is this government going to be doing to ensure that the process of selecting and improving P3s is as open and transparent as the traditional method of getting bids, publicly opening the enve-

lopes, and going with the lowest bidder? What can we expect here? How are we going to know anything?

Mrs. Nelson: Mr. Chairman, when we entered into our new fiscal framework, we said that where appropriate we would consider using alternative financing mechanisms, which would be different from our normal pay-as-you-go cash purchasing or cash outlay. One of those alternatives was what's called P3s. Others were things such as REITs, such as bonds, or going to the market itself.

Part of my other role in chairing the Treasury Board table is to work with the proposals that come in. In fact, we actually have an outside body that helps with an assessment of what projects might qualify for a P3, and then we go through a cost-benefit analysis. We said that we would use the vehicle called P3 if in fact it made sense for Albertans to do that, if in fact the criteria that were there were laid out, and if they weren't, you heard our Premier in question period say that then we wouldn't do it.

Our job when the proposal comes forward is to do an assessment on it, and we go through quite a lengthy process. I can tell you that Treasury Board members sometimes get a little tired because we spend copious hours with officials going over this process and trying to make sure that we cover all of the issues that might be there so that we can assure Albertans that we have made the best selection for the use of their money. It's a very long, long set of deliberations. If they make sense, we'll go forward. If they don't, we'll ask for a redrafting or we'll go to an alternative.

I am not afraid to say to you that part of the evaluation is that I have to look at the strength of our balance sheet and the market of the day and the investment community at that point and say: is this a better investment based on the strength of the balance sheet of the province, or am I better off to go and see the benefits of the risk transfer that can occur with a P3 and move that over and do an investment analysis based on a lot of criteria? So it's not quite as easy as standing up when the bids come in and opening an envelope and saying: rah, rah, here we go.

Some of the most successful P3s that we have had in this province are very clearly our extended health care facilities that are built by the private sector that enter into an operating agreement and contract with our Minister of Seniors and our minister of health to deliver a service, and they're very successful. They're very successful and have demonstrated that not this year or last year but for a number of years and continue to be that way. Are there other potentials for P3s? Yes, and we will evaluate them, and if they make sense, we'll proceed.

We may very well proceed in this situation, but we're in a process of evaluation, and therefore we have to have that option to do that. We made a commitment to Albertans right from the very beginning that that's exactly what we would do, and that's where we are right now.

Dr. Taft: Well, the problem is that this very long and involved process is not at all open to public view or public comprehension. In fact, it gets so complex that there are going to be areas where the public doesn't have confidence in the process. So I think you're opening a can of worms with some of these P3s. I really do. I'm concerned that we're building into the very structure of government unnecessary long-term costs. So you can be sure that we will be watching these very closely indeed.

My last question – and then I'll allow the member from the third party to jump into the debate – is around auto insurance. I'm looking at page 209 of the business plan, for example. I guess my question really is very simple. I don't see anywhere in the material a clear statement that a performance measure for the government

under auto insurance would be to ensure that less expensive auto insurance is available for Albertans; in other words, a performance measure that says: this year auto insurance premiums on average will be lower than they were last year. It's not in here. Can you tell me why not?

Mrs. Nelson: Well, our job is to make sure that the law of the province is upheld, and that is that Albertans must have a certain minimum amount of public liability and property damage for automobile insurance. In fact, it's against the law to drive a vehicle in Alberta without automobile insurance. Our job is to make sure that automobile insurance is available, that it's affordable, and that it's accessible to Albertans.

Also, as hon. members will know, there is an office called the superintendent of insurance, and his job is to make sure that insurance is being delivered in accordance with the criteria that we've laid out within the province. This last year he's had an added job trying to implement a new structure into the province. We'll be moving into a new dynamic once this implementation is in place, and we'll have a more hands-on approach to automobile insurance within the province, far more so than we've had before. The regulations for that are being developed right now as we speak.

Is it easy? No, it's not. Has it been a long road? You better believe it has. Our goal has been to make us comparable to the other jurisdictions in Canada, and we weren't. We haven't been. Particularly in certain categories, Mr. Chairman, we haven't been. So we are committed to doing that, and we believe that the structure we're bringing forward will put Albertans at an advantage compared to what they have been in the past.

Now, some categories of drivers will see a substantial change and lowering of their rates. Others will see a more minor change and lowering of their rates.

I think that by the time we get through the summer, you'll start to see the direct impact of this new structure. Now, everybody will get into it as their insurance policy renews. Someone asked me earlier today: why a year? Well, it's only fair that they get to get into it as quickly as possible, but it will take a year for everybody to be fully implemented into the system. In that time frame, Mr. Chairman, we will keep the freeze on so no one will be creeping up until the new implementation hits them on their renewal date. That was, I think, the most appropriate way to go through the implementation.

But our objective is to bring rates down. There's no question on that. They were out of line and out of reach for particularly most young or new drivers. In fact, quite frankly, they were outrageous. They hadn't done anything wrong. Now if you're a bad driver, you're going to pay. You're going to pay big time. So you need to take some personal responsibility and drive wisely and well because if you don't, you will pay. There's no question on that.

So we'll be there this summer, Mr. Chairman.

8:50

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

Mr. Mason: Thank you very much, Mr. Chairman. I just have a few questions for the minister in connection with the government policy regarding reductions in the corporate income tax rate. This was announced as part of a package some years ago, when Dr. West was finishing his term as the Finance minister, with an objective of moving the corporate tax rate down from 15 per cent to 8 per cent, I believe. The government has not stayed completely on track with its four-year plan for this reduction, but it is continuing to move in that direction, and there's a further reduction in this year's budget.

Now, the Auditor General in previous years has raised the

question of how the government justifies this as a program. In other words, he treats it very much like any other program of government. It's a decision which costs the Treasury money, so it's deemed almost as an expenditure, and there has to be some sort of objective which is to be reached by the expenditure. Furthermore, those objectives, or those goals, need to have some way of being measured.

So my question is, first of all, to the minister: is there a really clear and specific objective other than sort of the general philosophical answer from the government that we often get that, you know, if we can reduce taxes for corporations, it means more investment, more jobs, that sort of thing? But is there something very specific, and is there a way of measuring the loss of tax revenue for the province?

The government also in the past had talked about the need to stay competitive with jurisdictions like Ontario and so on, which also had a fairly aggressive plan under the former Conservative government to reduce corporate income taxes. Now, my understanding is that that's no longer the case with the new Liberal government in Ontario. So is there still a race to the bottom in terms of corporate tax rates with other provinces, particularly Ontario, that Alberta needs to participate in?

I guess that the last point on the corporate income tax is: how does the government assess this in terms of a priority relative to other forms of tax reductions? The Leader of the Official Opposition has raised the question which we've been raising for years, the question of the health care premiums tax and why a tax cut such as that, an elimination of health care premiums, wouldn't be more beneficial in that it would put money directly in the pockets of families in this province rather than in corporations. Presumably, Mr. Chairman, those families would then spend their money in Alberta, and it would have a strong economic impact. I just would like to get the minister's comments on that and why that wasn't chosen as an alternative form of tax cut.

Thank you.

Mrs. Nelson: Well, Mr. Chairman, when we review our tax policy, we do a number of things. The first thing is to look at the competitiveness of the tax policy and make sure that we are not disadvantaging Albertans and Alberta businesses. The goal to reach 8 per cent on the corporate tax is still there. We believe that we can reach that goal, but we've always said that we have to do it if it's affordable. When we look at the balancing between other program demands, as you've alluded to, it hasn't gone as quickly as some of us would like to see it go, but it's on a steady decline.

Most people think we focus on being competitive east to west, and while that's important, our biggest competitor, really, is stateside. We have to look at the competition from the United States as to what it does to our industries and our competitive advantage of being in that integrated market system. We're an exporter, so we have to be alert and aware of what we're faced with down south of the border as well.

Now, we've got a number of jurisdictions in the States that have a far better competitive tax advantage than we have, so we have some goals to reach. We have surpassed all jurisdictions in Canada and continue to excel as a result of it.

Now, the trade-off is what happens when we lower taxes here on the corporate side. Well, you see clearly the reinvestment, those dollars being re-employed back into the economy, and actually we've seen that your city of Edmonton here, the capital, the last couple of years – I don't know what it will be this year – has been either the number one or number two economic growth success story in Canada. That's a result of industry re-employing those dollars – and some of them would be the tax-cut dollars – back into the

economy and having development take place. I mean, the growth here is phenomenal, and I don't think that would've happened if we hadn't had a competitive regime and a structure that was conducive to investment coming into this province.

That structure has been the thing that has attracted the investment in the north and, consequently, has brought it into the service area, particularly in the financial services, in the city of Edmonton, the capital of our province.

So the benefit is there, and it keeps coming in, and as long as we maintain the best competitive advantage that we can afford while at the same time servicing other core programs such as health and education, et cetera, then I think we have struck the right balance in the priorities that we set within the budget. That's always the tough one to do because some would like more on the tax cut; some would like more on the program spending. Striking that balance is difficult when it gets down to budget time.

Quite frankly, Mr. Chairman, that's where I applaud our standing policy committees. Our standing policy committee chairmen have a tough job because everybody has a great idea, and they have to cut through the endless list of priorities and bring forward a recommendation. I meet with our standing policy chairs after the business planning and sit down with them, and they have to then, even though they're representing different ministries, give me an idea of the priorities that they believe are there so that I can go to Treasury Board and say: this is what we have heard. It's quite a culmination through the process, starting in about September following through to the budget presentation.

So I applaud our standing policy chairs because there's never any end to requests that come through for them to look at, and every one of them is a top priority. So I thank all our SPC chairs and the committees that work so darn hard to bring forward recommendations to Treasury Board.

Mr. Mason: Mr. Chairman, I'd like to flag the piece that didn't get responded to, and that is the measures and objectives that the Auditor General has talked about.

But let me move on to the question of royalties. There are a number of royalty give-away programs that this province has had for some time. Now, there is mention made that some of these programs may be reviewed, but no specific change is announced in this budget, Mr. Chairman.

For years the Auditor General has raised the alarm about the fact that many of the government's royalty give-away programs, including the Alberta royalty tax credit, do not have objectives that allow Albertans to assess whether they represent value for money, but unfortunately we haven't seen any move to resolve those issues, address those questions. We've just seen a number of additional delays in addressing the \$400 million plus that are given away in royalties each year. So I'd like to ask the minister about that.

9:00

I'd also like to go to the question of property taxes. Now, at the same announcement, which I attended as a brand-new MLA, by the previous Minister of Finance, Dr. West, he talked about an objective of gradually eliminating the provincial government's role in collecting property tax for education. What he was going to do was freeze the total amount that the government took and not freeze the rate but let the mill rate decline because the total revenue from that source was going to be frozen.

Now, this has been changed since the current minister has been in office. I guess that I wonder how much higher the provincial government is prepared to allow property taxes on the provincial side to rise. The revenue from school property taxes will rise 5.7 per

cent in 2004-05, so homeowners and businesses will be paying \$77 million more in school property taxes when they get their tax notices later this spring. I'm wondering if the minister can explain the reasons for this change in policy as well.

Thank you.

Mrs. Nelson: Mr. Chairman, on the situation with the collection of school property taxes it has been the vehicle and the tradition to collect them on an annual basis. This year we in fact reduced the rate by 2.3 per cent. It wasn't frozen; it was actually reduced.

Again, when you have growth within a province, people come to our province, and we want them to come here. We want the migration, but we've often said – and I'm sure the hon. member opposite recognizes – that they don't bring the schools and the hospitals and the roads with them. So you have to accommodate these people, and you can't accommodate them if you don't collect the revenue and there's only one taxpayer. Now, you can do it this way or that way or the other way, but the bottom line is that you have to have everyone participate in providing programs within the province. The method that's in place today is the one that we use. I can't get it any simpler than that.

The Chair: Members of the committee are reminded that we now go to the next 10 minutes in which members who have not yet participated have an opportunity, and should they not, then we'll go back to the opposition, and the minister answers either way. So we're now going to start the final 10 minutes.

The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Taft: Sure. Thank you. It may be now most appropriate to jump from the generalities we've had to some specifics, and perhaps I should just read some questions into the record, and the minister could have her staff respond in the fullness of time, as they say.

In looking at the detailed line-by-line information in the budget, a number of issues come up that we're compelled to ask in the opposition as part of the process of accountability. This is on page 142. I understand that Alberta Finance is only requesting \$3.9 million for pensions, insurance, and financial institutions. Last year it spent \$4.9 million, so we're looking at a million dollars less this year, and percentagewise that's quite significant. Why?

On page 143 the budget for the minister's office is being increased, and this is a dangerous example to set. The minister's office is increasing its budget by close to 20 per cent. I am shocked and appalled, Mr. Chairman, and I would like an explanation. Well, she can respond in writing.

Mr. Mason: That's your first use of that phrase as the Leader of the Official Opposition.

Dr. Taft: There I am.

An Hon. Member: It'll roll off your tongue after a while.

Dr. Taft: I'll keep working on it.

Equally, on page 143 the minister's communications budget jumps significantly, hitting \$422,000 as compared to \$352,000 the previous year, about a 20 per cent increase. Again, why? What extra communications are going on there?

My supplemental to that question on communications would be: how much money is being contributed to the communications budget by the Public Affairs Bureau? So this is, I assume, part of it. What's the other part of communications activities worth, that portion being from the Public Affairs Bureau? I'm wondering if this increase in

communications might in fact be related to the need to promote the new auto insurance program being implemented.

The budget on page 145 for the corporate management services to the Alberta Capital Finance Authority is increasing by 21 per cent, from \$298,000 to \$362,000. Why would that be happening? Why is the government expecting a drop in internal government transfers this year as outlined on page 149? It's, I think, a pretty significant drop. The forecast amount for 2003-04 is almost \$116 million. The estimate for the year in question is only \$84 million. That's quite a drop. Why?

On page 149 if we look at forecast as opposed to budget for the last fiscal year in several of these categories, most of them, the expenditures are over the budget.

An Hon. Member: What page?

Dr. Taft: Page 149.

What is the minister going to be doing this year to ensure rigorous conformity to the budget standards? Is she going to crack the whip, or is she going to allow things to just kind of flow along?

On page 153 it indicates that the Alberta Insurance Council is expecting a 33 per cent increase in revenue from premiums, fees, and licences. Could you provide some details, please, on those fees, premiums, and licences? What's the explanation for that, and what are some of the details?

I think, Mr. Chairman, in light of the need to move on to the Department of Revenue, I will take my seat. Thank you.

The Chair: Hon. Minister of Finance, we have a little more than four minutes.

Mrs. Nelson: Four minutes? You just want to vote? Then we'll call for the vote, and we'll undertake to write back.

9:10

The Chair: Are you ready for the vote after considering the business plan and proposed estimates for the Department of Finance for the fiscal year ending March 31, 2005?

Agreed to:

Operating Expense and	
Equipment/Inventory Purchases	\$75,340,000
Nonbudgetary Disbursements	\$75,059,000

The Chair: Shall the estimates for the Department of Finance be reported?

Hon. Members: Agreed.

The Chair: Opposed? Carried.

Revenue

The Chair: Just to quickly review then. The minister will take approximately five minutes, and if the opposition so agrees, longer. The next 45 minutes will be allocated to questions from the opposition. The remaining 10 minutes will be allocated to questions from government members or, failing that, members of the opposition. That's our understanding.

We're ready, then, for the next department. The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. It's an honour to be here and present the Ministry of Revenue's estimates for the year 2004-05.

Before I start, I'd like to introduce a number of individuals from the Department of Revenue that are here with us this evening. The first is Robert Bhatia, the deputy minister. Bonnie Lovelace is our senior financial officer, who works in multiple roles for both Finance and Revenue. Christine Oness is with financial services; Juliette Blair, manager of business planning and reporting; and Glenn Shepherd, my executive assistant. I'll have them all stand, and we could maybe give them a . . . So we thank them for the excellent work. We are fortunate to have very strong professionals in the Department of Revenue.

The Ministry of Revenue's business focus is on a number of aspects. One of the key ingredients is its focus with respect to the province's revenues. You'll notice in the estimates and in the business plan that the revenues of the government continue to grow: over \$9 billion in our estimates, \$9.275 billion, growing to about \$10.3 billion over the next three years in the business plan. As such, the resources of the department will grow as we ensure that we have the right levels of personnel and people to manage and collect and ensure that the revenues of the department of the government are secure.

I thought I'd just clarify that, first off, the department is responsible, as you see, for the income taxes – personal, corporate, hotel, insurance, and tobacco taxes – and not directly responsible for any policies with respect to education property taxes, which reside in Municipal Affairs.

Other revenue sources such as royalties would be with the Ministry of Energy. Gaming would be in the Gaming ministry, though we work on one of our strategic priorities, five of which I thought I'd outline, one being the revenue management framework. In addition to the collection and policy with respect to the taxation we work with all of the departments and, clearly, closely with Finance with respect to what we refer to as a revenue management framework, making sure we have the right planning for revenue streams for now and into the future to see that we will have sufficient revenues to meet the needs of the services and programs that the government will need to deliver in the future.

Another strategic area is the endowment funds. The department is responsible for the investment policies, risks, and management of the endowment funds: the heritage fund, the foundation for medical research endowment fund, the Alberta heritage scholarship fund, the Alberta heritage science and engineering research endowment fund. So we are working hard at strengthening these funds and their policy aspects to ensure that they're affordable. We look to inflation-proof even the heritage fund as we go forward.

We are working hard with respect to our investment organization and management division. There are a number of things we're working with. This organization manages a portfolio of about \$40 billion.

I thought I might mention that one of the areas of growth in resources is in this division. Last year alone on this \$40 billion we added over a hundred million dollars over and above our benchmarks that we set for trying to assess performance. So we have added substantial value to all of these funds in earnings performance over the past year in record. That continues to be very critical to us, to ensure that we have the right resources for electronic service delivery, developing techniques to implement tactical market decisions quickly, keeping pace with evolving industry standards, enhancing data integration, risk management, straight-through processing, just a number of the things that face this division continuously.

Also, the fourth area I thought I might highlight quickly: securities regulation. Alberta is strongly committed to improving the efficiency of our capital markets, Alberta's capital market in particular. We are leading and actively promoting the development of an

efficient, cost-effective provincial and pan-Canadian system of securities regulation. We chair a committee of provincial ministers with respect to securities regulation and are actively working toward ensuring that we have the best regulatory structures for capital markets in this country.

Fifthly, I thought I'd touch on our tax administration. As I'd mentioned, with the scope and size of revenues as they continue to increase in the province, the growth in the economy, and the growth in the revenue streams, it becomes even that much more important that we ensure that we have the right personnel, auditors, compliance to ensure that the full amount of revenues as would be due by the individuals are collected and it's fairly applied and to ensure that the compliance is met. We have addressed that by ensuring that additional resources are going into our department in this respect for hiring of systems personnel, and we will continue to over the next three years.

Certainly, in response to some of the Auditor General's comments we have actively been working towards a few things such as: we've updated our assessment of risk in each of the tax programs; we've determined the auditor coverage required to refine the assessment and assess the risk, and our budget contains a three-year plan to improve audit coverage; and the recruitment and facilities plan has been developed, and the first stage of recruitment is underway. So we're very pleased with the organization we have and the maturity of that and the resources that are allowed to ensure that the revenues are there for the future to provide for the needs of Albertans.

I'll conclude my remarks there and be happy to entertain any questions as they arise.

Thank you, Mr. Chairman.

The Chair: The hon. Member for Edmonton-Mill Woods.

Dr. Massey: Thank you, Mr. Chairman. I have some questions for the minister with respect to the heritage trust fund. I noticed in the February 25 news release from Alberta Revenue that the trust fund saw a total return of \$2 billion, with \$703 million being transferred to the general revenue fund. I guess my first question to the minister is: with the huge surpluses that the government and the province experience, why does the fund continued to be tapped for programs? Is this not the time when the . . .

An Hon. Member: We didn't hear that.

Dr. Massey: I said: why is money being taken from the fund to support programs? It seems to me that this would be an ideal time to inflation-proof the fund and to build it up. In all the door-knocking that I've done and every time the heritage trust fund comes up, many Albertans consider it, whether the government does or not, a rainy day fund. They look at it as something fairly sacred that shouldn't be touched unless absolutely necessary. I think some of that came through in the two surveys that the government did on the fund. There's a very protective attitude towards the fund. So I guess my first question would be: why is the fund still being drawn down?

9:20

The Chair: The hon. minister.

Mr. Melchin: Thank you, Mr. Chairman. With respect to your question about the Alberta heritage savings trust fund, the income has been, as you know, for years taken and put towards general revenues. In fact, it has been the policy for some number of years that that be the case. By legislation we are required once the debt is repaid to actually inflation-proof the Alberta heritage savings trust

fund, to retain sufficient dollars to do that. So it is actually policy that we will, and we have a commitment and obligation even by legislation to do that. It then becomes a matter of timing and priority of use of the funds.

The heritage fund actually has been structured as an endowment fund so that the proceeds of the income would have a purpose, and that purpose has been to support the priorities of the government; therefore, that's why the income goes to general revenues.

As you've mentioned, Albertans do want us to see that this fund is retained for the future. They do want to see that we work towards retaining the real value of this fund, and therefore we do have the commitment to doing that. I would say that the priority when you come down to a choice of do you pay off your mortgage or do you invest in your savings for the future for your retirement are almost equivalent values. They're both good choices. It would be a very good choice to actually retain money in the heritage fund and build it up and have more income, but it's equally advantageous to get rid of the risk of the debt, pay off the debt and, therefore, not have any more interest expense. So you actually improve your financial position by an equivalent amount, and then it's subject to which one performs better.

Obviously, last year we made more income. The two years before we actually had losses and were better by paying off debt. But you do get rid of obligations to other third parties by paying off debt and not being bound to those, and it's a very wise and a prudent strategy, just as you would suggest: why not pay off your own mortgage. That improves your own net worth as an individual and your own financial stability to have that. So they're both good choices. It has been a priority selection of Albertans to tell us also to pay off debt, and that's why we take that approach first.

The Chair: The hon. Member for Edmonton-Mill Woods.

Dr. Massey: Thanks, Mr. Chairman. To the minister again with respect to the fund. He mentioned that once the debt was paid off, the fund would be inflation-proof. Is that all that's going to be done?

Mr. Melchin: It's an obligation to do that as a minimum. Whether or not there could be more in future surpluses to add to the growth of the fund are still other options. Clearly, I can't foresee or predict or forecast what those future decisions might be, but certainly once the debt is paid, those are options. In fact, even in our requirements right now surpluses have to go towards either paying off debt, which in this case would be gone, or building up other assets, capital fund or endowment funds like the heritage fund. So surpluses could very much in addition to inflation-proofing be added to the heritage fund if that was deemed to be the priority.

Dr. Massey: Could I ask: is that same investment strategy applied to the other funds that are managed?

Mr. Melchin: As you mentioned, there is the scholarship fund, the medical research fund, and the science and engineering in addition to the heritage fund. Do they employ the same strategy? We have an endowment policy committee. It actually has a number of private-sector individuals and two MLAs specifically charged with looking at the investment decisions of those four funds. They are not yet identical though their policy benchmarks for asset classes are moving towards the same. The reason is that they all have some long-term attributes. They are all expected to be here for well into the future and therefore can take a longer term investment strategy. So we do look at all of them having similar attributes for being able

to invest in equities, not just public but private equities, and other asset classes other than just fixed income. So, yes, they have not quite identical but very similar, very close to the same, asset class mix.

Dr. Massey: Thanks for those answers.

I guess one last question about the heritage fund. The heritage fund's key performance measure used to be a four-year annualized market value rate of return measured against benchmarks established by the clients. This performance measure has been changed. Can we have the reason why?

Mr. Melchin: I wonder if you could quote the page you're referring to so I can get to that page.

Dr. Massey: I'll get it.
Do you want to go ahead?

The Chair: The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Taft: Thanks, Mr. Chairman. I could have the same general discussion with this minister as I had with the last one in terms of securing the long-term revenues of the government of Alberta in the days in the future when our royalty revenues inevitably diminish. Or perhaps the minister actually has a different view on the situation and feels that with the scale of the oil sands reserves we don't face any time in the foreseeable future a decline in our revenues from petroleum resources. So I'll start with that question. In looking down the road 10 years, 15 years, 20 years in the future, which I hope he's doing, does the minister see a time when the provincial government's revenue from petroleum resources of any kind starts to diminish, or will we be in a situation throughout the next 15 or 20 years where while conventional oil diminishes, nonconventional resources will cover off the downfall? Will we have a continuous flow of wealth in all?

The Chair: The hon. Minister of Revenue.

Mr. Melchin: Thank you, Mr. Chairman. One of the main focuses in the department is a revenue management framework, and that is looking much more long term at all of the revenue sources so that we ensure that we have the right mix of revenues that could be sustainable well into the future. So in answer to that question: yes, we work very closely with Energy on their longer term outlook.

There's no way of guaranteeing, but when you look at the various scenarios, what reliability is there in revenue from energy sources? For the foreseeable future, certainly in the next 10 years – it's hard to ever predict oil and gas revenues in the sense that price is such a significant factor in the quantity of revenue. One of the greatest factors, we all know, is the volatility of price in commodities. So we know that we are subject to that volatility continuously as we rely upon it. Therefore, that's why the introduction of the sustainability fund, to try to take some of that volatility out. Though when you look over the long term, you should be able to predictably expect certain averages.

It is true that conventional sources of oil are already on a decline. You can go through this a little more with the Energy department when they come forward for their estimates. But gas, certainly, when you look at the next 10 years – it gets harder to forecast with any certainty when you look at 20 years. But when you look at the total oil sands, conventional and gas, certainly Alberta for the next foreseeable future has a good sustainable source of revenue from energy. Very subject to the volatility of price, but production volumes and the like are going to look fairly strong.

9:30

When you look at the oil sands, those are long-term projects, even beyond 10-year projects. They are really the 20-years-plus projects. We know that the reserves are there for substantially longer, and we know that as the billions of dollars are being invested, even our own revenue streams start transferring from 1 per cent of gross to 25 per cent after they've recovered their payout. So we start then increasing our revenue streams on the oil sands almost to offset declines in the other conventional oils.

So we have a very good source of energy from the oil and energy sector for years yet to come, but our forecast and planning is still trying to look and plan for beyond those dates because we all know that this is a declining resource. It's not renewable.

The Chair: The hon. leader.

Dr. Taft: Thank you. Would it be possible for the minister to share the framework or share the documents underpinning that framework with us in the Legislature?

Mr. Melchin: I'm not certain what it is that I can get published. We're dealing with estimates. I'll certainly take that under advisement and see what it is that we can share.

The Chair: The hon. leader.

Dr. Taft: Thank you. Now, in that same framework we talked about what I imagine is the line for nonrenewable resource revenues or some line like that. I assume that there's another line going out years and years for gambling. Maybe there isn't. So my first question is: is there?

Secondly, then, given the foreseen expansion in casinos over the next three to five years, what is the projected revenue expected to be from those casinos? Are we expecting a dramatic growth or more casinos with less take per casino? Certainly gambling is a major source of revenue. I assume that you've looked at that. What's down the road over the next few years in those revenues?

Mr. Melchin: In some respects when you get into a lot of these, they're policy choices. Those would be better answered more directly by the specific departments because the revenue sources from them are very significantly impacted by what policy choices you make. Just for example, tax rates. As we make those, that impacts revenue amounts. Our main revenue sources, as we plan forward, are items – the major items are not those items, though we do acknowledge the gaming revenues in our three-year business plan. You see it already in front of you. Rather than trying to speculate in estimates on all of those – it isn't the purview, really, of my own estimates to actually speculate on the revenue streams of all of those well into the future.

The Chair: The hon. leader.

Dr. Taft: Thank you, Mr. Chairman. I should just confirm right now, just a really quick question, if I heard the minister properly that he's – what was I hearing? I don't want to put words in his mouth on inflation-proofing the heritage trust fund. I heard some phrase in there, but I didn't catch it. What was he saying?

Mr. Melchin: We do acknowledge even by our own recent survey a little over a year ago that Albertans do value the heritage fund and want it kept there well into the future, and as such I would fully

support and agree that that means that you need to inflation-proof that fund. If you don't, then you're actually eliminating it over time. What I did say is that it is required legislatively that that heritage fund be inflation-proofed once the debt is repaid. Right now we have the option to retain some funds to repay it, but once the debt is paid, it is actually a requirement to retain sufficient funds to inflation-proof it.

The Chair: The hon. leader.

Dr. Taft: Thank you. Do the same provisions apply to the other endowment funds like the heritage medical fund and the science and engineering fund?

Mr. Melchin: Those funds actually have different thresholds or requirements legislatively. The medical fund, for example, was started at \$300 million, and it cannot go below \$300 million, but by policy that's long since been changed. The ingenuity fund: we're trying to retain that value of \$500 million.

But we're putting in further parameters. We've been working hard on the scholarship fund, on the medical fund, and on the science and engineering fund to ensure that they have policies, spending decisions like you would have in a pension fund, that ensure that the value of the fund is there. So, yes, inflation-proof.

We are actually implementing policies which we call a spending rule; i.e., that the funds should spend no more than a certain percentage of that fund each year. We set a target, actually, of 4 and a half per cent. So if they can spend no more than the last three years' average of the value of that fund, 4 and a half per cent – the fund is expected to earn closer to 7 per cent – over the long term that will ensure that those funds retain an inflation-proof value. That's how we're controlling it. That will give a predictable level of cash flow that you can spend for scholarships and for medical and science and engineering research. They get a predictable level of cash flow without worrying about the volatility of the fund from year to year, but over the long term it will ensure that the fund is also inflation-proofed. So by policy we are specifically implementing that.

The Chair: The hon. leader.

Dr. Taft: Thank you. I think that this question relates to the discussion we're having. On page 368 of the business plan there's a term used. Actually, I think it may be used in several locations, but it's used there. The term is "superior investment returns." I am wondering: how is that defined? How would we know if you were having or not having a superior investment return?

Mr. Melchin: It's a hard question to answer. That's why we set benchmarks. For example, when we invest in – and I'll take the Canadian exchange – the TSX, we might invest in the top hundred companies on the TSX. If we took that specific index for those top hundred companies, our objective is to add value over and above what that performed. So when you employ fund managers, they are expected to perform better than the index of that fund. That would be true for bonds and for equities, and they will all be benchmarked so that we do have an ability to assess our fund managers as well as our overall performance.

Now, to give you an example of recent performance. I only have it for the nine months of last year since the year-end has not yet been reported. I did say that on these four endowment funds we have actually added over a hundred million dollars over and above our benchmarks in the last nine months of last year. That's the excessive performance in dollars on these four endowment funds being

managed. So that's what should be the requirement, that we add value over and above what the index is. Otherwise, you would just passably invest it in some index.

That is the expectation. That is the performance measure, and it is something to which we ought to hold everyone accountable.

The Chair: The hon. leader.

Dr. Taft: Okay. Thank you. Obviously, in taxes there's a constant concern of compliance. You know, are we actually getting the taxes that we hope to get through the laws and regulations we put into effect? How much are we losing? Which program areas does the minister feel have a high risk of noncompliance with tax laws? Where are we at the most risk here?

Mr. Melchin: When we look at the taxes that we collect, I don't know that you could say one is the most. On the personal income tax side, for example, we actually have an agreement with the federal government, that collects our personal income tax. That whole area of responsibility has actually been transferred to the Canada revenue agency, and we work with them. So the risk component to us actually is there, and we work with the federal government in this regard, but it is their direct responsibility by the agreements which we have. In that regard, we would say that we are still satisfied with the level of the compliance work that they are doing.

9:40

On the corporate income tax, for example, even in some of those areas we have an overlap with the federal government. We agreed that we will use the same calculation on taxable income. Our corporate income tax: we collect the tax, but we rely upon the federal government, also, in their audits of corporations, in the verification of the calculation of taxable income. So we have a dual role actually. The federal government does quite a bit of audit on the corporations, and then we do very much specific audits on things like the Alberta royalty tax credit. Those are some of the more difficult areas.

Now, as we're moving on the federal government's transitioning out of resource allowance into royalty deductibilities, that's going to be more problematic in that it will shift more burden to our department. That's why we have actually added more in our budget this year to add more compliance and audit staff to specifically manage that program. We've identified that as an area that has some complexity to it and, therefore, have addressed it by adding more people and resources.

Dr. Taft: What's the future of the royalty tax credit program in Alberta?

Mr. Melchin: The Alberta royalty tax credit program is still in place. There's no policy decision yet anywhere on the table to remove it, so by policy, even in the business plan going forward, that still is there.

It's a very small component, really, of the royalty structures. You know, the royalty income the last year has been \$7 billion, \$6 billion in the previous years. It's price and volume driven. The lower the price, the higher the royalty tax credit. So when prices have been high like this, the credit is smaller. So it's \$120 million, \$130 million. It certainly can grow beyond that to \$200 million, but in relative terms to the billions of dollars that are collected, it is a very minor component of the program. It has helped spawn development by the smaller companies to invest and has played a very integral part of the overall royalty structure inside it.

So there's no plan at this stage. The policy decision for that still

resides in Energy, so you'd specifically have to question Energy on the policy of that. We administer the collection of it through the Alberta corporate income tax. That's how it's actually administered.

Dr. Taft: Is there a serious discussion occurring in this department on separating federal and provincial income tax processes so that we end up with what I think is in place in Quebec, a two-tax system? There has been talk of that kind of thing from time to time. Is that under active consideration?

Mr. Melchin: We have actively worked, actually, with the federal government. The Canada Customs and Revenue Agency is now its new name. They've approached us about even collecting our corporate income taxes, for that matter, and our other taxes. So we have specifically questioned back: well, let's make sure that we first understand the arrangement and the value that we receive on the personal income tax. So we've done quite a bit of work to understand that.

We've come back to the assessment that we are going to stay with the federal government in collecting personal income taxes. It would be too expensive for us. They actually subsidize it; that concerns me a little bit. With their organizational structure it costs them more – our arrangement for the personal income tax is that they keep the interest and penalties assessed on personal income tax to offset their costs of collection, administration, and compliance. We get the full amount of the personal income tax. They remit the full amount of the personal income taxes owing to us, and they keep the interest and penalties for the work. It actually costs them more than the interest and penalties that they collect. We are not about to set up an organization. That would be very difficult given that the numbers of filers personally is substantially more than the numbers of corporations, you know, the millions of Albertans. So the scope and size and magnitude to do that would be very complex, and we are not entertaining that.

With respect to corporate income tax we actually provide that service for substantially less than the cost of the interest and penalties, so quite likely we'll retain collecting our corporate income tax rather than having the federal government doing that for us. There are smaller numbers. Some of the programs are very particular to Alberta, like the Alberta royalty tax for example, so we still have by objective decided to retain collection of the others.

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

Mr. Mason: Thank you very much, Mr. Chairman. About two weeks ago I asked the Premier during question period about the federal government program to eliminate income tax for armed forces personnel who are serving in particularly dangerous overseas theatres, and the Premier undertook to produce an answer at some time in the future and to consider the matter. Now, yesterday the hon. Member for Edmonton-Castle Downs, whose riding contains a fairly significant proportion of people in the armed services, jumped on the bandwagon of that issue and put a similar question to the Premier, and the Premier this time provided something of an answer. But I wonder, Mr. Chairman, if I could ask the Minister of Revenue to explain exactly what is going to take place, what the provincial role in this is, if anything, and what he expects the cost of the program to be to the Alberta treasury.

The Chair: The hon. minister.

Mr. Melchin: Thank you. Actually, that question was addressed to me yesterday, which I did answer. When we were first asked it, it is

correct that we weren't certain of how the federal government immediately after their budget was going to implement this. Depending on how they chose to implement exempting military personnel when they're on dangerous missions overseas or otherwise, it could impact whether it applied as a direct flow through for Alberta taxes or not.

What we did find out and discover is that there will be clearly an exemption from the calculation of taxable income. Therefore, if it's not included in taxable income for federal purposes, we follow the same calculation of taxable income for provincial purposes. As a result, the military personnel will not pay federal or provincial income taxes. We do agree on our systems, that the only way to keep any ability for the federal government to collect our personal income taxes would be to keep some semblance of the same calculation of taxable income. It would get too complex for us to start developing our own rules for everything, and as such that's part of our tax collection agreement.

That will cost us approximately a million and a half dollars. Certainly, we're pleased to support our armed forces and see that that policy would follow through. They do outstanding work, and we're proud of the great work they do. We'll see that that will flow through to them.

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

Mr. Mason: Thank you very much. I much appreciate that answer from the minister, and we were certainly pleased as well to support that direction and glad that the government is onside with it, even though it apparently would happen whether the government wanted it to or not. What I take from the minister's answer is that it's a federal decision. Nevertheless, I think the result is very positive.

I want to ask a sort of general question. It has to do with what the government sees its core finances as being. I ask this question in light of the longer term reduction in revenues as a result of oil and gas. Particularly a high proportion of our royalty revenue comes from natural gas, and it is a declining resource, notwithstanding the prospect of coal bed methane coming on stream.

9:50

We've also seen a dramatic increase over the past few years of government revenue that is sourced from gambling activities, and at the same time we're seeing a reduction, which I asked the Minister of Finance about, in our corporate income tax. I guess my question is: are we at risk of becoming too dependent on more volatile sources of revenue or nontraditional sources of revenue such as gambling revenue, and does the minister feel that our core income tax revenue is sufficiently strong that we can base government programs on those revenues with a view to maintaining stability? I'll just recall for the minister the decision a couple of years ago to cut some programs, including some programs for native children at risk and so on, because of a sudden drop in oil and gas prices. Does the government feel that the core revenues of this government will be vigorous enough that they will be able to sustain all of the necessary programs without those kinds of hiccups which result in disruption of program delivery to people who need them?

The Chair: The hon. minister.

Mr. Melchin: Yes. We do view that income taxes, the tax structures are core revenue sources, clearly. So when you're planning going forward long term, acknowledging that nonrenewable resources such as oil and gas – they are going to be there for some foreseeable future, but they sooner or later are a nonrenewable resource.

Therefore, you have to plan that income taxes or some form of taxes, whether it's the exact ones we have today or not, will always form a strong basis of any government. That's true of all governments, to form one kind of a tax or another for its core revenue.

Now, with respect to policies putting more dependence on volatile sources, I'd say that actually the converse has been the case. The example I'm going to give you already is the personal income tax policy of two or three years ago, when we reduced personal income taxes by about a billion and a half dollars by the policy to go to the single rate 10 per cent. We actually collect more today in absolute dollars than we did then, and the personal income tax stream has been continuously strong growing. Estimates, for example, this year are going to be \$5 billion. Going forward, a forecast of \$5.4 billion, growing to almost \$5.8 billion in personal income tax. Very strong growth.

What has happened – and this is true also of tax planning – is that if you make taxes too punitive, especially on income kinds of questions, you drive a lot of the income sources either out of the jurisdictions, underground, and a whole bunch of ways to avoid tax. So making sure you have the right macroenvironment does a lot in attracting people, which is what has to happen. We broadened the base. We're actually collecting more in absolute dollars to provide it and actually have a more stable base for personal income tax than we had previously despite a lower rate.

Now let's take a look at the corporate income tax rates that we've been reducing. This year's forecast has an anomaly from some past years' adjustments which dropped it down to about \$1.8 billion, but it's still in the \$2 billion threshold. So despite that we've been reducing corporate income tax rates, our absolute dollars we're collecting aren't dropping. Even by reducing the corporate tax rate from 12 and a half down to 11 and a half per cent, we say that we're saving businesses, by that calculation, \$142 million, yet in our forecast we're going to collect still an equivalent \$2 billion going forward, because what's happening is that we are providing an economic macroframework that is attractive to people for investing.

These are not so anecdotal. They're very real about people choosing to invest money here, which creates the jobs for people, creates the jobs for Albertans, which creates the tax base. We need the companies to come here. We need the individuals to want to locate here. So you need good personal structures and you need good business structures in rates.

I have yet to find without exception – and I don't mean to say that we follow what New York fund managers are going to have to tell us, but we do have a \$40 billion fund that we invest on behalf of the heritage fund and pension funds, and some of that we deploy to fund managers throughout the world. I've asked this invariably of all of the fund managers that we've ever used, and these are very large institutional people out of New York: tell me about Canada. I don't solicit their response or the direction they ought to take. They all say some wonderful things about Canada, and we do have a lot to be pleased about with this country. We have a great country. In rank to the world we have much to be pleased with.

What they all come back with is this "but," which I find very annoying, and it's not my personal bias. They actually feel a little: I don't want to offend you. I say: well, tell me what you're going to say. They say: in Canada you tax too much, and we actually get better returns by leaving our money right here in the United States versus investing our money in Canada.

Whether you call it real or not, it is true our tax rates are higher here than in the United States. The largest financial centre of the world views Canada as a small market and not a better place to invest than the United States. It's that type of thing that actually makes our climate destructive to growth and opportunity. So we

can't ignore the world competitive market forces of attracting capital. You need the capital to finance the oil sands of the future. We need the capital intensive industries here in Alberta to grow. We need the marketplaces of not just New York, London, Tokyo but anywhere else in the world to want to come to Alberta and say: this is a great place to come and invest.

So tax rates are critical. It is some of the fundamental analysis they look at with respect to the return on their investments

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

Mr. Mason: Thank you, Mr. Chairman. Well, you know I appreciate the minister's comments in that respect, but I would just caution him that when any investor gets a revenue minister in their office, they are going to tell that revenue minister that they'd really like to pay less taxes.

Notwithstanding what he said, there is a high rate of investment in Canada and Alberta, which in my view has a lot more to do with the opportunities that are presented by the people of this country and their education. Even their health care system has been cited as a significant advantage for employers locating here compared to the United States and certainly the continuing high prices for petrochemicals in the world. There's a world shortage, and Alberta has some conventional petrochemical reserves left and significant resources in the Athabasca oil sands as well.

I guess I would disagree with the minister. It's not the low corporate taxes particularly that are attracting the investment into this country, but it is the many other advantages we have, not the least of which is the fact we've got the oil and gas, and that's what's driving the boom in Alberta, in my view, not the government's tax policy. I would submit that if our corporate income taxes were not reduced from 15 per cent, we would still see a high level of investment in this province simply given the high price of oil and natural gas at the present time.

Mr. Melchin: Obviously, we'll agree to disagree on the point. If you think you can independently put taxes up and also have the same level of growth rates – when Canada actually went on a divergent path, which we did, our tax rates compared vis-à-vis United States in the '50s and '60s were comparable. Canada chose to go a path of substantially higher tax rates through the '70s, '80s, and '90s, and our growth rates through those periods of time and our actual wealth, GDP per person substantially lagged and got wider and wider.

Now, we've been improving in Canada over the last number of years, so we are starting to narrow the gap. We are starting to reduce the productivity gaps, and they are measured and quantified and known by investment managers throughout the world. We can say that, yes, it's a revenue minister, but I'll tell you that a guy out of Goldman Sachs, a chairman who used to work for the Federal Reserve Board, a very senior official, could certainly give you a whole different perspective on the world economy and marketplaces and the impact of not leaving sufficient dollars in the hands of those that make the high-risk investments to see that they can and will take the risk.

10:00

They can go anywhere in the world to do a lot of these kinds of projects. The oil sands in Alberta is not the only place in the world where there are even tar sands. There are other places where they have alternative choices for energy. It's true that we have a lot of good things like highly educated labour, and those add to the great attractiveness of Canada. We have some great things like that. That's true. But the economic questions, the real cost questions of tax rates have a major impact.

The attraction of other companies to Alberta. If you ask a lot of the companies that have come to Alberta, individuals as well, it's not just for taxes. Many of them add that it is part of the contributing factors to the decisions to locate right here, because of the fiscal environment that is attractive in Canada, not just even to the world but right in Canada as to the major reason for the prosperity, even beyond just the oil and gas sector. Tax rates: very significant in that equation.

The Chair: The hon. Member for Edmonton-Mill Woods.

Dr. Massey: Thank you, Mr. Chairman. Going back to a previous question, the performance measure that I was asking about is one that's on page 368 of the business plan. I don't have my last year's budget. If the minister doesn't have it right now, maybe we can get it later. The performance measure was changed.

Mr. Melchin: I've just got to make sure that I'm clear on which one we're talking about. The measure is the "five-year weighted average market value rate of return for endowment funds compared against the weighted average policy asset mix rate of return." Is that it?

Dr. Massey: Yes.

Mr. Melchin: Okay. We actually have been continually revising a number of our benchmarks to make sure that we've got the right indices. None of them come with: you've got the perfect benchmark. They come with pluses and minuses. So this one in that respect we felt was better. It's not that the other one was bad; it's just that we felt that this was better. The issue was that it was more reflective to move to this one.

We've always had some benchmarks that measured some long-term rates; a four-year average, for example. We just wanted to move to a five-year partially because we hadn't also had on all of these funds a five-year historical record to do it. On the heritage fund, for example, we'd just barely gone from a transition, which was solely fixed income, to a blended fund now, an endowment policy which has got equities and real estate. We haven't had a long enough period with that to actually move to a five-year, and that's why we're now going to the five-year.

The Chair: The hon. Member for Edmonton-Mill Woods.

Dr. Massey: Thank you. I wonder if the minister could comment upon the Auditor General's . . .

The Chair: Now, hon. member, we go to the 10 minutes. Do we have anyone?

Then you're on. Please continue.

Dr. Massey: Thank you. I wonder if the minister could comment on the Auditor General's observation and his recommendation that "the Ministry of Revenue decide how much more audit work it should do to minimize the risk of revenue loss from taxpayers and claimants not complying with tax legislation." He goes on for a couple of pages about some of the audits that they did and the money that was claimed and seems to raise the issue of there not being enough audit work done for us to really be assured that the money that the government is owed is actually being collected.

Mr. Melchin: We're actually very supportive of the Auditor General's recommendation. His recommendation was such that he didn't know if we had or had not. He asked: "Let's make sure that

we're clear. Do we have the right amount of resources to do the work to ensure that the risk is sufficient in measuring compliance?" He said that he would want to over this next period of time work at that and get better answers to it. So that's what's he tasked our department to resolve.

In that respect we have come back saying that we needed more resources to appropriately manage the growing revenue streams that we have, and they are growing numbers of people, growing numbers of companies, individuals, and tax filers. So from that, we have increased this year's budget to add additional compliance, audit, and systems work in our department. The department has actively worked, as I'd mentioned previously, to assess the risk in each program. We've determined audit coverage requirements, what would be the right level of coverage of audit, and we refined those in the estimates to address those risks. We have a three-year plan to actually improve audit coverage.

We've already started on recruitment. We've been doing this through last year as well. Actually, this isn't new; this has been ongoing. As the province continues to grow, so do we need to have a sufficient number of people to administer and collect those revenue streams, a very important, a very vital part of all of the tax programs. They are voluntary compliance in most cases. You expect people by law to file a tax return, and you have to have means to know if they have or have not or if they've reported the right amount of income.

Those are all parts of sometimes voluntary compliance, and therefore you need sufficient levels of audit and compliance techniques to ensure that you've reduced the risk. In that respect, I'm pleased to report that we have been doing a good job. We assessed that we need to add more, and this budget also responds by adding more resources, individuals as well.

Dr. Massey: Just one more question, and it was again a recommendation from the Auditor General that the objectives of the tax-exempt fuel users program be evaluated and be made explicit.

Mr. Melchin: We have spent quite a bit of time examining the tax-exempt fuel use program, worked with the industries that are specifically involved. There is expansion of scope in that that has probably gone beyond its original purpose. Its purpose was to ensure that a lot of these industries are working off-road and are not necessarily using the infrastructure of roads, but we wanted to encourage economic development in the rural areas, be it in areas like forestry, oil and gas, and so forth, and encourage the investment. So the policy was to ensure that in those areas they wouldn't pay the fuel tax for that area that's directly associated with incurring the work and the investment activity for providing the work in that area.

So it meets a very viable policy objective that was established back in the '80s for that program. It still is ensuring that there's a good, strong industry of trucking and you name it, all of the people that are associated with off-road vehicles that are partially on and off and those that are entirely off. We've reviewed the program. We're satisfied that the program is still meeting objectives. We are looking at simplification aspects of that program right now to make it easier for compliance both for the reporters and for ourselves in monitoring compliance.

The Chair: The hon. leader.

Dr. Taft: Thank you. Given that we're down to the last four minutes or so, what I would like to do is just read some questions into the record, and perhaps the minister could respond in writing.

I'll try to give the page references here. Page 308 indicates that the department is expecting a lower rate of return, substantially lower

actually, on the heritage savings trust fund compared to last year. Last year was a good year. But the basic question is: why are we expecting it to perform less well than we did last year?

Page 309 lists various tax streams coming into the department. How much loss of revenue did the department predict for this year because of the cigar tax cut? Likewise, what loss of revenue is predicted because of the elimination of the aviation fuel tax on international flights? Some numbers there would be helpful.

10:10

On the same page, page 309, the Revenue department is expecting to receive exactly \$60 million in hotel room tax, not \$60 million and 1 cent but exactly \$60 million. Has there been any examination given to the possibility of dedicating that to tourism marketing, or would that be done perhaps under other departments?

On the next few pages, pages 310 to 313, there are reports on the various funds managed by the Revenue department. Some of these funds, like the Heritage Foundation for Medical Research and the heritage scholarship fund, see I believe some significant increases in management fees, and an explanation of that would be valuable. What's happening there?

Page 314 indicates that spending on insurance claims, premiums, and services will actually be very considerably less than last year. Assuming that that's realistic, that's a great thing. But what was the basis of that calculation? Why are we seeing that drop there?

On page 315 under Alberta Securities Commission we are seeing operating costs rise fairly significantly. It's about a 14 per cent rise, something like that. In any case it's fairly significant: a million and a half dollars. Why would that be? So on page 315 that's the operating costs of the Alberta Securities Commission. Why is that increase so considerable there?

Finally, on page 317 we're seeing the number of full-time equivalent employees of the ministry increase, especially in the department, significantly I think, at 31. Why? Maybe that can be explained as well.

With those questions, Mr. Chairman, I'll take my seat, and I think we can wrap up this discussion. Thank you.

The Chair: Are you ready for the vote on the estimates after considering the business plan and the proposed estimates of the Department of Revenue for the fiscal year ending March 31, 2005?

Agreed to:

Operating Expense and	
Equipment/Inventory Purchases	\$50,660,000

The Chair: Shall the estimates 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 the Committee of Supply rise and report the estimates of the Department of Finance and the estimates of the Department of Revenue and beg leave to sit again.

[Motion carried]

[The Deputy Speaker in the chair]

Mr. Lougheed: Mr. Speaker, the Committee of Supply has had

under consideration certain resolutions, reports as follows, and requests leave to sit again.

Resolved that a sum not exceeding the following be granted to Her Majesty for the fiscal year ending March 31, 2005, for the following departments.

Finance: operating expense and equipment/inventory purchases, \$75,340,000; nonbudgetary disbursements, \$75,059,000.

Revenue: operating expense and equipment/inventory purchases, \$50,660,000.

The Deputy Speaker: Does the Assembly concur in this report?

Hon. Members: Agreed.

The Deputy Speaker: Opposed? So ordered.

head: **Government Bills and Orders**

head: Second Reading

Bill 30

Metis Settlements Amendment Act, 2004

The Deputy Speaker: The hon. Member for Bonnyville-Cold Lake.

Mr. Ducharme: Thank you, Mr. Speaker. It gives me great pleasure at this time to move second reading of Bill 30, the Metis Settlements Amendment Act, 2004.

Prior to discussing in more detail the contents of Bill 30, I would like to provide some background to the Metis Settlements Act. The Metis Settlements Act was passed in 1990 along with three other pieces of legislation: the Metis Settlements Accord Implementation Act, the Metis Settlements Land Protection Act, and the Constitution of Alberta Amendment Act, 1990. Together these acts established the first and still only recognized form of Métis governments and land base in Canada.

The Metis Settlements Act established settlement governing structures and responsibilities and the authorities of the province. The legislation passed in 1990 recognized the Métis settlements as a form of local government in Alberta. Although the legislation provides powers of self-governance for the Métis settlements in many areas, it is important to remember that neither the settlements nor the Legislative Assembly intended that the legislation should be viewed as creating a form of self-government based on concepts of aboriginal rights.

The Constitution of Alberta Amendment Act, 1990, underscores the continuing jurisdiction of the Legislative Assembly and specifically indicates that the legislation was not intended to effect any aboriginal rights.

When the Métis settlements legislation was passed in 1990, it was recognized that many of the structures and processes that were being established were new to both the settlements and the province. Both the settlements and the province took the view that proceeding with the legislation at that time would provide the experience necessary to evaluate its effectiveness and that eventually changes would likely be required. It has now been nearly 14 years since the legislation came into force in November 1990. While some minor changes were made to the Metis Settlements Act in 1998, it was apparent then and even more obvious now that significant changes are required to improve the effectiveness and efficiency of settlement governments.

A significant effort was made in 1999 to bring forward legislative amendments. That effort was not successful as critical issues could not be resolved. Since then, the problems that were identified in the legislation have continued to have a significant impact on the ability of the settlement governments to make decisions and to provide accountable and transparent governance for the communities.

Most importantly, the requirement that general council policies which use laws that govern the action of the eight settlements in the most significant areas receive the unanimous approval of all settlements has proven to be a barrier to good governance. Policies use laws that govern the actions of the eight settlements. The requirement for unanimity led to a situation in the spring of last year where the settlements were forced to ask the minister to pass a regulation to establish the budget of the general council and the allocation of funds to the individual settlements. The unanimity requirement has also been a barrier to the settlements arriving at compromise solutions to other critical issues such as how to allocate revenues associated with resource development.

Bill 30 would remove the unanimity requirement and provide that general council policies can be approved by six of the eight settlements. The elimination of the unanimity requirement will mean that one settlement cannot defeat the policy-making process by simply not showing up to a meeting. The settlements will now have to seek approaches that are based on the reconciliation of their individual views and interests. At the same time, it recognized that it is possible that future general council policies could unfairly disadvantage a particular settlement. As a result, Bill 30 provides that the general council can establish criteria for appeals on the basis that a policy unfairly discriminates against a settlement. The Métis Settlements Appeal Tribunal would deal with those appeals.

Another area that has been identified as creating instability at the local settlement level is the current system of annual staggered elections. Currently every year in May elections are held for two of the five council positions. This system hinders long-term planning and the ability of settlement members to hold their elected representatives accountable for the implementation of longer term strategies. Holding the elections in May was also identified as a problem since the settlement budgets went from April to March. With the potential turnover of two-fifths of the settlement council a month after the beginning of the fiscal year, there have been concerns regarding the effectiveness of the budgeting process.

10:20

As a result of these problems, it is proposed to amend the current election system to provide that settlement elections will be held every three years in October for all five council positions. These changes will provide for greater stability at the local political level and enhance the settlements' capacity for long-term operational and fiscal planning.

While there has been significant progress in improving the effectiveness of the settlement governments, settlement members continue to express concerns regarding the accountability of their governments. Mr. Speaker, while not all of these concerns are justified, the lack of effective mechanisms to deal with allegations made by settlement members contributes to an atmosphere of mistrust.

As a result, Bill 30 contains a regulation-making power to enable the minister to establish a Métis settlements ombudsman to review and investigate complaints regarding the management of the affairs of the settlements. Since April 2003 a Métis settlements ombudsman has been in place operating under powers delegated to him by the minister. The proposed amendment will provide an improved legislative foundation for this important function.

One of the important components of the governing structure for the settlements is the Métis Settlements Appeal Tribunal. This tribunal was the first one established in Canada to deal with issues arising out of the governance of aboriginal communities. Dealing primarily with issues arising out of land allocation and membership decisions by settlement councils, the Métis Settlements Appeal

Tribunal has made a significant contribution to the good governance of the settlements.

Bill 30 contains amendments to adjust the process of appointing members to the appeal tribunal, seeking to further depoliticize the process and to provide additional opportunities for settlements to have input into the selection process.

In addition, Bill 30 provides significant new authorities to the tribunal. Currently the Metis Settlements Act provides that the minister responsible for the act has the power, if the affairs of a settlement are being managed in an irregular, improper, or improvident manner, to issue directives to settlement councillors or staff to dismiss them. This authority would be transferred to the appeal tribunal. As most of the tribunal members are from the settlements, this means that settlement members would be responsible for determining whether a settlement's affairs are being properly managed and to determine the consequences if they are not.

There are a number of other minor amendments that are being made that relate to the appeal tribunal. These amendments address matters pertaining to the Land Access Panel, which deals with surface rights matters; the establishment of an executive committee; and the responsibilities of the chair. In addition, as I mentioned before, the appeal tribunal would be empowered to deal with appeals by settlements that allege that a policy discriminates against them.

The majority of the amendments pertaining to the appeal tribunal will not be proclaimed immediately to allow time to prepare for their implementation.

There are a number of amendments regarding the making of general council policies. One of the most difficult questions facing the settlements is the issue of how to deal with individuals who have been members but have reacquired their status as Indians under the Indian Act. Currently the Metis Settlements Act provides that if a settlement member regains Indian status after November 1, 1990, settlement membership is lost. This provision was included in an attempt to preserve the Métis-ness of the settlements. This provision has led to serious divisions within some communities.

Bill 30 would enable the Métis Settlements General Council to make a policy that would have the effect of altering the current provisions of the act. This approach is based on the belief that the settlements themselves are best positioned to arrive at a new approach that can lead to reconciliation.

Additional policy-making powers to enhance the operations and accountability of the general council are included in Bill 30. These additional policy-making powers focus on such areas as the election and roles of general council officers, internal rules and procedures, conflict of interest, financial management, and human resource policies.

Bill 30 would also change the relationship of the minister to the process of making general council policies. Currently the general council can ask the minister to make a regulation about anything on which the general council can make a policy. This is what happened last year, when the general council was unable to pass the policy to establish a general council budget and to allocate funds between the settlements.

Bill 30 would enable the minister to address future situations where the general council was unable to pass policies necessary for the proper operation of the general council or individual settlements. The minister would have the authority to make regulations in areas subject to general council policies without the request of the general council. Such regulations would be in force for a maximum of two years and would be repealed if the general council were to make a policy to deal with the matter. Such an amendment is necessary to ensure that the basic components of good governance are in place if the general council cannot do so itself.

There are a number of other amendments that are included in Bill 30. The bill provides that every five years the general council can submit to the minister proposals to change the Metis Settlements Act directed at the creation of a more culturally appropriate and effective self-governance structure. The minister responsible for the administration of the act would be required to consider and respond to the proposals from the general council. This amendment was requested by the general council to ensure that the further evolution of settlement governing structures will be reviewed at least once every five years.

There was also an amendment to include a section outlining the purpose of the Metis Settlements Act. This amendment is being included to provide those who are working with the legislation a better understanding of the background and the purpose of the act. Another amendment ensures that subdivision approvals made by settlements since the dissolution of the Métis Settlements Transition Commission in 2002 are valid.

In conclusion, the amendments in Bill 30 are intended to provide for more effective decision-making, greater political stability, and enhanced accountability. Settlements have made significant progress since 1990. The amendments contained in Bill 30 will enhance the capability of the settlement governing institutions to meet the needs of their communities.

In closing, Mr. Speaker, I urge all members to support Bill 30 in second reading. Thank you.

The Deputy Speaker: The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Taft: Thank you, Mr. Speaker. I listened to the comments from the member opposite carefully. I appreciated them. I appreciated his consultation with me a couple of months ago.

These are difficult issues. We're dealing here with issues of the very nature and manner in which parts of our society govern themselves, and we're looking at changing those procedures and those processes through this bill. We in the opposition have received various concerns about how the bill was developed and the processes it's proposing and have had correspondence and phone calls and conversations from people who are indicating that they are seriously opposed to this bill.

It seems to me – and I will claim no expertise in this area at all – that the most important aspect of this bill is rearranging the requirement for unanimous agreement on the general council to vote and make decisions and move forward. I find myself wondering what the discussions were at the time that the decision was made to have unanimous agreement for the votes on the Métis general council, for it does seem to me to be an awfully tight way to tie a group's hands. It basically, as I understand it, makes an all-or-nothing kind of situation for every vote on the council. It does seem like it will inevitably deadlock the work of the general council.

So I can see the common sense, if that's the word to use, in rearranging the voting structure and decision structure of the Métis general council and shifting from the unanimous requirement to a requirement for 6 out of 8 with the provision of an appeal, as I read the legislation.

This is a tough spot, because with the number of portfolios we each carry in the opposition, we haven't had the opportunity to consult extensively on this. My inclination right now, however, is to say that despite the correspondence that we've received, which appears to raise legitimate concerns about the process, there is simply an element of compelling good sense in the proposals put forward in this legislation.

While I feel torn, I guess I have to ultimately fall back on my own

understanding and my own sense of what's going to work in the long run and what isn't. I am inclined to support the arguments presented by the government and the sponsoring member here, and I'm inclined, perhaps with some reluctance, ultimately to support the government's position on Bill 30.

So those are my comments for now. I know this will come back for further debate. As our opening position it's a judgment call given our limited knowledge and limited time, but this seems ultimately to make sense. Thank you, Mr. Speaker.

10:30

The Deputy Speaker: The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you very much, Mr. Speaker. Well, I'm pleased to rise to speak to Bill 30 as well, the Metis Settlements Amendment Act, 2004, and I must confess that I, as well, am rather torn in connection with this bill. I think the hon. Member for Bonnyville-Cold Lake has made a good case about the requirement for unanimity in the council being a potential source of deadlock.

I want to indicate, however, that we've had conversations with and consulted with people from the Métis Settlements General Council and that there have been concerns, which I'd like to place on the record, about the limited nature of the consultations which were done in the preparation of this bill. I think that that is a concern.

There are a number of other concerns that have been raised. I think the only one that I want to talk about a little bit is the move to increase ministerial powers relative to a Métis settlement and the general council; for example, the ability of the minister to as they say force the hand of the general council on matters that the general council may have already considered and decided not to pass as policy. There are aspects of ministerial vetoes and so on.

The fact is, Mr. Speaker, that the province has always maintained tight control over the settlements and the councils. Even when they moved away from appointing representatives to having elected representatives, the legislative and financial control is really all the government needs to keep the system working the way they wish. I want to give an example of the increased control of the minister. For example, one amendment removes the appeals of election results to the Métis Settlements Appeal Tribunal, whose chair is appointed by the minister, so there are elements here, I think, that bear investigation.

This information is based on consultations that we have conducted. If they are not correct, then I hope that the hon. member who's sponsoring the bill will stand up and say so.

In general, Mr. Speaker, I believe that the government should go further in reducing government control and influence over Métis settlements; in fact, move towards eliminating it altogether.

With those comments, Mr. Speaker, I will take my chair. I hope that the hon. member will have an opportunity either here or in committee to respond to some of these concerns.

The Deputy Speaker: The hon. Member for Bonnyville-Cold Lake to close debate.

Mr. Ducharme: Thank you. I'd like to ask for the question, but I would like to offer to the members that had posed some questions that I will respond fully to them when we go to Committee of the Whole.

Thank you.

[Motion carried unanimously; Bill 30 read a second time]

The Clerk Assistant: For second reading, Bill 27, Alberta Corporate Tax Amendment Act, 2004, hon. Mr. Melchin.

The Deputy Speaker: The hon. Minister of Revenue.

Mr. Melchin: Thank you, Mr. Speaker. Question.

Mr. Mason: Point of order, Mr. Speaker.

Point of Order

Unanimous Decision of the Assembly

Mr. Mason: I would ask if the chair could maybe enlighten me with respect to the question of a unanimous vote on a voice vote. If he doesn't hear any voices raised in opposition, is it considered in the record to be a unanimous vote?

The Deputy Speaker: If there are no votes to the contrary, that's the assumption, yes. On an important bill like this, then if anyone is opposed to it, they should speak up, or in support of it they should speak up, and no one did, unless somebody corrects me and they heard and I was unable to hear.

Some Hon. Members: Question.

The Deputy Speaker: No. We have a point of order, and I've replied to the point of order. Is there further comment from the hon. Government House Leader on the point of order?

If not, then maybe we could continue with the introduction and movement of Bill 27.

An Hon. Member: Question.

The Deputy Speaker: No. He hasn't moved anything yet.

Bill 27

Alberta Corporate Tax Amendment Act, 2004

Mr. Melchin: I'd like to move second reading of the Alberta Corporate Tax Amendment Act, 2004, Bill 27.

This bill, just briefly, is a business tax reduction strategy of the government to reduce corporate income tax rates, presently at 12 and a half per cent, to 11 and a half per cent and the small business rate from 4 to 3 per cent effective April 1 of 2004. This means reductions of the general corporate income tax to the second lowest, and the small business tax rate is now currently tied with New Brunswick for the lowest among the provinces. This will save Alberta businesses about \$142 million in this fiscal year.

Further amendments introduced in this bill are in response to some of the federal resource taxation legislation changes so that we can accommodate their changes. It does get into allowing corporations to continue to deduct the resource allowance or Crown charges, whichever is greater, until December 31, 2006. It sets an expiry date of December 31, 2013, on the royalty tax deduction program. It allows the Alberta royalty tax credit and royalty credits for individual trusts to remain nontaxable for Alberta purposes. It maintains a level playing field between corporate and individual and trust claimants by ensuring that Alberta's policy framework on resource taxation for corporations is similar to that for individuals and trusts.

It has some administrative concerns such as maintaining Alberta's small business threshold of \$400,000. It ensures that corporations moving into Alberta from provinces which collect their own corporate taxes cannot claim excessive discretionary deductions due to different federal and provincial balances and requires corporations to file additional information concerning assessments from other jurisdictions only when there are changes in tax balances assessed by the other jurisdictions.

Mr. Speaker, those are the main elements of the bill. I'd urge all members to support Bill 27.

The Deputy Speaker: The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you very much, Mr. Speaker. Unfortunately, the Alberta New Democrat opposition will not be supporting this bill to cut taxes for corporations. Now, I could say that I was shocked and appalled. I am not shocked, but I am appalled that this government is proceeding with what we consider a reckless course of action.

We had an opportunity to have a little bit of dialogue with the Minister of Revenue previous to this in his estimates. I remain completely unconvinced that cutting corporate taxes is necessary for the economic growth of this province, and I'm very, very concerned that this has been made a priority by the government and at the expense of other priorities.

It may surprise some members opposite to know that we in the New Democrat opposition are not necessarily opposed to tax cuts. The question is: which taxes and which people pay those taxes? So we think that it's time to assess some of the other opportunities that the government could have taken advantage of in order to reduce taxes.

10:40

Now, in the area of postsecondary education, Mr. Speaker, of course tuition has tripled in the past decade. You know, in a way, in a very real way, the tuition fees are a tax – they're a fee for education – and, in fact, participation in postsecondary education in Alberta is amongst the lowest in the country.

When we were dealing with the Minister of Learning's estimates in the Public Accounts Committee yesterday morning, it was very interesting that a significantly increased number of people in this province, according to their own measures, now consider postsecondary education to be too expensive. It's moved from the range of – well, I won't try and go from memory, but it's been a 15 or 20 per cent increase over two or three years, Mr. Speaker, who think that postsecondary education is out of reach for them. So the question that I have to ask is: why are we continuing to increase tuition fees for postsecondary institutions, those very institutions that people's taxes pay for, and at the same time cut corporate taxes?

The second one, of course, that has been raised a number of times is the question of health care premiums. Now, we know that these are a tax because the revenue doesn't go to pay directly for the health care system. This money flows directly into general revenues, and it's a substantial source of revenue for this provincial government.

Every family, unless they're at a very low income, pays exactly the same, so there's no flexibility or no variability in what is paid according to income. A poor family pays as much as a wealthy family. It is a very, very regressive tax and an unfair tax and, Mr. Speaker, one that we think the government should get rid of. We urge them to at least get rid of it for seniors, and we're going to try and apply as much pressure as we can as the New Democrat opposition on this government to eliminate health care premiums for seniors before the next election. So I hope that the government is willing to listen to the opposition on this matter.

Nevertheless, health care premiums would put money directly in the pockets of Alberta families. The problem with a corporate tax cut is that many of these corporations don't necessarily have their base in this province, but they operate in this province. They'll receive the tax cut, and they'll spend the money in Texas or in Toronto or somewhere else. So there's no guarantee that there's going to be an increase in spending in this province as a result of a corporate tax cut, but if you cut health care premiums, there would

be a direct and immediate increase in spending in the economy by families right here in this province. So we think families should come ahead of corporations, particularly foreign corporations, in terms of the government's priorities for tax cuts. Yet here we go: health care premiums stay, and corporate taxes go down.

You know, Mr. Speaker, there is a whole raft of increases in various user fees contained in this budget, and there was in the last budget as well. I think that, you know, the government should consider why it wants to increase a whole raft of user fees when it is cutting taxes for corporations.

So, Mr. Speaker, I'm tempted to go on and on about this, but I'm not going to, given the hour. I just want to place on the record once again the very clear and strong and principled opposition of the Alberta New Democrats to this corporate tax cut and would point out that we have been very consistent in this opposition all the way through and will continue to do so.

The Deputy Speaker: The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Taft: Thanks, Mr. Speaker. Earlier this evening we spoke about the revenue framework that the Minister of Revenue apparently has somewhere in his office and may share little bits and pieces with us. But we don't know the big picture here from the government's side, and based on their work and the expertise they consult with on preparing that, we're at a disadvantage here.

I must confess to a real concern that we are not putting ourselves in a fiscal position that in the long term is sustainable. I am concerned – and I've had economists talk to me about this – that we are in fact cutting taxes so far in Alberta that if the petroleum industry hits the skids, as it does from time to time, we're in a crisis. We return to the kinds of problems that we faced in the later '80s. In fact, the tax cuts that have been brought in during this flush of prosperity, this boom that we're having right now, will have to be reversed when the boom ends, and end it will. Every boom at some point goes on long enough that people begin to think this is going to go on forever. I've been there. We've probably all been there. They don't go on forever.

While there are some parts of this bill that I like, I just wish I had confidence that there was a solid framework behind it. I am generally concerned that while taxes are undoubtedly an important consideration in stimulating economic activity and in generating prosperity and wealth, they're not the only consideration.

We do need in place a strong education system, for example. There are dramatic cases – Ireland comes to mind – of a country that turned around its entire economy by investing heavily in education. So education is important to our prosperity.

A good health care system is. Our health care system in Canada is an enormous competitive advantage over our biggest competitor in the global marketplace, and that's the U.S.

Quality of life issues are important: spending money and having sufficient money for police, for parks, or for all kinds of things that make for a quality of life. More and more evidence is showing, good solid evidence on economic development and prosperity, that quality of life is the key to attracting and holding the people who create a strong economy.

Another factor that is crucial to a successful economy is something as basic as roads. If members of this Assembly will turn to the business plan of the Department of Transportation, they will see that year after year the plan is for worse and worse roads in Alberta. This government is planning for the roads of this province to steadily and markedly deteriorate. It's as deliberate as can be. It's in the plan. The reason for that is that there's apparently not enough money available to maintain our roads.

So when those components of the government's responsibility are not getting proper attention, then I do worry that tax cuts may not be in order. On the other hand, in this province, because we have unbelievable natural wealth, the government continues to run surpluses. So there is enough money to meet many competing needs at once, and we're in a luxurious, perhaps too luxurious, position.

The tax cuts proposed in Bill 27 will cost the province about, I believe, \$142 million a year. Certainly, given the size of the surpluses the last several years, that's an affordable amount, it seems, the way things are at the moment. But who is that \$142 million going to go to? Well, in some cases it's going to go to small business owners, and you know what? I like that. That's part of this bill that I like, and it may be on the basis of that alone that we may end up supporting this bill.

Perhaps the minister could fill us in during committee: how much of that \$142 million is going to small business owners, and how much will go to corporations? I am concerned that the portion going to the larger corporations isn't going to stay in Alberta. In fact, this is a tax cut for people outside of Alberta and, indeed, people outside of Canada, and I'm not at all convinced that we need to do that. I'd love to see everything possible done to grow the local small business community and grow small businesses into medium-sized and large businesses so that we end up with a huge corporate sector based right here in Alberta.

10:50

I think of countries like Korea. Forty years ago Korea was the poorest of the poor countries, a war-torn Third World country. Today you buy Korean cellphones; you buy Korean cars; you buy Korean television sets. A magnificent job of developing their economy. The same thing done in Taiwan; the same thing done in Japan; the same thing done in Singapore. They built those up through cultivating their own economies. I'm concerned that instead of us doing that, we're giving tax breaks to people outside of this province. So the long-term wisdom of this I really have to question.

I would very much prefer and I know that all of us in the opposition caucus would very much prefer a tax cut that went to everybody. We've hammered away on this for years, and that is eliminating health care premiums, a larger tax cut which raises questions of affordability, I fully acknowledge, but it's a tax cut that would benefit virtually every Albertan one way or another. So that would be an exciting tax cut to see.

In the end, I think because of the support here to small business we will support this bill, but I think we'll wait and see how the debate goes during committee and how some of the details work out before we – well, in fact I don't expect myself to wholeheartedly support this because I can't see where it fits into the larger framework of sustainability. If through the debate in committee I'm convinced that this is part of a big plan that's credible and makes sense, then more power to the government. As it is right now, I have concerns about the general corporate tax cut here.

So with those comments, Mr. Speaker, I'll take my seat and look forward to debate in committee. Thank you.

The Deputy Speaker: The hon. Minister of Revenue to close debate.

Mr. Melchin: Thank you, Mr. Speaker. Just two quick comments. We have actually acted first for individuals before businesses got tax cuts. That was the plan all along. We gave a billion and a half dollar tax cut to individuals. That happened a few years ago. Personal income tax was a substantial cut.

We'll be happy to respond to the remaining issues in committee. Thank you, Mr. Speaker.

[Motion carried; Bill 27 read a second time]

House are clamouring for the next bill to come forward, but I have to resist that and move that we adjourn until 1:30 p.m. tomorrow.

The Deputy Speaker: The hon. Government House Leader.

[Motion carried; at 10:53 p.m. the Assembly adjourned to Thursday at 1:30 p.m.]

Mr. Hancock: Thank you, Mr. Speaker. I know members of the