



Province of Alberta

The 29th Legislature
First Session

Alberta Hansard

Wednesday morning, December 2, 2015

Day 27

The Honourable Robert E. Wanner, Speaker

Legislative Assembly of Alberta
The 29th Legislature

First Session

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Loewen, Todd, Grande Prairie-Smoky (W)	
Loyola, Rod, Edmonton-Ellerslie (ND)	
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New Democrat: 53 Wildrose: 22 Progressive Conservative: 9 Alberta Liberal: 1 Alberta Party: 1 Independent: 1

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Legislative Assembly of Alberta

9 a.m. Wednesday, December 2, 2015

[The Deputy Speaker in the chair]

Prayers

The Deputy Speaker: Good morning.

Let us reflect. As we begin another day in service to the wonderful, hard-working people of this province, let us do so with patience, empathy, and a positive attitude.

Please be seated.

Orders of the Day

Government Bills and Orders Committee of the Whole

[Ms Jabbour in the chair]

The Chair: I'd like to call the committee to order.

Bill 4

An Act to Implement Various Tax Measures and to Enact the Fiscal Planning and Transparency Act

The Chair: Are there any comments, questions, or amendments with respect to this bill? The hon. Deputy Government House Leader.

Mr. Bilous: Thank you, Madam Chair. I rise to move an amendment on behalf of the Minister of Finance and President of Treasury Board. I have the appropriate number of copies. I'll wait until they're distributed.

The Chair: All right. This will be known as amendment A1.

Mr. Bilous: Do you want me to proceed, Madam Chair?

The Chair: Yeah. I think you can go ahead.

Mr. Bilous: Sure. Colleagues, as you know, Bill 4 includes the so-called 1 per cent rule, which limits in-year operating expense increases to 1 per cent. Section 7(2) of the proposed Fiscal Planning and Transparency Act, which is part of Bill 4, provides a series of exemptions to the 1 per cent rule for specific purposes such as emergencies, disasters, and the cost of new collective agreements.

Section 7(2)(e) was intended to provide an exemption for unbudgeted spending of reserves by entities like Alberta Health Services, postsecondary institutions, and school boards and also to allow them to spend incremental in-year revenue. This provision was included in Bill 4 given that the new budget format includes these entities on a line-by-line basis, consistent with the government's year-end financial statements. Unfortunately, section 7(2)(e) as currently drafted does not make it clear that school boards are exempted from the 1 per cent rule.

The proposed amendment A1 will correct this error. Schedule 1 is amended as follows: (a) in section 7(2)(e) by adding “, a board under the School Act” after “Financial Administration Act”; (b) in section 16 by striking out “1(1)(b)(iv); 10(1)(b)” and substituting “1(1)(b)(iv); 7(2)(e); 10(1)(b).” These small changes make it clear that section 7(2)(e) also applies to school boards.

Going forward, it's the government's intention that spending of reserves by these entities be factored into the government's budget in advance.

Those, Madam Chair, are my comments with respect to the amendment. I encourage all members of the House to support this amendment for the purpose of clarity.

Thank you.

The Chair: Any other hon. members wishing to speak to the amendment? The hon. Member for Strathmore-Brooks.

Mr. Fildebrandt: Thank you, Madam Chair. It's an honour to rise today and speak to the first amendment to Bill 4. I believe this amendment is made with the best of intentions and made to fix some of the errors in the bill. We're in the stage now where we can take a bill and make goodwill changes to the bill and amendments to it, and I thank the Deputy Government House Leader for acknowledging that this bill needs improvement. By the government's own admission Bill 4 is flawed and is not perfect and should not be put on a pedestal.

This amendment will find the support of the Official Opposition. It is a common-sense amendment to give some of our arm's-length agencies and institutions the flexibility that they need under what used to be the Fiscal Management Act. You will find the support of the Official Opposition for this amendment, and I would encourage all members to support it. But I would encourage members of the government side to acknowledge this as a sign that Bill 4 is not perfect and to consider reasoned amendments to the bill as debate progresses.

Thank you.

The Chair: Any other hon. members wishing to speak to the amendment? The hon. leader of the third party.

Mr. McIver: Thank you, Madam Chair. I would kind of concur with what my hon. colleague just finished saying. This makes it less bad, in my opinion, which is an improvement, so thank you for the improvement. What it doesn't do – and there's a recurring theme here. I feel like a broken record, but unfortunately the government keeps teeing this up for us. It doesn't replace genuine consultation with the people most affected. It doesn't. There it is. The amendment is an improvement. It just is no substitute for actually talking to the people that you're legislating most directly upon.

Consequently, at least in my view – I don't know whether our whole caucus is going to go that way or not – this is an improvement. Again, I'm going to be a broken record now, but there is no substitute for real consultation.

The Chair: The hon. Member for Calgary-Elbow.

Mr. Clark: Thank you very much, Madam Chair. I have significant concerns with a couple of sections of this bill, and section 7(2)(e) is one of those sections. While I concur that this does make it less bad, to pick up on the theme of my friend from Calgary-Hays, has anyone talked to school boards on this? Is this something that is coming as a surprise to our friends in school boards, and will they be wondering what this means in terms of their reserves?

I have a larger question about this section itself. The words at the end of section 7(2)(e) say, “unbudgeted additional revenue.” That, to me, is tremendously vague. In fact, I intend to bring an amendment later this morning to address that problem with this section. What does unbudgeted additional revenue mean? Is this a loophole so that the government can simply allocate money to school boards or postsecondary institutions or health care as a way of breaking if not the letter then the spirit of this act?

I have a tough time supporting this amendment because I don't believe section 7(2)(e) is appropriate at all. So I cannot support this amendment.

Thank you, Madam Chair.

The Chair: Any other hon. members wishing to speak to the amendment?

Seeing none, we'll call the vote on amendment A1 as proposed by the hon. Deputy Government House Leader.

[Motion on amendment A1 carried]

The Chair: Back to the bill. Are there any further comments, questions, or amendments with respect to the bill? The hon. Member for Olds-Didsbury-Three Hills.

Mr. Cooper: Good morning, Madam Chair. It's a pleasure to have you in the seat this morning. I appreciate your remarks as we had the opportunity to reflect. I believe that they concluded with something about a positive day. I think we have the opportunity this morning to work together collaboratively, to do what we've been sent into the Assembly to do, and that is to represent Albertans.

9:10

I know that members opposite sometimes like to make accusations about the opposition, but one of the things that the opposition is committed to doing is providing good ideas, reasonable solutions, and amendments to pieces of legislation that can strengthen the legislation that's being proposed by the government. We saw that last week with the opposition proposing a number of amendments to some of the estimates. We've seen the opposition proposing amendments to bills to send them to committee. On a few occasions we have seen the government and the opposition work together just as we did moments ago. The opposition supported an idea of the government, which is evidence that not everything that the government does is bad.

Now, the bill that we're debating is not that good, but the idea to amend it and make it less bad is a step in the right direction. This morning and perhaps into this afternoon, depending on the flow of debate, we have the opportunity to provide a bunch of those positive, common-sense type of amendments that will strengthen Bill 4, that will work towards ensuring that some of the key values that Albertans hold dear and have held dear over many generations in this province are upheld, and that can reflect some of the things that are important to Albertans. None of the amendments will stop the government from doing the things that they've spoken about doing but will put some parameters around their decisions and around those things so that Albertans can have certainty and the government still has enough rope in order to do what it needs to do.

I look forward to a really great morning and perhaps afternoon around some of the discussion about these amendments, and I encourage all members of the Assembly to thoughtfully consider the fact that the opposition also has some reasonable ideas and can add to the debate.

The Chair: Any other members wishing to speak to the bill? The hon. Member for Strathmore-Brooks.

Mr. Fildebrandt: Thank you, Madam Chair. Thank you to the Member for Olds-Didsbury-Three Hills, the Opposition House Leader, for his comments. I will begin by discussing the need to amend this bill in general, and then I will be speaking specifically to proactive amendments that the Official Opposition will be making.

As we've just seen a few short minutes ago, no bill is perfect. There is no such thing as a perfect bill. There is no such thing as a perfect piece of legislation. There's good legislation, and there's bad legislation. Good legislation can be made better legislation, and bad legislation can be made, as the Member for Calgary-Hays has said, less bad.

What the Wildrose Official Opposition will be doing today is making amendments that make this legislation less bad. It's not like cough syrup, that is good for us but tastes bad. It tastes bad, and it's bad for our health. But we're going to do our best as the Official Opposition to make constructive amendments to this legislation to move it in the right direction. The government has now admitted through its own amendment that this legislation requires improvement. The government has admitted that their bill is not perfect and that it could be made better. Rather than make it better, I'm here today to make it less worse.

With that, I'm going to introduce a series of amendments, which I'm sure the members across will enjoy debating with vigour. Madam Chair, I will introduce our first amendment to the bill. Would you like me to read the amendment?

The Chair: Sure. Go ahead.

Mr. Fildebrandt: I will move that Bill 4, An Act to Implement Various Tax Measures and to Enact the Fiscal Planning and Transparency Act, be amended in schedule 1 in section 2 by adding the following after subsection(2):

(2.1) The Contingency Account may only be used for the purpose outlined in subsection (2) if it has not already been used for that purpose in each of the two immediately preceding years.

Members, this is a common-sense amendment to ensure that what we've been doing for many years comes to a halt within the next two years. Once we went through a painful round of austerity as a province to get our budget under control. Previous governments had spent recklessly and broke the bank, and tough spending reductions were required to get the budget under control. We balanced the budget, and then we paid down the debt, and then the government of the day began to save.

They put money into the sustainability fund, but the sustainability fund was never intended to be able to support the government's operations for a decade. It was meant to be a short-term rainy-day fund. It was meant to get the government through a rough patch: if we had a large flood in Calgary, if we had wildfires in Slave Lake, if we had a recession in 2008. This was meant to be a short-term rainy-day fund to get us through a rough patch. It was never meant to be a permanent Band-Aid for long-term structural deficits and to paper over structural problems in the government's finances.

Since 2008 the government of Alberta has not balanced the budget once. Since 2008 the government has run consolidated deficits. In fact, the government even had to change the definition of a balanced budget to pretend it was running balanced budgets. But every single year our net financial assets have declined, every single year of the last eight years.

Under Premier Klein and later Stelmach the sustainability fund hit \$17 billion. That handsome savings account allowed the government, though, to paper over its long-term structural fiscal issues once it ran deficits. Since 2008 that fund has been drawn down year after year, and this year it will finally run out. A rough patch can last a few years. But if we are spending more revenues than we are taking in, then we have a long-term problem that must be fixed.

The sustainability fund two years ago was renamed the contingency account. I suppose the name "sustainability fund" became a bit embarrassing when it proved to be less than sustainable as it almost ran out. But we've been papering over both consolidated and operational deficits for eight years now.

This amendment proposes to ensure that the sustainability fund, now called the contingency account, is only allowed to be used as a short-term rainy-day fund, that the government cannot build it up and then run another decade of deficits. Deficits may be appropriate

in times of emergency – floods, fires, significant recessions – but they are not appropriate on a permanent structural basis. We have an obligation to taxpayers in this province to be responsible with their money. We have an obligation to young Albertans to not only stop taking on debt but to save for their future. If we are using the contingency account for more than two years consecutively, then we're not doing our job. We're not doing our job if we can't balance the budget on a long-term structural basis.

9:20

Now, this amendment does not preclude the government from continuing debt financing, which is a different topic entirely. It still allows the government to run consolidated deficits, but it means that on the operational side the contingency account cannot be used for operational deficits for more than two years. This puts a safety valve on the government's financial structure. This ensures that if the government wants to run a deficit, if there is an emergency, if they have a good reason for running a deficit one year, they are forced to have a plan to get back to at least an operational surplus within two years, let alone a consolidated surplus, again, one which we have not run in eight years. This is a common-sense amendment.

The members across have said that they want to balance the budget. I'm not sure I believe their plan is particularly realistic. I'm looking at the Member for Calgary-Currie: he's never going to forget that. I'm not sure that the plan to balance the budget is particularly realistic, but if the government members opposite believe their own plan, if they believe that we will be back in surplus in that time, then they should have no problem voting for this amendment.

This still allows the government to run consolidated deficits – something which will drive me nuts, and I'm sure you'll hear lots from me for the next three and a half years while you do so – but it puts limits on how long you can draw down the contingency account. Actually, that shouldn't be a big problem because we'll be out of money in the contingency account this year anyway. You won't be able to draw it down. It's going to be empty.

This is an amendment to fix a long-term problem. When the Wildrose balances the budget in five years, we're going to start putting money back into the contingency account. When we get back to a balanced budget, we should start reinvesting into the contingency account. [interjections] I'm very happy to see that the members across are bright-eyed and bushy-tailed and ready to debate fiscal policy today. That brings joy to my heart. Question period started early today.

While the contingency account is going to be out by the end of this current fiscal year, when we do get back to a balanced budget, the responsible thing to do is to start reinvesting in the contingency account, not up to \$17 billion so that the government can paper over deficits for a decade but up to a figure in the \$5 billion range. That account should not again be used to allow the government to paper over long-term structural problems. If we get back to a balanced budget, we need to rebuild the contingency account to an appropriate level so that we can cover off deficits for two years in the event of an emergency and then begin to reinvest in the heritage fund once again, something that we've been guilty of as a province for a very, very long time.

This is a common-sense amendment that will require no sacrifice of this government during the term of this Legislature. They don't intend to balance this budget until the next election, and even then – mark my words – they're not going to do it because their revenue projections are not even close to accurate. Even if they were, they still don't plan on balancing the budget until 2019 anyway, so the deficits that they will run between now and then will be financed

100 per cent through debt financing and not through drawing down the contingency account.

This amendment will not effectively come into force for at least some years to come, but it will fix a long-term structural problem with our finances. Governments in the past have with the best of intentions put money into the contingency account, once called the sustainability fund, and just used that when times got tough to run deficits but then never actually did the tough work necessary to get back to a balanced budget.

I know the Member for Edmonton-Whitemud has talked about countercyclical economics and the need to run deficits when the economy is down. Even Keynes would say: run deficits in bad times, but run surpluses in good. Keynes never recommended permanent deficits. This is an amendment that I think Keynes would support. I think the Member for Edmonton-Whitemud is nodding in support. That's a good sign.

I will conclude my opening remarks on the first Official Opposition amendment to Bill 4. I'd encourage members across to give this serious consideration. This is not an amendment that will affect the operations of the government in the term of this Legislature because, as I said, the budget is surely not going to be balanced at any time during this Legislature. Even then, it allows for two consecutive years of deficit financing for operations through the now contingency account. It will not affect anything you do for the rest of this Legislature, but it is a good, common-sense, long-term safety valve on the finances of the province.

Now that the members across have admitted that this bill needs improvement, that it needs to be less bad, I ask them to keep an open mind to this amendment and work together with the Official Opposition and all of the parties in this House and do what Albertans sent us here to do, and that is to try to find some common ground and work together. We don't vote against anything just because it comes from the government, and we hope that you will not vote against anything just because it comes from the Official Opposition. Let's do what Albertans sent us here to do and work together.

Thank you, Madam Chair.

The Chair: Any other members wishing to speak? The hon. Member for Calgary-Hays.

Mr. McIver: Well, thank you, Madam Chair. Having read the amendment and listened to the debate from the hon. member, I think that I need to correct the record on a couple of things.

Part of the problem with this amendment is that it's built on flawed assumptions. The hon. member said twice, at least a couple of times, during his speech just now that the budget hasn't been balanced in eight years. Well, the fact is that it was balanced last year. Now, I know that the hon. member will never agree with me on that, but you know who does? The Auditor. Folks at home listening, if they're wise, don't take anything that I say at face value and don't take anything the hon. member says at face value and maybe don't take what anybody says in this House at face value because it's always worth checking the facts. But I'll tell you facts that are worth checking are the ones that the Auditor approves, and the Auditor says that the budget was balanced last year.

Mr. Fildebrandt: Nope.

Mr. McIver: Yes, he does. So one of the biggest problems with this particular amendment is that it's based on a flawed assumption that, essentially, the Auditor doesn't agree with.

The other issue that I have – and the hon. member made some good points – is that the contingency fund, if there is money for it, is useful for things like emergencies, disasters when they come up.

None of us want those things to happen, but the fact is that they do. We've seen examples of it in the last few years: a major fire in Slave Lake; a major flood in High River, Calgary, southern Alberta; some areas of northern Alberta as well had flood damage all at the same time. While I actually appreciate the hon. member's intention to have money in the contingency fund – that's a good idea; thank you – I also know from previous things he said that the hon. member isn't in favour of debt, but this thing could actually lead to the government taking on more debt if that bright, shiny day comes where the government actually has money in the contingency account, and I didn't see any evidence that the government plans on doing that in the budget that they have on the table.

The fact is that should the government use money one or two years and then you have a disaster for one year, then the government, if they pass this, wouldn't have access to the contingency account during the very year when they have a disaster. Should the government use the contingency account for one year, and then there's a disaster two years in a row – we hope that never happens, but we all know that it could. We get forest fires. We get other fires. We get all manner of things.

At the end of the day – and I know that the intention is good; I know that the intention is to make the bill either better or less bad, depending upon your point of view, but I don't think that this particular amendment quite meets that standard. So I won't be supporting it, and I hope I've explained reasonably well why not.

The Chair: The hon. Member for Cypress-Medicine Hat.

9:30

Mr. Barnes: Thank you, Madam Chair. First of all, my thanks to the hon. Member for Strathmore-Brooks for this amendment. I'm rising in support of the amendment for a couple of reasons. I want to talk about the longer term, the bigger picture. Obviously, if we dip into the contingency fund, which used to be the \$17 billion sustainability fund, two years in a row, we have a structural deficit. We have a situation where we're spending more than the revenues allow, and of course that's inflationary. That's a hardship on the next generation. It's a situation where, you know, we need to ensure that here representing Albertans, working Albertans today, the next generation, we look in reality at how this overspending causes situations.

I look at the debt that Alberta has taken on in the last few years in spite of our record revenues, and I want to compare it to the reason we're here and where another jurisdiction is at. The education, the health care, the transportation, and the welfare that we're here to provide Albertans: of course, every tax dollar we take from hard-working Albertans competes with these other important requirements. I want to talk about the situation in Ontario for a second, where they face \$11 billion or \$12 billion a year in interest. Education, health care, transportation, and welfare must compete every year with this \$12 billion in interest expense. I remember reading a report some time ago that indicated that in Ontario they spend more on interest than they spend on advanced education and job training combined, which makes me think you could have two York universities, two Carletons. We could have all kinds of job training. But, instead, that money is paid to bondholders. That money is paid to capital markets. That money is not put to the use of citizens.

I want to talk about where Alberta could be for a sec and why we need these structural reforms, why we need proper oversight on government spending. Of course it's hard. It's hard for government to say no when there are important needs, but I want to talk about the value of what savings could be instead. Of course, we're looking at a situation where a year or two ago royalties were \$8

billion or \$9 billion. This year, if I remember the number right, it's somewhere around \$2.8 billion in royalties, a significant drop for the treasury of Alberta and the services we can provide, never mind the hardship that is providing for Alberta employees, Alberta families, and Alberta communities. Again, the opposite – the opposite – of spending more and more, spending our savings is what the interest could do, you know, for our economy instead.

I think back to the previous administration, especially the last eight or nine years, and the spending. I think back to where we could have been if we'd have just saved \$100 billion or \$120 billion in the heritage trust fund instead. I understand AIMCo makes 7 per cent, 7 and half per cent a year as an annual average. If we'd have saved about \$120 billion, that would be that \$8 billion or \$9 billion that could easily replace royalties, which could easily fund the health care, the education, the welfare, and the transportation, that over 4 million Albertans are counting so desperately on, and the sustainability that gives us better value, that gives us better opportunity to plan long term. How easy would it have been to have saved \$120 billion? I understand that royalties in the last 44 years were some side of \$275 billion.

I remember reading a report that suggested that if the previous government would have just let compound the approximate \$35 billion in interest that the original \$17 billion that was put in the original heritage trust fund in 1976 – if they'd have just let that compound, it alone would have grown to \$200 billion. Instead, this money was put into operations, and this money was put into government spending instead of the discipline – the discipline – that the last government, the discipline that this House could have shown over those 44 years that would have leveled out this situation, the situation that Albertan families, employees, and communities are facing now.

I look at how we as a House need to do things with equity and fairness. Absolutely, we a hundred per cent believe in supporting front-line workers. Absolutely, the stories roll in about how private companies and private employees are taking it on the chin right now and what that's going to do to our communities.

Alberta released yesterday – and I believe these are year-over-year results for where our economy is at. Exports are down 25 per cent. Agriculture receipts are down 4.8 per cent. Manufacturing: a 15 per cent drop. Wholesale sales: 9.8 per cent drop. Home sales in Alberta are down 25 per cent.

So we contrast this with a motion from the Official Opposition and our shadow minister of Finance, who wants some oversight and control on spending, on the ability to make sure that we get value for tax dollars.

I will take some exception with what the leader of the third party was saying about the budget being balanced. We get into this discussion of: do we count capital spending, what does the Auditor General think, what do other jurisdictions do, and do we actually borrow money to save money and take the risk of that? The fact remains, colleagues, that until five years ago, I think, Alberta was able – able – out of our annual revenues to pay for our operation expenses and our capital expenses. That is the comparison that I prefer to look at. Just a short five years ago the Alberta government was paying for operating, capital, and not putting the next generation of Albertans deeper in debt.

Reports are out there, and I did a report as Infrastructure critic called *On Time and On Budget*, that I tabled to the House, that showed how the last government had increased spending in the last eight years 54 per cent, more than population growth and inflation would have warranted. If our last government in that time period would have held spending increases just to population growth and inflation, a very, very reasonable measure and standard by many business interests and by many other jurisdictions, it would have

been 54 per cent less spending, a total of \$41 billion, \$41 billion that we could have saved for future services for Albertans that need them.

So when the Wildrose opposition and our shadow minister come across with a thought-out amendment that says, “Let’s put the brakes on not controlling how we look after our finances, to provide health care, education, welfare, and transportation, to fund front-line services, to ensure that we don’t get the next generation, you know, deep in debt at a tremendous loss of services or a payment of interest to wealthier Albertans, Canadians, and people around the world,” it’s with caring and concern for being able to pay for front-line workers and protect the next generation.

I want to end by – it was mentioned that: oh, if we roll into the third or fourth year and we have a disaster, we might have to pay for that anyway. I remember a couple of budgets that I looked at that the last government had put forward, and I can’t honestly remember what the new government’s budget said a short time ago, but it appeared to me that we’ve been consistently underbudgeting what these disasters were costing us. We have historical records as to what disasters cost Albertans year after year. It’s imprudent and it’s improper not to budget properly for that. Use the information, put it in the budget, and let’s make sure that we protect Albertans’ needs: education, health care, welfare, and transportation. Let’s put in the mechanisms that allow us to control spending so we don’t put the next generation deep in debt at a loss of services.

Thank you.

9:40

The Chair: The hon. Member for Calgary-Lougheed.

Mr. Rodney: Well, thank you very much, Madam Chair. I’ll keep my remarks brief. I was very, very proud to serve in this Chamber at a time when we built up the sustainability fund to \$17 billion. That did not happen by itself. The truth of the matter is that when a lot of folks see that number, they think of the heritage trust fund. I trust that everyone in this Chamber knows those are two very different funds, and I’d ask every member of this House and all Albertans: do they know of any other jurisdiction in the free world where there is a \$17 billion fund? At least there was a \$17 billion rainy-day fund, as some referred to it. There isn’t one. It’s important that we differentiate between the two, and we appreciate that we do have the two.

I do have to react, though, to the point that was made a short time ago, how easy it would have been to save about \$120 billion. Well, if it was easy, I’ll tell you that it would have been done. This is a comparison to Norway, which is nonsensical. A question I would have is: when you have the population of Red Deer moving to Alberta every year – and it’s cliché, but it’s true – people don’t bring their roads, schools, and hospitals. They don’t bring their services. Yes, they bring their taxes, but how can you possibly keep up with that? That’s a question that I would have.

But I want to get back to this comparison to Norway. Norway’s taxes – news flash – are sky high even in comparison to what this NDP government is proposing.

Mr. Fildebrandt: Don’t give them any ideas.

Mr. Rodney: No. I don’t want to give them any ideas.

But let’s just take a look back. Until a very short time ago Alberta enjoyed the lowest taxes of any jurisdiction anywhere, yet we had the \$17 billion plus the \$17 billion between the two accounts. Norway is a country. They don’t have to pay equalization payments and transfer payments. That does not apply. If you had been keeping track, it was \$10, \$15, or \$20 billion that was sent towards Ottawa that we did not receive. If we kept those, we would have had way

more than Norway, but Alberta is a province, as you know, and we are part of Canada, and this is constitutionally binding. This is something that we simply must do as a good member of Confederation.

I appreciate that the mover of this amendment has a great intention, that the rainy-day fund is to be used for rainy days and other similar circumstances. It’s a good idea. It’s simply not flexible enough. That’s the problem that I have with it. If we have a huge fire one year and a devastating flood the year after that and a terrible drought the next, I guess my question would be: are the people who suffer from the problems in years 2 and 3 simply out of luck? That’s not the Alberta way. That’s not what that’s for.

I would trust that forever we would have enough money to pay all of our bills and we wouldn’t have to use the rainy-day fund for things like operations, right? I completely understand about how you build in a downturn because of all of the costs going down, whether it’s the people who are going to be working there or the hard costs for materials, et cetera, but the fact of the matter is that a rainy-day fund should be there. It should be used only in rainy days, but it should be respected as such with flexibility.

So it’s a good idea, just not quite enough flexibility, and I would ask to call for the question unless there are other speakers.

Mr. Fildebrandt: Well, I thank the Member for Calgary-Lougheed and the leader of the third party for their comments. Actually, they’re well received, but I respectfully believe that they’re perhaps not understanding the full meaning of the amendment and its implications. When I spoke about the contingency account being a good tool for disasters, it does not affect the Fiscal Management Act, now renamed the Fiscal Planning and Transparency Act, a rather Orwellian title. It does not actually affect the ability of the government to borrow or use the contingency account for disaster spending. Disaster spending is a special section of, again, what is currently the Fiscal Management Act, which is in place and which will be grandfathered into the Fiscal Planning and Transparency Act. Nothing in this amendment changes the disaster-spending section of that act. So under this amendment the government could draw down the contingency account, running deficits for two years, but if a disaster happened in a third or fourth year, it would still have every single legal mechanism at its disposal to spend for disasters. Nothing changes that part of the act.

Right now governments already budget for disasters. One thing that I’ve long believed we should do is budget more realistically for disasters. We normally spend approximately \$400 million to \$500 million a year on disasters. Some of that might be because governments like to reallocate money around because it does allow for unbudgeted spending during the fiscal year. But regardless of that rather separate argument, we should be budgeting realistically for disasters to begin with.

Beyond that, this amendment in no way affects that part of the act which gives the government the power to spend for disasters. So if we hadn’t any money left in the sustainability fund, or contingency account, which is now running out, we would still be able to draw it down for another two years. If in that third year we had a significant natural disaster, nothing would preclude the government from being able to draw down the remaining funds in the contingency account if there were any or to go to capital markets to borrow to cover off that disaster spending.

The Member for Calgary-Lougheed and the Member for Calgary-Hays, the leader of the third party, would be very well placed with their concerns about this amendment if that were the case. So I would give them friendly counsel to reconsider that because I would agree with them if that were the case, if this were amending parts of the act which would prohibit the government

from disaster spending beyond the contingency account. I would give friendly counsel to reconsider their position in light of their arguments, reasoned if well founded. I would urge them to reconsider their arguments as this amendment does not in any way impinge upon that section of the act.

Thank you.

The Chair: Other hon. members wishing to speak to the amendment? The hon. Member for Bonnyville-Cold Lake.

Mr. Cyr: Thank you, Madam Chair. I would urge all of the members in this House to consider voting for this amendment. This is something that was started by putting surpluses into a sustainability fund. Over the first few years of a boom under Stelmach it hit \$17 billion. Only a few billion were put into the heritage fund by Klein, none by Stelmach.

What we're seeing now is the fact that we're going to be running massive deficits going into the unknown future. I understand that we've got projections that we could possibly hit a balanced budget in five years; that's what the government is putting forward in their projections. But to be clear, we're not getting any paperwork or any backup on how exactly they're coming up with these radical assumptions of increased revenue that we're going to be looking for.

9:50

Now, we did see the implementation of a possible carbon tax. What we're hearing from the Premier is that they're planning on spending it all. Even if they were depending on additional funds coming through on this newly announced carbon tax, all we're hearing is that additional spending is coming forward. The question is: are we going to be balancing the budget any time?

This is why this amendment is so important. The intention of this fund wasn't meant to just continue to draw down every year because we can't make operational spending. It comes down to the fact that what we're looking at is that it's something that we need to be using in times when we have low oil prices, for instance. I understand that now is a good time to be looking at using the contingency fund, but the problem is that bad times have been happening for the past eight years, so we've been looking at drawing down a lot of this contingency fund. The thing is that we need to be looking at protecting this fund because in the end, if we use all of the fund, there won't be any contingency funds left.

Now, we're hearing from the NDP; they keep going back to this mandate that they were given by Albertans. I don't remember the mandate from the NDP platform saying that they were going to blow through our contingency fund. By voting down this amendment, they're voting against maintaining a contingency fund. This troubles me to no end. We could end up with no protection in the future.

Since 2008 the government has been using the fiscal gap that has been developing, and we're seeing that this fund is continually being drawn down. We're amassing debt as well as drawing down this contingency fund. We're not only seeing our contingency fund being drawn down; we're also seeing massive debt coming into place. What troubles me is that we're also looking at implementing a massive amount of debt in five years. This is in the government's projection. They're looking at creating a monster amount of debt. We're looking at \$47 billion of debt. We probably won't have a contingency fund at the end of that five years. Where is the accountability from the NDP when it comes to protecting Albertans' contingency fund here?

Now, the contingency fund is really only meant for short-term deficiencies in income. This appears to be something that was not

implemented when it first came forward with the original legislation. My colleague that put this forward is using foresight to show that this is something that we need to put forward to make sure that we actually start to put money forward for our future generations. In the end, we are accountable to our children. Someday my children are going to come to me and say: "You were a member of the Legislature. There's no money left from when the times were good. Why, exactly, is it that you didn't get up and speak in defence of us?" I am going to say that on December 1, 2015, I stood with my colleague . . .

Some Hon. Members: It's the 2nd.

Mr. Cyr: Thank you.

An Hon. Member: We fought this thing on December 1, too. It's okay.

Mr. Cyr: Yes. We're still reeling from Bill 6.

The fact is that I will be able to say to my children that on December 2, 2015, I stood up to protect the contingency fund and that those voting against trying to protect the fund were not looking out for Alberta's best interests in the future.

Going forward, we need to be addressing the fact that contingencies are always being put into place to protect Albertans, and as we draw down these contingencies, we need to be looking at the fact that our predecessors, who may not have been perfect, were actually using some foresight when they created these funds. Over the next five years I see nothing in the budget to actually start putting money into a contingency fund. Not only are we going to be drawing down on this, but we're also not going to be putting money forward for our children.

I understand that we do have the Alberta heritage trust fund. That is separate from the contingency fund, and this is money that is going to be moving forward. I am proud to say that I sit on the Alberta Heritage Savings Trust Fund Committee, and we do want to be stewards of that money. Why are we not being stewards of our contingency fund when we want to be stewards of the Alberta heritage trust fund? We are actually responsible to Albertans to make sure that some of this money that we are making now gets moved forward into the future. We're all trying to make sure that in the end what we're looking to do is to make Alberta a better place, and the only way to make Alberta a better place is to make sure that we protect the ones that come after us.

I guess my fear is: should this fund cease to exist, are we going to be able to maintain the services and the front-line workers that we have today? There is no way to make sure that there are funds available in the future. Let's be clear. We need to be looking at the ability of our front lines to bring services forward. I understand that the only way that we can do some of these services right now is by possibly drawing down the contingency fund, but we do need to be making sure that we are spending within our means. This is where Wildrose has been very clear that instead of bringing in massive spending increases, we need to be looking at possibly going into our management and making cuts or through attrition going into the bureaucracy of the current government, making sure that our government is sustainable while reinforcing our front-line workers because in the end the front-line workers are what is important to all Albertans. I guess the point that I'm trying to drive down to is that spending this entire contingency fund isn't protecting our front-line workers.

10:00

To wrap it up, I would like to say that I support my colleague in this amendment. I support what he is trying to accomplish with this.

He is trying to bring accountability to government, and for that I would like to thank my colleague.

Thank you, Madam Chair.

The Chair: Any other hon. members wishing to speak?

Hon. Members: Question.

[The voice vote indicated that the motion on amendment A2 lost]

[Several members rose calling for a division. The division bell was rung at 10:01 a.m.]

[Fifteen minutes having elapsed, the committee divided]

[Ms Jabbour in the chair]

For the motion:

Barnes	Hanson	Panda
Cooper	Hunter	Pitt
Cyr	Loewen	Smith
Fildebrandt	Orr	

Against the motion:

Anderson, S.	Gotfried	Miranda
Babcock	Gray	Nielsen
Bilous	Hinkley	Payne
Carson	Hoffman	Piquette
Clark	Horne	Renaud
Connolly	Jansen	Rodney
Coolahan	Kleinstauber	Rosendahl
Cortes-Vargas	Littlewood	Sabir
Dach	Loyola	Schreiner
Dang	Luff	Shepherd
Drever	Malkinson	Starke
Drysdale	McIver	Sucha
Eggen	McKitrick	Sweet
Ellis	McLean	Turner
Feehan	McPherson	Westhead
Fitzpatrick	Miller	Woollard
Totals:	For – 11	Against – 48

[Motion on amendment A2 lost]

The Chair: Back on Bill 4. Are there any further comments, questions, or amendments with respect to this bill? The hon. Member for Strathmore-Brooks.

Mr. Fildebrandt: Thank you, Madam Chair. It is fun to rise a second time. We'll see if we can find a few more fiscal conservative votes in the House on this one. I'm going to be putting forward another amendment to Bill 4. Would you like me to read the amendment?

The Chair: Go ahead, hon. member.

10:20

Mr. Fildebrandt: Thank you, Madam Chair. I will move that Bill 4, An Act to Implement Various Tax Measures and to Enact the Fiscal Planning and Transparency Act, be amended in schedule 1 in section 3(1) by striking out "15%" and substituting "7%." This is a reasoned amendment to, as the leader of the third party put it, make this bill less worse. This is an amendment to lower the higher debt-ceiling level that the NDP government is proposing to a lower threshold of 7 per cent of GDP.

In 1993 former Provincial Treasurer and Finance minister Jim Dinning, a man whom I have great admiration for and who is possibly the greatest Finance minister this province has seen, put

forward the Government Accountability Act and the Fiscal Responsibility Act. In there he put forward reasonable limits on our debt limit, on the reporting of that limit, and basic accountability measures to ensure that politicians' spending did not get out of hand, that the debt we were taking on would be limited to a reasonable amount.

Circa 2008 those acts were continually watered down. They were watered down further in 2012, when the Fiscal Responsibility Act and the Government Accountability Act were repealed. Jim Dinning said in '93 that if any subsequent government were to repeal or even water down either of those acts, legislators would have to look Albertans, quote, in the whites of their eyes and explain to them why they deserve subpar government. But those acts were first watered down and then repealed. The Government Accountability Act and the Fiscal Responsibility Act were replaced with the Fiscal Management Act.

The government is now proposing to replace the Fiscal Management Act with the Orwellian-named Act to Implement Various Tax Measures and to Enact the Fiscal Planning and Transparency Act. If there is fiscal planning here, it is planning for more debt and more deficits. It is planning to recklessly increase our debt limit still further. The debt limits that have been proposed continuously in this House have been fictitious.

The U.S. Congress raises its debt ceiling nearly every year. The politicians come together, they pat themselves on the back, and they say: we're setting a limit on the debt. A year later they meet again, and they do it all over. They continuously raise it up. The debt ceiling goes up, and the bar of government goes down.

The new government is now proposing a 15 per cent of GDP debt limit. That'll be approximately \$50 billion of debt. Financial institutions have said that the NDP is likely to blow through this, that they're not even likely to balance the budget by the time they hit the 15 per cent debt-to-GDP limit. There is no consequence for going over that debt-to-GDP limit. If we are going to take as a given that this government is going to continue to take on debt, then there should be a more reasonable limit on the level of debt that they take. Fifteen per cent is an unacceptably high debt burden for the most prosperous jurisdiction in North America to be carrying. Fifteen per cent of GDP, or \$50 billion of debt, is an admission of fiscal failure. It is an admission that the government has no plan to ever balance the budget.

As I've discussed, our net financial assets have declined as a province for nearly a decade now. At some point we have to turn that around. At some point we have to balance the budget. The further we go into debt and the deeper we dig ourselves into a hole, the longer it's going to take to get out of it. Fifty billion dollars of debt will be difficult even for a fiscally conservative government to dig us out of within a decade. Now, if the members across will allow me to embellish for a moment, in a sense I'm asking them to make it a little easier for the Wildrose to make us debt free in a few years. I'm asking them to dig the hole a little less deeply for us to get us out of in a few years.

We're proposing a reasonable limit on the debt. Seven per cent of GDP is still too high. Zero per cent of GDP is too high. We are the most prosperous jurisdiction in North America. There is no reason that we should not be able to balance our budget. There is no reason that we should have \$50 billion of debt but a mere \$17 billion in the sustainability fund. So we're proposing a reasonable compromise, not that we believe that 7 per cent of GDP is reasonable but because we believe it is less unreasonable than 15 per cent of GDP.

I ask all members of this House to give it serious consideration. If the members across have any real intention of balancing the budget, then they should have no problem voting for this

amendment. This will still allow them to take on gross amounts of debt in the next few years, but it requires them to stop taking it on before this Legislature is dissolved before the next election. It means that they have to put their money where their mouth is, that if they actually believe that they can balance the budget before the next election, then they should be able to vote for it.

Now, they've changed their balanced budget date promise three times already. They changed it once during the election, they changed it once immediately after the election, and they changed it again just a few weeks ago. I've got 20 bucks for any member across who is willing to bet me that they'll change it again pretty soon. I'm looking for Calgary-Currie.

In all seriousness, Madam Chair, this is putting reasonable restrictions on the power of the government to borrow without end. A 7 per cent debt limit still vastly increases the powers the government is giving itself to borrow and to spend, but it is giving fewer proposed powers than they are proposing to give to themselves. This is fiscally responsible.

This is not just fiscally conservative. This is not just something that those of us who believe in limited government support. This is something that Tommy Douglas would support, a prairie populist socialist who believed in redistribution but understood that you need to balance the budget to do that. Tommy Douglas believed in balanced budgets. Tommy Douglas knew that you couldn't take on debt without end. He knew that if you wanted to distribute wealth, as the NDP likes to do, you still have to balance the budget at the end of the day.

So this is not just about fiscal conservatism or limited government; this is about fiscal responsibility. All members of this House who want to go back to their constituents and look them in the whites of their eyes and explain to them why they're willing to take on \$50 billion of debt without any plan should vote against it, but members who want to go back to their constituents and look them in the eyes and say that we did what was right will vote for this amendment.

Madam Chair, I encourage all members of this House to vote to lower the debt ceiling that the government is proposing from 15 per cent to 7 per cent. It is the fiscally responsible thing to do.

Thank you.

The Chair: The hon. Member for Cardston-Taber-Warner.

10:30

Mr. Hunter: Thank you, Madam Chair. I would like to rise today in support of this amendment, and I actually rise because I'm in support of any amendment that curtails the spending that this government has been willing to do. Any measures that provide checks and balances on a government, I think, always serve the best interests of Albertans.

I think about where we were 12 or 15 years ago, when I was proud to be an Albertan. We had no debt. We had a plan for our children's future. We had hope, and because we had this, Madam Chair – and it wasn't found in other provinces and other parts of the world – people came to Alberta in droves. This is the reason why we had not as good – \$18 a barrel: that's what we did this on. Today we're at \$45 a barrel, and when you can't balance your budget on the third-highest income that your province is seeing ever, then you've got a problem. You don't have a debt problem; you have a spending problem. You have a spending problem, not a revenue problem. This is the problem.

The problem that I see with this government is that they adhere to the concepts of Keynesian economics. There absolutely is a plethora of information out there now that shows, Madam Chair, that Keynesian economics have done the world no good. Greece.

We have record debt throughout the world, the depreciation of every currency in the world, yet these governments and our government to this day seem to be holding tenaciously to the idea that we can spend ourselves out of the problems that we have.

Madam Chair, really why I got involved in this in the first place was because I became a grandparent. I was very concerned by what we would be able to bequeath to our children and grandchildren. I was concerned about the state of affairs that they would have to be given, and I thought that it's important for us to be champions for the people who don't have a voice yet, those people who aren't 18, those people who aren't born yet. It has to be a sustainable program that we provide for our children's and grandchildren's future. If it's not sustainable, there's another word for it. It's called a Ponzi scheme. It is not able to continue for the future. Yes, there might be lots of bells and whistles and it might look fantastic, but it's not something that is sustainable, and it will not allow our children and grandchildren to be able to inherit something that we would be proud to give them.

This is the number one reason why I decided to get involved in politics, because our children and grandchildren deserve a champion. They deserve someone who will be able to stand up, even though they don't have a voice today, for their future. There are many countries throughout the world, Madam Chair, that are not willing to put their children's and grandchildren's interests first. Now, the members opposite can laugh and scorn all they want, but at some point – at some point – this debt has to be paid off.

So I'd like to take this a little bit differently. I'd like to take a different tack on this. The new Alberta way: we've changed the wording from the Alberta advantage, which I was very happy with and millions of Albertans were happy with. The Alberta advantage allowed us the opportunity to prosper. This is what the people wanted. Now, if you compare what we did with other provinces, we were light years ahead of them, and we were proud about being Albertans. In fact, it was so amazing of a juggernaut economy that the rest of Canadians decided that they needed to come here. This is why we had 100,000 people moving in every year.

The new directive or the way we're going to describe Alberta is called not the Alberta advantage but the Alberta way, and this is now being described by the NDP government as the right way. My question is: if we get ourselves into debt – it sounds like the die is cast. Nothing but the crying needs to happen now. So if they have the ability to diversify, as they say they want to do – they want to move away from the roller-coaster ride of the oil and gas. Given, it has been a wild roller-coaster ride, for sure. But if they move away from the oil and gas sector and move into other sectors and then get themselves into serious debt, what assurances or what precedents do we have that that new economy that they're touting will actually be able to pay off that debt in the future? What assurances do we have that the economic approach that this government is trying to present to us actually is the proper go-forward plan, the plan that will allow us to have the financial stability that our future generations deserve?

I don't see any precedents. I have seen no precedents. I would love to see the studies that these guys are building their platform on. In fact, every single time, Madam Chair, that we've asked this government to give us an economic impact study, which is a forward-looking approach to their plan, they've said: stay tuned; as things roll out, we'll let you know how it's going. That's dangerous.

You know, as much as I would like to be someone that helps – and we've talked about that. [interjections] I think that we have a situation where this government is definitely ideologically based. I think they have great ideas. I think they have the . . .

Mr. Cooper: Point of order, Madam Chair.

Point of Order Decorum

Mr. Cooper: Madam Chair, I rise on 23(j), language or whatever. We have a very long morning. I appreciate a very good heckle from time to time. I think as we move forward – we've got a morning all the way till noon to spend together. I just think that perhaps we could try to keep the banter down on all sides of the House. I wondered if you might agree.

The Chair: The hon. Deputy Government House Leader.

Mr. Bilous: Thank you, Madam Chair. First of all, this isn't 23(j). The member on this side did not use abusive or insulting language.

I think, though, that the opposition House leader's point is that members are getting very excited and very passionate about what we're discussing, which is great to see. I think that there isn't a point of order here but that members on all sides of the House can maybe be a little more respectful of the speaker.

Thank you.

The Chair: Thank you, hon. members. I was actually just at the point where I was going to remind everyone that the hon. Member for Cardston-Taber-Warner did have the floor. So please be respectful of the person who is speaking.

Thank you.

Continue, hon. member.

Debate Continued

Mr. Hunter: Thank you, Madam Chair. I do appreciate the concern that I'm hearing. I really am not trying to say things that are inflammatory. I'm trying to tell you that my concern is real, my concern for those people who don't have the opportunity of being able to vote, don't have the opportunity of being able to say: "This is what I want you to do for my future. This is the hope that I want you to be able to give me. This is who I want to champion."

10:40

I'm asking you to support this amendment, which allows us to still be able to provide the front-line workers that we all need and want in this province. Teachers and nurses and doctors play an integral role in our workings in our province. We respect them. We honour them. We know that they need to be able to have proper remuneration for their work. I don't think we've ever said anything different. What we're saying is: let's make it sustainable; let's make it something that does not put undue burden on future generations. That is called a Ponzi scheme. Simply put, it is not sustainable, and we have to get back to a model that is sustainable, not one that we think might be sustainable but that actually in the past has shown that it is sustainable, and that is making sure that you don't spend more than you have.

In this situation this is actually a compromise. This is a compromise. It's not something that I would – I am not a person that believes in getting into debt. I was so happy to be an Albertan, proud to be an Albertan when Ralph Klein, with his big white stetson hat, stood up and said "Paid in full" with a big sign. Now, I appreciate that getting out of debt, that having the lowest taxed jurisdiction in Canada creates a juggernaut of an economy so that everybody wants to get involved in it and have a part of that Alberta advantage. I understand that. So we supercharged the economy because of policy, not because of an \$18 barrel of oil. Let's be clear about that. It's because of good fiscal policy. That's what made them come. You build it, and they will come. This is the sort of thing that we need to get back to. If you build opposite to that, they

will leave, and then our pie will shrink. We won't have any opportunity of being able to provide for those services that we hold near and dear in this province.

The province has some of the best trained doctors and nurses, some of the best trained teachers. I respect them. I used to teach. I taught for two years, the proudest two years I ever had, and I made the least that I've ever made. I'm glad that teachers do make more so that they can provide for their families. I think it's important. But, once again, the model has to be sustainable. We need to take a look at this and say: are we overspending in terms of our operations? Now, I get that capital expenses are important. I am in favour of some debt for capital spending because oftentimes when you put a dollar into capital spending, you get \$7 out. That makes financial sense to me. Now, that is an investment.

But when you go into debt or you deficit spend for operational spending, that's dead money. That's like taking your credit card and going out and buying your groceries or your filet mignon or whatever you buy on your credit card. It's dead money. This is the sort of thing that we need to make sure we stay away from. I am one hundred per cent in favour of this amendment that my fellow colleague has brought forward because it is a way of being able to say: let's put in some checks and balances, let's put some thresholds on the spending ability of this government and all governments in the future.

The United States has been struggling with this for a long time. Every single time we hear of them saying: we're going to shut down the government because they want to raise the debt threshold. I think that the 7 per cent is reasonable. I'd love to see it lower than that. I'd like to see it at zero, to tell you the truth. I'd like to be able to see us actually have a rainy-day fund that is robust, that allows us to be able to go through those difficult times, those peaks and troughs in any economy, but we're not in a situation now. We've blown through that rainy-day fund. So I understand that we have to take it from where we're at now, which is that we're going to have to deficit finance.

This is why I think that this is a compromise that's a prudent compromise. It's that we are taking a look at our scenario that we're at right now, not wishing that we were at a different scenario, and I'm in favour of this compromise. I do wish that we had not gotten to the point where we were having to even look at 7 per cent, let alone 15 per cent.

Madam Chair, I've had the opportunity of being able to, I think, articulate my concerns with the general budget and my appreciation for the amendment that has come forward to show the fiscal restraint that every reasonable government should be looking at. I thank you very much for the opportunity to be able to speak on this matter today.

The Chair: The hon. Member for Calgary-Elbow.

Mr. Clark: Thank you very much, Madam Chair. I rise to speak against this amendment. There are a couple of things that the Member for Cardston-Taber-Warner said that I have a real issue with. He talked about the fact that he was proud to be an Albertan. I'll tell you what. I am now and I always will be proud to be an Albertan. Whether any of us agrees with what policy is passed or not passed in this House, I am fiercely proud to be an Albertan, and I always will be.

The other thing I take issue with is the discussion of the fact that you don't believe in Keynesian economics, but then you went on to say that capital spending can return \$7 to \$1 invested. That, my friend, is the definition of Keynesian economics.

Lest our friends on the government side get too excited, I have some significant concerns with the amount of borrowing this

government plans to do. The 15 per cent debt-to-GDP ratio in and of itself is a reasonably prudent limit, but what I want to be really clear with the government about is that that is not the only factor that credit-rating agencies use to determine Alberta's credit worthiness.

There are five factors that the Dominion Bond Rating Service, DBRS, uses, debt to GDP being one of them, the cap at 15 per cent. Of those five factors, so far so good for Alberta.

The real GDP growth rate is another measure. Unfortunately, Alberta's real GDP growth rate is forecast over the next three years to be below the national average. That's one strike.

The surplus-to-GDP ratio should be a 2 per cent threshold. We want a 2 per cent surplus-to-GDP ratio. Unfortunately, we're now at negative 1.9 and not predicted to recover until 2018. That's strike two.

Federal transfers as a percentage of total revenue. Currently, we are above the threshold level of 15 per cent at 16 per cent and not anticipated to recover until 2018 at the earliest. Strike three.

Point five: our interest-costs-to-revenue ratio, a 5 per cent threshold. Based on the forecast projections in this budget, we'll exceed that in 2019. Strike four if there is such a thing. That's a significant concern.

What happens? What happens if Alberta has our credit rating downgraded? Our interest costs go up. Has this government done the math? Has this government actually done the calculation, a sensitivity analysis, to find out what it will cost should Alberta find itself in a position of having its credit rating downgraded? According to the Minister of Finance in estimates the answer is no. You haven't done that work, and that scares me a great deal, Madam Chair. Our team has calculated that Alberta will face an extra \$700 million in debt-service costs alone by 2019 if we, in fact, suffer a 1 per cent increase to our costs of credit.

Now, having said that, this amendment specifically talks about reducing that threshold from 15 per cent to 7 for a couple of reasons. One, I think that capital spending in a time of economic downturn creates jobs, builds the capital infrastructure that we need in this province. But, also, the fact is that it is but one of five factors at least that we need to consider.

Given that, I will be voting against this amendment. Thank you very much, Madam Chair.

The Chair: I'll recognize the hon. Member for Calgary-Currie, followed by the hon. Member for Calgary-Hays.

Mr. Malkinson: Thank you very much, Madam Chair. I'd like to speak to the amendment. One of the things I'd like to talk about is that when we're talking about this 15 per cent threshold, to me, that threshold is reasonable. I mean, even at 15 per cent Alberta's government's debt-to-GDP ratio would be half the weighted average of the other provinces combined, which to me seems reasonable. Also, the 15 per cent ratio – you know, we're talking with the ministers here – is the ratio that's regarded as a reasonable and manageable limit by our credit-rating agencies. During other debates in the House that comes up rather often, and we still have a triple-A credit rating, and there's been no indication that this 15 per cent plan would do anything to harm that.

10:50

Going forward, you know, Alberta still remains a great place to invest. We have sustained tax advantages over other jurisdictions, and the investments that we make today will lay the foundation for a more diversified, stronger economy. I've also heard from the hon. Member for Cardston-Taber-Warner that he was against all government spending. It was his opening line, and then he later

went on to say: build it, and they will come. You know, part of what this 15 per cent limit allows us to do is some spending on infrastructure for things like schools and roads and the things that Albertans need.

The members opposite also suggested that – you know, a previous Premier, with a stetson, held a sign, "paid in full," that the debt had been paid back. Well, unfortunately, that debt was paid back not by saddling Albertans with debt but by saddling Albertans with crumbling infrastructure, that, I would say, the last election was fought on. The reason why we're bringing forward our capital spending plan aggressively is to correct those errors.

The previous debt was an infrastructure debt, and I believe that the 15 per cent number is reasonable. Reducing it to 7 per cent, I think, would unnecessarily hamper the plan that we are putting forward and would unnecessarily hamper Albertans in regard to the schools, the roads, for me personally in Calgary the ring road, cancer centres, and a variety of other infrastructure needs that every single MLA in this House hears about from their constituents and that need to get built because previous governments had not invested in infrastructure.

I will not be supporting this amendment. Thank you.

The Chair: Calgary-Hays.

Mr. McIver: Thank you, Madam Chair. Well, this is an interesting day. We have an amendment here to take the government's planned 15 per cent debt-to-GDP ratio down to 7, made by the member that a few minutes before that said that zero per cent was too much. Here's what's interesting, Madam Chair. The mover's colleague the Member for Cardston-Taber-Warner said what I thought was a reasonable thing to say: some debt is fine to build infrastructure. So there seems to be a split in the party there about: what is their party's position? We heard two very divergent opinions within about a half hour in the House from seats two rows apart.

I would submit to you that I would agree more with the Member for Cardston-Taber-Warner. That is the position that our party, when it was in government, took, that some debt was reasonable to build infrastructure, but you had to have a reasonable plan to pay it off. Madam Chair, that's where our party stands, really, in the middle of the extremes over there and the party over here. The party over there wants to build things, which is great, and wants their borrowing essentially unfettered, which isn't great, and has no plan to pay it back, which isn't great. Our party's plan always was to borrow reasonably, build the infrastructure as you could, and have a reasonable plan to pay it back.

Now, the party making the motion likes to take the position that they don't want any debt, and they talk about how they'd like \$120 billion back, but they don't like to talk quite so much about which roads, schools, and hospitals they would unbuild to get there. That is why Albertans are looking for a more reasonable position, a position that I would submit to you that our party . . . [interjections] Madam Chair, we heard from the party over there that they were concerned about a good heckle but didn't like it when somebody was trying to make somebody not get heard, and here we are trying to be back to where you can't be heard.

Again, that's part of the inconsistency, Madam Chair, to say one thing one minute and something the next minute and hope that Albertans won't notice, but Albertans do notice. They do notice. They notice that they want hospitals, schools, and roads, and they don't want runaway debt. There is that zone in the middle that our party, when we were in government, always aimed for and we still advocate for today. That's where we're at. You know what? I think that this motion, Madam Chair, actually moves us closer to there.

I would say to the mover that maybe he's having a weak moment because this seems like fiscal conservative lightweight compared to what he usually says. Having said that, it's an improvement on where the government was going to go, with 15 per cent. In fact, I'm surprised that he didn't go lower than this, but this is an improvement on what the government's plan is now.

I can see my way clear to support it because it does get us closer to the place where the PC Party has always been, where we believe in a reasonable amount of debt to build the hospitals, schools, and roads that Albertans need within the range that they can afford and pay back in a reasonable amount of time, not zero debt.

I've said in this House before – and I'll say it again because I think it's worth saying – that telling Albertans that we're going to pay cash for your schools: tell your six-year-olds to wait till they're 16 so we can pay cash for the school, and then they can start grade 1. I know that the party over here doesn't want that, but that's the problem that they have. You can't say, "No debt," yet you're going to build things at the same time. They're just not consistent with reality. [interjection] Yeah, they are. Albertans know that. Albertans know that.

I do like the party over here, the fact that they want debt controlled although, as we heard this morning, there's a divergence of opinion within the party. Sometimes they take a hard line – all debt is bad – and sometimes they take a more reasonable line like we heard here this morning. A little bit of debt to build infrastructure and paying it back in a reasonable amount of time are the right things. That's the PC position. Thank you. I appreciate that.

That, I think, is the position where Albertans are, but I will say to the government members that I don't think that Albertans are at the point to have runaway debt with no plan to pay it back, to take on debt that amounts to a year's income for the government and only have a week's income from the government available to pay it back, because, essentially, you can't pay it back.

I also have sympathy for some of what the leader of the Alberta Party said on . . .

Mr. Clark: The surplus.

Mr. McIver: Yes, the surplus. It's important to be in a position where you actually can afford to pay your day-to-day operations in a reasonable way.

On balance, this has been an interesting discussion, but at the end of the day I find myself finding the motion from the Wildrose Party Member for Strathmore-Brooks to be an improvement on what the government put forward in the legislation. When the time comes, when you call for it, Madam Chair, I intend to vote in favour.

The Chair: The hon. Member for Grande Prairie-Smoky.

Mr. Loewen: Thank you, Madam Chair. I rise to speak in support of this amendment. Presently the government is proposing a 15 per cent debt-to-GDP limit. That's \$50 billion. I'm sorry, but that's just too high a limit. This amendment proposes a 7 per cent limit, which is \$25 billion. Twenty-five billion dollars is a lot of money. I believe that's the highest debt that this Alberta government will have ever been in. That's a record debt. I don't see where the problem is with a 7 per cent limit. I think that's very reasonable.

I think that what happens in government is that we get used to talking about millions and billions of dollars like it's nothing, but I think we need to realize that this is taxpayers' dollars. This is hard-working Albertans' money, that we are caretakers of, and we need to respect that. We need to spend every dollar wisely. This government that we have here now is bringing in a budget where there is absolutely no restraint shown.

11:00

Now, here in Alberta we're the envy of the country and maybe even the world because we're blessed with abundant resources. I'm here to say right now that I'm proud to be an Albertan. To have the Member for Calgary-Elbow suggest that the Member for Cardston-Taber-Warner is not a proud Albertan, I take great exception to that, and I know he takes great exception to that, too. That was something very disingenuous to say. It was a cheap political shot. He in no way indicated that he was not proud to be an Albertan.

Now, the members opposite laugh about \$50 billion of debt. It's too bad that the people of Alberta can't have a camera there watching them laugh at \$50 billion of debt, laugh at the loss of jobs, laugh at Bill 6. I wish that the people of Alberta could see that.

There have been some comments today about deficits and the different types of deficits and how the Auditor General views things with deficits. We can keep this simple, very simple. This government, the Alberta government, has been spending more than it has taken in for eight years now, and this government's plan is to do that for another five years. Now, we can call that whatever we want – you can twist things around and call a surplus whatever – but I know that in my household when I spend more than I take in, I'm in the hole. That's the way every other Albertan views that, too. When I go into the bank and I say that I've spent more than I've taken in the for last eight years and that I want to do it for the next five years and that I want to borrow some money, I'm going to get laughed out of there. We need to realize that what I consider a deficit is spending more than I take in. That is a deficit, and that's clearly the definition that most Albertans would see, too.

Now, we've had some scoffing go on about how much money we could have saved with the heritage trust fund. It's at \$17 billion. I've seen some figures here that suggest that had we not taken the interest off that \$17 billion over all this time, we could have \$300 billion saved right now. Can you imagine? Three hundred billion dollars. And we have \$17 billion. What I want to remind everybody is that interest can work for you if you have money saved. You take the interest and you acquire more interest from that interest, compounding interest. Then your money can work for you. But when you're in debt, the interest works against you. It's a burden. I don't want to see Albertans burdened. I don't want to see my children and grandchildren burdened with this debt and the interest that we have to pay.

Thank you very much, Madam Chair.

The Chair: Any other hon. members wishing to speak to the amendment?

We'll call the question.

[The voice vote indicated that the motion on amendment A3 lost]

[Several members rose calling for a division. The division bell was rung at 11:04 a.m.]

[One minute having elapsed, the committee divided]

[Ms Jabbour in the chair]

For the motion:

Barnes	Gotfried	Panda
Cooper	Hanson	Pitt
Cyr	Hunter	Rodney
Drysdale	Loewen	Schneider
Ellis	McIver	Starke
Fildebrandt	Orr	

Against the motion:

Anderson, S.	Gray	Nielsen
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Babcock	Hinkley	Payne
Bilous	Hoffman	Piquette
Carson	Horne	Renaud
Clark	Kleinstauber	Rosendahl
Connolly	Littlewood	Sabir
Coolahan	Loyola	Schreiner
Cortes-Vargas	Luff	Shepherd
Dach	Malkinson	Sucha
Dang	McKitrick	Sweet
Drever	McLean	Turner
Eggen	McPherson	Westhead
Feehan	Miller	Woollard
Fitzpatrick	Miranda	
Totals:	For – 17	Against – 41

[Motion on amendment A3 lost]

The Chair: The hon. Member for Vermilion-Lloydminster.

Dr. Starke: Well, thank you, Madam Chair. It gives me pleasure to rise at this time to move an amendment. I have the requisite number of copies for distribution. While the copies are being distributed, I'll give some background remarks to this particular amendment.

11:10

The amendment appears rather long, but in point of fact the salient point of this amendment is at the very bottom, where it deals specifically with operational deficit. In my discussions with constituents and in other places around the province the area that has created by far the most concern is the abandonment in this budget of the 20-plus-year-old policy of not borrowing for operations; in other words, running a balanced budget. In some years even running a balanced budget on the operational side means dipping into the contingency fund. You know, in point of fact, I guess it could be argued that it's not truly balanced. That debate is one that I think we could have at another time, but it means that operationally, basically, you have the funds to pay for day-to-day expenditures and that you're not borrowing for day-to-day expenditures.

I think one of the things that fundamentally separates the various parties within the House is how debt is to be handled and the idea that there is good debt and bad debt. In my view, good debt is the kind of debt that is an investment and that will pay off in the long run in terms of building the economy and providing the necessary infrastructure for public services going forward. That, to me, is good debt in a number of ways, not the least of which is that it means that infrastructure that is needed – schools, hospitals, roads – can be built when it's needed or at least closer to when it's needed and that we don't have the situation where the economy has a false brake placed on it because of lack of critical infrastructure.

You know, just in that regard, I'd like to make mention of a conversation I had with a state legislator when I was on a Pacific NorthWest Economic Region trip to the capital of Alaska, Juneau, in January. Parenthetically, it was interesting. There were a number of different members of our caucus who travelled to different things, and I found it somewhat humorous that I was chosen to go to Juneau in January, but that was the nature of the beast. It was very interesting, though, in that I met with the chair of their state Legislature's finance committee, and I also met with the state's Governor.

We often hear about Alaska and its permanent fund. The permanent fund is now somewhat in excess of \$50 billion. We talked a little bit about operational spending versus capital spending. I asked the question: "You've got a \$50 billion permanent

fund. Do you borrow for capital expenditures? Do you take on capital debt? You've got this huge permanent fund." The reply I got from the chair of the finance committee of the governing party was: "Well, of course we borrow. You'd have to be a moron not to borrow for capital." I found that an interesting statement. I said, "Well, why would you borrow when you have all this cash in the permanent fund?" They said: "But the permanent fund is earning us 6, 7, 8 per cent, and we can borrow at 2, 3 per cent. Basically, what we do is that we borrow, we build the necessary infrastructure, and we go from there." Now, I would argue, based on my casual observation from being there for two or three days, that they don't do nearly enough borrowing for critical infrastructure. My assessment of the infrastructure in Alaska was that it was woefully inadequate, but that's a discussion for another time.

The discussion that we're concerned about today and the discussion that Albertans are vitally concerned about is the notion of borrowing for operations. This, to me, is a fundamental fiscal error. Operations need to be funded out of day-to-day revenues, and even in the worst-case scenario, where day-to-day revenues have a precipitous fall, as we're experiencing this year, there needs to be contingency fund savings to pay off and to be able to soften that blow.

We hear about a shock absorber quite often from the other side in describing this budget. Well, the purpose of having a contingency fund is so that you indeed do that shock absorbing. My concern with this budget is that we're going to hit rock bottom on the springs in less than a year and a half, and then the shocks are gone. Then the shock absorbers are no longer in the vehicle that Albertans are riding in, and every bump that we hit we are going to feel very, very firmly because the \$8.3 billion that was turned over to this government by the previous government in the contingency fund will have been blown through.

I just want to clarify that for my friends in the Official Opposition when they say that we've blown through our savings. In point of fact, at the time that this government took over, there was \$8.3 billion still in the contingency fund. Granted, not as high as \$17 billion, when it topped out, but still \$8.3 billion. Now, the rate at which they're depleting that fund is frightening, I would certainly agree, and it's a concern to Albertans. Not only will the \$8.3 billion be gone, but there is absolutely zero plan to rebuild the savings whatsoever over the course of the next three years.

Operational deficits are indeed an enemy to all of us. Operational deficits do not assist us. They're bad debt. They're debt to run your day-to-day operations. In terms of your day-to-day household expenses, it's borrowing money to keep the lights on. It's borrowing money for day-to-day expenses, and that simply increases the spiral of debt and deficit.

You know, we here in this party call ourselves fiscal conservatives, but we're also fiscally pragmatic people. That means, when we're pragmatic, that we take on reasonable and judicious levels of debt for capital spending, for capital investments, and we have a plan to pay it back. That does distinguish us, I think, from both the party of the Official Opposition as well as the government party in terms that there it's borrow for everything, here it's borrow for nothing, and we're saying: no, no; Albertans believe we should borrow judiciously for those things that you need that will build the economy.

Madam Chair, borrowing for everything, especially borrowing for operations, is not a good plan. Therefore, this amendment calls for that, and I would encourage all members to support the amendment as presented.

The Chair: The hon. Member for Strathmore-Brooks.

Mr. Fildebrandt: Thank you, Madam Chair. I'm going to speak to this amendment in a forward-looking way. Sometimes this House – and I'm a guilty party to this – focuses too much on the sins of the past. Certainly, the vast majority of people who count themselves as Wildrosers today counted themselves once upon a time as Ralph Klein Conservatives. Certainly, there was a divergence of opinion at some point.

When I speak about historical examples, I'm not meaning to dwell on the past or to try and hurt in any way the current members of the third party but as historical lessons. We also speak favourably of much of the past as well. We don't necessarily mean it as a commendation for the third party either. We speak favourably of the past for some things, but we also condemn the past for others. We're not going to try and play the blame game today. We need to focus on going forward, what the government today is doing, so bear in mind that when I speak of historical examples here, it's meant as lessons from the past for the future.

I thank the Member for Vermilion-Lloydminster for bringing this amendment forward. I believe it's meant with the best of intentions; however, it is quite problematic. The new government has inherited a small contingency account relative to its historical levels, but it has also inherited \$14 billion of debt and a trajectory that would have taken on significantly more debt. There is good debt, and there is bad debt, and I think we may differ in our opinions of good debt and bad debt.

Now, governments like to say that, well, businesses take on debt, so we can take on debt, too, but when businesses take on debt, smart businesses take on debt for assets that earn a return. A widget maker might buy a machine that helps him make widgets, and that can earn a return. When governments take on debt, the vast majority of that debt is for assets that do not make a return. They might be valuable assets in their own right, but they do not earn a financial, tangible return. Schools might have long-term intangible returns on them, fire stations might have long-term intangible returns on them, but they are not cash assets. Assets that make returns are assets like, for instance, a toll road that would earn a cash return. That would be a more reasonable comparison to private-sector debt taken on by businesses. If an asset does not earn a financial return, then by a business definition it is not good debt.

11:20

This amendment does make this bill slightly less worse, but it does perpetuate something that could potentially make it worse. Again not intending to offend members of the third party, we've had a significant problem in this province for years now where we've changed the definition of a balanced budget to make it called balanced. I would be enthusiastic about this amendment if the word "operational" was stricken out and replaced with "consolidated." When your net financial assets decline, you're running a deficit. When you are poorer one year than you were the year before, when you have less money to your name and more liabilities to your name on net, you are running a deficit.

Now, nothing under that definition of a deficit, net financial assets, precludes a government from borrowing as long as they're saving more in that year than they're borrowing. That is change in net financial assets, and that was a tried-and-true definition of how we calculated the fiscal health of this province through most of the 1990s. It was straightforward. You could disagree with the government's policies of the day – are they spending too much, or are they spending too little? – whatever side of the fence you stood on, but at least you knew where the government stood.

We attempted to address this issue around operational deficits in our first amendment put forward by the Official Opposition. For reasons I don't fully comprehend, members that I would hope to

agree with on some things could not find themselves agreeable. My concern with this is that limiting this merely to operational allows governments to pretend that that's the only measure that matters. That's the problem. It matters more than just our operational spending. This year our net financial assets will decline by a record \$8.7 billion. That is the largest deficit in the history of this province. When I say \$8.7 billion, I almost feel that I have to put my pinky to my lip; \$8.7 billion. It is by far the largest deficit in the history of this province, but that's not just an operational deficit. That is our consolidated deficit. That is our net change in financial assets.

If you run an operational surplus but you're borrowing \$8 billion a year, even to do good things with that money, it's not sustainable. You can't do it forever, and you can't continue to tell Albertans that you're somehow running a surplus when you're borrowing more money than you're saving year after year after year. Eventually you've got to pay the piper. Eventually the bill comes due, and unfortunately we see no interest from the members on the other side to ever pay the bill. They're interested in letting someone else clean up the mess when they've left office. They just want to kick the can down the road forever.

I would encourage more members of the caucus that put this forward to speak to the issue. It tears me in different directions. It makes Bill 4 slightly less worse on paper, but my concern is that if we focus only on operational, we miss the big picture. We miss the forest for the trees when we focus only on operational and not the consolidated budget. Even if you believe in taking on debt, you can't do it forever. Eventually you have to pay. You have to balance the consolidated deficit.

I thank the Member for Vermilion-Lloydminster for his comments. I may not agree with them all or even many of them, but I believe they're thoughtful, though, and meant with the best of intentions. I would encourage a member of that caucus to perhaps provide more context and tell us why the fiscal conservatives of this party should consider supporting this amendment.

Thank you.

The Chair: I'll recognize the hon. Member for Vermilion-Lloydminster, followed by Calgary-Currie.

Dr. Starke: Well, thank you, Madam Chair, very much. You know, while my Teutonic friend up the way here and I share some background things, we do have some differences in some areas. I will say that this whole debate as to the difference in determining whether it's a consolidated deficit or an operational deficit – you know, I come from the business world. I fully understand the separation between a balance sheet and a statement of income. To mix the two, as he is doing, is certainly not a practice that is done within business. It's certainly not a practice that's done within municipalities. When we present these budgets to municipalities, they understand full well the idea of an operational budget, and they understand full well the idea of a capital budget and capital expenditures and that sort of thing.

You know, I suspect that in the time that we have to debate here and given that in Committee of the Whole we can go back and forth and speak as many times as we like, we're not likely going to come to agreement on that issue. So I'm going to just say, "You know what? We're going to agree to disagree on that side of things."

I do want to take issue, though, with a comment that was made. I just find this one absolutely astounding. From time to time we get some absolutely astounding comments from over here. The astounding comment that we got this time was that a school is not a good investment, that it doesn't provide an economic return. The suggestion that you cannot, you know, get a direct dollar return on investing in things like schools is, to me, just astounding. One of

the things that we have as a huge economic advantage in this province is the fact that we have a well-educated workforce. In order to have an economy that can produce at a rate as our economy does, a GDP per capita that is 50 per cent over the national average, part of the reason we can do that is not just the energy we have in the ground. It's the energy that we have above the ground. That energy, quite frankly, is fuelled by our young people who are trained in, I still say, some of the best schools in the country. Obviously, you always want to strive for improvement.

The other thing that we have is outstanding postsecondary institutions in this province. We have world-class universities and colleges in this province. We have universities and colleges and research institutions that do world-class work that bring researchers from around the world. All of that – to build those universities, to build those colleges, to build those schools – costs a certain amount of money, and that's largely supported by government funding. We're saying that it makes sense from time to time to borrow to do that because, quite frankly, if you wait until you've got the cash between the cushions of the couch, you're going to have to wait a long time.

I'm no fan of debt, just as my friend from Strathmore-Brooks is not a fan of debt either. You know, as a personal example, I was debt free up until about six years ago, when my two sons began attending university and decided that they didn't want to live in residence anymore.

An Hon. Member: And then you took this job.

Dr. Starke: Yeah. And then I took on this job. That didn't help.

You know, they went to university and didn't want to live in residence anymore, so my wife and I along with our sons purchased properties both in Edmonton and Calgary and – oh, my goodness – we took on debt. We were no longer debt free. You know what? It was the right thing to do. It was the right thing to do because we're building equity, and they have a place to live. Do we get a financial return on that purchase? Maybe one day. Maybe. We'll see. Possibly. But the truth of the matter is that those are investments that you make. No, we're not debt free anymore. And you know what? I'm okay with that. It was a smart debt, and, yeah, we have a plan to repay it. We will eventually repay that debt, and we'll get there. In the meantime we have a place to live. Best of all, we bought a two-bedroom place for my son, and I moved in with him when I got elected in 2012. They talk about kids moving in with their parents; well, I pulled the switch on him. I'm really glad we got a two-bedroom place because I punted him into the smaller bedroom.

11:30

Ladies and gentlemen, we can have this discussion for a long, long time, Madam Chair, about debt, good debt or bad debt, but it's just astounding to me this notion that investment in critical government infrastructure – governments aren't supposed to be in the business of business, or at least that's what we get told over here on a regular basis. Governments shouldn't be picking winners and losers. They shouldn't be in the business of doing business, right? Governments don't inherently invest in things that make money – we get that – because if they did, then they'd be in the business of doing business. But governments do invest in the things that fuel an economy and in the things that improve quality of life.

The things that improve quality of life in Alberta, I would submit to you, are infrastructure like roads, schools, hospitals, and other critical infrastructure that Albertans need. We can have an argument back and forth as to whether those investments at certain times in our past kept up with the growth of Alberta. I think that's

a discussion that we could get involved in. But the bottom line is that with the growth we are still experiencing – despite the economic downturn, we're still the fastest growing population province in the nation – we need new infrastructure, and borrowing needs to be done to do that. I think there have to be some limitations on that, and there obviously has to be a plan to pay it back.

This particular amendment, Madam Chair, deals specifically with operational deficit, the day-to-day expenses and the day-to-day revenue. My concern is that in Bill 4 we have made a departure from the policy that day-to-day expenses shall not exceed day-to-day revenue, and we're even allowing day-to-day revenue to be augmented by contingency funds, so we're saying that we recognize that there are going to be some years where it's going to be hard to make that balance but that with careful and judicious use of the contingency fund, you can still make the balance work.

Quite frankly, I'm again astounded by my hon. Teutonic friend up the way that he would suggest that it's a bad thing to not balance that spending. You know, to me, that strikes me as a little bit contradictory to what their stated objective is, and that is living within their means.

Madam Chair, I would certainly encourage members on all sides of the House to consider supporting this. I would even encourage members of the government caucus to consider supporting this. I think that a lot of your constituents would like to see you adopt an approach that is somewhat more prudent and somewhat more cautious and, indeed, allows for some flexibility in operational spending because you still can dip into the contingency account but not drain it completely in the space of less than a year and a half.

Thank you, Madam Chair.

The Chair: Calgary-Currie, followed by Calgary-Elbow.

Mr. Malkinson: Thank you very much, Madam Chair and the hon. Member for Vermilion-Lloydminster. Hearing you talk, it appears that we maybe have some things in common, which is always encouraging. You spoke about the need for the government to invest in the things that Albertans need, and you talked about items like capital in schools, which we've often on this side of the House chatted about as well. With those things like schools and roads and other capital expenditures, there also needs to be the professionals that Albertans rely on in order to staff those schools, hospitals, police stations, and so on.

For me, with this amendment, you know, I understand where the member is coming from. I don't think I necessarily agree with the limitations. When we have a situation like we're in currently, where we've had a very dramatic drop in the price of oil, which previous governments have used as a very large portion of our operating budget, when that suddenly shrinks, we have \$6 billion that all of a sudden we need to find. There would be multiple ways you could deal with that. One of them would be to dramatically cut back on services or dramatically increase taxes.

Now, we just had an election, where all of the various parties put their platforms forward. Our party's platform was that we would act as a shock absorber in times of economic downturn, and other parties had various versions of their platform which suggested that we don't do that. I think Albertans spoke very clearly on what direction they wanted the government to go on this matter.

So, for me and my constituents, I would say that I will not be supporting this amendment because I believe it would adversely limit the government's ability to act as a shock absorber in times of economic difficulty. I think Albertans want us to act as a shock absorber in times of economic difficulty, so unfortunately I will not be supporting this amendment.

Thank you very much.

The Chair: The hon. Member for Calgary-Elbow.

Mr. Clark: Thank you very much, Madam Chair. I was briefly encouraged there by my constituency neighbour from Calgary-Currie. I thought maybe you were edging towards voting in favour of this amendment right to the end there. You had us right there, right at the end. It was a surprise ending.

Dr. Starke: No. It's not that big a surprise.

Mr. Clark: Yeah. Maybe not that big a surprise.

I rise to speak enthusiastically in favour of this amendment. I think it's thoughtful and absolutely appropriate. I think debt is totally appropriate if it's well managed. Capital debt is absolutely appropriate if it's well managed. We've talked about this at length. Government is government; business is business. Those are two different things. We get a return, a social return, on investment in appropriate infrastructure: in schools, in hospitals, in flood mitigation, in transit, in roads. All of those things provide a return to our society and to our communities, and for investing in those things, the government is to be commended. I'm absolutely onside with those things.

I would challenge our friends in the Wildrose caucus – hello; nice to see both of you – to tell us how you would do it. What, specifically, would you cut to ensure that the budget is balanced? What, specifically, would you do? You may or may not be aware that we in our caucus put out a shadow budget. We did. It's true. All of us – all of us – in the corner here put out a shadow budget, detailed, three full PowerPoint slides of numbers. It is a remarkable thing to behold. But the point is that we are very clear and very specific about what we would do. What we do in that shadow budget, my friends, is that we bottom out precisely as my hon. colleague from Vermilion-Lloydminster says, and we do not at any point borrow for operating in our shadow budget, which I think is absolutely vital.

I note that in today's *Calgary Herald*, updated precisely at 8:36 a.m., is a headline that says that oil prices may not rally until 2017. Uh-oh. What happens? What happens? This budget presumes that our top line revenue in this province increases 28 per cent between this fiscal year and 2019-2020. How does that happen if oil prices do not increase substantially?

I also note that the budget projections on west Texas intermediate for 2017 are \$68 a barrel.

Mr. Rodney: How about western Canadian select?

Mr. Clark: Well, I don't have western Canadian select on my PowerPoint slide. However, I'm sure that if we did some math, we'd find out. Regardless, western Canadian select is also down significantly.

An Hon. Member: Welcome back.

Mr. Clark: I can repeat some of the things I said earlier if . . .

Mr. Cooper: It's okay. We heard you.

Mr. Clark: All right. Perfect. But now I've lost my place. Here we are.

I think what this amendment does and why I'm so enthusiastically in favour of it is that it creates a floor below which the government cannot go, and they need to then make hard choices, very difficult choices about spending. That does not need to mean significant cuts to front-line services. What it does mean is fiscal discipline. It means strong management. It means getting more with less, just like Alberta households are doing, just like Alberta

businesses are doing. All around the province it means doing more with less, and I want to see much more of that from this government; otherwise, we're in an awful lot of trouble.

Thank you very much, Madam Chair.

11:40

The Chair: Any other speakers to the amendment?

Seeing none, we will call the question.

[The voice vote indicated that the motion on amendment A4 lost]

[Several members rose calling for a division. The division bell was rung at 11:41 a.m.]

[One minute having elapsed, the committee divided]

[Ms Jabbour in the chair]

For the motion:

Barnes	Fildebrandt	Orr
Clark	Gotfried	Panda
Cooper	Hanson	Rodney
Cyr	Hunter	Schneider
Drysdale	Loewen	Starke
Ellis	McIver	

Against the motion:

Anderson, S.	Hinkley	Nielsen
Babcock	Hoffman	Payne
Bilous	Horne	Piquette
Carson	Kleinsteuber	Renaud
Connolly	Littlewood	Rosendahl
Coolahan	Loyola	Sabir
Cortes-Vargas	Luff	Schmidt
Dach	Malkinson	Schreiner
Dang	McCuaig-Boyd	Shepherd
Drever	McKitrick	Sucha
Eggen	McLean	Sweet
Feehan	McPherson	Turner
Fitzpatrick	Miller	Westhead
Gray	Miranda	Woollard

Totals: For – 17 Against – 42

[Motion on amendment A4 lost]

The Chair: We're back on the bill. Are there any further questions, comments, or amendments with respect to this bill?

Mr. Fildebrandt: Madam Chair, I'm sure the members opposite are very pleased to hear me rise again with another helpful amendment.

Some Hon. Members: Hooray.

Mr. Fildebrandt: Unfortunately, this is not going to be a puffball question.

"Hooray" is copyrighted by the Member for Olds-Didsbury-Three Hills. He will be coming for increased royalties soon.

The last amendment, put forward by the Member for Vermilion-Lloydminster, was an attempt to make the bill less bad. It was not an amendment that we were fully in agreement with, but it was one that moves the ball in the right direction or actually, in this case, holds it where it is against the direction the government wants to go. Alas, there are more votes on the government side, but it is our duty as the opposition to put forward thoughtful amendments to the budget and to Bill 4 enabling that budget.

With that, I will come to my latest and greatest amendment to this bill. I will table another amendment to this bill.

The Chair: Go ahead, hon. member.

Mr. Fildebrandt: Thank you, Madam Chair. I move that Bill 4, An Act to Implement Various Tax Measures and to Enact the Fiscal Planning and Transparency Act, be amended in schedule 1 in section 3 by adding the following after subsection (2):

(3) A Bill that proposes to increase the ratio of debt to GDP referred to in subsection (1) may not be introduced in the Legislative Assembly unless the increase in the ratio is approved by a majority of the electors who vote in a referendum under this section.

(4) The Lieutenant Governor in Council may order a referendum under this section and sections 4 to 11 of the Constitutional Referendum Act are deemed to apply.

(5) An order under subsection (4) is deemed to be an order under section 5 of the Constitutional Referendum Act.

In English, Madam Chair, what we are saying here is that if the NDP government or any subsequent government wishes to raise the debt ceiling beyond the 15 per cent that they are proposing right now, they will have to go to the people to do it. We are proposing to move this soft debt ceiling, a ceiling so soft that we are now looking like the U.S. Congress regularly raising our debt ceiling irresponsibly, to a hard ceiling. We are proposing that if the NDP believe their own rhetoric and that they will only go to 15 per cent of GDP and not exceed that in debt, they should put their money where their mouth is. They should be willing to go to the people for their approval.

The debt ceiling is not a laughing matter. Well, actually, perhaps it is because it's so flexible and we change it so regularly now. But it shouldn't be a laughing matter. It should be serious. If Albertans truly support taking on more debt to finance the bloated spending of this government, then the NDP could go to the people and ask for their consent in a referendum.

11:50

This amendment will put teeth on the debt ceiling. It is supposed to be an absolute limit, not a target or suggestion for the Minister of Finance or the government of the day to change willy-nilly whenever they're going to get close to it. This eliminates the temptation to overspend and puts the power of the debt ceiling in the hands of Albertans. It takes it out of the hands of politicians and puts it in the hands of the people, who will actually pay for it. Albertans deserve to have a say on whether or not we incur more debt, which eventually they will have to pay back. The people in this House may find it easy to vote for this and for that, but the people outside this House, who have to pay for it, may have a different view.

This government did not campaign on taking on \$50 billion of debt. They have no mandate for it. They never said to Albertans during the election that we'll balance the budget in 2019-ish. They never said that we would take on \$47.4 billion of debt-ish. They never said that we would raise the debt ceiling to 15 per cent of GDP-ish. They promised Albertans a balanced budget in 2018. They never said that we would take on this kind of debt.

Now the NDP are trying to vote themselves a new mandate and give themselves one that the people did not give them. Well, if they want to do that, it's difficult to stop them with the numbers in this House. We can't defeat their budget. We can't defeat their bills although there is one that is going to come mighty close, I think.

But they can vote to show confidence in their own proposal. If the government members were to vote to require a referendum to raise the debt ceiling beyond what they're proposing, then they would be showing confidence in themselves. They would be showing confidence that they believe they'll actually not exceed 15 per cent or that if they do, they will have the support of the people to go beyond that.

DBRS has predicted, however, that the government will run right through their debt limit by 2020, one year after the next likely election. It is a certainty that unless oil prices have a massive recovery, they will not meet their revenue targets. The Parliamentary Budget Officer in Ottawa has projections that are wildly less optimistic than the government's.

Now, they've brought forward the largest tax increase in the province's history, a \$3 billion carbon tax on everything, a backdoor PST that they have no mandate for, a tax that they never told Albertans they would impose on them, that they will make middle-class and working-class Albertans pay in a non revenue-neutral structure. Perhaps that will help them to meet those wild revenue projections. If the members opposite believe that they can meet those revenue projections and not exceed 15 per cent of GDP, then they should have every confidence in voting for this.

In summary, what we need here is to ensure that the debt ceiling is not a glass ceiling, that can be easily broken whenever the government feels it's convenient. The debt ceiling should be something that we take seriously, not something that we amend every year or two. I hope and will work and fight to ensure that this government does not exceed its 15 per cent of GDP debt ceiling, but I fear that they will. If they have confidence in themselves not to do that, then they can vote for this. Let's take a critical decision like this, that is made too casually by politicians, out of the hands of politicians and put it straight to the people.

I encourage all members of this House to vote for this amendment. Thank you.

The Chair: Hon. members, pursuant to Standing Order 4(3) the committee will now rise and report.

[The Deputy Speaker in the chair]

The Deputy Speaker: The hon. Member for Calgary-Cross.

Miranda: Thank you, Madam Speaker. The Committee of the Whole has had under consideration a certain bill. The committee reports progress on the following bill: Bill 4. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

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

Hon. Members: Aye.

The Deputy Speaker: Opposed? So ordered.

The hon. Deputy Government House Leader.

Mr. Bilous: Yes, Madam Speaker, I move that we adjourn till 1:30 this afternoon.

[The Assembly adjourned at 11:56 a.m. to 1:30 p.m.]

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