



Legislative Assembly of Alberta

The 27th Legislature  
Fifth Session

Standing Committee  
on  
Finance

Department of Treasury Board and Enterprise  
Consideration of Main Estimates

Wednesday, March 7, 2012  
6:30 p.m.

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**Legislative Assembly of Alberta  
The 27th Legislature  
Fifth Session**

**Standing Committee on Finance**

Renner, Rob, Medicine Hat (PC), Chair  
Kang, Darshan S., Calgary-McCall (AL), Deputy Chair

Allred, Ken, St. Albert (PC)  
Anderson, Rob, Airdrie-Chestermere (W)  
Drysdale, Wayne, Grande Prairie-Wapiti (PC)  
Fawcett, Kyle, Calgary-North Hill (PC)  
Knight, Mel, Grande Prairie-Smoky (PC)  
Marz, Richard, Olds-Didsbury-Three Hills (PC)\*  
Mitzel, Len, Cypress-Medicine Hat (PC)  
Prins, Ray, Lacombe-Ponoka (PC)  
Rodney, Dave, Calgary-Lougheed (PC)\*\*  
Sandhu, Peter, Edmonton-Manning (PC)  
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\* substitution for Mel Knight

\*\* substitution for Ken Allred

**Department of Treasury Board and Enterprise Participant**

Hon. Doug Horner                      Minister

**Also in Attendance**

Hehr, Kent, Calgary-Buffalo (AL)  
MacDonald, Hugh, Edmonton-Gold Bar (AL)

**Support Staff**

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6:30 p.m.

Wednesday, March 7, 2012

[Mr. Renner in the chair]

**Department of Treasury Board and Enterprise  
Consideration of Main Estimates**

**The Chair:** Ladies and gentlemen, I'd like to call this meeting to order. I note that the committee tonight has under consideration the estimates of the Department of Treasury Board and Enterprise for the fiscal year ending March 31, 2013.

There are just a few housekeeping measures that I want to get out of the way before we turn things over to the minister. Most of you have probably heard these many times before, but I'll repeat them one more time. The microphones are controlled by *Hansard*, so in fact it will impair the operation of the sound system if you attempt to turn your microphone on and off. It will happen automatically. We also ask that you keep BlackBerrys off the table. They tend to cause interference with the sound system.

I'm going to ask each of the members around the table to introduce themselves, but before I do that, Minister, could you introduce your staff that have joined you this evening? Then we'll have the members introduce themselves.

**Mr. Horner:** Certainly, Chair. I've got quite a large crew, as you can see. I think they feel I need a lot of help. First, I'd like to start with Annette Trimbee, the Deputy Minister of Treasury Board and Enterprise on my left; Dale Silver, public service commissioner for corporate human resources on my right; Lori Cresey, senior financial officer for the department; Darren Hedley from Aaron Neumeyer's department, spending management and planning; Neill McQuay, ADM of strategic capital planning; Justin Riemer, ADM, enterprise; John Tuckwell, director of communications; Gisele Simard, Acting Controller; Dan Stadlwieser, chief internal auditor; Mary Anne Wilkinson, assistant commissioner, labour and employment practices; Lori Cooper, assistant commissioner, attraction and technology and human resource community development.

We also have staff from the minister's office: Monica Barclay, my special assistant; Tim Schultz, my executive assistant; and David Williams, who is Deputy Minister Trimbee's executive assistant.

I believe that's the entire list, Chair.

**The Chair:** Thank you, Minister.

Before I ask the members to introduce themselves, I want to for the record point out that pursuant to Standing Order 56(2.1) to (2.3) Mr. Rodney is substituting for Mr. Allred and Mr. Marz is substituting for Mr. Knight.

With that, I will start with Mr. Kang on that side of the table, and I'll have members that are committee members introduce themselves.

**Mr. Kang:** Darshan Kang, MLA, Calgary-McCall and deputy chair.

**Mr. Taylor:** Dave Taylor, Calgary-Currie.

**Mr. MacDonald:** Hugh MacDonald, Edmonton-Gold Bar.

**Mr. Sandhu:** Peter Sandhu, Edmonton-Manning.

**Mr. Mitzel:** Len Mitzel, Cypress-Medicine Hat.

**Mr. Hehr:** Kent Hehr, MLA, Calgary-Buffalo.

**The Chair:** I'm Rob Renner. I'm the MLA for Medicine Hat.

**Mr. Fawcett:** Kyle Fawcett, Calgary-North Hill.

**Mr. Rodney:** Dave Rodney, Calgary-Lougheed. Welcome.

**Mr. Prins:** Ray Prins, Lacombe-Ponoka.

**Mr. Drysdale:** Wayne Drysdale, Grande Prairie-Wapiti.

**Mr. Marz:** Richard Marz, Olds-Didsbury-Three Hills.

**The Chair:** All right. Thanks very much. Welcome, everyone. I just have a few more instructions to get out of the way before we begin, again, so that everyone understands what the sequence is for the evening. According to Government Motion 6 the minister will make opening comments not to exceed 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes members of the third party and the minister may speak followed by 20 minutes for the fourth party and the minister and 20 minutes for any other opposition party and/or independent members. Any member may speak thereafter.

Committee members, ministers, and other members who are not committee members may participate.

Department officials and members' staff may be present but may not address the committee.

Members may speak more than once; however, speaking time is limited to 10 minutes at a time.

A minister and a member may combine their time for a total of 20 minutes. Members are asked to advise the chair at the beginning of their speech if they plan to combine their time with the minister's time.

Three hours have been scheduled to consider the estimates of the Department of Treasury Board and Enterprise. If the debate is exhausted prior to three hours, the department's estimates are deemed to have been considered for the time allocated in the schedule and we will adjourn; otherwise, we will adjourn at 9:30 p.m.

Points of order will be dealt with as they arise, and the clock continues to run.

I point out to all members that the vote on the estimates is deferred until consideration of all department estimates has concluded and will occur in Committee of Supply on March 13, 2012.

I have not been advised that there are any amendments this evening, so we will not be dealing with amendments.

With that, Mr. Minister, I invite you to give your opening remarks. You have 10 minutes.

**Mr. Horner:** Thank you very much, Chair. It's a pleasure to be here this evening to discuss the business plan and the estimates of the Ministry of Treasury Board and Enterprise and corporate human resources. Before I get into the meat of my remarks, I do want to take a moment to thank all of the staff that are seated with me and the departments that work with them for the hard work that they do on behalf of all Albertans. I can tell you that given the compressed time frame that we went through from the October period to today, the team behind me has done yeoman's work on behalf of all Albertans in order to get to what we're talking about today in what we believe is quite a good budget.

The ministry assists the overall work of government through a variety of support services that work with other departments. It's a fairly basic kind of purpose, and the purpose is to ensure that Alberta has a strong and competitive economy as well as an

efficient, effective, and accountable government with a vibrant and innovative public service.

The program areas include spending management and planning, strategic capital planning, internal audit, the office of the Controller, corporate human resources, air services, enterprise, and ministry support services.

An important change in the ministry's function over the past few months has been the addition of the economic development portfolio, or enterprise. The primary responsibility is to help strengthen Alberta's economy through the core business of economic development, planning, and co-ordination as well as industry and regional economic development. This includes supporting the efforts of the Alberta Economic Development Authority, the Northern Alberta Development Council, regional economic development alliances, the Competitiveness Council, and Productivity Alberta.

On many levels Alberta's economy is in good health even during this time of economic uncertainty. We have one of the strongest natural resource and energy sectors in the world that serves as our economic base. Our economic growth is expected to be 3.8 per cent in 2012, which is almost double the expected growth of the entire country. We lead the country in employment growth and have the best paid workforce in Canada.

While Alberta is currently in an enviable fiscal position, we also know that we cannot afford to become complacent when it comes to growing our economy. In this increasingly interconnected global marketplace, we're facing even fiercer competition for investment, labour, and development. If Alberta is to realize its full potential, we must be strategic and collaborative in the way we move our economy forward, strengthen partnerships with emerging markets such as Asia, and address key issues such as our labour supply challenges, diversification, building a knowledge-based economy, maintaining Alberta's competitive business environment, and enhancing rural economies.

Our staff work closely with community stakeholders, business, and industry. In January, for example, we hosted an economic development summit that brought together economic development leaders and postsecondary leaders from across the province to discuss the long-term vision for the province. It was an important opportunity to set priorities and identify ways that we can better co-ordinate and align our efforts to achieve the greatest economic results.

Going forward, the provincial government will have an essential leadership role in guiding that overall vision that will serve as a navigational beacon for our partners and stakeholders. The economic development summit that we had was really the passing of the torch of the Premier's economic council's report to the economic developers in the province.

Other examples of important initiatives taking place over the coming months include the establishment of rural Alberta business centres in eight communities to assist regional economic development by ensuring that small-business owners have access to timely information and advice that is tailored to their unique needs and the creation of a comprehensive northern development strategy in collaboration with community stakeholders and other government ministries, that will help the region continue to grow and develop in a sustainable manner with an outstanding quality of life.

Two important goals of the Treasury Board and Enterprise business plan are related to effective and efficient government and to disciplined government spending. Budget 2012 reflects those values by responsibly investing in programs that support Albertans' quality of life without raising taxes and by positioning

the province to balance the budget by 2013-14, a commitment that was made by our Premier.

#### 6:40

The total expense of \$41.1 billion has increased by 3.3 per cent, less than population plus inflation. Seventy-five per cent of this budget provides Albertans with better access to health care services, provides help for our growing seniors population, ensures a better quality of life for the vulnerable, and continues to build the best education system in Canada.

A significant investment in public infrastructure, 16 and a half billion dollars over the next three years, will help support Alberta communities and position the province for economic growth. Budget 2012 also fulfills one of my mandates as President of Treasury Board and Enterprise by establishing three-year predictable funding for school boards, postsecondary institutions, and municipalities to allow greater stability and improved planning.

This budget is the start of what we want to accomplish on behalf of Albertans over the next three years, laying the foundation for what we're striving to achieve over the next 10 years.

Going forward, this government will introduce additional fiscal discipline and a new results-based approach to budgeting as outlined in Bill 1. In a process led by Treasury Board, government will review all government programs and services to ensure they are achieving the outcomes that Albertans want in the most effective and efficient way possible. It's about looking ahead to meet the needs of a province with a population that has grown to between 5 million and 10 million people.

Approximately one-third of programs will be assessed in each of the next three years to ensure government is effectively focusing its resources on meeting the current and future needs of Albertans. Recommendations from program reviews will be made public and will form the basis of future budget and policy decisions. Departments will be required to justify all expenditures and to demonstrate how they will benefit Albertans. We'll scrutinize costs and challenge automatic growth of spending, assigning funds only where they are needed. This process includes an update of the 20-year capital plan to ensure it aligns with Albertans' priorities.

While a lot of good work has been done in recent years to enhance government efficiency through value assessments and in-year savings targets, results-based budgeting takes our fiscal planning process to the next level. It goes beyond dollars and cents and the search for administrative efficiencies. At the heart of results-based budgeting is a focus on outcomes to ensure programs are addressing the right priorities, producing the results they are designed to achieve, and then allocating resources accordingly. While results-based budgeting represents an evolution in government's approach to fiscal planning, we expect the vast majority of activities associated with the review processes to be accommodated within ministry budgets and staff.

Treasury Board will also continue that work that is already under way to strengthen accountability and reporting to Albertans and streamline processes as well as monitor spending. For example, a lot of work has been done to ensure business plans are more concise and annual reports are available in June rather than three months later. This year's fiscal plan is about 30 pages shorter as duplication between sections has been reduced.

A huge partner in having an effective and efficient government is the public service. Alberta's public servants make a difference in the province, providing essential services to support Albertans' health, safety, and security. They do a great job, but it is important

that we continue to evolve and grow, to ensure we are following best practices in achieving the results Albertans want. Part of my mandate as the minister is to develop and implement plans to make the Alberta public service a leader in innovation, efficiency, and delivery of service to Albertans.

Members of the Alberta public service will have the opportunity to provide input into the program reviews that will be conducted over the next three years. Their experience and expertise are essential to helping us understand programs and outcomes as well as identify areas where improvements can be made. As we continue forward, we'll need a strong and committed public service.

The challenge before us is the same facing many employers in Alberta: attracting qualified staff in a competitive labour market and addressing demographic shifts that will see more employees become eligible for retirement as the baby boomer generation ages. To ensure we have a strong, engaged public service now and into the future, we are looking at how we need to support the public service. Over the next few months practical actions and steps will be developed as we strive for excellence. Our focus will be on leadership, making a difference, working with pride, supporting innovation and collaboration, and ensuring that the Alberta public service is a great place to work.

As a result of this work public servants will be fully empowered to make a difference in the lives of Albertans. They will work with purpose and pride on significant issues facing our province and will learn, grow, and improve so that they can deliver the best possible outcomes for Albertans.

In terms of the budget estimates themselves I'll only make a few brief comments. The ministry budget is pretty straightforward, consisting primarily of manpower costs. While there appears to be a significant increase in the Treasury Board and Enterprise budget over last year, the majority of the increase is related to capital planning and project dollars.

These dollars will be transferred to other ministries as projects are approved and planning and preliminary design work gets under way. The largest component of this is a hundred-million-dollar provision for capital projects, which represents less than 2 per cent of this year's capital plan. The provision will allow us the flexibility to address major emerging capital projects that may result, for example, from the capital plan review or to take advantage of the new federal building Canada fund, that is a cost-shared program. [Mr. Horner's speaking time expired] Is that it? Okay.

**The Chair:** That's all the time. You can probably find an opportunity to get some of the other information onto the record.

Mr. MacDonald, I understand that you are going to lead things off for the Official Opposition. You have the option of having a 10-minute presentation or having 20 minutes combined, back and forth with the minister.

**Mr. MacDonald:** Let's go back and forth with questions and possible answers.

**The Chair:** All right. The way that it will work is that there are three 20-minute segments. The bell will ring at the end of the first 20 minutes, then the second 20 minutes, and then the third 20 minutes just so you have a bit of an idea on where your time is.

You're away.

**Mr. MacDonald:** Okay. Thank you very much. Thank you for your opening comments, Mr. Minister. My first series of questions will be around your budget estimates on page 304 of the

government's main estimates. When you look at the four columns there, you go from the 2010-11 actual, then you see the 2011-12 budget, the forecast for 2011-12, and then the estimate for this year, 2012-13. I find it very useful, in looking at these 2012-13 estimates, to compare them to the previous years'. The first question I have for you is: could you explain to me, please, where the actual numbers for 2010-11 come from, or why do you use them?

**Mr. Horner:** Why do we use actual numbers, hon. member? I'm a little curious. Do you want us to use different numbers?

**Mr. MacDonald:** Well, you are using different numbers, and we will get to that in a minute.

**Mr. Horner:** You'll have to give me a little more than that.

**Mr. MacDonald:** Okay. The 2010-11 actuals, that are on the left-hand side of your four columns: where do you get those numbers from?

**Mr. Horner:** They're carry-forward numbers from the previous year.

**Mr. MacDonald:** Are they audited by the Auditor General?

**Mr. Horner:** Everything is audited by the Auditor General, yes.

**Mr. MacDonald:** Are they carried forward from the 2010-11 annual report, which is audited by the office of the Auditor General and signed off?

**Mr. Horner:** They would be, yeah.

**Mr. MacDonald:** They would be? Okay.

Well, let's start with element 1, then, if that's the case.

**Mr. Horner:** Okay.

**Mr. MacDonald:** The minister's office: you were indicating that in 2010-11 you spent \$405,000, which is significantly less than was anticipated to be spent. That number is accurately reflected in this year's budget estimates. The deputy minister's office: you indicate that in 2010-11 \$539,000 was spent, and you anticipate this year to increase that amount to \$679,000. In corporate services you indicate that \$1,421,000 was spent, but in the annual report the audited statement indicates that there was significantly less than that spent, \$1,138,000, I believe.

6:50

**Mr. Horner:** For which year, hon. member?

**Mr. MacDonald:** That would be for 2010-11.

I'm confused why you would want us to work with these numbers. I'm pointing out the difference here in the actual that you report for corporate services. Why in your estimates is the number different?

**Mr. Horner:** Well, okay. The actual numbers would have come over after the change in the department's reorganization. They would have an adjustment to the numbers. As you will know from your research, hon. member, the oil sands secretariat is no longer in our department. You will also know that Enterprise was not in our department in previous years but is in our department this year. So there are a number of costs that are incorporated into all three of these offices that were not related to what was previously

the Treasury Board, if you will. We didn't have Enterprise before; we had the oil sands secretariat. So we've had some shifts in reorganization there.

**Mr. MacDonald:** If this document comes prior to the reorganization, the annual report, and certainly was signed off in the summer . . .

**Mr. Horner:** Hon. member, which document are you referring to?

**Mr. MacDonald:** I'm looking at the annual report for the Treasury Board for 2010-11, which was signed off on the exact date . . .

**Mr. Horner:** Okay. Which did not have Enterprise.

**Mr. MacDonald:** On June 15 Grant Robertson signed off on this. Okay?

You initially told me that those actuals come from this annual report. These numbers should not have anything to do with the reorganization of the government. For instance, in capital projects development, in the provisions for capital projects, you just omit it. I can understand where you're coming from with the government reorganization in October, but I can't for the life of me see why these numbers should be different, sir.

**Mr. Horner:** I see what you're looking at now. The \$477,000 and the \$605,000 are the same. What you're looking at is the \$1.456 million versus the \$1.192 million?

**Mr. MacDonald:** Yes. That's in the budget now. But the column to the left would be the actual amount spent, that was audited.

**Mr. Horner:** Well, the 2010-11 numbers are the same, hon. member. The \$477,000 and the \$605,000 are the numbers that carry forward from the 2010-11.

**Mr. MacDonald:** They're not the same. I'm sorry.

**Mr. Horner:** So you're talking about corporate services?

**Mr. MacDonald:** I'm talking about corporate services. The actual amount you indicate in your estimates that was spent was \$1.421 million, but in the annual report it's a different number. It's \$1.138 million.

**Mr. Horner:** Okay. I think I see what you're saying.

**Mr. Prins:** Is this Public Accounts or estimates?

**Mr. MacDonald:** This is estimates, Mr. Prins.

**Mr. Horner:** So the \$301,000 that's in the 2010-2011 adjustment – the \$300,000 difference is the Enterprise corporate services that came in before the end of the year. In other words, we changed mid-year, right?

**Mr. MacDonald:** Why is this not noted anywhere, this change?

**Mr. Horner:** Where would that be noted? It would be noted at the end of this year. That would be where we would get that note, right? When they audit this year, that would be noted. So it would be included in the audit. We haven't finished 2011-12 yet. Then this would be the audited statements that would come to Public Accounts Committee, I would assume.

**Mr. MacDonald:** So when we look at 2010-11 now, there is slightly more than \$2 million spent in ministry support services,

not the \$2.365 million that is indicated here in the 2010-11 actual. That's inaccurate, sir.

**Mr. Horner:** It's restated as \$2.428 million. That is what you're suggesting, correct?

**Mr. MacDonald:** No, I'm not suggesting that. I'm suggesting that there's a 27 per cent increase. I know that there's a 27 per cent increase in the amount of money that you're requesting in these estimates, 2012-13, from two years ago, and that is not reflected in your estimates because you have inflated the number.

**Mr. Horner:** Well, let me finish the answer to your question. In the original ministry support services was \$2,127,000. That was the original in the 2010-11. There was an adjustment made for \$301,000 for Enterprise corporate services, which restated that number. Now we're moving forward with the restated numbers that the Auditor General would have seen, moving forward to the 2011-12 budget, which are not the 2010-11 numbers. It's obviously the new numbers.

**Mr. MacDonald:** What kind of accounting practices do you use . . .

**Mr. Horner:** When we change departments?

**Mr. MacDonald:** No. Whenever you're changing the actuals from a previous year where the Auditor has already signed off on it.

**Mr. Horner:** You always have prior-year adjustments in just about any accounting methodology if you've had a change in the way you're putting out your numbers in terms of the expenses.

**Mr. MacDonald:** What, again, then, would necessitate these changes when the year ended March 31, 2011, well before you reorganized this department? Why would you do that?

**Mr. Horner:** No. I believe Finance came in – the Minister of Finance left, as I recall, in March of 2011.

**Mr. MacDonald:** Yes. There was one very capable individual, in my view, looking after two departments, Finance and Treasury Board.

**Mr. Horner:** Enterprise came over with that, correct? The Enterprise corporate services would have come over with that as well. When we reorganized and pulled them back apart, you have adjustments that have to be made based on that reorganization. What you're looking at, effectively, is two reorganizational adjustments from where we moved the two departments together to where we moved the two departments out.

**Mr. MacDonald:** What I'm looking at here are two sets of numbers, with an inadequate explanation as to why they exist, particularly with the annual report that was just released last summer. This was, again, completely prior . . .

**Mr. Horner:** The annual report last summer includes the consolidation of Finance and Enterprise into Treasury Board – correct? – and then we took it out.

**Mr. MacDonald:** Among other things, yes.

**Mr. Horner:** We've made the 2010-11 and the 2011-12 compatible to the current organization, which is the way you would restate your finances.

**Mr. MacDonald:** Where's the public disclosure of these changes?

**Mr. Horner:** That basically is the comparable, what you're looking at up top there. It says "comparable."

**Mr. MacDonald:** I have no comparable in my estimates. I have an actual, a budget, a forecast, and then an estimate.

**Mr. Horner:** When you look at page 304, at the top does it not say "comparable"?

**Mr. MacDonald:** No. It says "comparable" for 2010-11, '11-12 but not for 2012-13.

**Mr. Horner:** You're comparing the new corporate structure, which has not changed in 2012-13. We don't anticipate changing the corporate structure again.

**Mr. MacDonald:** Well, I'm not satisfied with that explanation.

**Mr. Horner:** We'll give you a written response, that the Auditor General can have a look at.

**Mr. MacDonald:** I looked diligently to find an explanation as to why these numbers were different. It's not only in this department, sir. It's in other departments of this government where this is going on. There is no explanation that I can find to change these, and this is a serious matter. You are comparing 2010-11 actuals without any notice to what you're requesting here in your budget estimates.

**Mr. Horner:** I would point the hon. member, before he gets too far down the road of accusations, to the government estimates for 2012-13.

**Mr. MacDonald:** I'm not accusing anything. I'm pointing out facts here. I'm looking at your budget.

**Mr. Horner:** Well, read 2012-13 Government Estimates, hon. member. It's in the preface on page iii under Government Organization and Budget Presentation Methodology. It's listed there.

**Mr. MacDonald:** Okay. Page iii, yes. I'm looking. Okay.

**Mr. Horner:** "The Ministry of Treasury Board and Enterprise became . . ." I am no doubt thinking that you have found what you believe to be errors in accounting in all of those departments that are listed there because they've all had a restructure and an organizational change. You may want to reflect back on those departments when you're looking at the changes that you saw. What has happened is that you're compounding two different organizational changes that have happened in this department, which are reflected in comparable results.

If you would like, we can give you the accounting entries, if you will, to show you how that all flowed through for our department.

7:00

**Mr. MacDonald:** In the first paragraph of this so-called explanation of yours that doesn't carry weight because you do not point out the changes that may have occurred to annual reports. So I can't accept that.

**Mr. Horner:** Hon. member, in any generally accepted accounting principles if you have restated an organization's structure going forward . . .

**Mr. MacDonald:** You would notice it.

**Mr. Horner:** . . . you restate, and we do.

**Mr. MacDonald:** No, you don't.

**Mr. Horner:** That's what this page is all about. We are noting to you that these are comparable to the current organizational structure of those departments, not the past organizational structure because you wouldn't have, as you like to see, the flow of dollars from previous years into the next years. You wouldn't have a relatively good comparator if you didn't change the organization to reflect what it looks like in the future to the past.

**Mr. MacDonald:** Your explanation on page iii: again, it's not satisfactory.

**Mr. Horner:** Again, the Auditor General and generally accepted accounting principles would dictate that this is how we do our accounting. If the hon. member has some issue with generally accepted accounting principles, I suggest you take them up with the Auditor General.

**Mr. MacDonald:** No. You're responsible for your department, not the Auditor General. You can't pass this buck onto the Auditor General.

**Mr. Horner:** I'm responsible, hon. member, to ensure that my books are in generally accepted accounting principles and auditable. That's what we've done.

**Mr. MacDonald:** I do know that the Auditor General has signed off on this.

**Mr. Horner:** And he'll sign off on these, too.

**Mr. MacDonald:** It will be interesting to see what changes are going to be made.

The office of the Controller. We're going to move on to program 4 and the actual spent. For the office of the Controller there should have been no changes between 2010-11 and now, but you indicate there was \$3.7 million spent, and you are requesting this year \$5.1 million, which is an increase. But when you look at the annual report again, you see where the office of the Controller actually spent slightly more than \$3 million and had an unexpended amount of half a million dollars. Yet you see fit to request an additional \$2 million since that time, and we're looking at a two-year time period. Why would it be necessary to increase this budget by so much?

**Mr. Horner:** The budget for the office of the Controller has increased from \$4.338 million to \$5.129 million, as the member has pointed out, which is an increase of 18 per cent; \$600,000 of that increase is to determine the fit/gap between the current state of differing capital asset management systems in departments and one centralized capital asset management system available to the government of Alberta.

In addition, the increase in budget is due to some nondiscretionary manpower increases because, as I stated in my opening comments, the majority of our department is manpower costs. The 4 per cent cost-of-living adjustment is in effect April 1, 2012. There is a 3 per cent in-range increase for non-union employees and a 4 per cent merit increase for union employees who have not reached their maximum. There is a \$950 health spending account for non-union employees and \$750 for union

employees. There is a 1 per cent increase in employer contributions towards benefit plans, in particular pension plans.

The forecast for the office of the Controller exceeds the budget by \$196,000; the excess is primarily due to the increase in funding for the finance business process re-engineering initiative, which we've had going for a couple of years, but we're kicking it up a notch because we want to make sure that we get the value adjustments that we want to get out of that.

**Mr. MacDonald:** Okay. But you can't explain why there is a difference in your budget estimates here for 2010-11 of \$668,000. There's a difference between what you claim you are going to spend and what the Auditor signed off on, which is \$3,061,000.

**Mr. Horner:** Where are you at again? You're on this one, are you?

**Mr. MacDonald:** On program 4, yes, office of the Controller.

**Mr. Horner:** You're looking at the \$2.971 million and the \$650,000 supplementary?

**Mr. MacDonald:** No. I'm looking, sir, at the \$3,729,000, the actual for 2010-11.

**Mr. Horner:** Oh. Okay. Sorry. Gotcha.

**Mr. MacDonald:** In the annual report it's significantly less than that; it's \$668,000 less.

**Mr. Horner:** What you have included in the office of the Controller on this one is an increase in the actual expense of \$51,000, and \$90,000 from the budget in fiscal year 2010 is due to, as I mentioned, the finance business re-engineering. The Ministry of Treasury Board received a transfer from capital projects of \$650,000 for that process re-engineering review. That was in 2010-11. The actual project expenses for the year 2010-11 in the finance business process or re-engineering process project was \$477,000, with \$177,000 surplus due to delays in filling the executive director position, and that resulted in delays in initiating the project.

So you've got a cash flow in terms of the years going on in there right now. That would have been in Committee of Supply March 7. That's on your page 9 that we're looking at. Excluding expenses related to the finance business re-engineering program, the program area had a surplus of \$387,000 when compared to budget, which was largely due to four vacant positions. So, in fact, we're going to be filling those positions as we move forward.

**Mr. MacDonald:** That was quite an answer.

I'll go about it a different way. So you now indicate . . .

**Mr. Horner:** Did you want me to read it back to you again?

**Mr. MacDonald:** No.

**Mr. Horner:** Okay.

**Mr. MacDonald:** No. You can read it back if you want.

If you are now claiming that the real amount is \$3,729,000, what budget did you take the \$668,000 from to top up this amount from the annual report?

**Mr. Horner:** I believe there is an authorized supplementary estimate in there.

**Mr. MacDonald:** I don't . . .

**The Chair:** Can I just interject for one moment for two things? First of all, the first 20 minutes is up. I need to confirm with the Official Opposition that Mr. MacDonald will continue to speak, or is one of the other members that are present planning on speaking?

**Mr. MacDonald:** They're on the list, I believe, to speak.

**The Chair:** Okay. You have one hour to do with as you wish. If you want to use the entire hour yourself, you're perfectly entitled to do that, but then they'll have to wait until the end of the meeting when everyone else has spoken. That's what you're planning to do?

**Mr. MacDonald:** We'll decide after the next interval, sir.

**The Chair:** Okay. That's fine.

Secondly, I want to encourage the back and forth and to and fro of the conversation, but can I encourage both members to be a little crisper in the exchange? It makes it difficult for *Hansard* to get the one- and two-word quips back and forth. If you would make a point of fully putting your question on the table and then the minister putting the answer on the table and try not to interrupt each other, I think it'll make things a lot smoother for *Hansard*.

With that, we'll start the next 20 minutes.

**Mr. MacDonald:** Okay. Thank you.

Now I believe we'll go down to corporate human resources, element 9. Everything, Mr. Minister, balances there except workforce development and engagement. You indicate in your estimates for 2010-11 that \$6,420,000 was spent, and you are requesting roughly the same for 2012-13; however, again in the annual report, in the audited statements it indicates that \$3.7 million was spent, and there's no authorized supplementary budget that I can see here. So, again, where would you get the additional money, which is close to a \$2.7 million difference from what was audited in the 2010-11 report to what you're claiming is in your estimates now?

**Mr. Horner:** Okay. You're looking at what would be 9.4?

**Mr. MacDonald:** Yes, 9.4.

7:10

**Mr. Horner:** The current budget there is \$6,438,000.

**Mr. MacDonald:** Yes.

**Mr. Horner:** Workforce development and engagement develops human resources strategies, policies. We've now taken the corporate workforce initiatives and the workforce development from the previous schedule that you were looking at, and those things have been combined.

I don't know if other members, Chair, have the Treasury Board report that the member is referring to, 2010-2011, in front of them, but page 33, schedule 2, I believe is where the hon. member is looking. Corporate human resources is tagged as number 10 there. Workforce development and engagement is 10.0.4. What is not on the new voted expense by program, page 304, are the corporate workforce initiatives, which we have regrouped together. It doesn't flow directly across because we've taken those two and grouped those two initiatives together. So if you added the two of them together, you would probably have a different number showing. Again, when you restate based on the new structure, this is how you would move forward.

The actual variance in the budget has decreased from \$6.656 million to \$6.438 million, which is a change of 3 per cent. The

reduction is a result of reallocating funds within CHR to support some crossgovernment priorities. The forecast for workforce development and engagement of \$6.441 million is less than budget by \$215,000, and that's primarily due to reduced funding required for the executive and senior management mobility program.

**Mr. MacDonald:** Did you tell me that if I were to add workforce development and engagement together with corporate workforce initiatives, I would come up with a sum of \$6,420,000?

**Mr. Horner:** No. I said that you'd come up with a sum of less than that.

**Mr. MacDonald:** Well, unfortunately, you're wrong. It's \$6.7 million. It would be more than that.

**Mr. Horner:** There is a transfer of three executives to the Executive Council, which was a permanent change due to the reorganization change.

**Mr. MacDonald:** Well, that's not reflected in the annual report.

**Mr. Horner:** It's not in the old one.

Going back again, hon. member, to the principles of accounting, when you restructure, you restructure and restate your actuals from a previous year so they are comparable. If you didn't restate them under the new structure, they would not be comparable for management purposes. I believe you'd find that the Auditor General would agree with that statement.

**Mr. MacDonald:** Okay. Now I would like to talk a little bit about your capital projects.

**Mr. Horner:** Are we going to item 7, then?

**Mr. MacDonald:** Yes, but I would like to note page 46 of the fiscal plan first. There's a long list of projects there, capital plan details. There's investing in families and communities, securing Alberta's economic future, and advancing world-leading resource stewardship.

I guess we could just focus on securing Alberta's economic future. There is other support for this year in question, 2012-13. There is an indication of \$668 million being set aside in other support. Is the \$100 million that you have requested here in that total or outside that total?

**Mr. Horner:** That hundred million dollars is a provision for capital projects that would be transferred to the ministries and be brought forward as . . .

**Mr. MacDonald:** Are you sure?

**Mr. Horner:** Let me finish, hon. member.

**Mr. MacDonald:** Okay.

**Mr. Horner:** Because it is going to be transferred to other ministries, it would not show up as a capital expenditure; it will show up as an expense. If it doesn't get transferred, it will show up as a surplus.

**Mr. MacDonald:** Okay.

**Mr. Horner:** So it is set up as an expense as we would do a grant to postsecondary or some of those. We set those up as expenses.

**Mr. MacDonald:** What do you anticipate this \$100 million will be used for?

**Mr. Horner:** Well, if one was to recall, the building Canada fund is an example of federal dollars. There is another building Canada fund program coming, we're told. These dollars would be there to provide for capital projects in the event that we wanted to match federal funding that the building Canada program may provide to the province. We want to be in a position to take full advantage of any of those dollars. I think in the past we may have actually not been able to do that because we didn't have available dollars to match for capital projects. So that's where this would be as well as for emerging projects that may come through during the year.

The hon. member is well aware as an Edmonton MLA that the municipal airport is scheduled to close. We're not exactly sure when that is going to be. You'll note that there was the \$19 million that we had in capital projects in the previous year's budget that was tentatively tagged for the Edmonton municipal airport for relocation of government aircraft. There will be some capital requirement for alternative landing, per the Health Quality Council report, and we're going to be needing to look at that as well.

**Mr. MacDonald:** Can I anticipate that there are going to be helicopters in the air services fleet?

**Mr. Horner:** I highly doubt it. I would say no because we're not looking at using it to buy equipment; we're looking to relocate the equipment we have. As the hon. member is well aware, there is a fairly significant investment in the municipal City Centre Airport, that not only ourselves but the federal government has in that facility, and that will have to move because the airport is closing.

**Mr. MacDonald:** Okay. Do you have a detailed list of where this hundred million dollars is to be spent?

**Mr. Horner:** Well, no, hon. member. As I just told you, it's there as a provision for what the building Canada fund may or may not be in the coming year because we don't know what the federal government is going to do just yet. It would not have been prudent for us to have not put some money aside for that; therefore, we're going to do that.

The other thing is that there are still some decisions that have to be made about where we're going to move our aircraft and what we're going to do with the medevac services. There are a couple of options that are available to us that we're currently engaged in discussions on. Dependent upon which option is chosen, it will also determine how much and what kind of investment we're going to have to make.

**Mr. MacDonald:** Okay. So this \$100 million allocation is for airports?

**Mr. Horner:** Possibly. Matching with the federal government on the building Canada fund.

**Mr. MacDonald:** Possibly? And what other possibilities would there be for this \$100 million envelope that's sort of hidden in other support of \$668 million?

**Mr. Horner:** I would say that it's hardly hidden in my budget estimates, hon. member. But if I knew what it was going to be for, it wouldn't be a provision; it would be a budget line item for that particular capital project and would be part of the capital plan. So we're not putting it in that line. We're saying that it is a provision

for the building Canada fund, and it would have to be a decision of the Treasury Board for it to be released from there.

**Mr. MacDonald:** After running four deficits in succession, the government has certainly lost credibility with taxpayers. If this is a provision, it's a hundred million dollars that can be spent essentially at the will of Treasury Board. I think it's essential that there be a list of projects that this government could possibly use this money on and that this list should be publicly available. I mean, there's an election coming up, and I certainly hope, you know, that the lower the government party goes in the polls, the more the likelihood is that this money is going to be spent. I certainly hope that doesn't happen.

**Mr. Horner:** Well, hon. member, I don't look at polls, but if I were you, I'd be interested in some of the polling numbers around your party right now.

**Mr. MacDonald:** Oh, you come door-knocking with me, and you'll be surprised, sir.

**Mr. Horner:** Hon. member, I think what you're looking for is a list of things that might happen, and I've just put on record for you some of the things that might happen. That's why we put this. It's prudent for us to be prepared, and I think Albertans want us to be prepared. They also want us to be in a position to build the infrastructure that Albertans need for the future, which will also include matching federal funds that may come to us. I think that's good business sense.

7:20

**Mr. MacDonald:** Well, after the track record of this government in the last four years with your billions of dollars in deficits, I think the taxpayers would disagree with you. It's not prudent that you have this stash of cash to be spent as you see fit when necessary. I think it is well within taxpayers' rights to get a good idea of what you have in mind for this cash. Not only do you have this hundred million dollars; you have an additional \$568 million in other support under securing Alberta's economic future in this budget estimate. That's a lot of money.

**Mr. Horner:** I mean, if you want to see the entire list, I'm sure that could be prepared for you because, I think, there are a lot of smaller projects in there. Given the \$2 billion of other support in the capital line, I can tell you that it includes our capital provision; several health projects, including the Red Deer hospital cancer centre expansion, around \$370 million; many smaller school projects and modulars, around \$230 million. There is the capital for emergent projects, \$185 million; infrastructure and maintenance program for health facilities, \$127 million; the previous building Canada fund, which has already been allocated, of \$81 million; Parsons Creek in Fort McMurray, land purchases; medical examiners' upgrades; Swan Hills equipment and maintenance; hundreds for rehab projects for government buildings and water infrastructure. That is all listed within the capital plan overall. That's what makes up that three-year line of the \$668 million, the \$605 million, and the \$655 million, hon. member.

**Mr. MacDonald:** Okay. If you could table that entire list, I think taxpayers would be interested in having a look at it.

**Mr. Horner:** We can provide you with – well, we just did. I just read it into the record, hon. member, so we can provide that.

**Mr. MacDonald:** But that's not all of the projects. That's not all of the allocation, surely.

**Mr. Horner:** It would take up the rest of your time for me to talk about all of the general rehab projects for government buildings, the examiners' labs upgrades that we're going to be working on, the infrastructure and maintenance programs for health facilities across the province. These are all projects across the province, hon. member, that are going to be ongoing in the coming years.

**Mr. MacDonald:** Well, I would take the time to read it if you would table it, and I think Mr. Anderson from Airdrie-Chestermere would, too.

**Mr. Horner:** There are a number of different capital plans that are out there from AHS, from the school boards, and all of those things. These are all rolled up into that, hon. member.

**Mr. MacDonald:** Okay. Now, Mr. Chairman, the corporate internal audit service. Oddly enough, their actual number from the 2010-11 balance is what the annual report, that's been signed off by the Auditor General, indicates. Now, what role did the corporate internal audit service play in changing these actual numbers for 2010-11? You said that this was within accounting principles, that you were confident that the office of the Auditor General was okay with all of this and how it's presented. What did your own corporate internal audit services say about this, if anything?

**Mr. Horner:** Well, hon. member, I'm not sure how familiar you are with what the corporate Internal Audit Committee does.

**Mr. MacDonald:** Well, very few people are because it's a secret organization.

**Mr. Horner:** Hardly secret, hon. member. I take exception to that, Chair, because we have some great people sitting behind me who do fabulous work on providing objective, risk-based audit services to our ministries across government.

**Mr. MacDonald:** Where is their annual report?

**Mr. Horner:** They're part of my ministry, so they're built into this business plan. It is always a key element of internal controls that you would have an internal audit function, and that's what this group does.

We have done key crossgovernment audits in the past and will continue going forward. The department's implementation of and compliance with the government of Alberta information and security management directives: they're going to be looking at the awarding and monitoring of contracts, that they're effective, efficient, and compliant with the accountability framework for contracted goods and services. There are 26 FTEs in that group that do a fabulous job for the taxpayers of Alberta.

Most of the internal audit functions for provincial and territorial departments report to executive management, often through an internal audit committee made up of deputy ministers. Our internal audit function for departments helps that executive management fulfill their responsibilities. Obviously, they work closely with our Auditor General and have an excellent working relationship with the Auditor General. Hon. member, if you're trying to impugn the integrity of the corporate internal audit group about whether or not they changed some number and there's a secret committee, I think that you should rethink that.

**Mr. MacDonald:** No. I think, hon. minister, you're just a little bit sensitive.

**Mr. Horner:** I protect my people.

**Mr. MacDonald:** Now, you are requesting on their behalf \$4.1 million. Are they going to list any of their audit examinations publicly for the taxpayers to look at? Yes or no?

**Mr. Horner:** The budget for corporate internal audit services has increased from \$3.928 million to \$4.136 million, which is an increase of 5.3 per cent. The increase in the budget is due to the following: nondiscretionary manpower increases; a 4 per cent cost-of-living adjustment, which is effective April 1; a 3 per cent in-range increase for non-union employees and a 4 per cent merit increase for union employees who have not reached their maximum; a \$950,000 health spending account for non-union employees and \$750,000 for union employees. There's a 1 per cent increase in employer contributions towards the benefits plans, in particular the pension plans.

I would also say, hon. member, that two of the eight members on the Alberta Internal Audit Committee are public members, which differentiates it from most provinces and territories that don't have public members. I think most of the ministers are quite confident and comfortable that when our internal auditors provide them with advice, they believe it to be very, very professional. The Auditor General will also be looking at what our internal auditors are doing, but in actual fact, the Auditor General is the public auditor of all of these accounts and will make those public. The ministry provides copies of the final reports to the Auditor General upon his request, so if he believes that he wants to make that public, then that's exactly what the Auditor General's right is. Very above board, hon. member.

**Mr. MacDonald:** Well, you didn't answer my question. Do they produce any public reports on the work that they do?

**Mr. Horner:** It's not their role to do that, hon. member. They provide copies of the final audit reports to the Auditor General upon request. Once the Auditor General has that possession, he's able to access full records and relate that if he chooses to do so. If you're asking for those types of things, I would encourage you once again to talk to the member of the Legislative Assembly who is our Auditor General. You should know that, actually, as a member of the Public Accounts for so many years.

**Mr. MacDonald:** Well, we're going to stick to this line of questioning, Mr. Chairman, because obviously the minister is quite sensitive.

Now, I'm looking at your performance measure in your business plan, the percentage of corporate internal audit significant recommendations implemented.

**Mr. Horner:** Where are you, hon. member?

**Mr. MacDonald:** Page 88 of your business plan. The percentage of corporate internal audit significant recommendations implemented last year, 2010-11, was 89 per cent. My first question is: what happened to the other 11 per cent, and what are they?

**Mr. Horner:** The chosen measures reflect an effective and efficient government. Corporate internal audit services takes a leadership role in that area. The Ministry of Treasury Board . . .

**The Chair:** I just want to interject to point out that the second 20 minutes has expired.

If I might, I also would like to provide some advice from the chair. The purpose of this meeting is to consider the 2012-2013 estimates of the Department of Treasury Board. Comparative figures that are provided by the department are provided to provide the ability for members of the committee to have some sense of what comparable figures were from previous years, but at the end of the day the purpose of tonight's meeting is to help us and, by extension, help the members of Committee of Supply in the Legislature on the 13th to vote on the 2012-2013 estimates. I am just concerned that if we spend much of our time dwelling on comparables, we kind of forget about the purpose of the meeting. The purpose of the meeting is actually to consider the estimates for 2012-2013.

With that, I take it you're going to use the final 20 minutes yourself.

7:30

**Mr. MacDonald:** Yes, I am, and the clock starts now, after your advice.

**The Chair:** The clock has started. All right. Thank you.

**Mr. MacDonald:** Okay. Now, your corporate internal audit recommendations here and certainly the business plan are well within examination in any budget estimate debate that I've been involved in. I'll repeat the question. If 89 per cent of the recommendations were implemented, then 11 per cent were not. What were those recommendations, and why were they not implemented?

**Mr. Horner:** Well, hon. member, in any audit you would have a target for significant internal recommendations. We're probably not going to reach 100 per cent because circumstances can change, making the original recommendation no longer relevant. You could have a recommendation to make changes to a process of a particular program; however, subsequent to the audit a policy decision might be made by government to discontinue that program or to go into a different direction with the program, making the original recommendation no longer relevant. There are a number of those kinds of issues. In fact, even a number of the Auditor General's recommendation that go back some period of time have not been taken off the list because he hasn't been able to go back and verify that things have been done. There's some of that in this as well.

I did want to go back to the capital plan because we kind of went over that fairly quickly, and I wanted to give a little more time to the members of the committee so that they have a better understanding of what our capital plan is all about. I think . . .

**Mr. MacDonald:** No. Excuse me, Mr. Chairman. I didn't ask about the capital plan at this time. Members have lots of opportunity between now and 9 o'clock to ask about the capital plan.

**The Chair:** No. I'm sorry. The rules are very clear. There's 20 minutes, and you have indicated that you have chosen to share your time with the minister. As long as the minister doesn't get out of hand and start to speak for an excessive period of time, then it's within the rules.

**Mr. MacDonald:** No, it's not within the rules. I asked specifically about the corporate internal audit. The minister had time to bring this up before, and he chose not to. Your advice to him, as I recall

from the start, was that there were lots of chances for him to get the remarks that he did not get to complete in 10 minutes on the record. I would respectfully ask you, sir, to be mindful of what you have said.

Please, hon. minister, answer the question regarding corporate internal audits.

**Mr. Horner:** I think I did.

**Mr. MacDonald:** Not the one about your capital plan.

**Mr. Horner:** I did, hon. member. Normally ministers have two years to implement significant recommendations, after which time the internal audit service does a follow-up to ensure that those have been implemented. If the nature of the issue warrants it in terms of if it's a significant one, a shorter time frame is required for the implementation, but it could take several years for some recommendations to be implemented. We know that from the audit side of things. Again, you should be relatively aware of that given your long-term experience on Public Accounts.

**Mr. MacDonald:** So can you give me an example of a corporate internal audit recommendation that has yet to be implemented?

**Mr. Horner:** Off the top of my head I could not. I'd have to go and dig one up.

**Mr. MacDonald:** Wow. Okay.

**Mr. Horner:** I don't memorize them, hon. member.

**Mr. MacDonald:** Well, perhaps if this government did memorize them and perhaps if the audit was a public document, we wouldn't be looking at . . .

**Mr. Horner:** The Auditor General reviews all of those recommendations as well. Obviously, as the Auditor General if there's a recommendation that he feels is significant, it will be one of his as well. I don't see that the Auditor General is hiding anything from you, hon. member. I believe that he's doing a good job.

**Mr. MacDonald:** No one said the Auditor General was hiding anything.

**Mr. Horner:** Your insinuation.

**Mr. MacDonald:** No. You're just sensitive, and you're nervous before the election, and I can understand why.

Now, fiscal sustainability, "disciplined government spending" is what you call it. Earlier, you know, you noted that one of the goals was "efficient, effective and accountable government." This is again on pages 87 and 88. You are talking about results-based budgeting, and you have a performance measure here. On the actual government operating expense from authorized budget the percentage of change in 2010-11 was a decrease of slightly over 1 per cent, and then the targets are the same going out to 2014-15, three years ahead. How are you going to get your budget balanced with just this small change in percentage of actual government operating expense from the authorized budget?

**Mr. Horner:** I think that's the maximum we would like to have that changed, and what you're referring to, I believe, hon. member, would be the results-based budgeting process that we're going to be moving into.

Perhaps I should start by explaining what results-based budgeting is not. It's not about outsourcing or cutting staff or

arbitrarily slashing budgets. It's not about reducing front-line services to Albertans for the sake of saving a dollar. What we are talking about here is an evolution in the way government approaches the budget process. It's about focusing first and foremost on the outcomes and the service deliveries, as I mentioned before, and continually challenging ourselves to improve the way we are providing the supports that Albertans want and need. It's about recognizing that we should always be striving to do better, to be more innovative and more creative in service delivery.

Albertans do expect their government to treat their tax dollars with the same care and respect that they do and to spend responsibly on programs and services that support their quality of life and the future economic prosperity of the province. So we need to ensure that all government programs and services are achievable and achieving the outcomes that Albertans want in the most effective and efficient way possible, and results-based budgeting provides the framework for that process to begin. It's a process that will not only enhance fiscal discipline within government by challenging the notion of automatic growth in spending. More importantly, it's going to help ensure that government is effectively focusing its resources on meeting the needs of Albertans today and 10 or 20 or 30 years into the future. It is much, much more about effectiveness than it is about efficiency.

To establish our path forward, we have to first begin by taking stock of all of our programs and services to determine if they are effective, efficient, and delivering the results that Albertans want. Because of the size and scope of government, approximately one-third of all programs and services will be reviewed each year as part of a three-year cycle. This is a comprehensive review that will include all agencies and boards and commissions and also extend to an update of the 20-year strategic capital plan.

If given the opportunity, I would love to spend a little more time on the capital plan as well, Chair, but we'll stick to Bill 1 as the hon. member wants me to stick to the question at hand.

Recommendations from program reviews will form the basis of the future budget policy decisions. When the review of a program is complete, the budget for that program will be reset, if you will, using a results-based approach that builds the program from the ground up. So departments will be required to justify all expenditures and demonstrate how they'll benefit Albertans, with an increased focus on evidence-based decision-making.

Again, going back to the idea that we're going to start with, "What is the objective that we're trying to achieve with the program," we're going to start by talking to the stakeholders that are involved in that and saying: is this something that is continually needed? And then we'll scrutinize the costs and assign the funds where they're needed.

It's extremely important that Albertans have the input into this review process to help identify those priorities and the outcomes they want to achieve. How to best engage Albertans and to conduct the review of each program will be determined by the nature of the program under the microscope. It's not one size fits all.

It's important to note that we've already been talking with and listening to Albertans on a number of important issues which will be taken into consideration during these reviews. The most recent examples include the Education Act, our budget consultations, which we held last fall, and our cabinet tours this spring. Going forward, we'll also be consulting with Albertans as we take a closer look at the fiscal framework and savings strategy. To ensure

that the process is transparent, annual reports will be made public every fall to outline the progress on the program reviews and to show how government has performed in delivering on the outcomes that Albertans want to achieve.

7:40

**The Chair:** If I might just interject, we had agreed to a back and forth.

**Mr. MacDonald:** Yes, and some of your colleagues are starting to have Rob Anders moments here after that speech.

**Mr. Horner:** Rob Anderson?

**Mr. MacDonald:** No. Anders. You're putting them to sleep, sir.

Now, in your Treasury Board estimates, page 304, I see a communications and human resources budget down in corporate human resources, and that – surprise, surprise – is going up. In your minister's office are there any dollars dedicated to communications? If not, who does your communications?

**Mr. Horner:** We have communications within our office, hon. member. Let me just get that number. Do you want me to look at the communications first or the minister's office?

**Mr. MacDonald:** Well, I'm looking at your ministry support services and other sort of ministry support services. The template for the budget incorporates a communications element into it. Your department does not, and I would just like to know: if you do have a communications budget, where is it?

**Mr. Horner:** In corporate services we have some from the Enterprise ministry that we brought over, and there are three people in the corporate services group that are involved in communications around Enterprise and Treasury Board.

**Mr. MacDonald:** Okay. So your communications budget is essentially included in that \$339,000 request in element 9.2.

**Mr. Horner:** No. It's in 1.3, member, at the top of the page. Then in 9.2 as part of the communications that you would have around hiring and going out for those sorts of things, we have five FTEs and two in the communications supported by the Public Affairs Bureau.

**Mr. MacDonald:** So I could comfortably say without hurting your feelings that it's hidden in the corporate services budget, element 1.3.

**Mr. Horner:** Well, I wouldn't say that we're hiding anything, hon. member, as I continually tell you, but you're right in saying that it is in those numbers.

**Mr. MacDonald:** Okay. Now, you have a very impressive website, and I have been looking at some of the changes on it. Your parliamentary assistant is featured prominently on the left side of the screen.

**Mr. Fawcett:** In my thinner days.

**Mr. Horner:** How's his profile?

**Mr. MacDonald:** Oh, it's just great. Great hair.

I'm just wondering. I've seen three changes in it, and I'm not watching it as closely as I should. How often is this website changed, and what is the cost? How does this factor into your

communications budget? Are those the individuals that change the website?

**Mr. Horner:** I would think they are, yeah. It's our own staff that are doing it. We're not going outside, if that's what you're asking.

**Mr. MacDonald:** No. And how much does it cost to maintain and upgrade or renew or change this website?

**Mr. Horner:** It's part of the ministry operational cost. I don't think we've separated it out as a separate cost.

**Mr. MacDonald:** Okay. My next question. You mentioned the Edmonton Regional Airports Authority.

**Mr. Horner:** No. I mentioned the City Centre Airport.

**Mr. MacDonald:** You mentioned the City Centre Airport. Well, I'm going to mention the Edmonton Regional Airports Authority. In the year that I have from the public accounts off your website, sir, 2010-11, for supplies and services Treasury Board spent \$123,000 on Edmonton Regional Airports Authority. Are those landing fees for government aircraft? What is that amount, and how much do you anticipate you will spend in this budget year?

**Mr. Horner:** I believe it's under line 8, air services. That increase in our budget there is roughly the manpower costs that we talked about before, the 4 per cent cost-of-living and the 3 per cent in-range adjustments, that sort of thing. We do pay landing fees and for fuel and for other items of flight operations to Edmonton International for use of their airports, as does any other, including the RCMP, all those groups.

**Mr. MacDonald:** Okay. Now, you talked about that through corporate human resources there was going to be an expansion of executive searches and that there was going to be a real effort made to attract high-quality individuals to the public service. In the past you have had consulting contracts with Executrade and various other organizations. Last year it was over \$100,000 to Executrade consultants. With this increase in your own budget do you expect there to be a decrease in the number of outside consultants that would be hired to recruit staff?

**Mr. Horner:** I don't think there's going to be much change there in terms of the recruitment side. That would only be on the executive side.

**Mr. MacDonald:** When you're beefing up this portion of your department, corporate human resources, if you're increasing the number of people working in there and you're increasing the budget, why are those consulting budgets for external headhunters or whatever not going down?

**Mr. Horner:** We're constantly searching for new executives. We do have turnover in our government. We've added one FTE in our department. We are, obviously, the corporate human resource part of the corporation, which is the Alberta government, and we do the executive search for those positions that are open.

**Mr. MacDonald:** Okay. Last year you spent with FlightSafety International \$125,000. I'm just looking at contracts here over a hundred thousand dollars. What's the purpose of a supply and services contract with FlightSafety International?

**Mr. Horner:** Well, I'm going to take a quick guess at this and suggest that it's maintenance and whatnot on our planes, but I'll check here. Is this out of Edmonton, hon. member?

**Mr. MacDonald:** I don't know.

**Mr. Horner:** It could also be the landing that we're doing in Calgary because you pay fees in Calgary as well. We can get back to you on that.

I'm sorry. It is flight training services.

**Mr. MacDonald:** Flight training services. Okay. Thank you. That's for staff for air services, correct?

**Mr. Horner:** Well, it's our pilots.

**Mr. MacDonald:** Yeah. You want to have them well trained.

**Mr. Horner:** You want to have them well trained.

**Mr. MacDonald:** Now, your corporate internal audit services: I've got to go back there for a minute. I was listening with interest to what you had to say about how earnest and diligent everyone is. Last year you had over a hundred and fifty thousand dollar contract with Grant Thornton. Is that contract to provide advice to the corporate internal audit service, or is that another audit that has been done?

**Mr. Horner:** We have 26 FTEs in the area of corporate internal audit services, but we also hire out for outside expertise to help with those projects that we've undertaken. As I mentioned before, we are planning for the 2012-15 time frame to look at audits in the department's implementation and compliance with the information security management directives as well as the compliance with the accountability framework for contracted goods and services. We do hire outside expertise for things like IT security. You wouldn't want to pay to have those folks just idling their wheels in a government department, so you're better off and more effective to hire them in.

7:50

**Mr. MacDonald:** Okay. An accounting firm like Grant Thornton: are they working with the office of the internal audit group, or are they doing separate work?

**Mr. Horner:** No. As I said, we'd be hiring them for their expertise to help us with the particular program or audit that we're working on at the time.

**The Chair:** I have to interrupt at this point. The 60 minutes allocated to the Official Opposition has expired.

According to the agenda we will now allocate the next 20 minutes to the third party, the Wildrose Party. Mr. Anderson, I assume that's you. You have the option of having 10 minutes continuous or a 20-minute interchange with the minister. Which would you prefer?

**Mr. Anderson:** I'd prefer to go back and forth as long as we can respect each other's time.

**The Chair:** I'll hold both parties to respect the spirit of the intent. Twenty minutes, then. Go ahead.

**Mr. Anderson:** Thank you. Minister, this will not surprise you. I'd like to start by talking about taxes. You've made it very clear in this budget that you've put forward with your colleague the Finance minister – and I'm not arguing or debating this point –

that you do not have any tax increases in the 2012 budget. No argument. Completely agree. Kudos for not raising taxes in the 2012 budget.

My question is, of course, going forward. You have some very robust projections for future years, and there is a chance that those won't be met. We all hope in this room that they're met and exceeded, but the possibility exists that they won't be. If they're not, there will be a funding gap so that you'll either have to continue to use our sustainability fund to fund – and that's almost at the end of its rope – or you'll have to go into debt or you'll have to raise taxes, one of the three options.

What Albertans are telling us, anyway – and I'm sure they tell you different things as well, and they could tell you some of the same things, but they certainly don't want their taxes raised. My question is: why will your government not commit at this time to not raising taxes in Budget 2013-14 or '15 and so forth, between the next election?

**Mr. Horner:** Well, if I may, hon. member, you're correct in your statement that this budget – and I hope for your support to pass it because it doesn't have any tax increases within this budget, nor does it have any tax increases in the three-year business plan that we're presenting as well. It is predicated on what we believe to be some fairly solid financial projections of the volume of product to be shipped as well as the price of that product as well as the currency fluctuations that we have within the formula of the exports of Alberta.

Indeed, the royalties are not just based on the price, but they're also based on the number of the payouts around some of our projects in Fort McMurray. I look at that, and in my own personal opinion I say that there's the return for what Albertans have invested in the oil sands by way of the original royalty plans and the original royalty rate systems that were out there. We're now seeing the benefit of that and at a very opportune time from the perspective that gas prices have dropped to an amazingly low area and there is no expectation that those numbers will come up, nor is there an expectation that in our budget those numbers are going to come up substantially. However, there is a fair bit of upside in that area because of liquefied natural gas off the west coast. If that becomes an opportunity, which it looks very much like it will, that could have a very positive impact on gas prices, and we could actually see an increase in our royalties from gas, not necessarily perhaps from price but from volume.

Again, in terms of where we're going on the projections, I know that you asked the Minister of Finance the question as well around the forecasts that we have. Those forecasts are very close to what private-sector financial institutions – the TD, the Royal Bank, the BMO Capital Markets – have all suggested are good forecasts. They're not overly optimistic, I think, was their term. I know we can find people on both ends of that spectrum. That's the nature of forecasting.

When you look at the financial projections going out into the future years and you're looking at \$5 billion surplus, my personal view is that we should start talking about: what do we do on the surplus side in terms of the Alberta heritage savings trust fund, the sustainability fund? What do we do in terms of our capital and how we plan our capital?

I know the hon. member is not very fond of amortization of capital projects, but I happen to think that that's a viable financial option for us, and we need to have that discussion with Albertans. As a businessperson I recognize the value in leveraging the balance sheet that we have, and that's part of the discussion that needs to happen in that framework discussion. As well, we need to talk about: is the savings amount that we have in the heritage

savings trust fund enough as it is, or do we want to add to that? You know, what's the dollar value that the sustainability fund should arrive at, and then what do we do after we've arrived at that dollar value? Those are all physical framework questions that we want to have a discussion with Albertans about.

Having said all of that, I think there are other areas where one could also look at how you manage an area where you might have a financial issue in terms of your projections. You mentioned one, the sustainability fund. That's what it was set up for. If you had massive fluctuations in your financial revenues, you would be able to offset that by utilizing your reserve fund, which in our case is called the sustainability fund.

You also have the capital plan itself. There are ways that you can – I know in the hon. member's party's shadow budget there's one year where there's no capital or very, very little capital. It took \$1.6 million out or something. That's one way you could balance the budget. I happen to think that Albertans want us to continue to build and invest in the capital of the province. Therefore, I think that would have to be one of the questions we talk about.

Another area where you would be able to balance out some of those budget items is to amortize that capital in a meaningful way for the useful life of the asset.

There isn't just one thing of: yes, we raise taxes, or no, you don't. We could actually look at lowering taxes, hon. member. We could look at lowering corporate tax, and I think history shows that when you do that, you have an increased economic pie. In fact, you raise the level of revenue from those taxes. You could look at different ways that we might be able to help Albertans with an increase to the deductible that they have and add a little more balance into some of the tax system there.

Frankly speaking, we're \$11 billion away from our next-closest competitor. I like that. I'd like to keep that. That spread is what attracts people to our province. We're not lost to that cause, but we also need to make sure that we're not tying anybody's hands in terms of government policy. I'm not about to sit here as one individual in a caucus of a lot of individuals who would be in part making that decision as well and say that I'm going to tie their hands of any decisions that they're going to make in the future.

**Mr. Anderson:** Okay. Obviously, we're not going to make a promise not to raise taxes.

**Mr. Horner:** My promise is in the budget, and my promise is in the three-year business plan. I'm, you know, a member of a caucus, and I'd like to talk to Albertans about where they think we should go. I'm not about to force a decision upon them around a tax increase or decrease. I want to talk to Albertans about it.

**Mr. Anderson:** Well, I guarantee Albertans would love you to force them not to have increased taxes. I guarantee you they'd love that.

**Mr. Horner:** They might want us to reduce them.

**Mr. Anderson:** Yeah. Well, I would hope so, but we're not talking about reducing taxes; we're talking about increasing taxes.

**Mr. Horner:** You do know there are those in our Assembly who don't want to reduce taxes.

**Mr. Anderson:** That's absolutely true.

Okay. I'd like to talk a little bit about the infrastructure priority list that I harp on about. When I was a member of the Treasury Board – it wasn't very long, only for a couple of months – I was

actually aware of some sort of committee that was being formed. I believe it was the Member for Whitecourt-Ste. Anne at the time that was kind of heading it, but it was in its infancy. It was going to look at starting some sort of infrastructure priority list where you got all of the different infrastructure requests from the different departments and school boards and so forth and you essentially found some way to properly prioritize them.

One of the things that I remember discussing at that time and pointing to – and I'll point to it again – is what the city of Edmonton and the city of Calgary do with their infrastructure or with their capital priorities plans, which are on their websites. I have one in front of me, and it's very, very detailed. It goes six, seven years out. It changes every year as new factors come into play and so forth. It's quite something. They go right from the number one priority, in this case the Pilot Sound fire station, all the way down, and they keep going. It goes all the way through to 50 here, and there are other pages. It goes right through. It takes in parks, roads, EPS, fire services, transit, et cetera. Very detailed, very transparent.

**8:00**

Now, obviously, in your budgets you do lay out, when you release a budget, what you're going to be spending your infrastructure dollars on in that year, and that's good. I would expect that. Over the long term – and you do have some long-term projects also that you mentioned – what I think a lot of folks would like to see in the interests of transparency is knowing what the infrastructure priority list is, from 1 to, you know, 1,000, and that'll get updated every year as new information comes about. In that way they know that when you are able to complete the first 50 of those priorities and so forth that are on your list, then the next 50 should bump up, subject to some change if circumstances change and so forth. At least, it would give people that transparency to know that funding wasn't being allocated based on political purposes but was completely and wholly done on need, and there'd be some transparency in that.

My question is: if the city of Edmonton and the city of Calgary can do that – they include infrastructure on their list that is not yet funded, certainly, in that year or in several years past – why can't we do that as a province?

**Mr. Horner:** Seventy per cent of what we're going to spend our capital dollars on is found in the capital plan, pages 46 and 47. You have that. The specific projects and programs provide detail there for almost 70 per cent of the total capital spending that we're doing. I would also suggest to you that, yes, the city of Edmonton might be able to do it for the city of Edmonton, but we also have the University of Alberta, the University of Calgary, Portage College. We have Transportation, which actually does list out their three-year plan and their rehab plan. These are thousands of projects. There are a lot of projects out there. When you go to that ministry's website – and you can do this; you can go to their website, or you can go to the university's website – you can look at all of the projects that they have under way, and you can also look at the ones that they would like to have in their business plan.

What we do in both the K to 12 system and the postsecondary system is that we look at the provincial needs. The report that's provided every year by the postsecondary system is the Alberta public-sector Campus Alberta planning framework document, which is basically a look at: what is the need, where are the spaces, and where do we need to build new spaces? That changes every year because people don't stay in the same place every year. You may have, as the hon. member would know in his constituency, a huge need one year in an area for postsecondary

access, but then because something else happened close to it, all of a sudden that need may go down, and that project may no longer be necessary at that position where it is, similarly with Transportation.

Those lists are all available; they're all there. Postsecondary does it, Transportation does it, the Education department does it, and Infrastructure, obviously, does it. There are a number of places. I would encourage anyone who has an interest in a specific area rather than just one long list of everything, if they have a specific interest in, as an example, postsecondary, if you go to that website for Campus Alberta, you'll see the list. It's there.

There's also a very good report, and I think that given your positive outlook on value reviews, you would also see in that report for postsecondary that they've done a great deal of work and have to do it every year because it changes every year simply because the needs of the programs change and the needs of the infrastructure change. Sometimes the federal government will come in and provide matching dollars for a particular thing. That changes the needs that we may have because you maybe use those matching dollars to accomplish a need, as we did in the KIP projects that came out. We did a tremendous amount of work on rehab of just a whole number of projects across the province in postsecondary that worked very, very well. We knew where they were, but they weren't on a publicized list, if you will, because you can't do everything for all people all the time, and that's where we come from.

**Mr. Anderson:** Okay. Well, I know it's complicated, and I know that, obviously, the school boards and Campus Alberta and all those folks always submit their priorities. The question is: how does this government decide which priorities come first?

For example, right now in my constituency St. Martin de Porres high school has been waiting for an upgrade for some time. They're not part of Rocky View schools; they're part of Calgary Catholic schools. I think they're third or fourth on the list of priorities that Calgary Catholic submits. How do they know where they are in the overall priority for the province of Alberta if we don't have a listing of priority with regard to infrastructure projects? How will they ever know when they're going to have that school? How do they know things aren't being manipulated? I'm not saying that they are. How can they rest assured that there's no political interference or anything like that, that these decisions on the amount of money that the province decides to give to Calgary Catholic that year or to Rocky View schools in Airdrie or to Edmonton public is completely based on some objective needs formula that's properly weighted and so forth so that it really is those with the highest needs that get the first tax dollars available? Wouldn't that be a good thing to have for transparency?

**Mr. Horner:** In actual fact, hon. member, I was in the House when the estimates for the Minister of Education were being done. I know that you asked him that question, and he gave you the criteria by which they select and prioritize their capital projects and how they go about the allocation of those capital projects. From the perspective of the government as a whole, we consider and balance the infrastructure needs of the province as a whole, and every department brings those forward.

Yes, we've had a committee in the past on capital projects within Treasury Board. One of the things that we're going to be doing with Bill 1 as we start the process of results-based budgeting is look at how we can manage the tremendous amount of requests that we get for capital across the province, across the departments in every area of the province, and put together a value-based Treasury Board decision. Every department will

continue to have their value-based criteria because it's important that they have that, just as I said about postsecondary and K to 12. Every department has those criteria. He put them into the record for you yesterday, I think. I don't know; I think it was yesterday. The days are running together.

**Mr. Anderson:** Yeah. I appreciate that.

Again, I would encourage you on a go-forward – and, obviously, this isn't going to happen in the next three weeks. But if we ever get back, whatever things look like, if you have the ability to do so, I would really appreciate that you'd look at putting together a public list with proper weighting, with objective criteria that everyone can see online. Then it would show how Treasury Board arrived at the decisions that it did with regard to how it's allocating dollars across the province as every department submits its priority lists. We should know how those are arrived at, too, and then at the end of the day Treasury Board has to make decisions. I think Albertans would like to know how those decisions are arrived at and what schools get what.

Anyway, we'll move on to something else. I think you know what I'm asking for there.

How much time do I have left?

**The Chair:** Two and a half minutes.

**Mr. Anderson:** Okay. It's kind of hard to do this in 20 minutes, you know.

I guess a couple of quick questions. I'll give them both to you. You did some online budget surveys. You gave Albertans a chance to go online and do some surveys on what they'd like to see in the budget and so forth. I'll give you both questions because we're at the end here. The first question is: can we get access to those budget surveys so that we can review them ourselves as opposition members?

Also, tax-supported debt. If you look at the DBRS website, tax-supported debt has risen in Alberta from \$7 billion to \$19 billion in the last four years, which is a higher rate than any other province. Is that because of P3 debt? There has been a little bit of direct capital debt as well, but that's a much smaller number.

**8:10**

**Mr. Horner:** I think they're aggregating municipalities. They're aggregating the lending agency. ATB would be involved in that as well, so you've got a fairly significant number just out of the ATB alone that would be in that.

**Mr. Anderson:** Does that include the ATB in this?

**Mr. Horner:** My understanding is that it does because it's tax supported, right? I mean, we back those deposits.

**Mr. Anderson:** Okay. Thanks for the answer to that.

**Mr. Horner:** The budget surveys. Because we had over 5,000 responses to the questions, the budget really does reflect the results of that online survey. I can say again – and I've said it publicly many times – that we thought we were going to get health care as the number one priority and education as the number two priority. We actually got that reversed. The surveys clearly showed that education was a priority, that health care was a priority, that infrastructure was a priority, and balancing at all costs was basically at the bottom of the list. I'm pretty sure that the results of the survey are public. We'll have to check on where that went.

**Mr. Anderson:** Yeah. We can't find them. Thanks.

**The Chair:** All right. Committee members, I guess that does prove that time flies when you're having so much fun. We've used just a little over half of the total of three hours that we have allocated. I'm going to use the discretion of the chair to call a bit of a break. It is, by the clock on the wall, about 12 minutes past 8. We will reconvene at 20 minutes past 8, so you've got eight minutes.

The order of speakers is determined in such a manner that the next speaker scheduled would be from the NDP, followed by independents. If they are not present when we come back from the break, we'll have the PC representative for the next 20 minutes, and then we'll alternate for the balance of the evening between government and opposition.

We'll call a break until 8:20 p.m.

[The committee adjourned from 8:12 p.m. to 8:18 p.m.]

**The Chair:** All right. I'm going to call the meeting back to order.

There being no representatives from the NDP or other parties or independent members, I will call on Mr. Prins from the government.

**Mr. Prins:** Thank you very much, Mr. Chair. I'm happy to ask a few questions and maybe make a few comments. I want to thank the minister for his comments so far.

**The Chair:** Just before you do, I should have asked: are you intending to go back and forth for 20 minutes?

**Mr. Prins:** Yeah. We'll go back and forth. Thank you very much again.

I will ask a few questions or make a few comments on the enterprise side of your ministry. You're Treasury Board and Enterprise, but I think we're more interested in how the economy is working and how it's going to be able to pay for all the good services that we provide to Albertans. Currently Albertans are working very hard in the province, building the province, operating the province, supplying goods and services to both Albertans and the rest of Canada. We have a very strong oil and gas sector – gas is not as well as in the past, but at least it has great potential – the oil sands, mining, SAGD, lots of forestry going on, agriculture, the service sector. There's tourism and value-added businesses, petrochemical, and even value-add within the agricultural sector.

All of these different sectors are taking a lot of people, employees. A lot of skilled labour and unskilled labour are needed to operate these different sectors. I think that with the oil prices where they are and all the potential, you know, in unconventional oil in the province, there's a huge amount of activity happening right now, more than a hundred billion dollars' worth of large projects on the books projected for the next few years, and this is going to put a great deal of pressure on our supply of labour. So I'm thinking there will be some challenges, and I'm wondering what the government is doing to address the labour supply challenges. Are you working with the federal government to maybe recruit more people, temporary foreign workers or maybe permanent immigration?

**Mr. Horner:** Thanks for the question, hon. member. We had our economic development summit, and we brought 62 some-odd different organizations across the province, over 170 people from those organizations that are all involved in economic development across the province, so the Northern Alberta Development Council, the southern Alberta Economic Development Authority, the REDAs from across the province, the postsecondaries in the

province as well as some of our industry that were represented there as well. The number one thing that would be an inhibitor to the economic growth of our pie, if you will, is going to be the labour shortage. That was talked about pretty much as the number one issue.

Since that time I know that the Ministry of Human Services and the Ministry of Intergovernmental, International and Aboriginal Relations have been in discussions with our federal ministry of immigration as well as with other provinces because it isn't just Alberta that is going to be feeling this issue as a huge crunch; it will be Alberta, Saskatchewan, and British Columbia. So perhaps from a New West Partnership perspective we should be putting a lot more pressure on our federal counterparts to help us out with that situation.

We have met with the Alberta Economic Development Authority as well as a new industry association that has been formed that also reiterated to us the importance of working on this immigration file. As recently as this week it was actually in the media that industry is asking for governments at all levels to look at the estimated 114,000 positions that we're going to be short over the next little while and see if we can't figure out a way to alleviate some of that pressure because it isn't just a pressure for us in our economic development; it's also a pressure across Canada when those salaries or that inflationary pressure is put on not just the areas that it's in but then also flows to those areas outside of that.

For jurisdictions such as Ontario or Manitoba or Quebec, where their unemployment might be a little higher, to suggest that it doesn't affect them: it does. Similarly, simply because Ontario has unemployment shouldn't be the reason why the federal government would not increase the number of immigration numbers for Alberta and Saskatchewan because, frankly, if they wanted to be in Alberta, they'd be here already in most cases. We are stepping up our recruitment efforts in eastern Canada for those who are looking for employment and explaining the benefits of coming to Alberta. There's a number of companies that are doing that as well.

The reality is that we're not going to find them all in Canada, and we're going to have to look to other jurisdictions. To that end, next week we are planning on a mission of sorts for myself and some industry folks to visit Ottawa to press for the need to increase the numbers of immigrants to Alberta but also to explain some of the economic realities of the province of Alberta for not only the Alberta caucus members but also the ministers that we have an opportunity to meet with in Ottawa. I think it's imperative that we have if not an arrangement that is specific to Alberta, at least an arrangement that is specific to the New West.

The Premier was in Chicago last week and actually spoke to the consul general there about the possibility of a pilot with the United States. We all know that there's a substantial number of unemployed skilled workers in the United States which we could tap into if we could get the immigration to move a lot smoother.

8:25

We've heard from some of the federal critics of expansion that there are problems with the PNP program, but I think – and this was brought out, I believe, in question period in the House this week by the Minister of Human Services – our program stands as the gold standard for the rest of Canada. We don't experience the same sorts of issues that the federal minister was citing as one of the reasons for why not to increase.

Again, it's different in Alberta than the rest of Canada. We are projecting 3.8 per cent growth. We are creating more than half the

jobs in Canada, and we are in a different space in terms of our employment numbers. We need them to recognize that, and that's one of the pushes that we're doing.

We're also helping businesses increase their productivity through innovation and the adoption of new technologies and processes. We have Productivity Alberta, which is an area that is something that I think is extremely important as we move forward, that is to help companies get better productivity within their systems and their processes because then you don't need as much labour. That is one of the areas we have to work on.

So when we talk about economic development and we talk about moving forward, the immigration piece is a critically important factor for us. We're going to essentially pull out the stops to see if we can't really increase the numbers for immigration.

At the same time we'll work with our postsecondaries to ensure that those who are undertrained in the province or those who need to have a hand up have that opportunity within the province so that we don't miss out on that area of the province's population that is underutilized at this point in time.

**Mr. Prins:** Thank you very much. I can see that you're really excited about that part of the project.

On page 87 of your business plan goal 1.1 states: "Ensure that there is a coordinated and cohesive alignment between Alberta's economic development activities at home and abroad." What I see and what I'm thinking may be in co-ordinating alignment is the timing of large projects and possibly integrating different kinds of projects where they're synergistic different kinds of projects. I'm just wondering if you could explain how we're doing that and what kind of economic development activities you're talking about in this and how that relates to abroad. It says at home and abroad.

**Mr. Horner:** Well, I guess I'm going to go back to the economic development summit that we had this spring. You know, we talked about the labour shortages, and we talked about the strategies around that. But the other thing that we talked about was the co-operation and collaboration of those different organizations. Literally sitting down in that room with those 62 different organizations, it was amazing to see that there were a number that had never met each other before or were not aware that they were doing economic development in the sphere and space that they were doing it in. Part of the issue of the inflationary side or the projects being developed and not being timed appropriately sometimes comes from a lack of information sharing across those different REDAs or economic development authorities.

I think that as we move forward, one of the things that came out, aside from the immigration piece from there, is that there needs to be a leadership role by government within the economic development realm to say: "You know what? We need to have a co-ordinated approach to the economic development and attraction of investment into the province." It's not about, you know, Ponoka competing with Grande Prairie or Ponoka competing with Camrose. It's about Ponoka being able to put itself on a world stage and saying: "This is what we have to offer the world for investors. This is what we have to offer future immigrants to Alberta as a great place to live."

Economic development for Alberta needs to be growing that fiscal pie that is investment and business. That means a co-ordinated, cohesive alignment between Alberta's economic development activities, and that's where we're going to be going

in the near future after this summit. I would say that they were pretty adamant that we needed to do what we had done again and come out of that with some shared action steps in collaborating and co-operating on economic development into the future. That will bring that alignment that you talk of.

**Mr. Prins:** Good. Thanks.

Goal 1.2 is: "Improve Alberta's competitiveness and stimulate investment in value-added resource processing and other industries to diversify and broaden Alberta's economic base." I know that last year we started with the competitiveness councils. It was Bill 1 a couple of years ago. I was chairing one of those on petrochemicals, and there were, I think, two or three others: agriculture, manufacturing, I believe, and I forget the last one. I'm wondering if you could comment on the outcomes of those reports or recommendations and how that's going to impact our economy probably this year and in the years out.

**Mr. Horner:** Again, this is part of the groundwork that every jurisdiction, certainly Alberta, needs to do when we talk about moving forward with economic development because if we're not competitive, we're not going to attract them.

The Alberta Competitiveness Council is a partnership between industry representatives and government representatives. As you said, you were involved in one of those councils. Really, it's about identifying the challenges and then recommending actions to address those challenges. Along with assessing the overall economy, as the member mentioned, we had four key industries reviewed during the first year of operation, which were agriculture, grains and oil seeds; financial services; manufacturing; and petrochemicals, resulting in 18 priority actions. Thirteen of those were sector specific, and then there were five general actions. Several of those actions have already been put into place and have already been completed.

The council also benchmarked Alberta's performance against 14 other jurisdictions using 60 indicators that affect economic growth. Those various indicators included regulation, fiscal policy, the availability of skilled workers, transportation, infrastructure, productivity, and innovation. The council will be mandated to examine additional sectors of the economy and then will report back in the fall along with an update on what the benchmark performance was before. So we will be getting an update as to what we have achieved in terms of the benchmarking that your committee and other committees have done in the past.

The new sectors that we're looking at for 2012 are probably in the macroeconomic factors that are going to affect us but focusing on small business and entrepreneurship. Construction, which is very important to our province, life sciences, tourism, and transportation are the sectors that we're looking at moving forward with in 2012.

**Mr. Prins:** Thank you very much.

On the ones that were finished, have there been any definitive outcomes or plans to move forward with these sectors, and has there been any investment or actual development come out of these things? I would like to know how that's going to impact, say, our budget or our revenue streams in the future.

**Mr. Horner:** The success of the 18 recommendations, which we just received last fall, is not yet evident in a lot of the things that we've done. We've implemented a number of them. A couple of them have been completed. They were things around partnering with Alberta Energy to revise and extend incremental ethane extraction programs, things like that that are starting to pay some

fruit. It's a little early to suggest the outcomes at this point in time, but we will be reporting on all of those this fall, as I said.

Every one of those committees talked about becoming more competitive in the area that it studied so that we could attract that investment and that growth. We are seeing that, but I have to tell you that every time we start moving down one of those paths, we get hit with the labour shortage piece. If you're going to have an expansion in the petrochemical industry, as an example, that's going to take a lot of skilled labour. We have to address that issue for those investors, which means we're going to have to work really hard really quickly to show the plan that we're going to put forward to address that.

**Mr. Prins:** Thank you.

I'll move over to the rural Alberta business centres. That was mentioned as well as part of your ongoing business here. What actually is the role of the rural Alberta business centres that were recently announced?

**Mr. Horner:** We've launched eight new rural Alberta business centres. It's a three-year pilot project that's out there to support small businesses in rural communities across Alberta. It's a \$2 million pilot program that's jointly funded through Alberta Agriculture and Rural Development, Alberta Human Services, and our department.

They'll be opening in the coming months, very soon, I might add, in Slave Lake, Camrose, Cold Lake, Fort Macleod, Hanna, Grande Cache, Rocky Mountain House, and La Crête. Each one of these is a partnership with a local organization and helps promote small-business development in rural areas. Local businesses will be able to access one-on-one business advice. They're going to be able to learn from seminars and workshops and have greater access to relevant information about small business and business opportunities.

8:35

The reality is that the majority of small businesses that fail fail because they needed management expertise, or they weren't properly capitalized, or they perhaps shouldn't have started in the first place. I know from my previous business experience that if you had a mentor or you had somebody that was there to perhaps guide you in the right direction in terms of making some of the decisions when you first started your business, it can mean the difference between success or failure.

If you note the areas that we've put these in, we're making sure that we're not competing with other entities that are performing such functions. In Edmonton or Calgary you have, obviously, a number of entities that are performing small-business assistance and supports. We don't want to duplicate efforts, so we're making sure that we're picking areas where there isn't a duplication.

**Mr. Prins:** Thank you very much.

I'm going to move over to government airplanes for a minute. I know that we have a very large province. We have population centres all the way from north to south and east to west, and government MLAs and employees and people travel around the province a lot.

We do have a very small fleet of airplanes. There are, I think, three or four of them. They are small planes. I'm just wondering if you can justify the use of these planes and if you think that maybe we should have more of them or less, maybe faster ones, or maybe we should just charter them all. Maybe we should just get rid of these planes and charter. Do you have any comments on this?

**Mr. Horner:** Well, I do know that from my past experience – and one of our previous ministers who held the portfolio that had the planes did look at the difference between what we were doing currently with ownership and the types of planes that we own and the lease-to-own or buy the time on the planes. An exhaustive review was done at that time to figure out what the best value was for the government of Alberta and the taxpayers of Alberta. I'm going back – Chair, help me out – probably four or five years ago, when it was decided to purchase two new planes and retire two because of the efficiency of the newer aircraft.

The government's aircraft do enable us to travel to even some of the most remote areas of the province. Fewer than 10 per cent of Alberta communities are served by commercial airlines. The government's King Airs are designed to land on those short strips. As an example, if there are residents in La Crête, Alberta, that need to see a minister, if we didn't have the planes, that would be a very difficult thing for the minister to do and still continue to do his work here in Edmonton.

Given the fact that we have the planes, we can send a team to meet with Albertans anywhere in the province. Albertans want to see their government officials in their communities. They don't want to have to drive to Edmonton and meet with them, and I think the commitment of the time for government officials and ministers to move around the province is extremely valuable to Albertans. That's why we use them.

**Mr. Prins:** Thanks. What you're saying, actually, is that some people would like to have faster airplanes, but if you had, say, a small jet, you couldn't get into these communities anyway. It actually wouldn't work.

**Mr. Horner:** Exactly. That's the point. The twin-engine King Airs that we have are able to land on pretty much most of the strips that are still in operation around the province. If we went to anything bigger that required a longer runway, effectively you would not be able to reach the areas of the province that these planes can reach, and that's a critical factor, that we have access to all areas of the province.

**Mr. Prins:** So we're the right size.

Anyway, there is talk about closing the City Centre Airport. How will that affect this service?

**Mr. Horner:** It's going to affect the service of what we're doing in the sense that we will have to move our base of operations either to the Edmonton International Airport, which is the major airport in the area, or to an alternative. We are in negotiations, or discussions, I would say. [Mr. Horner's speaking time expired] Is that it?

**The Chair:** The time is up.

**Mr. Prins:** Thank you very much.

**The Chair:** I'll give you a yellow flag next time.

That concludes the time for that interaction. The next speaker on my list is Mr. Hehr. Same question: do you want 10 minutes continuous or do you want to do it back and forth?

**Mr. Hehr:** We can just go back and forth.

**The Chair:** All right.

**Mr. Hehr:** Well, I thank you for the opportunity to come into this committee. It's not my regular committee, and I've learned a little bit tonight. I will say that since the time I became elected, I have

learned one thing. It's much more difficult to govern than I thought it would be before I got elected. So I appreciate the role that the minister and the people who are here tonight play in trying to keep the trains moving on time and in the correct direction because it's very difficult given money today and what future needs are and people's demands out there. It's not easy to juggle those priorities, so I commend you all on that process.

I would also like to say that one of the things I've enjoyed about this House is that we often see things in different ways. I saw my friend from the Wildrose, who honestly believes in a low tax regime and keeping our tax regime essentially the way it is. On the other hand, I see things in a different way. I see that things are going to possibly improve, maybe today but more importantly in the long run, for us to really get on a savings plan so when it's all said and done, when the oil has been drilled, the gas has been fracked, the bitumen has been dug up, we have something here in Alberta that recognizes the true bounty of our wealth that we have.

On that front I think we can be blunt here. In the throne speech I was pleased to hear that we are going to look at those revenue streams, okay? I realize it's a difficult time to discuss that. Nevertheless, I was pleased to hear in that speech that there is some contemplation or recognition of revenue streams and whether it would behoove us to snow through all this royalty resource revenue at once.

If we look at the simple facts of the matter, since 1987 – and your ministry would know these numbers better than I do – we have spent some \$225 billion to \$250 billion in petroleum revenues that have gone to paying today's bills, okay? To me it may have been a good way to get elected, it may, in fact, have paved the way to doing some things, but I'm not so sure if it's sustainable in the long run or in the best interests of Alberta in the long run.

You talked here earlier with the member from the Wildrose. Currently we have an \$11 billion, I guess in a right winger's analysis, tax advantage here compared to B.C. Well, even if you believe in a tax advantage, there's no need for a tax giveaway, okay? Even if people are moving here for the taxes, which I think is specious at best – I think a person coming from Newfoundland to work here is moving here for a job, not necessarily for a low tax regime – these things have got to be analyzed in the context of what is reasonable, responsible, and going forward.

I will also say that I'm not the only person who's saying this. If you look at economists out there: the Canada West Foundation, I don't think they'd be recognized as a bunch of left-wing nuts; the Parkland Institute; the ATB's own economists have spoken about this. In fact, the government's own report, which you guys commissioned five months ago – I think it came out five, six months ago – on the economic future of Alberta specifically mentioned revenues and our need to increase them if we're ever going to save for the future.

I'd like to hear what the minister has done with that report, whether any analysis and thought has been given to that report, whether you've analyzed revenue streams maybe just vis-à-vis B.C., the second-lowest tax jurisdiction in this country, as to what if anything needs to be done or what discussion needs to be had with Alberta. Have you identified some of those areas where there may be some revenue streams available to save for the future?

**Mr. Horner:** Well, thank you. First of all, hon. member, I want to thank you for the recognition of the great work that my staff does, as you say, in keeping the trains running on time. We keep the planes running on time, too. I know that that was a genuine comment, and I appreciate it.

8:45

Given the discussion around my response to the hon. Member for Airdrie-Chestermere and his insistence on zeroing in on one line of the revenue, that's something that, in my view, is not a prudent thing to do, which is why we're not in a position that we're going to say that we're going to definitively do this, that, or the other thing. That's just not good governance, and it's not something that Albertans told us they wanted. What Albertans told us is that they want a place where people will make their future and their history here in this province, that they'll move here because we have all of the things that they're looking for.

As an example, if you're just talking about tax, I agree with you, hon. member, that people are not going to move here just because we have the lowest tax regime closing in on North America. But they will move here because we have the lowest tax rate, we have a high quality of living, we have the recreational and cultural activities that they and their families can enjoy, and, yes, we have the opportunity of a job. That's the reason we're getting the immigration. That's why we're creating the types of communities that we have.

So when we look at the fiscal framework of the province, it isn't just about tax, which is what seems to be the buzzword of that particular party. I agree that they've zeroed in on that because it's politically expedient for them to do so. What it is a discussion about – and this we heard in the public consultations that we had in the budget round-tables; we heard it on our cabinet tours; we've heard it on other cabinet tours before. They want to have a discussion about: what does the Alberta heritage savings trust fund look like 20 years from now, and what are we using it for? They want to have a discussion about: what's the right amount to have in the sustainability fund before you start to not use it to cover off a failure on your revenue side? What's the reason or the way that you would fund capital projects that have a useful life of, say, 40 years? Is it not feasible that you could look at a school and say: it's going to be there for the next 30 years; why are we not amortizing it over 30 years and then utilizing our cash in a different way?

Those are things around which, you know – and pardon me for saying so – a Progressive Conservative mind would say: “I need to think about how I'd leverage my balance sheet. I need to think about where my revenue streams are coming from, and I need to look at the sustainability of that revenue stream because we're going to grow by a hundred thousand people a year. We're going to continue to grow, and they're going to continue to look for services, schools, hospitals, and all of the things that make their quality of life.” So we're going to have to have that discussion with Albertans as we move forward, and we're not afraid to have that discussion.

Having said that, what you see before you is a 2012-13 budget that is accomplishing those things that I'm talking about in terms of the infrastructure, the sustainability of our health care system and our social network without raising our taxes because we haven't had a discussion about: “Perhaps if you did lower corporate taxes, what does that do to your economic picture in the province and the attraction? Perhaps if you looked at different ways of how you fund your other systems within the government, what does that do in terms of the mix? How much of your royalty and revenue resource should you use into your operating capital and then put into your sustainability fund?”

We've always had kind of a third/a third/a third rule in policy at least in terms of what we do with excess surplus. A third would go into the sustainability fund to replenish it, a third would go into savings, and a third into new capital projects. I mean, we should

have a discussion about that. I think that is the difference between what they're saying, that they know what to do and they want us to sign on, versus what we're saying, that we want to have a discussion with Albertans about that package, not just one thing but the package.

What you saw in the throne speech was exactly that. What you're seeing in Bill 1 is somewhat like that as well because when we look at Bill 1 and the results-based budgeting, we may actually add dollars into a program or service delivery because it isn't reaching its objectives. I'll go to . . .

**Mr. Hehr:** I think I'm okay on Bill 1. You don't have to go into it.

**Mr. Horner:** All right. I was going to go back over it. No. We'll leave that one.

You mentioned the Premier's Council for Economic Strategy. I'm going to go back to the economic development summit that we held last month, where we actually had Mr. Emerson come in and give us a presentation of where they felt we should go with the council's recommendations. You mentioned that there was an idea that they wanted to have in maintaining and continuously improving Alberta's competitive environment, which included a tax climate discussion that included some of those things. That was one piece of it. But broadening and diversifying the economic base was one of their priority areas – we need to do that – building on knowledge and innovation, realizing the full potential of our energy resources, and supporting continuous development and enhancement of Alberta's labour force.

**Mr. Hehr:** I just want to talk about the tax part of it right now.

**Mr. Horner:** But you have to take it in as part of the package. This is what I'm saying, that you can't just do it as one thing. It's got to be part of the package.

**Mr. Hehr:** But you see your budget this year right now. We have an \$11 billion difference between B.C., and if you look at almost exactly how we're squaring that circle, it's \$11 billion in petroleum revenue. Is that what you essentially see making up the difference in that so-called tax advantage?

**Mr. Horner:** There were a number of folks that brought that up during our round-tables when we had a discussion. This year it matches up. Last year it didn't. The year before it didn't. I believe it was one of the presenters at the economic summit that said that you can take data and torture it until it confesses to whatever you want.

**Mr. Hehr:** Well, I'm going to try this in a little bit of a different way. We have, I think, 14 trillion barrels of oil up there in the oil sands. Okay? Theoretically we could pump this for 300 years. In my view – and I'm not a Merlin or a prognosticator – I'd say that the time frame to save for the future could be as short as 45 years. I heard a great man tell me once when we had read an article and had a discussion – he used to work in our caucus office; now he's working in yours – that energy use changes in 45-year cycles. When people, human ingenuity and the like, really put their minds to it, things can change. I think that can happen here in Alberta. Well, I don't think we can see what can happen 45 years from now, whether we're going to need as much oil, whether we're going to have this economic advantage that we have now.

In my view, it would behoove us to save as much as possible, and I think a much more conservative principle is having a society pay for what they use. Okay? What is not conservative about the

principle of having a society pay for what they use in government services? If they don't want to pay for it, well, cut the services. I don't think we can continue to do this on future generations. I really find it that important for us to save because I don't think our tourist industry, our forestry industry, and the like are going to keep the Alberta advantage rolling even if the PCs are still in power.

You know, I think the province will be nowhere near what we could be without a more pragmatic look at what actually is a conservative use. I know that's out of step with the philosophy of it. The conservative alleged thing is to reduce taxes as low as you can and spend this royalty revenue. That's been a conservative principle. I don't find that conservative at all.

Anyway, I'm rambling. If you could comment a little bit on that and maybe enlighten me where I'm wrong or tell me what we're going to do about it, I would appreciate that.

**Mr. Horner:** I don't think I could have described the throne speech discussion around a discussion with Albertans on renewing the framework any better than you just put it. There's a discussion – and I've always said that the Social Credit philosophy was to keep lowering taxes and let industry take over. We've seen where that ideology and philosophy has been taken over by another party. That's fine; they can have that.

That's not where this Premier is going, and I think that's been pretty evident since the leadership race, I think it's been pretty evident in this budget, and I think it's pretty evident in what we've been talking about. When I talk about how we should be doing capital in the future, that's not a discussion that we've had in our government for some time, but that's something we're going to have to do.

**Mr. Hehr:** I appreciate that discussion on capital. I think there's no problem with amortization. We're going to need 400 schools in the next 10 years. What? Are we going to pay cash for all these? That would be ridiculous.

I think that having that discussion and getting away from this model that we've been trapped in in the last little while is refreshing. I realize that there's always the old adage: elections are no time to talk about actual policy and what we're going to do after the fact. But, you know, if we're really talking about what the future is, you can't tell me that your department hasn't lined up all of the different revenue streams and what is possible to have that discussion during this election: "I'll tell you what. We're taking a stand here. We're running on a tax increase." To be fair, I don't think it's been that generally dismissed. I think your government would be wise to almost do that here.

8:55

**Mr. Horner:** If I may – and I appreciate that the platform of the Liberal Party is about some tax increases and those sorts of things – our platform is based on this budget. It is based on the fact that we're going to do things in a businesslike manner and build for the sustainability of the future of the province, and we're going to look at ways and means that we can utilize the resource base that we have so that we can build for tomorrow and have the resources there for tomorrow.

But I'm going to say this again, as I said to the hon. Member for Airdrie-Chestermere. Let's let Albertans have their say before we make that call on whatever it is, whether it's the capital plan, whether it's how we're going to do our savings, whether it's going to be the amount in the sustainability fund. I think Albertans want to have that discussion because I saw it during our budget preparations. This budget is very much a reflection of what

Albertans told us during the cabinet tour. Frankly, during the leadership race that we had for our party, this Premier heard, as did I, a lot about: “We need to have that discussion, but you need to build for the future. You need to get us out of the glue that we’re in today in terms of that deficit.” That is the plan that we’re going to move forward on.

**Mr. Hehr:** I hear that. I understand the context of what Albertans want, but governments also have to lead. They have to lead the citizens toward a better future not only for today but tomorrow.

I’ve appreciated this discussion. I’ve appreciated you guys letting me sit in on Treasury Board, and we’ll go from there. I’ve got that off my chest. I can take a break from my psychiatrist on Friday. Everything is out in the open. We can go from there.

**Mr. Horner:** Come on over, Kent.

**Mr. Hehr:** Yeah. There we go. Thank you very much.

**The Chair:** All right. I will call on Mr. Drysdale. I remind you that you don’t need to use 20 minutes.

**Mr. Drysdale:** I know. Just one real quick question. It was just getting interesting when you were talking to my colleague about the closing of the municipal airport, and I don’t think you got a chance to finish that off. Being from the north, we’ve got the concerns about the medevac service, and I know you’ve been talking to Namao quite a bit. Can you update us on that process?

**Mr. Horner:** Let me just tell you this. When I got into the portfolio, one of the things that we had a chat about last fall during an Edmonton debate was the idea of: where would medevac services go? I brought up the question, the thought that perhaps we could use what is the fourth-longest runway in the Commonwealth, directly north of the city of Edmonton and less than a kilometre away from where the Anthony Henday goes by. It would seem to me to be a pretty good opportunity. Further to that, I had subsequent discussions with the base commander, then General Wynnyk, the Land Force Western Area commander. Those discussions are still ongoing.

There are a couple of principles that I put on the table, and the first one was that it will be the general’s decision. It won’t be ours. We won’t do anything that would inhibit or hinder the operational capability of our Canadian Forces and the army that serves us so well. That is one of the largest bases in Canada.

We have looked at it a number of different ways. There’s a committee that’s been struck on the army side. There’s a committee on our side that’s looking at the various technical difficulties. If we did get the use of Namao, I can tell you that our government aircraft would move there as its primary landing area. As well, the medevac would move there as primary. There are a couple of groups that for whatever reasons, from their negotiations or whatever, have already made a decision that they’re going to move to the EIA. But I can tell you that the RCMP is still working with us on this as a possibility as well. I hope to get an answer out of the general very soon as to whether or not we’re going to continue to proceed or whether we’re going to stop.

If we stop, the most likely alternate landing area for us is then going to be the Villeneuve airstrip because it has a tower. We can extend the runway. We can put the ILS in. We can do what we need to do to create an alternate landing area. We would then have to build up the Sturgeon hospital and probably Leduc to ensure that if a medevac did land there, they would have a straight shot into the Sturgeon hospital north of St. Albert. Either way, folks, it’s going to be costly, but we’re looking at all the options.

**Mr. Drysdale:** No further questions at this time.

**The Chair:** Are there any other questions?

Seeing none, then I will advise the members that pursuant to Standing Order 59.01(5) the estimates of the Department of Treasury Board and Enterprise are deemed to have been considered for the time allocated in the schedule.

I remind members that we are scheduled to meet again on March 12 to consider the estimates of the Department of Transportation.

[The committee adjourned at 9:01 p.m.]



