

8:33 a.m.

[Mr. White in the chair]

THE CHAIRMAN: Good morning, ladies and gentlemen, the Hon. Stockwell Day, Provincial Treasurer, and Mr. Jim Peters, I believe, provincial controller.

Before we get started, Mr. Auditor General, you have a number of your staff here, not the usual crowd in the gallery. Did you give them the day off, sir? There doesn't seem to be quite as many today as usual. Might you introduce some of your people?

MR. VALENTINE: Thank you, Mr. Chairman. On my far left is Gerry Lain, a principal in the office. Seated beside Gerry is Jim Hug, Assistant Auditor General. On my immediate right is Merwan Saher, Assistant Auditor General; on his right, René Boisson, a principal with responsibilities in the Treasury Department; and behind me on my left is Lawrence Taylor, another principal with significant responsibilities in Treasury; and in the gallery, my assistant Lori Trudgeon, new graduate CA as of last Friday; Trevor Mills, CA; and Stan Lozinski.

Thank you, Mr. Chairman.

THE CHAIRMAN: We do have a motion on the floor that was . . .

MRS. DACYSHYN: You have to move the agenda.

THE CHAIRMAN: Oh, yes, that's right. We have to clean up. The agenda is before you with the addition of the approval of the minutes of November 18. Could we have a motion to accept the agenda as presented? Ms Blakeman. All those in favour? Agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: It's carried.

The minutes were distributed just yesterday, as we had a little difficulty with just getting things all together with all the occurrences. Those have been received. Is there a motion to approve those minutes as they appear? Ms Blakeman. Is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: It's carried.

Might we move down, at the request of one member, to deal with Mr. Sapers' motion. Mr. Sapers, are you ready to present that motion now?

MR. SAPERS: I have been for weeks, Mr. Chairman.

THE CHAIRMAN: Weeks or years. Mr. Sapers, would you move that motion?

MR. SAPERS: I would move that the Standing Committee on Public Accounts be given the authority to conduct a follow-up review of the Auditor General's investigation of the Government's involvement in the \$418 million in loans and guarantees provided by the Alberta Treasury Branches to the West Edmonton Mall, including the ability to call witnesses and subpoena relevant documents.

In speaking to the motion, Mr. Chairman and committee, I don't really wish to rehash the arguments of last week when the earlier motion that was similar in nature was defeated, but I will say that this committee does have the ability to in essence pursue any aspect of the public accounts that it chooses to.

The Auditor General is engaged in a review, a special audit of the circumstances surrounding the Alberta Treasury Branches' involvement with West Edmonton Mall, but that review is being done pursuant to the Auditor General's legislation. It's not being done in a manner that is subject to public scrutiny. It's not being done in a manner that involves elected members of the Legislature, and it's not being done in a context or an environment where there will be an enduring record -- for example, *Hansard* -- as deliberations of this committee.

I am more and more convinced of the degree to which there is public concern regarding the government's involvement with the Alberta Treasury Branches and what many people would view as unwarranted political interference with the decisions of the Alberta Treasury Branches, and the issue that seems to have sparked the public's interest and attention to that matter is the refinancing of the West Edmonton Mall. I can think of no better way for this committee to serve the public of Alberta in scrutinizing the public accounts of the province other than getting to the bottom of what is quickly becoming not just scandalous but a bit of an embarrassment to this province. It would be unacceptable that this committee, the Committee on Public Accounts, would not make it its business to do everything that it can do, that we can do to help unravel the story.

I will note that it was the Provincial Treasurer who was so alarmed by the revelation of some caveats and so alarmed by the inclusion of some references to political interference or political sensitivity that he himself went to the Auditor General and to the Premier and said: we have to get to the bottom of this. So I think we can follow up on that and live up to our responsibility by having such an investigation.

THE CHAIRMAN: Thank you, Mr. Sapers.

MR. STEVENS: I believe, Mr. Chairman, there was only to be one speaker to this particular matter. Is that still the agreement?

THE CHAIRMAN: Well, there was an agreement last week, but I'm not sure that that stands.

MR. SHARIFF: It seems like you have another member on the opposition side also wanting to speak, so it's fine for Mr. Stevens and her to also speak.

THE CHAIRMAN: Well, there are two members; Mrs. O'Neill wishes to speak too. Would it be reasonable, two speakers on the matter from each side?

MR. SHARIFF: Let's give the members the opportunity to express themselves. I will conclude debate on my side.

THE CHAIRMAN: Two members; agreed? Or do you wish to conclude?

MR. SHARIFF: No. I definitely want to speak to it.

THE CHAIRMAN: So two members should be sufficient.  
Mr. Stevens.

MR. STEVENS: I'm happy to defer to Shiraz. The fact is that the important business today is to talk to the Treasurer rather than spend additional time on this point, so I'll defer to you.

THE CHAIRMAN: Well, what's the wish of the committee then? One speaker or two?

MR. SAPERS: Well, let's not . . .

THE CHAIRMAN: . . . belabour it?

Mr. Sapers speaking from the opposition point of view.

MR. SAPERS: I understand that my colleague Laurie Blakeman would like to make some comments.

THE CHAIRMAN: Two or one, sir?

MR. SAPERS: So then that'll conclude our submission on the motion, Mr. Chairman.

THE CHAIRMAN: Two speakers then. Okay.

Mr. Stevens, would you like to lead off?

MR. STEVENS: I just have a couple of brief comments on this particular point. I must say I find it absolutely amazing that Mr. Sapers brings forward a motion which duplicates a process that's already under way. The Auditor General, who is an independent person, has started this investigation, has not reported to the government and the people of Alberta on this particular point, and here Mr. Sapers wishes to embark upon a duplicate exercise, which can only duplicate the cost and effort. It makes absolutely no sense at all.

The other point is that the public accounts which are before us today deal with the last fiscal year, and on the basis of what I know, this particular matter goes back further in time, so I would respectfully submit that it is not appropriate even in the context of the matters before this committee.

THE CHAIRMAN: We made the ruling, and the chair wasn't challenged on the appropriateness of the motion. Speaking to the motion, though, that's all acceptable.

Ms Blakeman, and then Mr. Shariff.

MS BLAKEMAN: Thank you. I'm in favour of this motion. I am increasingly concerned with the amount of discussion being carried out on the streets, in the coffee shops, and in the media around this issue. I'm concerned about this Legislature and its doings coming under scrutiny because people don't trust what's going on. They feel they're getting little bits of information but not enough information. I would like to see the matter resolved in a way that the public had access to the discussion, that there was a public accountability, in other words, and that it's on the record. My colleague mentioned, for instance, *Hansard*, which is, as we know, available to people on the Internet now and allows them direct access to something in a very easy way.

#### 8:43

The other thing that is I think very helpful in this motion is the idea of being able to call witnesses and also to subpoena certain documents. I think it's really critical for all of us in this Chamber, for the government, to get to the bottom of what this issue is, that all possibilities are aired and the public is aware of what's going on. I think to continue the way we are, with little bits and pieces coming out in the media, is not a healthy way to build trust between the public and the legislators, the public and the government.

So I would urge people to consider this motion favourably. I disagree with the hon. member that spoke previously that this duplicates the process that's in place. I do not believe it does duplicate that process for some of the reasons that I've spoken of.

Thank you very much for the opportunity to speak to the motion.

THE CHAIRMAN: Mr. Shariff to close.

MR. SHARIFF: Thank you, Mr. Chairman. Let me begin by saying that one argument that we hear again and again is that we do not get adequate time to deal with the matters that are on the floor with respect to the various ministers that come before this committee. It is said that we will be spending a lot of time this morning on a motion that has come here before in different forms. The proponent of the motion is also the Opposition House Leader, has been a signatory to the Standing Orders of this Legislative Assembly. I don't need to remind him, but let me go back and go through this again for the record.

Standing Order 50 very clearly states that "public accounts, when tabled, stand referred to the Public Accounts Committee." While his argument is that we should expand the scope of what this committee does, I also wish to remind him that the process to do that is to go back and revisit the Standing Orders and bring about the necessary changes to the Standing Orders in the appropriate process manner. Until that is done, we have a mandate to review accounts that are tabled in the House.

The matter that is before us is already being reviewed by the Auditor General. The report has not been presented to the Legislative Assembly. It has not been referred to us; therefore, I think it's premature. More importantly, this matter in my opinion is totally out of order. I urge the hon. member to withdraw the motion, failing which, I will strongly urge that we reject it. If this argument is not sufficient, I have another umpteen points that I could take a good half an hour arguing over. So in the interest of . . .

THE CHAIRMAN: Please.

MR. SHARIFF: Yes. My members would urge me to continue, but in the interest of being able to deal with the matter at hand with the Provincial Treasurer, I request very humbly that the hon. member withdraw this motion, and let's proceed with what we have on the floor.

With that, Mr. Chairman, I hope you can make the ruling that this is out of order. If not, then I suggest we reject it completely.

THE CHAIRMAN: Mr. Shariff, the ruling when these matters came up, you'll recall, was very clear; the matter was in order. There were no arguments at the time, and the chair was not admonished by the Assembly at all. So your arguments as to the appropriateness of the motion are not appropriate in fact. Your arguments as to whether one should or should not vote for it are well taken, and those assembled heard them all.

MR. SHARIFF: I beg to differ with you, Mr. Chairman. If you look at the minutes of the last *Hansard*, the same arguments were made. Even at that point in time I raised the issue that the previous motion was out of order, and I urged the member to withdraw it. We chose to have a vote. So if you want us to have a vote, let's go ahead and have it. I urge my members and everybody else to reject this.

Thank you.

THE CHAIRMAN: You seem to have missed the point. The arguments were made as to whether it was in order or not. That was concluded. That matter was dealt with. That's not the point. The motion is in order.

The motion is now called for a vote. All those in favour of the motion, please raise your hands. There are but three. All those opposed to the motion, please raise your hands. The motion is defeated.

Now we shall move on. Hon. Stockwell Day, the floor is yours for opening statements and introductions, if you will.

MR. DAY: Well, thank you, Mr. Chairman. It's always exciting to see democracy at work and other issues coming to the fore. When we're talking about Treasury Branches, anything to do with Treasury Branches and West Edmonton Mall, I like to remind people and just leave them with the reality that this particular asset, Alberta Treasury Branches -- and I know we're talking about '97-98, so I'll use those figures -- does show continuing growth, continued earnings and profits. The asset itself is strong and it's healthy, and I recognize the good concerns raised by opposition members. All of us have questions related to the West Edmonton Mall loan, and my finance critic has already articulated that that concern is shared not the least of whom with myself in terms of calling in the Auditor General, and the Premier also has some great concerns about it.

There's an interesting piece of positive irony, Mr. Chairman. The Treasury Branches, of course, as a responsible business are constantly surveying their client base to see how service can be improved, what products seem to be successful, what financial product lines customers like to have, but they also survey them on the climate and other issues and events that are happening. The positive bit of irony that they're finding with the West Edmonton Mall situation -- and this relates back to the '97-98 year also -- is that there's a growing sense of confidence, actually, among the ATB client base. When they see issues -- for instance, how ATB dealt with the famous Pocklington loans, how they dealt with the Oilers in terms of obviously and clearly no political interference, and even with the mall -- it actually leads to a growing sense of confidence among the client base that this is an organization that is doing business in a businesslike fashion and is going after anything that's questionable. It's actually building a more positive sense of confidence among that client base, and one of the members -- now that she's sitting in my seat over there, I can't recall her constituency.

MR. SAPERS: Edmonton-Centre.

MR. DAY: Edmonton-Centre, of course. It used to be my buddy constituency, and I failed to do my job there because she sits here across from me today.

She did say, and quite rightly, that in the coffee shops and on the streets there's a certain sense and a certain feeling, and on most issues it's interesting. I think the so-called coffee shop sense, the sort of gut, visceral issues shared by Albertans are usually right. With all the numbers that we have here today and all the various speculations at a very high level, the people in fact usually are right.

There was an interview, just to close my observations on this, Mr. Chairman, a person on the street interview, and they were stopping a bunch of people in the mall itself. They were saying: "What do you think? Does all this investigation that's going on scare you?" The one person sort of shrugged her shoulders and said, "Well, hey, even if something happens and the place shuts down," and by the way, the place isn't going to shut down, "that means there'll be some big sales coming." So there's always a positive sense among our citizens that things are going to work out, and that was reflected in that interview. I'm underlining the mall is not closing down. We certainly don't have any indications of that. It's also a strong asset.

Mr. Chairman, I don't know if the members realized it, but this is actually the second time this year that I've had the pleasure of appearing before the committee. So it's a double honour. You know, double your pleasure, double your fun. Here we are, and I'm excited about that. I do believe these are important meetings. Public Accounts serves a good purpose. It's just one of the steps in that accountability cycle, which we're all familiar with. The government should be challenged on its accountability and should be challenged on its credibility of reporting. I have great confidence on that particular challenge today.

8:53

As we know, the public accounts are the government's reports on its results. The annual report of the government of Alberta and the ministry annual reports are unique now in Canada because they compromise the public accounts. The ministry reports replace the old volumes 2, 3 and 4 of what was called public accounts. That is actually exceptional in Canada, since the ministry annual reports actually integrate now the performance targets and the outcomes with the financial data all in one single document for each ministry and each document. Each of those ministry documents has at the start of that document an accountability statement that must be signed by every minister. I believe that that's set. So we continue to set a trend now in Canada in terms of reporting and reporting style.

It's I think unique also that not only financial information is recorded but also our performance. We have performance goals; every department has performance goals. There's an overall performance record for the government, and the Auditor General and his staff audit not only the dollars and cents but in fact those performance goals. The scary thing about that is that each year there are goals which we do not make, we don't hit the mark, and we subject ourselves to that scrutiny. If the Auditor General notes it, comments on it, the media and the opposition quite rightly pick up on the areas where we didn't hit the mark and we have to improve. I think that's what accountability is all about. It's a good system.

If I can quote just briefly from page 6 of the annual report of the Auditor General, and of course I don't quote at length from his critical remarks; I leave that to others who I am sure will pick it up. So I get the magnifying glass out and I scour from page to page until I finally find something that's faintly positive, and I did find that, in fact, on page 6 where the Auditor General notes that the government's traditional set of public accounts, which provided detailed information on cash received and spent, has been replaced with: information on results achieved, measured against expectations set out in the plans; discussion and analysis of these results; and financial statements which meet many of the . . . standards set for private . . . companies.

And the final sentence here:

Albertans now have the most informative set of public accounts in Canada.

Obviously I'm quoting from his positive remarks, and the critical ones I'll leave to other members to fire at us.

Just very briefly, Mr. Chairman, '97-98 was another good year financially. We know that a record payment of \$2.6 billion being applied to the debt, and when we do that and when we accelerate that payment, of course there are interest savings. Interest savings in '97-98 were \$146 million. That's money we can spend on health and education and infrastructure.

I think also we'll note that the spending increases were done in the areas where Albertans have told us they have their priorities. Health spending was up almost 10 percent over the prior year, and spending on education over a 9 percent increase. Total revenues at \$17.8 billion. That was up a billion over the previous years. I have to note tax revenues being up nearly a billion but at the same time coinciding with a tax reduction. So individually people are paying less tax, but as a group of people there are more people working and more people working at higher incomes than ever before.

It should also be noted that one of the measurements in terms of poverty that we use in Alberta is the number of families earning \$20,000 a year or less, and \$20,000 a year to raise a family obviously is not a very substantial amount of money. It's just that you have to draw a bench line somewhere to measure from year to year: are there more or less families working at that? Taking inflation out, inflation being very low, there continues to be less

families who are working and earning less than \$20,000. So it seems indeed that metaphor that's used: as the tide of the economy goes up, everybody's boat rises somewhat. Yes, there are still people who have challenges and significant predicaments, and those also need to be addressed.

Corporate income tax for those who love to hear that. The corporate income tax revenues have increased by over 31 percent. Again, that's more businesses being successful and therefore more businesses paying taxes. In '97, 44,200 jobs were created. A number of the goal standards that we set for ourselves being attained: 87 percent of Alberta's grade 9 students achieved acceptable standards in language arts. That exceeded provincial expectations of 85 percent, and there's a variety of measures which I could go on at at some length, but of course I won't, because I look forward to being pummeled with questions, and hopefully I can have some of the answers.

So, all in all, Mr. Chairman, I think a good year. That message continues to go out across Canada and is part of the reason we continue to experience unprecedented growth rates in terms of people moving into this province, at rates not measured or matched since we started measuring the six-month population increases back in 1981. Something appears to be working, and we'd like to subject ourselves to the ongoing scrutiny so we can have it work even better.

Thank you, Mr. Chairman.

THE CHAIRMAN: Mr. Sapers, followed by Mr. Stevens and Ms Blakeman.

MR. SAPERS: Thanks. My first comment would be purely rhetorical, so I don't want it to be counted as a question against my limit. I just wasn't sure whether I heard the Treasurer say that he was looking forward to being humbled with questions or pummeled with questions. Either one was an intriguing possibility.

The discussion about the performance measures is also intriguing, and I do congratulate the government for moving in the direction of greater transparency in the reports, both on the financial side and on the performance side. There are some 122 performance measures that failed in terms of being reached, and there's a whole bunch of other performance measures that are almost impossible to operationalize. One of the discussions that the Treasurer and I've had before is doing something governmentwide in terms of the language that's used in determining those performance measures so that there can be some consistency and actual, real targets that can really be measured.

All that aside, good morning, Treasurer. Good morning, Auditor General and staff. My questions -- and they may not surprise you -- go back to the Alberta Treasury Branches and last year's performance in relationship with the provincial government. I'm particularly interested in the Auditor General's comments regarding connected accounts. We'll just refresh the Treasurer's memory. When we had an opportunity to question the Auditor General in this committee earlier, some of our questions were referred to management and, Mr. Treasurer, I recall that you had last year provided an undertaking that the CEO of ATB would accompany you to these meetings. I see that Mr. Haggis isn't here, so I'm assuming that you are an adequate representation of management, given the relationship that you have with the Alberta Treasury Branches. So I'd like to pursue some of those questions.

My first question has to do with the adequacy of security and cash flow provisions. I'm interested if you can tell the committee what guidelines were established by the Alberta Treasury Branch in the last fiscal year to review the adequacy of security and cash flow prior to the approval of connected loans and connected accounts. To help focus your answer, Mr. Treasurer, perhaps you could comment

on: how would ATB guidelines in '97 and '98 treat connected accounts with loans that are collateralized by security held inside and outside Alberta, perhaps even in the United States?

MR. DAY: Thanks, Mr. Chairman. First, just a reflection on the performance measures. Just a second or two on that. As the member has pointed out, there are a number of those measurements that we don't hit, and that's part of the progress of the rigour and transparency we subject ourselves to. I can tell the member that in Treasury Board we actually do the review of those goals and standards and make sure each department is aware of where they missed it. We take the opportunity to offer advice to the various departments on how they can improve departments.

In fact, I have even quoted the Member for Edmonton-Glenora, my finance critic. At times -- and I think we've dealt with it at the committee stage in estimates -- I've taken forward some of his comments where, indeed, he has shown that some of them may not be appropriate and can be improved. At the risk of having them not looked at because I mentioned his name, I did so anyway, and some of his comments have actually been fed in to improving those performance measurements. We don't hang a bronze plaque with his name on each one that led to an improvement, because we like to get some of the credit ourselves, but there has been some valuable input there. So I appreciate that.

A recommendation from the Auditor General, on page 223 of his report, did in fact talk about the need for Treasury Branches to review the lending guidelines, provide additional training where appropriate, and ensure also that all loans of connected companies are considered when reviewing and analyzing. That has been taken very seriously by the management, even to the point of actual specific training being applied to people in their own levels of middle management in terms of credit policies being reviewed. A number of those were actually amended. A key concern of the Auditor General that he raised was the whole issue of connected borrowers functioning as one single economic entity and making sure that that is tied in in a tighter fashion and that all the borrowings that are related to that single economic entity are indeed reviewed and dealt with concurrently. So that process, first through training and then through practice, has been going on and continues.

### 9:03

There is an issue the member raised related to loan security. There has been an increased evaluation and scrutiny on that particular item, which had actually begun a year and a half earlier as a result of the whole process of loan loss provisions. The major banks, as I think we'd indicated before, went through that process I believe in '92 and '93. Treasury Branches weren't as quick to respond, possibly because they didn't have a board in place; maybe they weren't as subject to scrutiny. With a board now in place and with a number of us raising that, including the Auditor General and including the opposition, the issue of loan security is one in which there has been considerable enhancement. The loan loss provisions that were posted two years ago have now largely been taken and reflected in the budget, and those having been taken, it leads to some of the earnings and profits that are posted now in this particular year, which I won't comment on since this isn't the year we're dealing with.

So the whole process has resulted in increased security, training in terms of how to make sure that security is in place. If members would like some specifics on the detailed management processes there, I'll send that as a request over to Treasury Branches so that some of the processes and steps that are actually technically taken can be in writing.

MR. SAPERS: Thanks. I appreciate that undertaking, and if you're

not able to answer this follow-up question directly, then maybe it can be included in that request as well.

As of the end of the fiscal year the Treasury Branch had over 208,000 customer loan accounts. I'm interested to know: how many of those loan accounts are connected loan accounts? How many of those cover connected economic entities? I'm particularly interested to know: how many of those connected accounts are contained within the commercial or other loans portfolios? I'm trying to get an estimate of where the risk is, considering the cautions and warnings about lack of controls on connected accounts.

MR. DAY: I can ask for that information. Some of it obviously is going to make them a bit nervous just related to customer confidentiality, which would be obvious and recognized. But I can ask for that information. I don't have that here myself. I don't know the answer to that. It wouldn't be something I'd normally pursue, but having heard the request for that information here, let me see how far we can drill into that one and see what we can get for you.

THE CHAIRMAN: Thank you.

Mr. Stevens, Ms Blakeman, and Mr. Ducharme.

MR. STEVENS: Thank you, Mr. Chairman. Good morning and welcome. My first question deals with a recommendation of the Auditor General. He has said in the report that in his opinion the government financial statements should include on a consolidated basis the regional health authorities, schools, colleges, and universities. Mr. Provincial Treasurer, I'd appreciate the government's position on that particular recommendation, and if it is not accepted, why not?

MR. DAY: Well, it's an ongoing piece of discussion with the Auditor General. How should I phrase this? It is a case of a lack of professional congruence at this point. How's that? We've been working hard on this. The fact is that we simply do not agree in terms of recording and reporting all of those -- for instance, regional health authorities, school boards, colleges -- in our overall consolidated picture. We certainly show, record -- and it is audited -- every dime of taxpayer money that goes to those entities. Those entities themselves are required to have full audits. As there has been some discussion here in the Legislature itself, there are limitations in terms even of their own deficits. Our belief is that for us to drag those entities into our actual process of reporting, I think we would have something close to a revolution on our hands if we were to get as directive with colleges as we are with our ministries in terms of their spending, what they should and shouldn't be doing. The same with regional health authorities.

These various entities come with their spending needs, and through the grant process the dollars are released to them. They have to be spent in a certain manner. It is audited so that they are. We do not feel that it is proper accounting to have them reporting or to at least have them included in the consolidated picture as we would another department or agency directly responsible to the government. Now, it's been more than just, I would say, a disagreement. It's been a case of sincere study on both sides, and at our last Audit Committee meeting we discussed this at some length with the Auditor General. We're looking at some ways to possibly resolve it. Maybe that would be through a discussion process nationally with those who set the auditing standards and accepted guidelines and practices, because this particular challenge or problem is not unique to Alberta. There are others that struggle with it also.

When you're involved in audit opinions related to government, it's not always precisely the same business as if it were private

business. So we continue to have this disagreement, and that's why the Auditor General continues, and rightly so, to note this. He puts that on the books. I'm not trying to diminish his concern. I believe it's an accounting view that comes down to not just accounting language but accounting observation. I know that he believes that the government should consolidate these organizations because we do have control to a degree and there is value in providing a full picture of the operations that are financed by government, and certainly we agree with that.

I don't think that expanding this reporting entity would make government financial reporting more meaningful or understandable. Personally, I think it would be a little more confusing rather than improve accountability; that is, confusing to the reader. The accountants quite rightly will always be able to cipher their way through the labyrinth of reporting mechanisms, and it's their job to do that. The Member for Edmonton-Centre talked about the coffee shops and the people out there. People like me who are not accountants also need to be able to have a degree of understanding related to the financial reporting. I think we would be seen as approving the individual budgets, for instance, of a college and managing the financial affairs if they were consolidated. That would undermine the very needed and necessary autonomy of those entities, and I am convinced that there would be a considerable amount of reaction. We've made a clear distinction of our role of setting the policy direction. We set performance expectations, we provide the funding, and then those entities need to deliver the specific services.

I think that type of consolidation would also move us away from the policy performance and funding aspects, and we would be drawn into the operating decisions. I feel that would be inappropriate. There are elected school board officials. There are maybe soon-to-be-elected RHA officials, but certainly they are appointed and mandated at this particular time. I think it would be inappropriate for us to be doing that. Managing our fiscal plan with these entities included I think would cause fundamental and significant changes to the working relationships with those very important entities in terms of their business planning activities, and I don't think we'd want to be wading into that.

### 9:13

Also, as these entities become more reliant on themselves and look more and more to the community in their operations, I just think there would be ongoing difficulty and conflict as we waded into that. Just from a logistical, practical perspective, just managing to get the timely information from all these entities to meet our legislated June 30 deadline for the province's financial statements would be a challenge, I can tell you, with our staff working in all departments as vigorously as they can. As you know, we haven't always had a legislated June 30 deadline to have all the reporting entities and information in. I would see that being practically impossible if we were to also require all that information by a June 30 deadline every year from all those entities. Getting the timely budget information would just be a significant challenge that I don't think we could surmount.

There are also technical issues with consolidating such a large number of entities: all the different year-ends and accounting policies. You know, just information about the postsecondary institutions, the school boards, and the RHAs is included in ministry annual reports now in either the form of audited financial statements or a summary of their individual statements.

So in just concluding the short answer to that really long question, in view of all of these divergent views between the government and the Auditor General and the fact that other jurisdictions in Canada have also not reached a consensus about this, I'm being very transparent with you in saying, with the Auditor General sitting right

here, that the resolution of that issue I don't think is imminent. We are both very energized in trying to resolve it, and we're involved in the discussion and trying to get the discussion to a larger group that maybe can help us through it. That is a series of reasons why we don't feel it would be practical or proper to include them in our reporting entity in that fashion. I'm not trying to make you sorry you asked the question. It's just that it is such a good question, and there's a lot that goes into that. It can't be done in a quick answer, and I appreciate you raising it and putting me on the spot with why we haven't done it. Those are in fact some of the reasons.

THE CHAIRMAN: With Mr. Stevens' permission the Auditor General wishes a word here.

MR. STEVENS: Certainly.

MR. VALENTINE: Maybe there's a supplemental question that should come first, if it's on the same subject.

THE CHAIRMAN: Well, it's your pleasure, sir.

MR. STEVENS: Well, I'll ask my supplemental. I must say that I feel very good asking such a short question and getting such a complete answer. It must have been a very good question indeed.

I noted, Mr. Provincial Treasurer, with some interest that you believe strongly that consolidation of the financial statements of these particular entities would necessarily involve more direction by the government. If I recall correctly, in a similar question to the Auditor General he indicated that his opinion was different, that he didn't see any reason why the government would have to necessarily involve itself in a more directive way. Could you please elaborate a bit on why you believe what you believe on that point?

MR. DAY: Well, when you require that degree of reporting, you then just by virtue of the requirement take on more responsibility in terms of how the funds are actually expended. It is right at that point that I believe these other entities, be they colleges or RHAs, would react. I as Provincial Treasurer am held responsible to a great degree for the overall government fiscal plan. Therefore, among my colleagues in different ministries when I am doing that reporting, it is incumbent on me to be delving into and making suggestions on, in some cases, their micromanagement decisions, because I'm going to have to stand up and be responsible for that, just as they will when they sign the accountability statement. I can tell you that with my own school board they would really react if I were to say: okay; this grant money . . . As you know, we have certain block-granting provisions, but to start to break that down, we would in fact be approving their very specific budgets. They would react, and I think rightly so.

So if that higher degree of reporting is required, then I'm going to have to take the responsibility that goes with it because I'm going to have to stand here and account for it. And that degree of intrusion -- you know, the whole movement of government jurisdictionally in North America and, I might suggest, in the western world is to more local decision-making and community-based management. This would fly in the face of that and potentially risk that direction because of the excessive amount of involvement I would have to have.

THE CHAIRMAN: The Auditor General, please.

MR. VALENTINE: Thank you, Mr. Chairman. The Provincial Treasurer has explained the government's position very well. I continue not to be convinced of the propriety of his arguments for

reasons that I set out last week, and I would like to tie last week's discussion in with this one. It's important, if someone's reading *Hansard*, that they refer back to the discussions last week.

In particular, I don't agree with the control argument and the increased reporting obligations. I would rather think that their reporting obligations are no different. I will acknowledge there are some mechanical issues to be dealt with, but I am reminded that the Motorola corporation on a worldwide basis closes its accounts in five working days at the end of every month, and their audit is complete within three weeks following their year-end. If there are any goals that you want to have around, that is a significant goal. I do acknowledge that progress on the issue is necessary, and we're working very co-operatively with others to resolve that matter.

Thank you, Mr. Chairman.

THE CHAIRMAN: Moving right along, Ms Blakeman with a brief question, and we expect a brief answer. Then Mr. Ducharme, Ms Olsen, Mr. Johnson, Mr. Sapers, Mr. Lougheed, Ms Blakeman, and Mrs. O'Neill all have indicated they wish to speak.

Ms Blakeman.

MS BLAKEMAN: Thank you, Mr. Chairman. I am always amazed at the Provincial Treasurer's ability to be expansive without detail.

MR. DAY: At least you didn't say expensive.

MS BLAKEMAN: No. But you've run the risk of making me suspicious that the point of this is obfuscation rather than elucidation.

Given that, I am referring to page 103, schedule 18, and to page 195. This is of your own annual report.

MR. DAY: Sorry. This is in the annual report?

MS BLAKEMAN: Yup. Page 103, schedule 18, and page 195, note 13. Schedule 18 is providing an estimated liability on the guarantees and other indemnities in the financial statements. I am curious. Did Alberta Treasury express any concerns during this fiscal year that the general provision on ATB loan guarantees was not provided in note 13, as it was in the previous fiscal year?

MR. DAY: The provisions related to Treasury Branches and their reporting entity I believe are adequately shown in the Alberta Treasury Branches consolidated statement of income for year-end March 31. There's extensive notation, for instance, on provision for credit losses, on other expenses, on everything from foreign exchange to net interest income. Their general allowance provisions all seem, in my view, to be adequately accommodated in the Treasury annual report and in fact in their own reporting.

#### 9:23

If there's a particular change in terms of where the guarantees or indemnities are, that hasn't raised a concern on my part because it is adequately reflected in their actual report. If the member is suggesting that it should be left in its entirety, listed with the others -- and I'm looking here at schedule 13, where there are a number of guarantees and indemnities listed -- if she is suggesting that she would have more comfort if it was also listed there, I can certainly look at doing that. I think, if anything, it might be an area of redundancy, but to have it continue to be listed there I don't think is a problem. As we've gone to the method of reporting that we do and each area of administration has to include their own particular consolidated statements, I think it's adequately addressed. But I'm willing to take a look and see if it should, for consistency purposes, continue to be recorded also with that list. I can take a look at that.

MS BLAKEMAN: Thank you for your answer. Further to that, what sort of documentation did Alberta Treasury receive from the ATB, again in this fiscal year, as to the adequacy of general and specific provisions for guarantees issued by ATB?

MR. DAY: In terms of adequacy -- and this goes somewhat along the line of legislation that was brought in in the spring of '97 -- they are required now on a reporting basis, and also in terms of how they get into their whole loan process, to conduct themselves in a manner similar to other financial institutions. There are a number of provisions which they previously hadn't had to subject themselves to, and now they do. So there's the legislation that requires certain approaches to how they do their business and with the board in place and also monitoring that, I think it's a far better method than before, when they operated really as a division of the Treasury Department. I think, as the member opposite might agree, that could lead to -- I'm trying to think of a couple -- obfuscation. Was that one of them? And the other one? I just missed it somewhere in the vocabulary. I think it leads to less smoke and mirrors and a higher degree of accounting, so I have a higher comfort level in that reporting process now.

If the member could give me some specifics in terms of how she thinks that could even be improved from there, I'd be happy to note those and pass those on to Treasury Branches for their consideration for an even higher level, if you feel that would be more efficient.

MS BLAKEMAN: Thank you.

THE CHAIRMAN: Thank you.

MR. DUCHARME: Good morning, everyone. The questions that I'd like to ask deal with performance highlights. I'd like to ask the Provincial Treasurer something about -- it's more important than the dollars that we spend. I guess more specifically it's about the results that we're getting with these dollars. I was wondering, Provincial Treasurer, if you could share with us what some of the last year's performance highlights were.

MR. DAY: Well, I think the question's important because when you require yourself to report -- certainly that's in the document called Measuring Up -- and it's reported on by the Auditor General, it puts you under direct scrutiny. A lot of that is good. There are also other areas where we don't measure up. If you'll allow me, I'll first go to some of the ones I'm excited about, and then I'll try and be open with you and share with you just some of the ones where in fact we missed the mark.

First, the fiscal and economic highlights which are a result of the goals we had to meet. A record payment of \$2.6 billion on Alberta's net debt was definitely a highlight that's recorded in those documents. One of our goals is that we should have the best credit rating of any province. That indeed was attained. Another is that we should have the lowest cost of borrowing among all provinces. That was attained. We have as a goal of this government that we would have the lowest provincial income tax load on persons in the country. That was attained. We have as a goal that there would be an increase in our international exports, and in fact international exports of some \$33.3 billion show our attainment there. We had a goal of a certain amount of new jobs to be created. And we make the point very clearly: this is not the government creating jobs. Even Conservative governments continue to fall into the trap that we the government are going to create jobs; we're going to come up with a job creation program. In fact, if we create the climate, the private sector and individuals will do that, and we attained that with 44,200 net new jobs. We had a target range of 2 to 4 percent in terms of our

annual growth in GDP, and a three-year average there of 6 percent showed that we exceeded that.

We also move off, I can tell the member, those very, very strict and narrow financial goals to other things. For instance, when we measure health, we should have the highest life expectancy in the world. I've already mentioned that we had a target of reducing the number of families in the province with incomes of less than \$20,000, a target to get that down to 10 percent. In fact, that was achieved last year, with 9.1 percent of families being less than \$20,000.

Those are I think some of the highlights. There were also goals in Justice, for instance, related to property and violent crimes. Those are recorded as being down 20 percent since 1991. We also had zero days of poor air quality, and that is using national standards of measurement.

I know if I don't wade into the next area, the member will ask: what about some areas where we didn't make it? I can tell you that we're not excited about those areas, but we should be held to account for it.

River water quality downstream from Edmonton, Calgary, and Lethbridge did not hit the goal that we wanted, so measures are being taken to achieve that.

The Alberta heritage savings trust fund investment performance was slightly below the performance benchmarks established for the fund, so we need to address that. Part of that is just the worldwide market situation we're dealing with, but we don't look for excuses. We look for improvement.

The percentage of students achieving an acceptable standard in grade 9 math. I mentioned that in language arts we surpassed the goal, but we missed the goal in grade 9 math.

So that gives the member, Mr. Chairman, an idea of where we made it. We don't sit back and rest; we continue to press on. It gives an idea of some of the ones where we didn't make it, and frankly we have to try harder and look at ways of improving our performance.

THE CHAIRMAN: Did that answer your supplementary?

MR. DUCHARME: No, it didn't, Mr. Chairman.

I do thank you for pointing out that there are certain areas where we didn't measure up. I guess my question is: what are you going to do about it?

MR. DAY: Well, I'll have them all fixed by 4 o'clock this afternoon.

The question is good because it reflects back on the reporting entity in terms of these areas that we as government are responsible for. When we see that we don't make it, then the Auditor General and the document Measuring Up report those. That's passed on to Treasury Board, which then contacts each department and in fact asks that very question that the member just asked. I have sat down with the management in terms of the Alberta heritage savings trust fund. I say: "What are we going to do? Okay; we came close. That was fine, but we were off the mark." So the various improvements they suggest that would get us to the mark then have to be given, fed back to us, and a follow-through shown. That's how we do each one of those. With each area of ministry we ask for the steps that will be taken to improve it. It's been interesting.

Again, just in the spirit of transparency, sometimes when you say, "What are you going to do?" the responses come back saying, "Well, we're going to have to lower that benchmark because we're having a hard time hitting it." In fact, if you can't hit the benchmark, that may not mean you're a total failure, but it means you need to continue to improve. So what we get back from each department in each area of ministry are the steps that they're going to take to in

fact improve in that particular area. Those steps are being taken with each of those. I mentioned the river water quality, some of the work that's now being done in terms of looking at the intensive livestock situation, and steps that can be taken there are just examples of what departments have to do. They can't just report: oops, we missed. They have to report: we missed, and here's our follow-up steps to make sure we improve and hopefully hit the mark next year.

**9:33**

THE CHAIRMAN: Ms Olsen, followed by Mr. Johnson and Mr. Sapers.

MS OLSEN: Thank you, Mr. Chairman. I would like to refer the minister to page 66 of the Treasurer's annual report: legal actions. My questions are regarding the contingent liability, and I'm wondering if the Treasurer can provide a breakdown for the \$161 million in contingency for legal actions taken against the Crown.

MR. DAY: Page 66 and (d) legal actions?

MS OLSEN: Yes, (d) legal actions. That's correct.

MR. DAY: I don't have the details in front of me. I'll get them. The reason I'm just being hesitant is that some of the liability that we have incurred -- and some of the legal actions I'm thinking about are obviously the sterilization claims and other areas that are before us. Some of those are split into last year and also into this year, so I don't want to try and give a definitive breakdown and get the years mixed up, but I will get a breakdown from last year and send that information to you within a few days, Mr. Chairman, and that can be disseminated to members.

MS OLSEN: Thank you. I notice that last year the contingent liabilities for some of the sterilizations were in Justice. Are these all broken down into different departments? I guess that's what I would be looking for.

MR. DAY: Yes, some of those will flow through different departments. Others may be a direct result, and the channel that would be used would be Justice, but I'll include that in the analysis.

THE CHAIRMAN: Mr. Johnson, followed by Mr. Sapers and Mr. Lougheed.

MR. JOHNSON: Thank you, Mr. Chairman. Good morning, everyone. I'd like to get some details on what happened with revenue last year. On page 24 of the government report you had budgeted for a decline of about \$2 billion in revenue. Instead, I notice that it went up by about \$1 billion, and you referred briefly to this in your introductory remarks. My question is: what were the key factors here? Maybe I can weave my supplemental into the same question, because I think you might touch on it anyway. More specifically, can you give me some details why the tax revenue there was so much higher than budgeted? I realize that you touched on this, again, in your introductory remarks, but maybe you could give me some more details.

MR. DAY: People are just feeling so good about the government that they're just rushing forward to throw in their taxes like never before. I'd hope to think that would be one of the reasons.

The member has correctly noticed that we had budgeted for that decline of about \$2 billion, and instead it went up about a billion. In '96-97 the resource revenue actually exceeded \$4 billion. That was the highest level since the '80s. At the time we didn't think that was

sustainable, and in fact we were right. Resource revenue did fall last year, but it didn't fall as much as we'd expected. It fell about \$300 million, not \$1.3 billion. The member knows that for this year certainly it is in decline. Oil prices are in somewhat of a free fall, so we don't know what exactly is going to be the final number this year.

As the member has pointed out, the other large variance was income taxes. We did expect some modest growth in these revenues, about \$110 million, which would have been in line actually with our economic growth forecast of 3.6 percent. Overall we thought that's what the economy would grow. The actual economic growth as we closed out that budget year came in at an astounding 7.2 percent. It defied everybody's growth projections: our own, which we try and keep conservative, but also the other major growth projection analysts', whether it's the Conference Board of Canada, the Investment Dealers Association, StatsCan. Alberta simply outgrew everybody's expectations, doubling the growth; 7.2 percent is not only unheard of, but it's unsustainable, I think, in the long term. We won't see it of that order this year.

When you have that increased growth, you've just got that many more people paying taxes, and that meant that income tax growth jumped by about \$900 million, that many more people coming here. When they're coming here, usually when you see that shift in immigration -- and I'm talking about province to province -- many times historically when you look at that, it coincides with a high degree of unemployment because people just land wherever they think the streets are paved with gold and in fact don't find work. I continue to get the message out, as do all of us, that Alberta is definitely the place to come to but that the streets are not paved with gold, that they're paved with sweat and hard work. When people come here, they're willing to sweat and they're willing to work. There are more of them doing that, and that is simply why we have that increase, Mr. Chairman. I just want make it clear that it is not an increase in tax rates; it's an increase in the number of people finding work and therefore then paying taxes.

THE CHAIRMAN: Did that answer your supplemental? Terrific. Thank you.

Mr. Sapers, followed by Mr. Lougheed and Ms Blakeman.

MR. SAPERS: Thank you. Mr. Treasurer, back to the Auditor General's annual report and the reproduction of a letter in that report to you, which is found on page 225, regarding the Auditor General's ongoing work concerning West Edmonton Mall. The Auditor General in that letter indicates he's going to continue his review. He does provide some caveats. Particularly he notes the litigation under way and comments that his review may not be completed in a timely fashion and will respect the litigation, won't prejudice what's before the courts. So there may be some things that he won't be reporting on or reviewing right away.

Given the commitment to pursue the issue of political interference, Mr. Treasurer, I'm wondering if you have provided some specific advice to the Auditor General regarding the accountability relationship between elected officials and the Alberta Treasury Branches. If you did provide that advice as part of this special audit work, were some of the following elements involved with that advice: a consideration of any non arm's-length involvement of ministers and subcommittees to facilitate loan and loan guarantees or an examination of the loan and guarantee approval procedures employed by the ATB, both formal and informal?

MR. DAY: I think it's fair to say, Mr. Chairman, that I didn't provide advice. I provided invitation that there would be no



restriction in terms of what he would look at. Whenever the Auditor General is looking at a matter, be it the books of a government or an agency or a particular issue, he always has the ability and many times takes it to comment not just on specifically what he's being asked but on any ancillary items that he feels merit his notation. He can certainly comment further to this.

I can't think of actual advice I would give him. I didn't feel it was appropriate to try and by advice either limit or expand what he wanted to do. My written and verbal communication to him has been deliberately -- if I can use the word from the Member for Edmonton-Centre, my invitation to him has been "expansive." I have said all circumstances -- all circumstances -- anything at all that he would consider should be looked at relating to the West Edmonton Mall and involvement especially on the part of government, political involvement. I consistently use the phrase: every door and every drawer is open to him. That is the instruction that the Premier has given to every member of Executive Council. He can correct me on this, and I don't want to get cross threaded here, but in terms of advice, my only advice has been: "Look and ask for whatever you need; ask anybody you want. If you have any trouble, let me know, and we will see that you get what you need." So I deliberately kept it very broad and tried not to corral him or point him in any one particular direction.

**9:43**

MR. SAPERS: Thanks. I have no qualms regarding the thoroughness, professionalism, or creativity of the Auditor General and his staff, so such an expansive invitation may well serve the people of the province. On the other hand, without any explicit expectations of what will be reviewed and reported on, it will be very hard to know whether or not every door that could have been walked through or every drawer that could have been opened in fact was. So my question, Mr. Chairman, is: will you be providing the Auditor General any specific requests or direction in regard to an examination of the adequacy of financial controls and management systems employed by the Alberta Treasury Branches relating to the ongoing monitoring and review of loan and loan guarantee agreements as that pertains to elected members? So in other words, those controls and procedures and political interference: will there be anything specific that you will be looking for or in fact have asked for already?

MR. DAY: I believe, Mr. Chairman, that that's already been done with the appointment and placement of a board of directors who have the mandate to act as a board of directors. The loan procedures: as we indicated in the question earlier, very specific teaching guidelines and principles are in place now, loan loss provisions. So between the board and the legislation that is there, I believe that that particular entity, the ATB, now operates with the very provisions in place that other financial institutions have to operate with and that the member has alluded to. I would expect that the Auditor General in the work he does at Treasury Branches, if he sees any of the processes that we already have in place to be deficient, he knows we look to him for guidance on that. I think the provisions are there. I mean, we can be open about this.

There have been questions in the House even in the last couple of days, for instance, about a letter from a deputy minister in 1993 related to a particular entity. I won't comment on the efficacy of that particular letter, but I will say that we operate in a different world now. Deputy ministers, because there's a board in place now and because there's legislation in place, have no ground to be communicating in that fashion now. Before, it was a totally different reporting mechanism. It was actually part of the department of Treasury. Times have changed. Even with political considerations -- and, you know, we can be honest about this too. I don't think

anybody will deny that in the past -- and how far past, you know, I'll say 1941; I'll pick a year -- there may have been political involvement. Let's not be naive. Whether it was improper, that's another point of debate, but in fact the Treasury Branches operated very clearly as a division of the department of Treasury, so there was clearly more involvement. Those days are over. I think the way that Treasury Branches have operated, it could be argued -- I'm being careful because I'm on record here. Let's just say, 15 years ago if the Treasury Branches were to begin foreclosure proceedings on, let's say, the Oilers' situation -- I'm trying to leave names out of it, but I'll name an entity -- there could well have been a discussion with the Treasurer of the day because of his direct reporting responsibility in terms of how that would proceed. But I can tell you as Treasurer that now with a board in place and legislation, the CEO would communicate with me in general on things that are coming, not asking permission, for instance, to foreclose, but saying: as a bank we're doing this; it'll be in the newspaper tomorrow, and I'm letting you know. I'd say: thank you for letting me know; I expect you to perform in a businesslike fashion.

So times have changed. I think we have the provisions now in place, but if the Auditor General or indeed if the member thinks they are somehow and somewhere deficient, then give us that advice, and we'll see if we can integrate it in if it would be responsible to do so.

THE CHAIRMAN: Thank you.

Mr. Loughheed, followed by Ms Blakeman and Ms Olsen.

MR. LOUGHEED: Thanks, Mr. Chairman. Mr. Treasurer, you referred a while ago to the communication and the discussions you have in the coffee shops. When I go into such places, where ordinary constituents are, there's not a lot of understanding of where budget moneys come from and who's paying for what and what services are provided provincially, federally, and municipally even. There are sometimes all these crossovers and money going from one place to another. I noticed you had predicted federal transfer revenues of -- and I don't have the number with me right here. They were predicted, but in actual fact they were lower than what the prediction was. Can you comment on such transfers? And let's roll what I might have asked for a supplemental into the same question. What do you predict or what can you comment on on things in place to ensure that the federal transfers are more accurately predicted or in fact more appropriate to what our expectations may be?

MR. DAY: Mr. Chairman, the member is, I know, quite accurate in terms of the general population struggling at the best of times with where the dollars come from and from what levels. We see that not only on the financial side; we see it on the public policy side. Of all the things that we have to deal with, it's one of the bigger considerations we have to try to factor into our budget process. Where is the federal government going to be on any number of issues: transfers, reductions? What about a tax cut, for instance? We're in the middle of a budget process right now. If the feds go with a tax cut, which I hope they do, that immediately affects our provincial revenue.

So these things are always something that we really scratch our heads over and work as closely on as we can with the federal government to try and see what's coming down the pipe. In terms of specifics, I can tell the member that cuts by the federal government to the Canadian health and social transfer, the CHST, again accounts for all of the decline in the 1997-98 federal transfers to Alberta. That CHST cash transfer went from \$1.129 billion in '96-97 to \$903 million in '97-98. That was a drop of \$226 million. So that is significant. That was the second year-over-year significant

cut in federal transfers for provincial health and social programs. In terms of their overall allotment, for instance, in '95 it was over \$18 billion, in '96-97 dropped to \$14.9 billion, and in '97-98 dropped to \$12.5 billion. That's the amount that they transferred out to provinces. That was a 33 percent overall decline between 1994-95 and '97-98.

I know we have municipalities who talk about a percentage of decline maybe of 5 percent of their budgets in relation to what we've done, but this was a 33 percent decline. We believe that the CHST is still actually unfairly allocated among provinces, and that particular way in which it's allocated actually hurts Alberta the most. In 1997-98, for instance, an Albertan received only 80 percent of the national average per capita cash transfer. Only 80 percent. Our cash transfer, on a per capita basis, fell from \$551 for every Albertan -- and that would be in '94-95 -- to \$335 in '97-98. That's a 39 percent decline per person, so it's fairly significant.

As a supplemental, the member was asking about federal transfers: where do we see them continuing to fall to? We have worked hard with other finance ministers and talked about a phasing in of an equal per capita CHST next year. When we combine that with the 1996 census -- those would be adjustments that were released actually in September -- that's going to have a slight positive impact in terms of Alberta's CHST cash transfer. In '98-99 10 percent of that transfer is actually going to be allocated on an equal per capita basis, and that will increase by 10 percent a year until 2002-2003, when fully 50 percent of the CHST will be allocated on an equal per capita basis. That's some of the downward movement, Mr. Chairman, we've experienced, and we have tried to plug in what we think will be some of the increases. We're actually calling for a hundred percent weighted equal per capita cash transfer. We think that's a fair way to do it.

The inequality comes in the actual transfer payments themselves, the equalization payments. Most Albertans agree and we recognize, maybe somewhat grudgingly, that we're part of the larger federation, and when one member of the family is doing a little better than the other, well, we shovel some money out of the door to our brother and sister provinces, our sibling provinces, and help them out. That does get to be somewhat of a frustration if we feel that other provinces aren't managing their resources properly and we then have to pay money out the door. If you're helping out someone in your family and you see them not spending the money wisely that you took out of your pocket to help them with, that puts some strain in the family. We feel somewhat strained at times with how we see other provinces managing the equalization payments they get.

We take some very tough management positions. We have since 1993-94. We've got some public criticism for that because we've been too tough in some areas. When we see other provinces not willing to be as equally restrained as we are and yet still getting our money, that hurts a little bit, but we're part of the family, and we pay it out. So equalization will continue to be unequal. We understand that. But we are pressing for equal per capita CHST.

**9:53**

THE CHAIRMAN: For the last questioner, I assume, Ms Blakeman, please.

MS BLAKEMAN: Thanks. That was really interesting. Isn't the principle of those transfer payments wealth redistribution? So why would those transfers continue if this province is posting such a significant surplus?

MR. DAY: The transfers are continuing, and we are paying for provinces that don't have those types of surplus. They continue. There are two allotments, hon. member. One is through what's called the equalization payments. I mean, that's constitutionally

applied, and we are supporters of the Constitution. The other is the Canadian health and social transfer. We maintain that that particular transfer should be on an equal per capita basis. This is what I was just explaining to the member, that the transfer payments will continue. We will continue to be net contributors to Confederation financially.

The point I was making with the previous question is we have made some tough management decisions that we think create an attractive environment for people to come and invest their hopes and dreams and pursue those hopes and dreams through their various entrepreneurial pursuits. Because we've done that and because we have made some decisions, for instance reducing the size of government by 20 percent -- those are tough decisions, but it means we are able to tax people less, for instance. Because we're able to tax people less because the load of government isn't as great, you're able to attract those women who want to come here and open small businesses, for instance, because they know that we're not going to be as heavy on the taxation side.

Now, we make a tough government decision to get there, to reduce the cost of government. When we see other governments not willing to make those decisions and continuing to run governments which we believe have a lot of inefficiency and overlap and unnecessary involvement of government in certain areas of business, all I'm saying is it hurts to keep sending the money because they're not willing to make the type of management decisions, the tough ones, that we've made. But we keep sending out the dough because we're all brothers and sisters and we're just so happy that we're all in the family.

So what I'm saying is that that will continue, but we are asking for a more equitable approach when it comes to the CHST itself. We've even built in a population allocator, for instance for the province of Newfoundland with their severe population swings, to accommodate that. But what we're saying is: on CHST make that equal per capita. On equalization, we'll continue to send that money down the pipeline, and we won't tell other provinces how to do business, but we hope they'll look at how we're doing business and that in fact they'll follow suit.

THE CHAIRMAN: If we can get the last supplementary, please.

MS BLAKEMAN: This has been a most interesting discussion, but I'm curious about an inconsistency that I appear to be hearing around this discussion. The Provincial Treasurer is arguing strenuously for universality in these transfer payments, yet I don't see that same strenuous argument for universality in other areas; for instance, social programs and health care.

MR. DAY: I think you'll find that when you look at any province, universality is not universal.

THE CHAIRMAN: He answered and answered right on time.

MS BLAKEMAN: Thank you.

THE CHAIRMAN: Committee, it's unfortunate we were unable to get to three members that wished to ask questions. Perhaps there were more, but those three happened to be on the list. Hopefully in subsequent weeks we'll move those people up.

Next week, if in fact the Legislature is sitting, we have the Hon. Halvar Jonson, the Minister of Health, here before us. Mark that on your calendars.

MS OLSEN: How likely is that?

THE CHAIRMAN: This chair knows not.  
Might we have a motion for adjournment, please?

MRS. O'NEILL: So moved.

THE CHAIRMAN: Mrs. O'Neill. Is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Carried. Thank you kindly. We stand adjourned.

[The committee adjourned at 10 a.m.]

