



Legislative Assembly of Alberta

The 29th Legislature
Second Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Wednesday, May 4, 2016
9 a.m.

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The 29th Legislature
Second Session**

Standing Committee on Resource Stewardship

Loyola, Rod, Edmonton-Ellerslie (ND), Chair
Loewen, Todd, Grande Prairie-Smoky (W), Deputy Chair

Aheer, Leela Sharon, Chestermere-Rocky View (W)
Babcock, Erin D., Stony Plain (ND)
Clark, Greg, Calgary-Elbow (AP)
Dang, Thomas, Edmonton-South West (ND)
Drysdale, Wayne, Grande Prairie-Wapiti (PC)
Hanson, David B., Lac La Biche-St. Paul-Two Hills (W)
Kazim, Anam, Calgary-Glenmore (ND)
Kleinsteuber, Jamie, Calgary-Northern Hills (ND)
MacIntyre, Donald, Innisfail-Sylvan Lake (W)
Malkinson, Brian, Calgary-Currie (ND)
McIver, Ric, Calgary-Hays (PC)*
Nielsen, Christian E., Edmonton-Decore (ND)
Rosendahl, Eric, West Yellowhead (ND)
Turner, Dr. A. Robert, Edmonton-Whitemud (ND)**
Woollard, Denise, Edmonton-Mill Creek (ND)

* substitution for Wayne Drysdale

** substitution for Eric Rosendahl

Also in Attendance

Cyr, Scott J., Bonnyville-Cold Lake (W)
Fildebrandt, Derek Gerhard, Strathmore-Brooks (W)
Gotfried, Richard, Calgary-Fish Creek (PC)

Support Staff

Robert H. Reynolds, QC	Clerk
Shannon Dean	Senior Parliamentary Counsel/ Director of House Services
Philip Massolin	Manager of Research Services
Stephanie LeBlanc	Legal Research Officer
Sarah Amato	Research Officer
Nancy Robert	Research Officer
Corinne Dacyshyn	Committee Clerk
Jody Rempel	Committee Clerk
Aaron Roth	Committee Clerk
Karen Sawchuk	Committee Clerk
Rhonda Sorensen	Manager of Corporate Communications and Broadcast Services
Jeanette Dotimas	Communications Consultant
Tracey Sales	Communications Consultant
Janet Schwegel	Managing Editor of <i>Alberta Hansard</i>

Standing Committee on Resource Stewardship

Participants

Ministry of Treasury Board and Finance

Hon. Joe Ceci, Minister

Lowell Epp, Assistant Deputy Minister, Treasury and Risk Management

9 a.m.

Wednesday, May 4, 2016

[Loyola in the chair]

**Ministry of Treasury Board and Finance
Consideration of Main Estimates**

The Chair: Welcome, everybody. I would like to call the meeting to order and welcome everyone. The committee has under consideration the estimates of Treasury Board and Finance for the fiscal year ending March 31, 2017.

I'd ask that we go around the table and have all MLAs introduce themselves for the record. Minister, when we get to you, please introduce the staff that are joining you at the table. I'll just interject here and say that the Speaker's office does provide protocol, and I understand that you've requested that more than three people assist you today, but I just wanted to keep it on the record that if more seats are required, we'll ask the visitors that are with you to cede their seats if they are needed.

First, I'd like to note for the record that under Standing Order 56(2.1) to (2.4) Mr. Ric McIver is officially substituting for Mr. Wayne Drysdale, and Dr. Turner is officially substituting for Mr. Eric Rosendahl.

I'm Rod Loyola, MLA for Edmonton-Ellerslie and chair of the committee.

Mr. Loewen: Todd Loewen, MLA, Grande Prairie-Smoky.

Mr. McIver: Ric McIver, MLA, Calgary-Hays.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Mrs. Aheer: Leela Sharon Aheer, MLA, Chestermere-Rocky View.

Mr. Cyr: Scott Cyr, MLA, Bonnyville-Cold Lake.

Mr. MacIntyre: Don MacIntyre, MLA, Innisfail-Sylvan Lake.

Mr. Fildebrandt: Derek Fildebrandt, Strathmore-Brooks.

Mr. Ceci: Joe Ceci, Minister of Finance and President of Treasury Board and MLA for Calgary-Fort.

The Chair: Minister, do you want to introduce those with you today?

Mr. Ceci: Sure. On my left is Lana Lougheed, deputy minister of corporate human resources and Public Service Commissioner. On my right is Ray Gilmour, Deputy Minister of Treasury Board and Finance. Beside Ray is Aaron Neumeyer, assistant deputy minister and budget development and reporting responsibilities. Beside him is Darren Hedley, assistant deputy minister, strategic and business services.

The Chair: Thank you, Minister.
We'll carry on.

Mr. Dang: Good morning, everyone. Thomas Dang, MLA, Edmonton-South West.

Ms Woollard: Good morning. Denise Woollard, MLA, Edmonton-Mill Creek.

Dr. Turner: Bob Turner, Edmonton-Whitemud.

Ms Kazim: Anam Kazim, MLA, Calgary-Glenmore.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

Mr. Nielsen: Good morning. Chris Nielsen, MLA, Edmonton-Decore.

Ms Babcock: Good morning. Erin Babcock, Stony Plain.

Mr. Kleinsteuber: Good morning. Jamie Kleinsteuber, Calgary-Northern Hills.

The Chair: Please note that the microphones are operated by *Hansard*, and we'd ask that BlackBerrys, iPhones, et cetera, be turned off or set to silent or vibrate and not placed on the table as they may interfere with the audiofeed.

Mr. Clark, you've joined us. Please introduce yourself.

Mr. Clark: Yes. Good morning. Greg Clark, MLA, Calgary-Elbow. Thank you, Mr. Chair.

The Chair: Hon. members, the standing orders set out the process for consideration of the main estimates. Before we proceed with consideration of the main estimates for Treasury Board and Finance, I would like to review briefly the standing orders governing the speaking rotation. As provided for in Standing Order 59.01(6), the rotation is as follows. The minister or the member of Executive Council acting on the minister's behalf may 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 the members of the third party, if any, and the minister may speak. For the next 20 minutes the members of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes private members of the government caucus and the minister may speak. For the time remaining, we will follow the same rotation just outlined to the extent possible; however, the speaking times are reduced to five minutes as set out in Standing Order 59.02(1)(c).

Members may speak more than once; however, speaking times for the first rotation are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 20 minutes. For the final rotation, with speaking times of five minutes, once again a minister and a member may combine their speaking time for a maximum total of 10 minutes. Discussion should flow through the chair at all times regardless of whether or not speaking time is combined. Members are asked to advise the chair at the beginning of their speech if they wish to combine their time with the minister's time.

If members have any questions regarding speaking times or the rotation, please feel free to send a note or speak directly with either the chair, myself, or the committee clerk about the process.

Three hours have been scheduled to consider the estimates of Treasury Board and Finance. With the concurrence of the committee I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone oppose having the break?

Mr. Loewen: Opposed.

The Chair: You oppose, sir? Okay. Then we will not have a break at the midpoint.

Committee members, ministers, and other members who are not committee members may participate; however, only a committee member or an official substitute for a committee member may introduce an amendment during a committee's review of the estimates.

Ministry officials may be present, and at the direction of the minister officials from the ministry may address the committee. Ministry staff seated in the gallery, if called upon, have access to a microphone in the gallery area. I'll just remind them, if they do get up to speak, to please state their name and their position before speaking. Members' staff may be present and, space permitting, may sit at the table or behind their members along the committee room wall. Members have priority for seating at the table at all times.

If debate is exhausted prior to three hours, the ministry's estimates are deemed to have been considered for the time allotted in the schedule, and we will adjourn. Otherwise, we will adjourn at noon.

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

Any written material provided in response to questions raised during the main estimates should be tabled by the minister in the Assembly for the benefit of all members.

Again I will remind all meeting participants to address their questions and responses through the chair and not directly to each other.

The vote on the estimates is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on May 17, 2016.

If there are amendments, an amendment to the estimates cannot seek to increase the amount of the estimates being considered, change the destination of a grant, or change the destination or purpose of a subsidy. An amendment may be proposed to reduce an estimate, but the amendment cannot propose to reduce the estimate by its full amount. The vote on amendments is deferred until Committee of Supply convenes on May 17, 2016. Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are to be moved. Twenty copies of amendments must be provided at the meeting for committee members and staff.

I will now invite the President of Treasury Board and Minister of Finance to begin with his opening remarks.

Mr. Ceci: Thank you, Mr. Chairman. Before I begin, of course, I'd also like to just reflect on the wildfire situation in Fort McMurray and express how grateful I am that there has been no loss of life in that devastation and also how grateful I am for the extraordinary efforts of first responders and emergency personnel and for their work in harrowing circumstances. I, of course, am saddened by the loss of property in that community. We want all the committee members to know that government is focused on doing everything we can to stop that wildfire and, of course, to ensure people's continued safety.

In terms of beginning my actual presentation, I would like to share the business plan and the estimates of the Ministry of Treasury Board and Finance, including corporate human resources and the boards and agencies and corporate entities and funds which comprise the ministry.

Of course, I have already introduced the people who have joined me at the table here today. I would also like to recognize an additional number of people from the department staff that are joining us this morning. I won't name them all, but I would specifically like to recognize some: from AGLC, the Alberta Gaming and Liquor Commission, Gill Hermanns, senior vice-president, corporate services, and Kandice Machado, vice-president of corporate finance and chief financial officer; from AIMCo, Alberta Investment Management Corporation, Jacquelyn Colville, the chief financial officer; and from ATB Financial, Colleen Purdy, the vice-president of finance and corporate controller.

With respect to Budget 2016, as you know, the global collapse in oil prices is having a large economic impact on our province. On April 14 the government presented a clear path forward to face these challenges head on. Budget 2016, the Alberta jobs plan, controls spending while protecting vital public services.

9:10

My department is helping achieve these objectives not only by leading government's fiscal planning and accounting but effectively managing cash, collecting revenue, and providing rebates and tax credits that benefit thousands of Albertans and Alberta businesses. Within the ministry we have some of the best economists, accountants, financial analysts, and demographers in the province, who assist in identifying and defining the fiscal, social, and economic challenges Alberta faces and what options are available to address them.

As we reported in the budget, real GDP is expected to fall in 2016 as the decline in oil and gas spreads to other sectors. However, we expect to see a gradual improvement in oil prices over the medium term, supporting economic growth.

While there isn't the time to discuss each and every one of our key strategies in detail, I'd like to touch on a few significant initiatives listed in the outcomes, beginning on page 140 of the Treasury Board and Finance business plan, outcome 1. The first outcome is strong and sustainable government finances. With this outcome in mind, the ministry continues to "provide advice and recommendations on spending, cost-saving initiatives, operational efficiencies, and revenue initiatives to align with government [policies]."

Another key component of the ministry's work is to "monitor the competitiveness, economic efficiency, fairness and revenue stability of Alberta's tax system." Alberta continues to have an overall tax advantage compared to other provinces, with no provincial sales tax, health premiums, or payroll tax.

The new carbon levy will be implemented on purchases of heating and transportation fuels effective January 1, 2017, to help encourage Albertans and Alberta businesses to reduce their greenhouse gas emissions. The climate leadership plan's consumers' rebate will offset higher costs resulting from the levy for lower and middle-income families. My ministry will be involved in providing these rebates to eligible Albertans at a rate set for 2017 and 2018. About two-thirds of the households will receive either a full or partial rebate.

We will be implementing the small-business corporate tax rate reduction from 3 to 2 per cent effective January 1, 2017. We're also working with Economic Development and Trade to implement the Alberta investor tax credit for eligible small and medium enterprises and the capital investment tax credit for property acquisition in value-added industries. We are involved in supporting families and communities by enhancing the Alberta family employment tax credit and working with Human Services to implement the Alberta child benefit.

Several of the tax initiatives will contribute to economic diversification, but this is not the only way my ministry is involved in efforts to diversify the economy. I have directed the Alberta Investment Management Corporation to earmark half a billion dollars for investment in Alberta companies with growth potential. You may recall that we increased ATB's capital by \$1.5 billion to support lending to small and medium-sized businesses in our October budget.

Modernizing Alberta's gaming industry is also an outcome we're focused on. Some of the technology in casinos is outdated or obsolete. AGLC is in the process of modernizing technological infrastructure to provide increased entertainment value and

improved gaming experience for players in a responsible way. This will ensure the Alberta lottery fund can continue to be used for grants that enhance the well-being of all of our communities.

Under outcome 2 I will provide a brief update with regard to ATB, pensions, security regulations, and auto insurance.

In line with the strategy to improve access to capital, ATB announced an increase in loans to small and medium-sized businesses by \$335 million in the fourth quarter of last year, 2015-16.

On the pension side we look forward to continuing discussions with our federal, provincial, and territorial counterparts on the benefits, costs, and possible alternatives to CPP expansion. We are keeping an eye on public pension sustainability but not bringing in changes to Alberta's public-sector pension plans at this time.

On the securities regulation end, at the end of March Stan Magidson was appointed chair and chief executive officer of the Alberta Securities Commission, and I formally announced that Alberta will not join the national securities regulator. Mr. Magidson will ensure that the provincially led regulatory system meets the needs of Alberta market participants and investors while continuing to work co-operatively with other jurisdictions.

We're also in the midst of an automobile insurance review. Any future changes would be aimed at making the existing system more efficient and promoting a fair, accessible, and affordable insurance system for all Albertans.

Outcome 3 is about ensuring accountable, effective, and efficient government. We are examining spending priorities and how efficiently tax dollars are being used to deliver programs and services. We're also involved in initiatives to standardize and streamline financial processes and policies to improve government's enterprise resource planning capacity. Much of this work is co-ordinated with Service Alberta from a technology perspective. I would also draw your attention to strategy 3.3 to note that we will be moving ahead with upgrading to a new treasury management system. This is reflected in Service Alberta's budget due to their direct responsibility for technology services.

The fourth and final outcome is a strong and inclusive public service as we work to ensure that the right services are in place for Albertans that require them. Our role is to ensure that we have the right people in place to provide those services. You may be interested to know that relative to B.C., Ontario, and Saskatchewan Alberta has the second-smallest public service per capita and the lowest proportion of managers supervising staff. In fact, the number of public service employees per capita has dropped from 16 workers per 1,000 Albertans in 1991 to just 7 workers per 1,000 Albertans today. Over the last five years Alberta's population has grown by...

The Chair: Thank you very much, Minister.

For the hour that follows, we'll go to members of the Official Opposition. Would you like to have 20-minute intervals, or would you like the full hour?

Mr. Fildebrandt: We'll take the full hour and go back and forth, Mr. Chair.

The Chair: Okay. Thank you very much. Please proceed.

Mr. Fildebrandt: Thank you, Mr. Chair. Thank you, Minister and to your staff for being with us today. I'll just start by adding my voice to those from all sides here in stating that our prayers and thoughts are with everybody in Fort McMurray right now along with our first responders, who are doing the best possible job to save that city, the people in it, and, if possible, as much property as possible.

When I was preparing for this several weeks ago, I had originally intended to ask some questions around emergency budgets and wildfire budgets. I've decided to withdraw those questions today. I don't think it's appropriate, in light of what's taking place, to go down that direction. Maybe we'll get to that another day.

We do have some other questions here. Obviously, we're dealing with things in a very different atmosphere than I expected to be in even at this time yesterday, but I think that Albertans want us to still do our jobs and continue with the functions of government. We normally have only one chance a year to do estimates; I think this year we get two. I suppose we have to go on and do our jobs here, so let's get right into it.

I'd like to talk about the credit rating of the province. Looking at page 140 of the Treasury Board and Finance business plan, the first thing that caught my eye here was that you dropped performance measure 1(a), Alberta's credit rating. Would you like to tell us why you dropped this performance measure, or is that an obvious point?

Mr. Ceci: No. I would welcome the opportunity to talk about our credit rating.

Mr. Fildebrandt: I'm sorry. I'll state right off that you'll have to excuse me. I don't mean to sound rude if I interrupt you if I think that we've got the answer. I want to keep it kind of brief. If I interrupt you, it's not because I'm trying to be rude; it's just because I want to keep the questions moving.

Thank you.

Mr. Ceci: Sure. Of course, our credit rating is an important measure of the province's fiscal health. It considers factors both in and outside of the government's control. Our current circumstances are largely a function of the external markets and economic forces beyond our control, most especially the rapid decline in the global price of oil and Alberta's relatively high fiscal dependence on the performance of this commodity.

9:20

We're going to continue, obviously, to make choices that are in the best interests of Alberta going forward while maintaining the best level of fiscal prudence possible. We are thinking about our credit rating, of course. We know that we are the second strongest in this country in terms of provinces and that we'll continue to have a strong and resilient balance sheet and economy. We have focused on what's important in terms of addressing programs and services so that they don't receive negative attention.

Mr. Fildebrandt: Thank you, Minister. You spoke to the strength of the balance sheet relative to other provinces. That we're not debt free and had \$17 billion in a sustainability fund, that would be true, but we've had a balance sheet meltdown of I think in the neighbourhood of \$68 billion between fiscal 2008 and projections 2018. So in a decade we'll have had a drop in our net financial assets of \$68 billion on our balance sheet. Do you stand by your statement that that is a healthy balance sheet, with a \$68 billion meltdown?

Mr. Ceci: I think what we know is that the 2015-16 economic contraction in Alberta marks the fourth recession in this province since 1980 and the first back-to-back annual decline in real GDP since 1982-1983.

Mr. Fildebrandt: Well, I'm not asking about GDP. I'm asking about our balance sheet performance over a decade, before you came to government, which, obviously, you're not responsible for, and no one is saying that you are. But in the broader context of the last decade, fiscal 2008 to projections in 2018, a \$68 billion decline

in net financial assets I don't believe anywhere can be described as a healthy balance sheet.

Mr. Ceci: We still have net assets in this province as of today.

Mr. Fildebrandt: But not in the next few months.

Mr. Ceci: We still have the strongest balance sheet of any province in Canada. We are adjusting to, of course, the lower oil prices. Alberta's economy has taken a significant hit, but we are working our way through all of that. I still believe that we are at the point of great fundamentals in this province, that if we follow through with the Alberta jobs plan, Budget 2016, we will get to a much better place as a province.

Mr. Fildebrandt: With all respect, the credit-rating agencies disagree. We've had three downgrades in four months, and your attempts to meet with them face to face to deal with their concerns have unfortunately not been successful. Is it your opinion that meeting face to face with our credit-rating agencies is going to do more to calm their concerns about our creditworthiness than getting our balance sheet under control?

Mr. Ceci: You know, Alberta is not alone in the actions of downgrades from credit-rating agencies. We are in the same situation as every jurisdiction who has oil as their primary source of revenue. Not only jurisdictions but companies and sovereign nations are in the same situation, so we are no different than any of them.

Mr. Fildebrandt: What price would oil need to be to balance the budget, then?

Mr. Ceci: We are taking a prudent approach to forecasting where the price of oil will be over the next three years. We believe that is what we can do in terms of predicting based on the private sector.

Mr. Fildebrandt: That's not my question. My question was: what price? You've said that the price of oil is responsible for the deficit. So what price would oil need to be to balance the budget, to break even?

Mr. Ceci: We are not in that situation. We have a \$10.4 billion deficit.

Mr. Fildebrandt: Again, that's not my question, Minister. I've asked, I think, a very simple question. You list in the budget revenue sensitivities based on the price of oil, obviously, at either extreme of those projections. Those projections need to be changed. Surely, your ministry would have some idea about price if oil is the only reason we have a deficit and a massive deficit at that: \$10.4 billion on the operational side, \$14 billion if you define it as change in net financial assets. My question is very simple and clear. At what price does oil need to be to balance the budget if oil is the only reason for there being a deficit?

Mr. Ceci: Oil is not the only reason for there being a deficit. We are very much an oil economy, so all parts of our economy are depressed as a result of oil being down. There are other things that will need to happen to balance the budget. Those include an uptick or a pickup of our economy over time and greater economic diversification throughout this province. Those are the things that we're focused on in the Alberta jobs plan 2016.

Mr. Fildebrandt: Okay. So let's say that we have a recovery in GDP, and let's say that that added a billion dollars to our nonrenewable resource revenues. If we're talking about, you know,

income taxes, corporate taxes, let's just throw a billion dollars on. That would be a pretty comfortable growth. Let's give a billion dollars on that side. What would the price of oil need to be to balance the budget if oil is the primary reason for the deficit?

Mr. Ceci: You know, instead of . . .

Mr. Fildebrandt: I think it's a very straightforward question.

Mr. Ceci: Well, I'm trying – I assure you that it's not a straightforward answer, the straightforward answer that you're looking for. The answer is that it depends on many things. It depends on the price of oil, the strength of our economy, and the ability of our economy to diversify. Those . . .

Mr. Fildebrandt: So your department has done no modelling.

The Chair: Hon. member, if I could just interject. I'm just noticing that there's talking over each other. If we could just allow each person to finish their statements.

Mr. Fildebrandt: I've said that if I think I've got my answer or if the minister is not . . .

The Chair: I remind you that, technically, we're supposed to be going through the chair. Now, I don't expect you to be looking at me, but, please, at the same time, let's respect that.

Mr. Fildebrandt: Yes, Mr. Chair.

The Chair: Thank you.

Mr. Fildebrandt: Are you saying, then, that your ministry has not done economic modelling on what the price of oil would need to be, understanding that a higher price of oil will drive other economic indicators, increase revenues around income and corporate taxes, et cetera? Are you saying that your department has not done economic modelling on what the price of oil would need to be to balance the budget?

Mr. Ceci: No. What I'm saying is that it's a bit of a fool's game to try and predict oil beyond the near term. The people that we have talked to, the economic forecasts that we have from people who are in this business tell us – it's in the budget; we have averaged their estimates. We know that those estimates are in line with our own projections. They don't go out beyond 2019 . . .

Mr. Fildebrandt: If I can interject again, that's not the question I asked. My question was not what you're projecting oil prices to be beyond the three-year projection. That's not what I asked. My question was: for this fiscal year or the next fiscal year or even the one after that, any one of these years, have you done economic modelling that would state at what price oil would need to be to balance the budget? I'm not asking what you are predicting the price of oil to be. I'm not asking how far you're making predictions. I'm asking: for any of the years in the fiscal plan what would the price of oil need to be to balance the budget? Very simple.

Mr. Ceci: Yeah. I have not personally modelled what the price of oil would need to be to balance the budget in 2016-17.

Mr. Fildebrandt: Would that be something that your office would be willing to share and table in the House at a later date?

Mr. Ceci: I don't particularly see the value in a prediction of that sort. I do believe that our budget is based on the needs of Albertans at this time.

Mr. Fildebrandt: That's not what I'm asking, Minister. If you're not willing to provide it, would you commit to stop blaming the deficit on the price of oil?

Mr. Ceci: No, I will not.

Mr. Fildebrandt: Okay. Well, that's all I can ask there.

Okay. Well, let's move on. Not very long ago, in the last estimates, on November 3, you stated: "I'm confident that we can show that we are worthy of a triple-A credit rating because we are sticking to our plan." Now that you're eliminating the debt ceiling, that you passed just five months ago, with Bill 10 – I never thought I'd see the day where we're defending your government's policies from five months ago against the government's policies of today. Obviously, you're not sticking with the plan that you laid out when you said that that plan would keep us our triple-A credit rating. You're not sticking to it; you're repealing it. The rating agencies have accordingly downgraded our credit rating. Can you explain to the committee what changed between now and five months ago, when you told this committee that sticking to your plan would keep us our triple-A credit rating?

9:30

Mr. Ceci: Yes. We came forward with that budget on October 27, and in the interim, around January, oil dropped \$20 a barrel, to about \$26 a barrel. The economy experienced significant challenge and is going to continue to experience that for the near term. That was the change that precipitated us to view that the 15 per cent debt to GDP was not something that could be achieved. However, you know, if the economy does better, oil recovers more quickly than is forecast, we can see us staying below that 15 per cent debt to GDP. While there will not be an actual provision in the budget bill, we can see ourselves staying below it.

Mr. Fildebrandt: During the election and immediately afterwards, after the new government was sworn in, you said that you were going to get off the royalty roller coaster, was the term. It seems that your plan is still entirely tied to the royalty roller coaster, that your only plan to not even balance the budget but to not exceed the 15 per cent debt to GDP limit is to essentially do what we've been doing for the last decade in this province, and that's just pray for high oil prices. Is this plan consistent with your earlier commitments to get off the royalty roller coaster?

Mr. Ceci: The Alberta jobs plan, Budget 2016, is this government's focus. It includes a significant portion of attention to diversification. That diversification takes time, but we are hopeful . . .

Mr. Fildebrandt: So how much time would that be? Your diversification projects, these subsidies and corporate welfare programs: how long is that going to take to be in place before we can replace our resource royalty revenue?

Mr. Ceci: We outline a number of ways that we're going to stimulate economic growth and diversification and job creation in Budget 2016. We introduced an enhanced five-year \$35 billion capital plan to help stimulate the economy, keep people working, and upgrade or expand existing infrastructure. We also have introduced a quarter billion dollar jobs investment and diversification package, which includes a number of new tax credits, two of them which are \$165 million over two years for investors and for capital investment.

Mr. Fildebrandt: Thank you, Minister.

You were talking about your revenue projections changing since the last budget, when we sat here for estimates, but if you can recall,

I think I spent a fair bit of my breath telling you that your revenue projections would be nowhere close. In fact, in the time between introducing your budget and actually passing the budget at the end of the estimates process, oil prices had significantly collapsed, and I repeatedly told you that your oil projections were nowhere close to realistic. You said that we were merely fearmongering. Are you prepared to state that your government was unrealistic and wrong and that the opposition had good reason to fear that your revenue projections were not realistic at the time?

Mr. Ceci: The projections that were identified in Budget 2015, of course, I think I've mentioned, followed the experts in the oil and gas sector. We were using industry experts in averaging those costs, and those were included for the price of oil in our budget as well as a number of other things.

Mr. Fildebrandt: All right. On page 60 of the fiscal plan the crude oil price forecast you have chosen for 2016-17 is \$42 U.S. per barrel, WTI. Now on page 80, you explain that the price chosen is an average, but on top of that your own Energy department's weighted average of private confidential forecasts is \$38 a barrel. Why is there a 10 per cent difference in forecast between Treasury Board and Finance and the Department of Energy?

Mr. Ceci: Sure. Because you're looking at annual and fiscal numbers. The annual numbers are \$38 and the fiscal numbers are on page 60, you said, and they are \$42. The fiscal numbers include, of course, three months into 2017, and the annual numbers are all of 2016.

Mr. Fildebrandt: Thank you.

Five months ago you were saying that just one more year to balance over your election commitment and then we'd be back to balance. During your campaign you extended it out one year, and then almost immediately after being elected, you extended it one more year. At what point did you become aware that the budget would not be balanced for years to come and just kicked it out indefinitely?

Mr. Ceci: I don't think I said the latter, but we are of course endeavouring to control spending and act as a shock absorber in these difficult times for Albertans and the economy.

Mr. Fildebrandt: That's not the question. The question was: at what point did you decide that your revised campaign commitment of balance in 2020 could not be met and you abandoned any even vague date? I know that you've mentioned outside of the budget documents 2024, but there's no math to support that. That was just sort of a comment in the media. At what point did you decide that the government should jettison any pretense to even balancing the budget?

Mr. Ceci: I don't think we have jettisoned anything. Of course, during the preparation of Budget 2016 we looked at our fiscal situation fully, both the revenue side and the expenditure side, and believed that the earlier time frame that we identified is not possible. So the responsible thing to do is to ensure that we continue to control costs, change the cost curve going forward, grow the economy through diversification, and balance in five to 10 years.

Mr. Fildebrandt: Five to 10. Okay.

Let's talk about taxes. On page 103 of the fiscal plan the revenue per unit of tax on corporate income tax has dropped \$371 million per point to \$323.9 million per point, a \$47 million per point drop. Are you not concerned that you're scaring business away from Alberta with the economic policies of your government?

Mr. Ceci: Of course, there's a lag between when corporate taxes are earned and when tax revenue is paid. The revenue impact from the decline in corporate profits in 2015 and '16 was partially felt in 2015-16 and will be stretched out over the next couple of years. In 2009 corporate profits experienced a similar decline of 59 per cent, but . . .

Mr. Fildebrandt: That's not the question I asked. The question was: do you feel that the government's different economic policies around minimum wage, higher corporate income taxes, et cetera, are harming business competitiveness in the province and, therefore, chasing business out of the province?

Mr. Ceci: This province is doing what this government is endeavouring to do, to diversify business in this province. We are facing, you know, shortfalls due to the global collapse in oil prices.

Mr. Fildebrandt: Again, not the question asked. The question asked was: do you feel that the economic policies of this government, things like the minimum wage, higher corporate income taxes, higher income taxes on some individuals, et cetera, that these kinds of policies are potentially chasing some business out of the province?

Mr. Ceci: Alberta continues to enjoy an overall tax advantage when compared to other provinces. We have no provincial sales tax, no payroll tax, and no health premiums. We are instituting a small business tax on January 1, 2017. So taken as a whole, Alberta is in a position to welcome and build its business support.

Mr. Fildebrandt: I was just looking for a yes or no. Do you believe that any of the policies implemented by this government, higher minimum wages and an expected increase in the minimum wage, higher corporate income taxes and the potential of higher corporate income taxes to come because of the uncontrolled deficit – businesses are looking at this deficit and saying: well, eventually, the shoe has got to fall somewhere, and it's probably going to fall on us again. Do you think that the economic policies of the government and the potential for higher taxes in the future are harming business confidence in the province? I'm just looking for a straightforward answer.

9:40

Mr. Ceci: A straightforward answer is that Alberta is still the best place to do business in this country.

Mr. Fildebrandt: Thanks.

Okay. Well, you mentioned PST, so I'm going to ask. You've committed to not bring in a PST during the term of this government. That's great. Are you committed to at no point bringing forward a PST in this province? Period.

The Chair: Hon. member, I'm just going to interject here. I understand that it's related, but you're asking questions about the future, about the potential that it will happen, and we really want to focus on the budget estimates.

Mr. Fildebrandt: Mr. Chair, with all respect, this is well within the bounds of a budget debate and the estimates. I think we'd be on pretty thin ice saying that we're not allowed to discuss the potential of a PST and what this means for tax revenue in the future. I think it's a very legitimate question.

The Chair: We are supposed to be talking about the budget estimates that are before us at the moment, so I'd ask you to focus your questions on that if you don't mind.

Mr. Fildebrandt: You're saying that a question about PST is not allowed within a budget estimates debate?

The Chair: You can ask about PST. But, I mean, I'm talking about the future. Please don't make this a dialogue between you and . . .

Mr. Clark: Point of order. Please stop the clock.

I apologize – I will be very quick – but this is happening in every single committee meeting. My hon. colleague asking about a provincial sales tax and the potential for a provincial sales tax absolutely has a direct bearing on the budget. It's a question that says, essentially, "We have a budget gap; are you going to introduce a tax to address the budget gap?" to the President of Treasury Board and Minister of Finance. That is absolutely relevant. This is happening repeatedly in these committees. As an opposition member I feel like the chairs of these committees have been instructed to narrow the focus.

It's happening repeatedly. It's frustrating. It is absolutely within the bounds, and I ask you, Mr. Chair, please, to not interject as the opposition asks questions of ministers. It's happening repeatedly, and it has to stop.

The Chair: My understanding is that questions should be focused on the budget estimates that are before us. That's what I'm . . .

Mr. Fildebrandt: Mr. Chair, we are predicting deficits going out till 2024 and potentially even beyond that. How the government intends to address that budget gap is absolutely within the bounds, and it would be a disgrace to the process of this Legislature if those kinds of questions are shut down.

I respectfully ask that you allow that line of questioning. If the minister does not wish to answer it, he can reject the question.

The Chair: Please carry on.

Mr. Fildebrandt: Thank you.

Minister, would you like to answer the question about the potential of a PST at any point in the future to address the budget shortfall?

Mr. Ceci: I may disappoint my friend down there, but there will be no PST in this term of government. You may have other views, but my view is that this government did not run on a PST and we will not bring in a PST. We believe we can address the needs of this province in the fashion we have before us with the Alberta jobs plan, Budget 2016, which is to control spending and to diversify.

Mr. Fildebrandt: Thank you, Minister.

Okay. On page 22 of the fiscal plan – well, let me just say this. You've repeatedly called the carbon tax a carbon levy, to the amusement of the Official Opposition. If it is a levy, why is it, on page 22, listed as a tax? Was that a typo or just a Freudian slip?

Mr. Ceci: No, no. I think you should look at the table there. It says carbon l-e-v-y. Levy. So I am not calling it a tax.

Mr. Fildebrandt: What is the title of the table, Minister, on page 22? Could you just read the name of the title?

Mr. Ceci: Millions of dollars.

Mr. Fildebrandt: Right above where it says millions of dollars. I wasn't very good in English class. I'm having a hard time reading. Could you just read the title of the table above millions of dollars?

Mr. Ceci: I feel like I'm in that meeting where people are asking me about \$5 billion and \$5.4 billion and what they added up to.

Mr. Fildebrandt: Could you read it?

Mr. Ceci: I think you can do that on your own.

Mr. Fildebrandt: I'm just going to spell it out: t-a-x space r-e-v-e-n-u-e. Did I spell that right, Minister?

Mr. Ceci: It looks correct to me, but if you go four down . . .

Mr. Fildebrandt: Thank you. Thank you very much.

Mr. Ceci: If you go four down, it says carbon levy.

Mr. Fildebrandt: Looks like a tax; quacks like a tax; it's probably a tax, Minister. Thank you very much.

On page 5 of the fiscal plan it introduces a carbon tax on Albertans. Obviously, you're going to need bureaucrats to collect the tax, but I don't see any new hires on page 123 of the fiscal plan for the Department of Treasury Board and Finance, who collects taxes, or the Department of Energy, who collects royalties. What department is going to be administering this tax?

Mr. Ceci: Let me think about that just for a second. I'm advised that it will be through my ministry.

Mr. Fildebrandt: Sorry. Your ministry?

Mr. Ceci: Yes.

Mr. Fildebrandt: And you've had to hire no new people to collect this tax?

Mr. Ceci: We are setting up systems to do that. We will absorb the cost internally.

Mr. Fildebrandt: Well, I admire your new-found commitment to limited, lean government, Minister, but you're telling me that a massive new tax, that is actually gross \$6 billion but that we refer to as \$3 billion because of the rebate system, a tax that is going to collect about \$6 billion is going to require no new employees? Even I would have a hard time doing that as Minister of Finance.

Mr. Ceci: Well, we will endeavour to apply this levy across our economy. As we have indicated, we are taking steps to finalize that, and I can get back to you on the actual cost.

Mr. Fildebrandt: Let's talk ATB. In the throne speech on page 6 the government indicated that they are providing \$1.5 billion to Alberta Treasury Branches to support lending to small and medium-sized businesses. On page 255 of the estimates, financial transactions, under department statutory amounts, loans and advances, I see \$1.45 billion this year for ATB Financial, an increase of \$200 million over the last year. Are these loans to small and medium-sized businesses? What are they?

Mr. Ceci: I indicated that there were people here from ATB. They are following through with the directions that were given to them to invest in small and medium-sized businesses throughout Alberta, across our economy. They are varied and representative of all the businesses in this province.

Mr. Fildebrandt: What are they for? Like, what is that?

Mr. Ceci: The loans?

Mr. Fildebrandt: Yeah.

Mr. Ceci: To ensure that small and medium-sized businesses have the capital necessary to get them through this downturn and to potentially hire people or buy equipment to improve their businesses and, as I said, get them through this difficult time.

Mr. Fildebrandt: Thank you.

On the same page, debt repayment, ATB Financial has a line for \$1,253,618,000. Last year it was only \$511 million. Can you explain the significant change in the line, please?

Mr. Ceci: Can you tell me which page you're looking at again?

Mr. Fildebrandt: The same page, page 255 of the estimates.

Mr. Ceci: Just give me a second.

Mr. Fildebrandt: That's 255 of the estimates, debt repayment.

Mr. Ceci: So you're looking at the comparable numbers of \$1,250,000,000 to \$1,450,000,000?

Mr. Fildebrandt: The line is \$1.253 billion. Last year it was \$511 million. That's a very significant change. I'm wondering if you can explain that.

Mr. Ceci: Okay. I see debt repayment there.

Mr. Epp: Mr. Chair.

The Chair: Actually, if you're joining us, you can use the mike at the back. I'll remind you to just state your name and position, please.

Mr. Epp: All right. Lowell Epp, assistant deputy minister, treasury and risk management. The difference in debt repayments is that they have some term debt outstanding and more will mature this year, I think, than last year.

Mr. Fildebrandt: That much in a single year?

Mr. Epp: Yes. So their term debt has a variety of maturities, and it changes over time. Some years it's more than others.

Mr. Fildebrandt: It's a very substantial increase. Is there a reason that there's such an increase in a single year?

Mr. Epp: I don't have the specific list of maturities in front of me, but five years ago they would have borrowed more money, and that money is now coming due.

Mr. Fildebrandt: Okay. Thank you very much.

With ATB getting \$1.45 billion this year to support small-business owners, can you explain why ATB sent letters to their small-business account holders advising them that ATB would be skimming dollars out of their accounts on deposits and withdrawals above certain amounts?

9:50

Mr. Ceci: Sorry. No, I can't specifically explain that, but I can inquire on your behalf.

Mr. Fildebrandt: Thank you. Will you be committed to tabling documents to that effect?

Mr. Ceci: Sure.

Mr. Fildebrandt: Thank you very much, Minister.

On the one hand you've said that you'll be supporting small businesses, but on the other these accounts are being skimmed. Again, I'm not sure if you'll be able to answer this, but are these accounts being skimmed to keep ATB solvent?

Mr. Ceci: I think I said that I would endeavour to find out information with regard to the question you've asked.

Mr. Fildebrandt: Okay. I would just like to expand the original question that you said you'd respond to. For your follow-up if you could also speak to the solvency of ATB. Its balance sheet is now becoming rather leaned on, and I'm wondering if the account skimming is taking place for reasons of ATB's solvency. So if you could explain essentially why that's happening in your follow-up answer.

Mr. Ceci: I think I already committed to furthering that inquiry, but I do want to point you to ATB's regular tablings with regard to their financials. That would probably be where you would find out more about the solvency or insolvency of ATB.

Mr. Fildebrandt: Under the guidelines issued by the former minister in 2009, ATB Financial is to maintain capital that equals or exceeds 8 per cent of their risk-weighted assets or 5 per cent of its assets or the amount specified by the minister by notice in writing. Why is this rule a guideline and not a regulation or statute?

Mr. Ceci: ATB is regulated, and those regulations are reviewed on an as-needed basis, of course.

I can tell you that they are an agency that is necessary and important to the government of Alberta. They are also important to the broad public in Alberta. They follow federal regulations at all times, and we will endeavour to make sure that they continue to do that.

Mr. Fildebrandt: Thank you.

Since 2009 have any new guidelines been issued by the minister, and if so, will you table them?

Mr. Ceci: I will need to investigate.

Mr. Fildebrandt: So you're not committing – I'm just asking very simply, based on what we have right now, if there have been new guidelines issued since 2009. I don't know about them, and I'm just asking for a commitment that you will table them. If there is a real sensitivity around it, I'd be willing to accept it in confidence, but I think it's important that the Official Opposition be given confidence in ATB around this.

Mr. Ceci: No. I don't think there's any sensitivity that I would like to reflect right now. If we do change guidelines for ATB, they are a ministerial order and part of, potentially, cabinet. But I think the only thing we did with regard to ATB is to ensure that they have the necessary liquidity to loan out to Albertan companies.

Mr. Fildebrandt: Okay. Just to bring it back, you will look into this and then decide if you can table it or not? It's not a commitment necessarily to table it.

Mr. Ceci: You know, I don't think what you're asking for is something that has been done by me as a result of my appointment.

Mr. Fildebrandt: No. I'm actually just – since 2009 there has been a bit of turnover in the job. I'm asking if since 2009 any new guidelines have been issued by the Minister of Finance, whoever that minister was, and if you will table them. If you will not table

them, I would like a written explanation of why they would not be tabled.

Mr. Ceci: I can endeavour to ask ATB and officials if there have been any additional guidelines since 2009, remembering that I got here in 2015.

Mr. Fildebrandt: Okay. Would you be willing to provide a written explanation of why they will not be tabled if there have been guidelines produced that will not be tabled?

Mr. Ceci: I can ask my officials if we can look into this issue.

Mr. Fildebrandt: Thank you.

Mr. Ceci: Though I really don't know what issue we're looking into.

Mr. Fildebrandt: That's comforting, Minister.

Mr. Ceci: Well, since 2009. Okay. Anyway.

Mr. Fildebrandt: Can you tell me: what is ATB's current total capital to risk-weighted assets ratio?

Mr. Ceci: Not without looking at the documents ATB provides me and provides, probably, all Albertans.

Mr. Fildebrandt: Okay. Let's go back to my favourite: taxes. Even with your changes to the personal income tax structure in the fall budget compared to now, it's showing about a \$105 million drop in revenue per point of personal income tax. Are you blaming unemployment? Are you blaming people leaving Alberta? What does your sensitivity analysis show in that regard?

Mr. Ceci: Sure. Households are feeling the effects of cuts in the energy sector and the economic downturn. Both wages and employment are forecast to decrease in 2016. These factors contribute to a decrease of 1.4 per cent in the primary household income in 2016, which is a major driver of personal income tax. However, personal income tax still manages a small increase of \$127 million due to the full implementation of the new tax rates. The PIT rate increase is expected to add about \$850 million in revenue in 2016-17.

Mr. Fildebrandt: Okay. Well, the question was actually around revenue sensitivities, your economic analysis around the sensitivities.

Mr. Ceci: The sensitivities are around the downturn in the economy and the energy sector.

Mr. Fildebrandt: Okay. There's obviously been a drop in average weekly earnings. Do you have any analysis as to how many people are voluntarily leaving or filing taxes in other provinces?

Mr. Ceci: No.

Mr. Fildebrandt: Have there been any briefings produced in your department concerning, for lack of a better term, tax refugees?

Mr. Ceci: No.

Mr. Fildebrandt: Do you have anything to say about prominent Albertans choosing to file their taxes in other jurisdictions?

Mr. Ceci: No.

Mr. Fildebrandt: Well, that's a decisive answer. Thank you.

Mr. Ceci: Aside from the fact that we still have a significant tax advantage in this province over every other province in the country. So they'll come back.

Mr. Fildebrandt: You're confident they'll come back?

Mr. Ceci: I'm confident that Alberta is the best place to live in Canada.

Mr. Fildebrandt: Well, I wouldn't disagree with it being the best place to live, but the best place to do business might now be under question, Minister.

Let's talk carbon tax again. On page 254 of the main estimates, under amounts not required to be voted, can you explain why the Legislature does not need to vote on \$95 million for the carbon tax consumer rebates, please?

Mr. Ceci: Just give me a second. What page again?

Mr. Fildebrandt: It's 254, Minister.

Mr. Ceci: The reason it's identified here is that the climate legislation is something that is coming and will be tabled in the Legislature, and at that point it will be authorizing the rebates and will be defining the parameters of the program. So the legislation is coming; it is not here yet. But you know the amounts that we're considering.

10:00

Mr. Fildebrandt: Could you explain for me performance measure 2(a) on page 141 of the business plan? ATB Financial return on average risk-weighted assets drops to .7 per cent as the target for 2016-17. Are you anticipating reduced returns from ATB this year? The \$1.45 billion is not to prop up the bank and has nothing to do with bankruptcies?

Mr. Ceci: Just give me a second to read it. Are you looking at the top of page 141? No. Sorry.

Mr. Fildebrandt: I'm looking at performance measure 2(a).

Mr. Ceci: Performance measure 2(a)?

Mr. Fildebrandt: Yeah.

Mr. Ceci: The reflection of the .7 per cent for '16-17 and then recovering in '17-18, '18-19 is indicative of the challenging economic environment they and every other financial institution and this province are in. That's the target for this year. It reflects the challenges that they're experiencing, but as you see, they identify recovery in out-year.

Mr. Fildebrandt: The question, though, was about: is that \$1.4 billion to prop up the bank, and does it have nothing to do with bankruptcies?

Mr. Ceci: Are you talking about the \$1.5 billion that we have made available to ATB to invest in businesses throughout Alberta?

Mr. Fildebrandt: We're talking about: are you anticipating reduced returns? We've got that it was \$1.45 billion. The question is: is that to prop up ATB, and does it have anything to do with bankruptcies?

Mr. Ceci: No. The \$1.45 billion is reflective of the normal course of business that ATB is involved in.

Mr. Fildebrandt: Okay. Charter banks are governed by the superintendent of financial institutions, and credit unions operate under the Credit Union Deposit Guarantee Corporation. ATB Financial is not federally regulated as a bank or a systemically important bank. Is that correct?

Mr. Ceci: What is your question?

Mr. Fildebrandt: Charter banks are governed by the superintendent of financial institutions, and credit unions operate under the Credit Union Deposit Guarantee Corporation. Is ATB Financial not a federally regulated bank or a systemically important bank?

Mr. Ceci: It is important.

Mr. Fildebrandt: I mean as defined under the superintendent of financial institutions.

Mr. Ceci: Okay.

Mr. Fildebrandt: Of course, we all think it's important.

Mr. Ceci: It follows the rules like the federally regulated banks do. It's provincially regulated by Treasury Board and Finance.

Mr. Fildebrandt: Okay. The ATB is obviously important to the financial health of the province and the economy, so why isn't ATB federally designated by the office of the superintendent of financial institutions as a domestic systemically important bank?

Mr. Ceci: The ATB, as you know, was set up – sorry. The size of ATB is relative in this case. It is not large enough to be systemically important under that definition federally. But it is important to us. It is an important vehicle for Albertans . . .

Mr. Fildebrandt: So the short answer is no.

Mr. Ceci: I think I said that it's not large enough.

Mr. Fildebrandt: Okay. So it's not federally regulated; it's provincially regulated because we're the unique case in Alberta of having a bank. Is there any difference in how it would be regulated from that of a federal bank?

Mr. Ceci: ATB Financial is following the same rules as other banks. For a bank our size we're following the same rules that the federal government has identified.

Mr. Fildebrandt: So there's no difference between the federal and provincial regulations for ATB as if it was a federally regulated bank?

Mr. Ceci: That's right. I can agree with you that we are following the same rules.

Mr. Fildebrandt: Okay. Who are the investment banks used to issue government of Alberta and Alberta Capital Finance Authority bonds?

Mr. Ceci: They are a syndicate, including CIBC, RBC.

Mr. Epp: Why don't I take that?

Mr. Ceci: Okay.

Mr. Epp: Domestically we use a syndicate of 12 banks, including the big six Canadian banks: CIBC, RBC, BMO, or Bank of

Montreal, Bank of Nova Scotia, TD, and National Bank. Those are the senior members of the syndicate. We also use a number of smaller institutions, including Laurentian Bank; Desjardins Financial; Bank of America Merrill Lynch, which isn't smaller, but it is in Canada; Casgrain & Company; HSBC's Canada operation; and Canaccord financial.

Mr. Fildebrandt: Thank you very much.

Could I as an individual buy bonds in ATB, or do I have to buy Alberta Capital Finance Authority bonds to capture ATB's financial debt offerings?

Mr. Epp: The only debt we issue is in the name of the province of Alberta. If we borrow for either of those two provincial corporations, ACFA or ATB, we first borrow in the name of the province and then on-lend to them. So the only bonds you could buy are province of Alberta bonds.

Mr. Fildebrandt: Thank you.

Over the past two years how much has the government of Alberta and the ACFA paid in bonds to be rated by rating agencies?

Mr. Ceci: Did you say to be paid?

Mr. Fildebrandt: Sorry. Essentially, how much are we paying the rating agencies?

Mr. Ceci: How much are we paying the rating agencies? Is that your question? Okay. The three rating agencies – Moody's, S&P, and DBRS – are paid approximately \$250,000 a year in USD.

Mr. Fildebrandt: Thank you.

In late 2007 ATB Financial received a taxpayer-funded bailout to the tune of \$800 million. It seems one of their investments went sour, something called asset-backed commercial paper, that was linked to car loans, credit cards, and credit default swaps. It was all a part of the subprime mortgage fiasco that went on at the time. As the economy worsens in Alberta, are taxpayers going to be on the hook again to bail out ATB Financial as we expect bankruptcies to pile up?

Mr. Ceci: If you're talking about the 2007 – did you say 2007-08?

Mr. Fildebrandt: Yeah. In 2007 ATB Financial had to be bailed out \$800 million.

Mr. Ceci: Right.

Mr. Fildebrandt: Essentially, I'm asking: in the current downturn can we expect the need for another bailout?

Mr. Ceci: I do not anticipate that. These things get identified in their annual reports. It has not been raised to my level. The situation in 2007-08 that you're talking about was unique in the entire world. We are relying on ATB professionals to risk manage their loans.

Mr. Fildebrandt: While that was a world problem in 2007, the downturn we're going over right now, however more localized, is significantly harder on Alberta than in 2007, arguably, so I think the problem stands. During a downturn in 2007 ATB had to be bailed out. You're saying that you're not anticipating anything, but it seems to be at least a possibility that bankruptcies are going to pile up and that ATB is going to have some trouble. Is it a possibility that the government will have to provide further financial assistance to bail out ATB in the event that the downturn continues?

10:10

Mr. Ceci: We are still seeing ATB as a positive for all of Alberta. They manage risk professionally.

Mr. Fildebrandt: That's not the question. The question was: if the downturn continues, is it a possibility that the government will have to provide a financial assistance package to ATB?

Mr. Ceci: I understand ATB to be profitable now and over the next three years. I anticipate that they will continue to show a profit line, as they do on page 113, of \$27 million in the estimates for '16-17.

Mr. Fildebrandt: Okay. So you're anticipating that they're not going to need a bailout.

Mr. Ceci: I'm anticipating that what we have in the fiscal plan is positive.

Mr. Fildebrandt: That was two questions ago: do you anticipate a bailout? The question I'm asking now is: in the event that it does go sour, as it has before, is the government prepared to provide a bailout? It seems to be a very real possibility even if you don't anticipate it as a likelihood.

Mr. Ceci: It seems to be a real hypothetical, is what it is.

Mr. Fildebrandt: Well, it wasn't very hypothetical in the last downturn.

Bankruptcies pile up. ATB is very exposed to risk in Alberta. Alberta is hurting. It seems to be a very real possibility that ATB's assets could go sour. Are you willing to disqualify the possibility of an ATB bailout?

Mr. Ceci: I am only willing to talk about what's in the fiscal plan. I think it's not responsible to, you know, bring in hypotheticals such as this. ATB is still showing a profit.

Mr. Fildebrandt: I don't think it's particularly hypothetical. I think it's a very real and serious question considering that this happened just a few years ago in relatively similar circumstances. I don't think it's particularly hypothetical, and I think that people who have their assets in ATB deserve to know. I think taxpayers who potentially have to backstop ATB have a right to know as well.

Mr. Ceci: You know, I'm not sure why you're talking about nine years ago. This government was here a year ago.

Mr. Fildebrandt: You didn't create ATB either, but you're responsible for ATB.

Mr. Ceci: Sure.

Mr. Fildebrandt: I'm not trying to play the blame game with this government or the previous one. I'm just trying to find out: is the government willing to backstop ATB in the event that its balance sheet goes sour?

Mr. Ceci: We have a fiscal plan that shows 2017 and 2018-19 getting brighter than where we are.

Mr. Fildebrandt: Okay. Thank you.

Let's move on to a similar but different vein. With Bill 5 having created a new bureaucracy to provide loans to seniors to remain in their homes and renovate their premises, Minister, why hasn't this been tasked to ATB Financial to administer rather than the core Alberta public service?

Mr. Ceci: Sorry. Could you repeat the question?

Mr. Fildebrandt: So Bill 5, you'll recall . . .

Mr. Ceci: Yeah. Loans to seniors.

Mr. Fildebrandt: Yeah. It seems odd to me that the bureaucracy would directly administer a loan program rather than ATB Financial. Can you explain why ATB Financial has not been tasked to provide these loans rather than the bureaucracy itself?

Mr. Ceci: Does the government not take care of student loans as well?

Mr. Fildebrandt: I think we're talking about a pretty significant loan program. You have to check for creditworthiness of people, et cetera. I don't know if you're asking me questions. I thought I'm asking you questions about why ATB is not . . .

Mr. Ceci: Well, I'm more reflecting on the fact that the government of Alberta is involved in loan programs.

Mr. Fildebrandt: Well, we're almost at the end of our time, Minister.

Mr. Ceci: Sure.

Mr. Fildebrandt: So my question is: why has ATB Financial, who has the expertise in-house to handle loans in these kinds of things, not been tasked to deal with this rather than the bureaucracy?

Mr. Ceci: The bureaucracy is well situated to deal with loans for seniors, and we have a seniors minister who will deal with it.

Mr. Fildebrandt: Not the question asked. The question was: why not ATB Financial?

Mr. Ceci: Because the Ministry of Seniors and Housing will deal with it.

Mr. Fildebrandt: That's not an answer.

Mr. Ceci: It is.

Mr. Fildebrandt: That's just saying: because. It's like I asked you a question, and you said: because.

Mr. Ceci: Okay.

Mr. Fildebrandt: You say that, well, because you like the Department of Seniors and Housing. I get that you like the department, but I'm asking you: why does ATB Financial not get charged with the administration of a potentially very significant lending program? Why are they not being charged with this rather than the department? You say: because you like the department. Do you have a more substantive answer than that?

Mr. Ceci: The work of the Seniors and Housing ministry is ongoing in this regard. They may ask ATB to be involved in the administration of this loan. ATB is already involved in the administration of the seniors' property tax program. We may ultimately see this occur, but it's the ministry of seniors that is responsible for this.

Mr. Fildebrandt: Okay. That doesn't help too much.

On page 248 of the main estimates, line 1.1, minister's office – that's what I'm looking at here – I'm happy to see that you're leading by some example in trimming your budget by \$189,000

here. Are these reductions or just functions that have been moved to other departments?

Mr. Ceci: No. These are changes. I'll just tell you what those changes are. The reductions in the minister's office are a result of the 2015-16 budget allocating funding to cover one-time severance costs, vacation payouts, and relocation costs related to transition. That is it. There were severances. The previous minister's office was set up . . .

Mr. Fildebrandt: So this is all just related to the transition of power, pretty much?

Mr. Ceci: That's correct.

Mr. Fildebrandt: Thank you very much.

Okay. I also see on line 1.2, your deputy minister's office, that they had a reduction of \$14,000 and a \$24,000 reduction in your communications budget, line 1.4. Unfortunately, we believe that a 5 per cent drop would be more appropriate, Minister, so my colleague will be reading in an amendment proposal later that I hope you will support.

Strategic and business services is way up over last year's forecast. Why did that happen?

Mr. Ceci: If you're asking about the deputy minister's office and communications, it represents a 2 per cent decrease in spending in support of Treasury Board and Finance's commitment to reduce spending. That was government-wide, but that is reflected in the deputy minister's office.

The Chair: Okay. Thank you very much.

We will now move on to a member from the third party.

Mr. McIver: Thank you. I'll go back and forth with the minister if that's okay with the minister.

Mr. Ceci: Yes.

The Chair: Okay. Please carry on.

Mr. McIver: Thanks, Chair.

Mr. Ceci: Not back and forth to the washroom, I understand.

Mr. McIver: No. There are no breaks, Minister. I feel bad for you, but, hey, we'll do the best we can together, right?

Okay. I wanted to start out, if you don't mind, Minister, through the chair, by just getting some facts agreed upon, ones that I think we won't have any trouble agreeing on. Basically, according to the Bank of Canada – right? – the chart called Canadian interest rates and monetary values, from January to June 2015 the bank rate charged was about 1 per cent for the Bank of Canada, and from July 15 it was about 0.75 per cent, which still is in place today. Would you agree with that?

Mr. Ceci: What page are you looking at?

Mr. McIver: I'm not looking at that. You build a lot of your numbers based on the interest rates that the government has, and, of course, they come from the Bank of Canada. One of your officials, I'm guessing, will know what the Bank of Canada's base rate is.

All right. Why don't we skip by that while people are looking for it, and let's go right to the government of Alberta numbers. The effective cost of debt to borrow from lenders for the government from January 15 to December 15 was about 2 per cent, rounded. Would your officials or you agree with that, Minister?

Mr. Ceci: Cost of debt. So just on the bank rate, 0.5 per cent, I understand from officials, is what the answer to your first question is.

Mr. McIver: Point five. Okay. Thank you.

Mr. Ceci: Sorry. Your second question?

Mr. McIver: The effective cost of debt from lenders for the government of Alberta is about 2 per cent in 2015. Is that correct?

Mr. Ceci: Okay. We have on page 60 in the fiscal plan – are you looking at the three-year and 10-year . . .

Mr. McIver: Yeah. On page 60 it says that the government of Canada expects interest rates to almost triple over the next three years for short-term loans and nearly double for long-term loans.

10:20

Mr. Ceci: We borrow at five, 10, and 30 years. Here are the numbers for the 10-year Canada bonds percentage. For this year, 2016-17, it is 1.79 per cent and goes up to 2.38 per cent and then 2.29 per cent in the out-years. Is that what you're seeing?

Mr. McIver: Yeah. I guess I'm asking to just confirm how much the government borrows, what rate the government borrows at, and what rate the government lends at, please.

Mr. Ceci: Okay. We'll just confirm that.

Mr. McIver: Okay. We're three minutes in, and we're looking for our first answer.

Mr. Ceci: Sorry. It depends on the day, and this is where we see 10-year bonds going.

Mr. McIver: Okay. What's the spread between the two, then? At least that, something, now that we're heading for four minutes. Any information.

Mr. Ceci: Okay. The forecast is at about 80 basis points.

Mr. McIver: Okay. And the spread between what you borrow and lend at, please.

Mr. Ceci: The same cost. We lend to provincial corporations at the same cost that we borrow at.

Mr. McIver: You don't take any margin at all when you when you lend?

Mr. Ceci: No.

Mr. McIver: Okay. So ATB, for example, would borrow at the same rate? Okay. And how much has that rate, your borrowing rate, changed because of the change in credit rating, the drop from triple-A? What's the increase, please?

Mr. Ceci: Okay. Just a sec.

Mr. McIver: Four and a half minutes.

Mr. Ceci: Sorry. Debt markets are forward looking, and debt pricing is driven by many factors, so it's difficult to isolate the specific cost of a credit-rating downgrade. However, for each billion dollars in borrowing, an additional basis point costs \$100,000 annually in interest. It's important to view all of that in context. The responsible use of debt financing . . .

Mr. McIver: I'm just looking for the number, if you don't mind, Minister. I would presume that you should know this. You'll be dealing with \$67 billion in debt soon. Probably, you should know how much the difference is because of the credit rating.

Mr. Ceci: I am telling you that the one basis point drop is . . .

Mr. McIver: I can multiply one basis point times a billion dollars just fine. That isn't actually any information that I need from you. I'm asking what the government's additional cost is, please.

Mr. Ceci: In terms of our budget revenues we expect to spend 2.4 per cent on debt-servicing costs.

Mr. McIver: Okay. I'm kind of disappointed that I can't get the simplest of information that's factual and in no way debatable.

Okay. ATB: what will ATB's change cost in borrowing be here? What is the cost of borrowing since the credit downgrading? What is the difference in their cost of borrowing, please?

Mr. Ceci: The same as ours.

Mr. McIver: No. You didn't answer what yours is. That's the problem, Minister. If you would tell me how much more it costs them to borrow since the credit rating went down, I would appreciate that, please. At six minutes I haven't got my first answer yet, respectfully.

Mr. Ceci: But ATB doesn't borrow. We borrow for them. So the costs of a change in rating is something that we experience, not ATB.

Mr. McIver: What is the difference, please, in your cost of borrowing from before the credit downgrade to today? Please. I'm begging you now. We're six and a half minutes in, and I'm waiting for the first answer. If we don't know that, then Albertans must question whether we're fit to govern.

Mr. Ceci: With regard to Moody's and the change in credit rating . . .

Mr. McIver: Your cost. Yes, please.

Mr. Ceci: . . . we saw a one basis point change.

Mr. McIver: In borrowing?

Mr. Ceci: Yes.

Mr. McIver: Okay. Thank you.

Okay. Let's move on here. We'll try something easier. The carbon tax over the next three years: as I understand it, we know that it's a regressive tax that disproportionately affects poor people because they spend a larger amount of their income on essentials like energy, fuel, and other products just to survive. With the annual \$200 to \$400 rebate, would you agree that \$95 million plus \$435 million plus \$590 million over the next three years is \$1.12 billion that will be rebated to Albertans?

Mr. Ceci: We will see rebates to 60 per cent of Albertans over the period of the three years that you're talking about.

Mr. McIver: Okay. Well, it looks to me that it's \$1.12 billion that the government will be borrowing from the poorest Albertans to finance their operations on the backs of those poor Albertans while Albertans pay the tax and wait for the government. Is there any way

that you can speed that up so the government isn't living on the backs of the poorest Albertans?

Mr. Ceci: I believe that we have instalments that will regularly go back to Albertans who receive the rebates, depending on the amount they receive, in one, two, or four steps throughout the year.

Mr. McIver: But you would agree that they pay the fat tax first and then wait to get the rebate back?

Mr. Ceci: I would agree that we will be collecting these economy-wide monies throughout the year and that rebates will start in January 2017.

Mr. McIver: Well, the stated goal, of course, of the carbon tax rebates is to enable lower and middle-income families that are less able to make short-term investments to reduce their greenhouse gas emissions. What durable investments could a family make with \$600 over two years? Can you tell families how they're going to keep their energy costs down?

Mr. Ceci: Sure. Of course, we're setting up an energy efficiency office that will look at providing programs back to Albertans, householders, businesses.

Mr. McIver: Okay. That's not really what I asked. Basically, how are they going to do that when they have to pay the money out first before they get it back? How does that put them in any position to actually make an investment to be more energy efficient when they've already had to pay extra money out before they get the first dollar back?

Mr. Ceci: The rebates start in January 2017, and the programs will be available to all Albertans through the energy efficiency office.

Mr. McIver: Okay. I think you've just admitted that there is no way that they could possibly make an investment based on this program. Thank you for that, Minister.

We've heard from a lot of other people, too, on this thing: municipalities, seniors' facilities, schools, community centres, places of worship, businesses, nonprofits. I couldn't find anywhere where any of those are getting any rebates back on the carbon tax. Is that correct?

Mr. Ceci: That's not correct, no. Our government has committed \$645 million to establishing, as I said, the new energy efficiency program not just for individuals but also for organizations, nonprofits, charities, and others such as schools.

Mr. McIver: So they'll be getting rebates back, then?

Mr. Ceci: There will be a program, an energy efficiency program, as I said.

Mr. McIver: But will there be rebates, Minister?

Mr. Ceci: That is not what I said. I said that there'll . . .

Mr. McIver: That's what I'm asking. I know that's not what you said, but that's what I asked. Are they getting rebates back, please?

Mr. Ceci: They will be eligible for energy efficiencies through a program that will upgrade their facilities.

Mr. McIver: Okay. So for now we're taxing hockey and figure skating and swimming, which are energy-efficient things that people put their kids into, without any rebates back to do that.

What about nonprofits and seniors' facilities? How are they going to manage the extra expenditures that they have on their energy bill? Are they going to do it by feeding the seniors less food or by turning the temperature down at night so that they can't be as warm as they need to be? How are seniors' facilities going to cope with the extra cost of the carbon tax?

Mr. Ceci: I certainly am concerned with all of those things that you've talked about, but the commitment we've made is unfolding in terms of being developed around an implementation plan through a new energy efficiency program and office. Organizations such as you've identified will be eligible for monies to improve the reduction in energy that they use.

10:30

Mr. McIver: All right. Minister, you'll understand why seniors listening to this might be just a little bit afraid that their standard of living is going to go down, with no relief that you can specifically identify to help them.

Let's talk about business now and the competitiveness of Alberta. Since almost everything in Alberta is going to cost more that rides on a truck or a train because, of course, that will be subject to the carbon tax, have you done any work on to what extent the carbon cost of goods getting to retail will cause people to shop outside of Alberta instead of inside of Alberta because we'll be less competitive compared to our neighbours?

Mr. Ceci: Like with seniors, this government is very concerned about the economy and the state of business in our province. We are reducing the small-business tax so that businesses can enjoy a lower tax rate and do more, keep money in their pocket. We are improving the lot of seniors through investments in affordable housing and social housing. . .

Mr. McIver: Respectfully, Minister, I appreciate your concern, but you're actually making it harder for seniors to have a full meal and to keep warm, and you haven't identified a single thing that's going to defray that, other than that you're going to think about it later.

Alberta's fiscal plan outlines that our debt-servicing costs will grow from \$775 million in 2015-16 to \$2 billion in 2019, from page 114 of your plan. You're adding approximately \$500 million a year in new debt-servicing costs by 2019. The total over the three years would be about \$4.5 billion according to your plan. Have you thought about the fact, Minister, that that \$4 billion in debt servicing over the three years is greater than the \$3.5 billion allocated to 200 new schools and modernizations in your plan, is more than the \$1.8 billion for Edmonton's valley line LRT, is more than the provincial portion of Calgary's green line of \$1.5 billion, and is almost four times the cost of a cancer centre in Calgary at \$1.2 billion? Do you think that's a good way to spend Albertans' money rather than on those other worthy projects?

Mr. Ceci: We are of course investing more than the previous government identified in Budget 2015 of March by 15 per cent, getting the advice and direction of David Dodge, to ensure that we provide a shock absorber to the economy and that we put Albertans back to work through jobs in the capital development industry.

Mr. McIver: Thank you, Minister. I'm not sure people waiting for their cancer centre are going to feel all that shock absorbed.

Let me ask it to you differently. That \$4.5 billion in debt servicing, that's more than the government will spend on your entire climate change, environmental protection, and sustainability plan of over \$4 billion during those three years. It's more than your government will spend on the adult education and skills capital plan of \$940 million.

It's more than your government will spend on the family, social supports, and housing capital plan at \$892 million. It's more than your government will spend on your entire health facilities and equipment capital plan at \$3.5 billion. It's almost the same as what your government will spend totally in the three years on the roads and bridges capital plan at \$4.6 billion. Are you still feeling good about the 4 and a half billion dollars in interest payments, Minister?

Mr. Ceci: I feel really good about the capital plan we've identified, I feel really good about not cutting back programs and services, and I feel really good about not throwing more people into the unemployment line, yes.

Mr. McIver: Okay. Well, that was a clear answer, and I'm sure Albertans that want a cancer centre and want roads, bridges, schools, and things will be interested in that answer.

Mr. Ceci: And they'll get them as a result of our budget.

Mr. McIver: The fact is, Minister, it appears that you have failed to consider that our children and grandchildren will have to pay this back. In your budget documents on page 10, the fiscal plan shows Albertans will owe \$57.6 billion by 2018-19. By comparison, page 112 shows the government will only own \$19.95 billion in net assets, which means the government will be severely in a non-net asset position. The government's \$300 million in announced savings is a mere half a per cent of the \$57.6 billion. I couldn't find any payment-back plan for that \$57.6 billion, Minister. Did I miss it, or is it not there?

Mr. Ceci: You know, our government is committed to maintaining one of the lowest debt to GDPs . . .

Mr. McIver: No. I didn't ask about that. I asked about: do you have a payment plan, Minister, please?

Mr. Ceci: As we come back to balance, as we build up our contingency fund, we will endeavour to then work on the debt repayment.

Mr. McIver: Will that happen in the next three years, Minister, respectfully? I'm asking about the next three years. Do you have any payment plan in the next three years?

Mr. Ceci: We are doing . . .

Mr. McIver: Just say no, Minister. You know the answer. Just say it out loud, please.

Mr. Ceci: We are doing the things we need to do to deliver Alberta jobs plan 2016.

Mr. McIver: Does it include a payment plan in the next three years, Minister?

Mr. Ceci: It includes an investment plan of capital.

Mr. McIver: But not a payment plan, Minister?

Mr. Ceci: You know, we are borrowing . . .

Mr. McIver: You know the answer. I'm just kind of hoping your job as minister is to answer questions here.

Mr. Ceci: Sure.

Mr. McIver: When you know the answer, would you give it to me, please? Is there a prepayment plan in the next three years?

Mr. Ceci: A prepayment plan?

Mr. McIver: No. A payment plan on the \$57.6 billion that you're going to borrow. Is there a plan in the next three years?

Mr. Ceci: No. We are investing.

Mr. McIver: Thank you. Thank you. I'm sorry I had to pry it out of you, but I got it. I'm grateful for that.

Now, Alberta Treasury Board and Finance estimates that there will be 4.5 million Albertans in 2019. They also say that the debt will be about \$57.6 billion. That means, Minister, that every baby born in election year and every person that moves to Alberta will arrive here with a debt of \$12,800 each. That's two years of university tuition, half of a decent car, half the groceries for a family of four, or almost a year's rent in a modest downtown Edmonton apartment. Minister, how are Alberta kids going to afford to do things when they are saddled with this debt from your government as they try to get an education and make a living?

Mr. Ceci: Alberta kids will be better served with the approach we're bring forward than the previous government's approach.

Mr. McIver: Wow. Okay. Stick with that. That's a good one.

Now, Minister, on to pipelines. Your budget economic outlook is a very optimistic outlook for Alberta. On page 60 it talks about a 25 per cent increase in oil and bitumen production and the royalties that come with that. Where is that product going to go, Minister? Which pipeline is that going to go in? That seems far more than Albertans can consume here. Which pipeline are you banking on, Minister, or is there some other plan that isn't outlined in your budget documents?

Mr. Ceci: I know this has been talked about many times in the Legislature, but we are working to get social licence as a result . . .

Mr. McIver: Okay. I've got 15 seconds. Are you going to tell me which pipeline or are you not, in the last 10 seconds?

Mr. Ceci: We're working to get pipelines built to tidewater.

Mr. McIver: So you haven't got one identified?

Mr. Ceci: Do you have one identified?

Mr. McIver: I'm not the minister.

The Chair: Thank you very much, Minister and hon. member.

We'll now move on to the member from the fifth party.

Mr. Clark: Thank you very much, Mr. Chair. Thank you, Mr. Minister. I'd like to go back and forth with the minister if I may. Thank you for being here, thank you to your staff for being here, and thank you also for your comments.

I know all of our thoughts in this room and around the province are with our friends in Fort McMurray, in particular the first responders. Let's sincerely hope that today is not as bad as they are predicting it will be.

I'm going to start, Mr. Minister, with a request. As we prepare the Alberta Party shadow budget and as I know all of my hon. colleagues in the Assembly try their best to work with the budget, we spend a tremendous amount of time transcribing the numbers out of the budget. Now, obviously, this started off electronic, and in the spirit of open data I would request that next year you provide these budget numbers in electronic format, in Excel or another format. I've made this request, actually, to every single minister that I have participated in estimates with. Those that I don't have a

chance to, I'll make that request in person. I would sincerely appreciate if your ministry could provide that to us, perhaps even now, but certainly if you can do that going forward. I would make that formal request on behalf of all hon. members. It would certainly save us a lot of time and effort.

Mr. Ceci: Okay.

Mr. Clark: Hopefully you can commit to that next year.

I'm going to start by asking a question that I asked in the Budget 2015 estimates. Alberta has obviously suffered three credit-rating downgrades despite your assurances that would not happen. I asked last time if you or your ministry had prepared an impact analysis should there be future credit-rating downgrades. Given outcome 1.1 about providing advice and recommendations to align government priorities – and, of course, good data makes for good decisions – has your ministry prepared an impact analysis on costs of future credit-rating downgrades?

Mr. Ceci: You're asking about the impact?

10:40

Mr. Clark: Yeah. What I'm asking is: has your ministry prepared an impact analysis for potential future credit-rating downgrades, what that will cost your ministry and all Albertans?

Mr. Ceci: You know, we're in a situation now where we're the, I believe, second strongest in terms of double-A on all three of our credit ratings. We're certainly hopeful that that doesn't change going forward.

Mr. Clark: With respect, Minister, hope is not a strategy.

Mr. Ceci: Okay.

Mr. Clark: When we started last fall, we were number one.

Mr. Ceci: I'm strategically saying that we are in a strong position. We are going to be employing Budget 2016 in the diversification, the investment, and the protection. We will show rate changes in the future. Analysis is done on those things. Many issues impact the A-rating change, but the changes to our current credit rating are something we anticipate being able to stay at for the foreseeable future.

Mr. Clark: My question to you is: how do you know? With respect, sir, your job is to prepare for any eventuality. Your job is to calculate. What if we're upgraded, perhaps, through your wonderful fiscal planning? But there is a risk. As we experienced, that risk became a reality. We were downgraded. Frankly, should we stay on this path and end up with the \$57 billion or perhaps more in debt in this province, the credit-rating agencies will downgrade Alberta again in the future? If that happens, our costs will go up, and those costs will grow exponentially, given the scale of borrowing.

So I ask again: have you or your department conducted an analysis, and if not, do you feel that you're doing your job?

Mr. Ceci: We conduct analysis. We feel we are doing our job. We have built in debt-servicing costs. We are identifying fiscal sensitivities in all of the assumptions in this fiscal plan. We know that if there are interest rate changes of 1 per cent, there is a reduction of \$230 million to our plan for '16-17. So, yes, those considerations are done and are part of this fiscal plan.

Mr. Clark: Sir, you've just said two things, which are enlightening to me and new, that you hadn't said previously as I asked these questions. You "conduct analysis" and identify "fiscal

sensitivities." Will you commit to table those analyses and table the fiscal sensitivities that you have used to calculate the potential risk of future downgrades for the province?

Mr. Ceci: I can take you to page 60, where those are already tabled.

Mr. Clark: Those are simply just interest rate assumptions.

Mr. Ceci: In addition to changes to things like WTI, the differential, natural gas, exchange rate, primary household income.

Mr. Clark: But that does not have anything to do with Alberta's credit rating. So should Moody's or S&P or anyone else, Dominion, downgrade Alberta further – the question I'm asking is: should Alberta receive a future credit-rating downgrade from any agency, what does it cost? That's my question.

Mr. Ceci: I can tell you what the cost was in the most recent situation.

Mr. Clark: What might the cost be should it happen again? Do you know that?

Mr. Ceci: I can tell you what it was.

Mr. Clark: Well, I want to know what it would be. That's what I'm asking. What I'm asking is: what if? Your job and your ministry's job is to ask what-if questions.

Mr. Ceci: Potentially it could be one basis point.

Mr. Clark: If it is one basis point, what will the impact of that be on Alberta's debt-service costs?

Mr. Ceci: It's a hundred thousand dollars per billion dollars borrowed.

Mr. Clark: Thank you, sir.

I'll move on. When will you balance the budget?

Mr. Ceci: I think I addressed that. With the investment in the capital plan, with the diversification of our economy, with the brightening of the WTI going forward, we anticipate within five to 10 years that we could come back into balance.

Mr. Clark: You could within five to 10 years. You said previously: 2024. You said: eight years. Why did you pick that date? Do you have any calculations or analysis supporting that, or do you have any calculations or analysis you can share with the House supporting your five- to 10-year what I can only describe as a guesstimate of when we may or might achieve balance?

Mr. Ceci: We have our three-year fiscal plan in front of you. Looking out further, should things continue to move in that direction, that approximately is the time when fiscal balance could occur.

Mr. Clark: What if you're wrong? What if "approximately" turns into "incorrect," as it has in the past, quite dramatically between Budget 2015 and Budget '16?

Mr. Ceci: We are endeavouring to follow through with the plan to improve the GDP of the province. We are working with the things we can control.

Mr. Clark: You know, with respect, there are a lot of things you can control in terms of revenue, in terms of expenditure, and in terms of your forecasts and sharing those forecasts with Albertans

beyond three years. On the one hand, you're claiming that in five years to 10 years, maybe, we'll find balance. On the other hand, you're not giving us any data to back that up. I'm a bit of a data nerd and surround myself with others like that, and I think, you know, all kidding aside, these are really important questions for Albertans. We're going down a path in this province. Mr. Chair, the minister has taken us down a path of borrowing a tremendous amount of money. Unfortunately, what I see happening is: cross our fingers and hope to goodness some things happen in the future.

What I'm asking you, Mr. Minister, is what if? What happens if you're wrong? What risk are we putting Albertans at? How can you assure Albertans that you are aware of those risks and managing them appropriately?

Mr. Ceci: Well, I want to assure you and others that we have a three-year plan before us, that is what we budget for. The plan includes a diversification initiative. The plan includes supporting growth throughout this province through capital development and managing expenses to the point of being below population growth plus inflation. That's how we get to balance.

Mr. Clark: Okay. I'm going to move on to a related but slightly different line of questioning now. I understand that the Auditor General is evaluating whether Treasury Board and Finance has adequate systems and processes in place to monitor and report on fiscal sustainability. Can you comment on why perhaps the Auditor General is doing such an analysis?

Mr. Ceci: The fiscal sustainability with regard to cash management?

Mr. Clark: No, monitoring and reporting on fiscal sustainability. I understand that the Auditor General is reviewing that, ensuring you have adequate systems and processes in place to monitor and report on fiscal sustainability. Essentially, what I'm talking about here is in terms of Albertans' confidence that the data you produce is, in fact, accurate and that you have systems in place to manage it.

Mr. Ceci: I can tell you, with regard to the data produced by this government and its relative transparency around financial data, that through a recent review from the C.D. Howe Institute we received an A plus grade, the highest in the nation. So we're quite confident that the data that we provide is of very good quality. The Auditor General decides what reviews he undertakes, and I'm confident in the systems that we have currently and that they – as I said, C.D. Howe is giving us the highest grade in the nation.

Mr. Clark: Okay. In our most recent shadow budget the Alberta Party recommended that Treasury Board and Finance prepare a public report on long-term fiscal sustainability, including reporting on relevant target results, and legislate that through an amended Fiscal Planning and Transparency Act. Will you commit to doing that?

Mr. Ceci: I probably need to commit to talk with you about it in further detail.

Mr. Clark: I would happily share our research on that because I think it would address some of the questions I had earlier as it relates to short-termism versus long-term planning.

Mr. Ceci: Then we can chat.

Mr. Clark: All right. Moving on, then, to AIMCo, previously it was discussed that in the 2014-15 fiscal year AIMCo was 1.23 per cent below target. Currently performance measure 1(b) says that AIMCo's

primary goal is to provide returns through active management over and above what the market returns, but there is no mention of preservation of capital. Will you commit to adding the words "while preserving public capital" to performance measure 1(b) to ensure that Albertans' important savings are not put at undue risk?

10:50

Mr. Ceci: Let me just get the right page before me. Page 150?

Mr. Clark: Page 140.

Mr. Ceci: I'm looking at page 140. And you're talking about performance measure 1(b)?

Mr. Clark: Yeah. It's the primary goal providing – to put it in layman's terms, it's essentially when you visit your investment adviser: how do you want to manage your money; how much risk do you want to take; do you want to preserve capital; do you want to take a lot of risk and be equity weighted? When we're dealing with a multibillion-dollar fund that manages Albertans' pensions, the heritage fund, there's a risk if we take too much risk and not focus enough on preserving capital. I'm just curious. If you could speak to that, please, and whether you would commit to adding the term "while preserving public capital" to that performance measure.

Mr. Ceci: Okay. AIMCo, as you know, works with a suite of clients, and I understand that AIMCo is provided by their clients with the investment goals that those clients wish to achieve. That professional client and management corporation relationship is something that works well. Those clients are pension plans for the most part. I don't anticipate changing what is currently a well-functioning organization.

Mr. Clark: Well, they did lose money in 2014-15. I know that's obviously always going to be a risk when you're in the market, but I do encourage you, please, to consider adding capital preservation.

Moving on, then, to talk about spending here for a moment. The 15-year average annual increase in consolidated expenses for the government of Alberta was 6.75 per cent.

Mr. Ceci: Year over year?

Mr. Clark: Year over year there's a 6.75 per cent consolidated average annual increase while the inflation plus population growth over the same period was only 4.6 per cent. I know you've talked about spending below inflation plus population growth, but will you commit, as the Alberta Party shadow budget does, to bring Alberta's operational spending in line with the national average within three years?

Mr. Ceci: What I show in the three-year fiscal plan on the expense side is a real growth of expenses still below population plus inflation for 2015-16 of 2.8 per cent and then ramping that down to 2 per cent, 2.3 per cent, and 1.7 per cent. We are endeavouring to bend the spending curve, as I said before.

And the national average: you haven't identified what that was.

Mr. Clark: I happen to know that it's \$11,472 per capita. In Alberta it is currently \$11,855. It's not wildly out, but that \$400 per person does certainly add up. I believe the objective for Alberta ought to be to set a target of meeting the national average and doing so in a three-year time frame.

Mr. Ceci: It would be more helpful right now if you could identify what the percentage of operating expense increase was as opposed to the real number.

Mr. Clark: Okay. Well, we'll have to come back to that one. Perhaps we could meet later and share some of that specific data.

Mr. Ceci: Sure.

Mr. Clark: I'm just going to move to estimates page 248. The financial planning and economic analysis budget dropped 11.8 per cent.

Mr. Ceci: What number is that?

Mr. Clark: That's estimates page 248, under fiscal planning and economic analysis.

Mr. Ceci: Okay.

Mr. Clark: You've got that? So that dropped by 11.8 per cent. I'm just curious whether those are the folks who would do the impact analysis of credit-rating downgrades, and if so, is there some risk there that we're understaffing an area that's important in terms of understanding the data?

Mr. Ceci: Are you asking whether we're removing the expenditures of the credit-rating agencies? Are we cutting their expenditures out?

Mr. Clark: Sorry. Line 3, fiscal planning and economic analysis department.

Mr. Ceci: Okay. That one.

Mr. Clark: The actual forecast came in 11.8 per cent under the 2015-16 budget.

Mr. Ceci: Right.

Mr. Clark: And it pops up again in '16-17, but I'm curious if we're underfunding an important area of the Treasury Board function.

Mr. Ceci: No. What we are doing is an increased demand for analysis related to climate change, tax policy changes, and federal-provincial fiscal relations and an increased volume request for economic revenue and demographic analysis. That's led to the need for internal reallocation of funding to this area.

Mr. Clark: Thank you.

I'm going to switch to the lottery fund or the AGLC, in fact. I've been hearing from some of my constituents that they feel that the AGLC casino funds are too restrictive, and perhaps you have some experience with this through your work at the city of Calgary or other agencies. I'm sure you're familiar with that. Have you given any consideration to loosening those restrictions to allow for some more latitude in how those funds are deployed?

Mr. Ceci: From time to time I do get letters from members of the Legislature asking this question. Of course, I work with the administration and board of AGLC to get responses. I would be looking first to the board for their direction on this matter. You know, it's important to have regulations in place and from time to time to review those, but there has been no specific deadline set by me or the board to change the current regulations.

Mr. Clark: Could I add my voice, please, to those other members who have asked you to review that? I actually think that would be a very worthwhile effort, to just review those regulations and ensure that they continue to meet the needs of those who work hard to earn casino funds.

I'm going to go back now to page 248 of the estimates, tax and revenue management, line 7. That budget has increased about 17 per cent since the 2014 fiscal year, but the allowance for corporate taxes has gone up between the budget for '15-16 and the forecast for '15-16 by \$10 million. So we're seeing an increase in uncollected corporate tax. Are we in fact seeing the appropriate value here?

I'll also ask, just to get it on the record in the last 20 seconds: have you implemented the default returns as recommended by the Auditor General?

Mr. Ceci: Yes.

Mr. Clark: You have done that. Good.

I'm just curious if you feel, even though you've staffed up, obviously, in that area, that we're in fact returning what we should to Albertans.

Mr. Ceci: I believe we are taking all the steps identified by the Auditor General in that regard. We have initiated the default returns. We are . . .

The Chair: Thank you very much, Minister.

We will now move on to the private members of the government caucus. Go ahead.

Mr. Nielsen: Well, thank you, Mr. Chair, and thank you, Minister, for all your info so far.

Mr. Chair, for our hard-working legislative staff, our committee clerk, our *Hansard* staff as well as our minister and his hard-working staff, three hours is a very long time to go, so we would like to give five minutes of our time for those folks to be able to run to the washroom should they choose to do so.

The Chair: Okay. The government caucus cedes five minutes.

[The committee adjourned from 10:59 a.m. to 11:04 a.m.]

The Chair: I'll ask the members to please take their seats.

We will continue with the private members of the government caucus for 20 minutes. Would you like to go back and forth with the minister?

Mr. Kleinsteuber: Chair, I'd like to go back and forth, but I'd also like to share my time with the Member for Edmonton-South West.

The Chair: Okay. Please proceed.

Mr. Kleinsteuber: Good morning, Minister and staff. Thanks for being here with us today. Minister, in your Budget Address you described Budget 2016 as a choice that would have profound opportunities for a generation to come. In that speech you highlighted the track record of previous governments of Alberta. When oil prices collapsed, they made extreme cuts to public service, they fired thousands of teachers and nurses, they cut supports for seniors, and they abandoned the most vulnerable. You declared this to be the wrong choice. In fact, you said that slashing and burning would "only cause more pain and economic anxiety, tearing at the fabric of our communities and making a difficult situation that much worse." My question to the minister is: why do you believe that you made the right choice with this, and why is proactive investment in Alberta the right choice and response to the current economic shocks that are facing our province?

Mr. Ceci: Thank you very much for the question. I think, you know, if we look at what Alberta needs today, it needs investment and job growth. It needs job growth, and you get that by investing

in capital infrastructure throughout the province. David Dodge gave us some advice back in the summer of last year, and he said that investing in our province would support people, that it would set us up for the future. So we need to support families in these tough times that we have in our province. Our province is – and the people know, more than in many parts of the country right now, that new supports in the form of training, education, an Alberta child benefit will pay dividends now and in the future.

Continuing to invest in our infrastructure through our capital plan is an important part of our Alberta jobs plan 2016 budget, and supporting and diversifying the energy industry and markets by putting a price on carbon, working to get the best value out of our natural resources are also critical. We will follow through with those kinds of things because that's going to get us to this improved GDP while controlling spending, of course. As I identified over here, we're going to be ramping that down to about 2 per cent per year, and as was identified, it's been higher, much higher than that. It's been over 6 per cent. There probably were reasons for that, but we know that we have to spend wisely, we have to create jobs – and the private sector does that – and we have to institute cost-saving measures, which we've done, including freezing salaries for political staff and government managers and others.

So we're doing all those things in reference to your question about being proactive in Alberta.

Mr. Kleinsteuber: Great. Thanks, Minister.

In the ministry business plan here on page 140, key strategy 1.1 indicates that the ministry provides advice and recommendations on spending, cost-saving initiatives, operational efficiencies, and revenue initiatives to align with government priorities. Can the minister speak to the initiatives that have been taken to find efficiencies across government? What is the value of these cost savings now and in the future?

Mr. Ceci: We're taking a prudent approach to managing this once-in-a-generation price shock that we're seeing, where we've had a 90 per cent drop in our resource revenues compared to 2014-15. Rather than slash and burn government programs, as has been done in the past or as some might suggest today, we're protecting key public services we know Albertans rely on like health care and education.

The kinds of cost savings we've already instituted that will help us limit the growth of our operating spending include things like freezing salaries for political staff and managers in government departments and agencies, reducing the 2016-17 budgets for salaries and supplies in government departments by \$121 million compared to 2015-16, amalgamating or dissolving 26 agencies under the ABC review, which will save, over three years, \$33 million. We've deferred spending that we included in the 2015 budget for some government platform commitments, saving in the years '16-17 and '17-18 \$118 million and \$208 million respectively. We've identified program reductions and other adjustments, including savings of \$50 million by suspending the access to the future fund payments, \$45 million for realigning priorities in the Alberta Innovates corporations, and \$20 million from the Alberta community partnership grants. We've also reduced our operating expense by over \$300 million in 2015-16 and targeted another quarter billion dollars for '15-16, '16-17.

11:10

Mr. Kleinsteuber: Okay. Thanks.

Another question, Minister. Your budget is titled Alberta Jobs Plan. In these tough economic times you've stated that now is the time to invest in Alberta. I hear all the time from my constituents

that they want to see action from their government. They want action to diversify the economy, they want action to ensure that education is first-rate so that their kids can have a bright future, they want action to ensure that health care is there when they need it, but most of all, Minister, they want action on jobs. There's nothing more important to everyday Albertans than a paycheque to ensure that they can take care of their families, put food on the table, and have a decent quality of life for their family. Therefore, can you outline the key elements of your jobs plan and how many jobs you expect to create through the actions taken in Budget 2016?

Mr. Ceci: The plan to stimulate economic growth, of course, and to diversify our economy is what we see as the measure that will create employment. As I mentioned, about \$35 billion in the five-year capital plan is to keep people working and to upgrade or expand our existing infrastructure.

The introduction of \$250 million for jobs investment and diversification does include two new tax credits over two years. We heard from chambers of commerce, notably the Calgary Chamber of commerce, that this would incentivize private capital going to businesses to assist them to weather this downturn but to also effect the plans that businesses have to grow. So \$165 million and two new tax credits over two years. A portion of that's going to be the investor tax credit, which will include investments to support eligible small and medium-sized businesses, and a capital investment tax credit of \$75 million to encourage companies to invest, as I said earlier, in value-added capital for agriculture, manufacturing, tourism infrastructure, and culture.

Then Alberta Enterprise Corporation is going to get leveraged up with another \$25 million for early stage and clean technology focused venture capital; \$25 million will go to attract and support businesses; \$25 million for apprenticeship and training; and \$10 million to support regional economic development. All of that together will create an environment over the course of the fiscal plan that will create up to 100,000 jobs throughout Alberta.

The \$250 million in that investment diversification package replaces the \$179 million for the job creation incentive program introduced in Budget 2015. We believe that this new package will be a more effective way to support economic development and job creation. As I said, it has received validation from a number of business entities, including the Calgary Chamber of commerce.

Mr. Kleinsteuber: Great. Thank you, Minister.

As well, my constituents were pleased when we as the government introduced a progressive income tax system. It signified our government's commitment to support vulnerable Albertans and front-line services by ensuring that those that could afford to pay a little more contributed their fair share. I also heard from constituents that they deeply value Alberta's tax advantage. With the choices made in Budget 2016, can you highlight how you define Alberta's competitive advantage and the steps that you've taken to ensure that we retain our position as one of the pre-eminent places to do business in the world?

Mr. Ceci: Sure. The tax advantage identified in the fiscal plan shows that Alberta will continue to maintain and enjoy a \$7.5 billion advantage over the next closest province as we have no PST, no health premiums, and no payroll tax. We will be reducing the small-business tax rate. Alberta is now tied with Saskatchewan for the second-lowest small-business tax rate amongst the provinces. While Manitoba has a lower business tax rate, Alberta small-business owners pay less in taxes when they take money out of their small business for personal use. Our corporate tax rates remain competitive and comparable to other provinces in this country. We

have taken those steps because we believe that it's important to encourage and support business throughout the province and continue to make this the best place for business to locate and for people to be.

Mr. Kleinsteuber: Thank you, Minister.

Back to the ministry business plan, page 141, in key strategy 2.3 you identify that working co-operatively with other jurisdictions to improve securities regulation in Canada is a top priority. You also identify that continuing with the Alberta securities regulator as a local regulator is now the official policy of this government. Can you tell us why you decided to go with a provincially led regulator in the Alberta Securities Commission, the ASC, and how you plan to strengthen the regulatory system right here in Alberta?

Mr. Ceci: You know, as I got into my portfolio, there was no one who was asking for a change in the provincially led regulator. In fact, people made themselves known to me saying that because our capital markets here are defined by the energy sector, having a provincially led regulator was in the best interests of everyone, including investors and the people who rely on the confidence of a local regulator who has street-level knowledge and who can best respond to local regulatory changes in real time. Having a local securities regulator builds a critical mass of professionals who know Alberta and have the best interests of Alberta and the investors. This includes accountants, professionals, and technical experts.

We also believe that we would lose influence as a province over the issues of securities regulation if we moved to a single regulator controlled out of Bay Street. We can continue to work on issues of provincial concern, and we will. We can harmonize our regulations with the entire country. We are not alone in this position, of course. Both Quebec and Manitoba want to maintain their own provincial regulators because of the unique nature of their capital markets.

I understand, getting more into this field, that Alberta is at the forefront of improving securities regulation across the country. Many of the initiatives brought forward by Alberta are adopted by others in time because they make good sense. Working from the perspective that we'll be locally regulated but that we will harmonize our work with other regulators across the country, I think that's in our best interest and that of the capital markets here.

Mr. Kleinsteuber: Thank you, Minister.

Still in the ministry business plan, on page 141 it indicates that standardizing and streamlining financial processes and policies to improve the government's enterprise resource planning capacity is a priority for your department. In fact, it's mentioned in key strategy 3.2 in the plan. This area of improvement was also identified by the Auditor General as something that should be a priority for this government. At a recent Public Accounts meeting officials from your department inferred that . . .

The Chair: Thank you, hon. member. Sorry. We need to move on. We'll go back to Her Majesty's Loyal Opposition, please.

Mr. Fildebrandt: Thank you, Mr. Chair. Let's get back to some real questions.

The Chair: You'll be going back and forth?

Mr. Fildebrandt: Yes, Mr. Chair.

In the budget last fall, Minister, you estimated expenses on public service and other agencies at \$3.458 billion this year. It's now \$3.386 billion according to page 41 of the fiscal plan. How did you reduce that, and how many front-line workers did you have to fire to do it?

Mr. Ceci: Page 41 of the business plan, did you say?

Mr. Fildebrandt: Fiscal plan.

Mr. Ceci: Fiscal plan?

Mr. Fildebrandt: Yeah.

Mr. Ceci: Just a sec. If you wouldn't mind just pointing me to what you were talking about. The Alberta public service departments?

11:20

Mr. Fildebrandt: Yes. You've said that any reduction in how much we spend on public-sector compensation would result in mass layoffs of nurses, doctors, and teachers. You've reduced from \$3.45 billion to \$3.38 billion, and I'm wondering how many thousands of nurses, doctors, and teachers you had to lay off to do that.

Mr. Ceci: Probably a better way to characterize the work we're doing is by talking about percentage reductions in different areas. So a 2 per cent reduction in salary package and a 2 per cent reduction in supplies package. We are continuing to effect hiring restraint across government. That was started in December 2014 by the previous government. We have frozen salaries, as you know, for people in management positions. So we are taking those approaches as opposed to the one that you're talking about.

Mr. Fildebrandt: So you're saying that when you do it, it's restraint, but for anyone else who proposes it, it's mass layoffs of nurses, doctors, and teachers if I recall correctly.

Mr. Ceci: Well, I'm telling you what we're doing as opposed to what you're suggesting.

Mr. Fildebrandt: Okay. I'm going to hand the floor over for a moment to the Member for Chestermere-Rocky View.

Mrs. Aheer: Thank you. I have a notice of amendment for the 2016-17 estimates that I'd like to table, please. Is it okay, Mr. Chair, if I read this out?

The Chair: Please. You have handed over the original?

Mrs. Aheer: I'd move that

the 2016-17 main estimates of the Ministry of Treasury Board and Finance be reduced as follows:

- (a) for the deputy minister's office under reference 1.2 at page 248 by \$23,000
 - (b) for strategic and business services under reference 1.3 at page 248 by \$732,000
 - (c) for communications under reference 1.4 at page 248 by \$43,000
- so that the amount to be voted at page 247 for expense is \$150,161,000.

Thank you.

The Chair: Thank you.

Mr. Fildebrandt: Thank you, Mr. Chair. All right. I'd like to talk about public-sector compensation some more. Let's talk about page 41, looking at public-sector compensation here. It continues to rise. Even if we're confident that you can meet these targets, public-sector compensation continues to rise. Your government made the rather unorthodox choice of hiring the number two in AUPE as the new chief adviser on labour negotiations for your government. How can Albertans have any confidence in your ability to properly represent taxpayers to AUPE when AUPE is now negotiating with AUPE?

Mr. Ceci: If I can use an analogy – maybe I won't.

Mr. Fildebrandt: Please do.

Mr. Ceci: You know, our government is focused on looking out for the best interests of taxpayers. We are following through with our commitment to have a co-ordinated and thoughtful and strategic approach to public-sector bargaining, and a part of that means getting the best negotiator possible. This decision was about having the best person to negotiate fair and reasonable contracts with unions. We are . . .

Mr. Fildebrandt: So you had an open competition for the position, then, right?

Mr. Ceci: You know, during this challenging period, having an experienced and highly qualified negotiator with more than 28 years of bargaining experience will be vital to . . .

Mr. Fildebrandt: Sorry. This is a public-sector position, not a political one, so I'm assuming that you had an open competition for that position.

Mr. Ceci: That's correct. It was a national search, actually.

Mr. Fildebrandt: But was it an open competition . . .

Mr. Ceci: Yes.

Mr. Fildebrandt: . . . or was it an appointment by a minister? Was this an order in council?

Mr. Ceci: We had a targeted national search to find this person. He's been described as the Wayne Gretzky of bargaining, and we hired the best . . .

Mr. Fildebrandt: Described by whom?

Mr. Ceci: I don't know. He's the best. Let me see. Okay. Dr. Adams from the U of A described Mr. Davediuk as the kind of individual with an appropriate sense of professional duties, and switching his orientation and his objectives at the bargaining table from one side to the other is not unheard of and, in fact, it can be quite effective. I like the Gretzky part, too.

Mr. Fildebrandt: Well, the Leafs seem to hire new talent every year, and it doesn't seem to work out for them, Mr. Minister.

I don't know. I think a lot of Albertans have serious questions about the ability of someone who was just working for the AUPE, in the middle of negotiations. Now, I understand that that individual will no longer be working on the exact same negotiations that were open, but he will still be negotiating with the very same union that he was representing before. That is a very clear conflict of interest. You have absolute ability . . .

Mr. Ceci: I don't agree.

Mr. Fildebrandt: You have confidence that there is no conflict of interest here whatsoever.

Mr. Ceci: You know, a person with far more experience than probably the both of us in labour and employment law was quoted in the *Edmonton Journal*. He stated, "It doesn't strike me as illogical to think that somebody who had been working in a high level for the AUPE might be extremely good at negotiating and bargaining with the AUPE based on that knowledge."

Mr. Fildebrandt: Well, in that light, have you asked your negotiators to request a voluntary salary freeze for all AUPE members?

Mr. Ceci: We are negotiating at the table, of course. We will be giving instructions to negotiators through committees. Any negotiations will be the result of those discussions at the committee level and then giving those to the negotiator to bring to the table.

Mr. Fildebrandt: I think Albertans who are losing jobs and those who have kept their jobs but are seeing significant reductions, in many cases, in their average weekly earnings think that it is grossly inappropriate that anybody working for the government would be getting a raise right now. You represent a Calgary constituency that is particularly hard hit. I'd think your own constituents would be upset to know that people in the government, in addition to world-class job security, pensions and benefits, and already relatively high levels of pay compared to the rest of the country for the public sector and even equivalent jobs in the private sector in many cases, would potentially get any raise whatsoever. Would you not agree that it would be inappropriate for anybody working for the government right now to get a raise?

Mr. Ceci: We have frozen the salaries, if you'll recall, for two years of all . . .

Mr. Fildebrandt: Yeah. I know what you've done at the management level, for MLAs, et cetera.

Mr. Ceci: That's right.

Mr. Fildebrandt: That's great. But that is a very, very small slice of the government. We need to lead by example at the top end; I agree with you there. But I'm talking about the rest of the government. People in government enjoy unparalleled job security. They're already very well paid in our public service. Would you not agree that it would be grossly inappropriate in times like this for anybody working for the government to get a raise?

Mr. Ceci: I think Albertans know that we are doing our utmost to control the cost increases to the operations.

Mr. Fildebrandt: I do not think Albertans know that.

Mr. Ceci: I do think they do. I know that Albertans respect the collective bargaining process. You may not believe that that's true of Albertans, but it is. They want bargaining to occur at the table, not in this room.

Mr. Fildebrandt: Well, in this room you have to answer questions about this, and that is our job here.

Will you ask the AUPE and other public-sector unions to take a voluntary pay freeze for contracts and agreements that are already in place? Employees in the private sector right now who have agreements with their employers are taking salary rollbacks. That is much more serious. There are people in my constituency and people in your constituency that are taking 5 per cent, 10 per cent, or even more in salary rollbacks right now just so they can keep their jobs. It's sort of "We're all in this together," and they want to minimize job cuts in the private sector.

The Chair: Thank you, hon. member.

We'll now move on to members of the third party. Will you be going back and forth?

Mr. Gotfried: Yeah, we will.

The Chair: Okay.

Mr. Gotfried: Thank you, Mr. Chairman. Again, I'd just like to echo everybody's comments and sentiments with respect to Fort McMurray and Wood Buffalo. It's a very sad day for all of us in Alberta to see what's happening to some of our fellow Albertans.

Mr. Minister, I've got a number of questions here, so I'll try and run through them as quickly as possible and would appreciate a back and forth if possible.

Mr. Ceci: Okay.

Mr. Gotfried: My first question relates back to some of my colleagues' earlier questions. What I'd like to determine very specifically is: what is the incremental difference in the cost of borrowing for us compared to May 2015? Obviously, the interest rates have changed marginally, but the incremental cost over the Bank of Canada rate: how has that been affected since May 2015 to now based on the challenges we're facing with our credit rating? So that change from May 2015, not in total interest but in the increment we're paying.

11:30

Mr. Ceci: Just give me one second.

Mr. Gotfried: Yes. Please.

Mr. Ceci: We don't have the specific amount right to the dates you are looking for, and I can get back to you.

Mr. Gotfried: Mr. Minister, that's very interesting. It is of great importance to Albertans what has happened to us because of the downgrade in our credit rating, and I'm a little shocked that you don't have that answer now, but I will accept that answer to follow in the interest of time. I would like to say that that should be a fairly simple number. I handed you earlier some Bank of Canada rates, so we know that that's actually gone down, thankfully, from 1 to .75 per cent, give or take. This increment should be very straightforward: what we're borrowing for today versus what we were borrowing for May 5, 2015. I will look forward to that number, and I'm hoping that that will be very illustrative as well.

I have another question for you. In some of the information that we've got, there are approximately 1.3 million Albertans that fall just above the thresholds. It's 511,000 couples with families, 64,000 single-parent families, 226,000 persons individually. That's 1.3 million Albertans that are going to fall just over the threshold of the carbon tax rebating. Having spent a lot of time in the community working on affordable housing and various things, which I know you have yourself, what might seem like a lot of money is not always a lot of money for households of families of four or single-parent families. I'd like you to tell me what is going to happen with those individuals who now are going to be paying out the carbon tax, no rebating systems, and whether this government has any plans or any compassion for their situations to allow them to continue to at least live a basic lifestyle which might, God forbid, include some savings, some savings for their kids' education, some savings for their retirement, and maybe even some savings which would allow them to pay down their own debt.

So is there any concern or any plan in place for those slightly higher middle-income individuals and families?

Mr. Ceci: The concern I have is for all Albertans, of course. I can tell you that two-thirds of Alberta households will be rebated and that 60 per cent of that two-thirds of the number of households will be rebated fully. We are ensuring that there will be green infrastructure and energy efficiencies throughout this province for

a portion of the monies collected from the carbon levy, and the other portion from the carbon levy will go into renewables that all Albertans will benefit from because there will be less pollution as a result of . . .

Mr. Gotfried: Thank you, Mr. Minister, I think that answers my question there. I apologize for cutting you off.

Mr. Ceci: That's all right.

Mr. Gotfried: With all due respect I'm not worried about the other total of the one-third completely. I'm worried about the 10 per cent or 15 per cent that fall just above your thresholds, and I think that those Albertans are going to be deeply impacted by this.

The other thing, of course, is that we do know that the paybacks on some of the programs are 20-year paybacks. They are not going to help the wallets and the pocketbooks of Albertans struggling in today's economy.

I have another question to ask you. My esteemed colleague mentioned to you that there was going to be I believe the number was \$12,800 per man, woman, child, including low and middle income, all income levels, whether they're handicapped, whether they're on AISH, whether they are of any sort. That, Mr. Minister, translates, with an average household size of 2.6 people per household in Alberta, to \$34,000 per household. Assuming again that this government has no plan to repay those dollars, I'm assuming that that's going to fall on the backs of Albertans. My calculations show that if Albertans want to pay that back over 25 years, that would be \$200 a month that they would have to pay over 25 years, money that they will not have to save for their children's education, for their own retirement or, again, to pay down their own household debt.

Minister, do you think it's responsible for this government to not have a repayment plan and to download that onto Albertans at the rate of \$200 a month for the next 25 years?

Mr. Ceci: Thank you for your question. You know, we have a choice, and we have made the choice of investing in this province. We are investing to improve our economy going forward. We are investing to diversify our economy. We are investing so that more Albertans aren't put out of work. That is a responsible choice that I feel this government stands behind and is in the best interests of all of us.

Mr. Gotfried: All right. Thank you, Mr. Minister. I don't necessarily agree with your "responsible" comment there, but I will move on.

We've talked about some of the financial issues here, and in the best-case scenarios – it was actually brought up by one of the esteemed colleagues from the Official Opposition about the delta, about the cost on a per-barrel basis. Now, we know that it's about a \$130 million benefit for each dollar a barrel. There are some issues here that I've got. Some of the things are the cost. I know we don't have a plan to pay back any debt or balance the budgets for the next three years. However, I just wanted to point out that if we were to consider that or to be able to consider it, given this government's lack of direction in terms of reducing costs, we would actually have to have in 2016-17 a \$122 barrel of oil, in '17-18 a \$131 barrel of oil, and in '18-19 a \$128 barrel of oil. My question to the minister is: are you expecting in those years ahead that you are going to balance a budget, that you're actually going to get to a point where we're going to hit some of those lofty levels of oil prices in the future to allow you to balance the budget without reducing costs?

Mr. Ceci: You know, I disagree that we haven't been reducing costs. We have reduced costs at a quicker rate than the previous government has in terms of operational spending. We have identified only a 2 per cent growth in operations. We have improved our tax revenues by coming in with marginal tax rates for Albertans, something that should never have changed.

Mr. Gotfried: Thank you, Mr. Minister. You know what? I think in some of our documentation here we've reduced costs by about \$300 million. That's a big delta. That's a little over \$2, maybe 2 and a half dollars on a barrel of oil, a long stretch to \$122 or \$128.

My other question for you really is with respect to some of the projections you've made. It seems to me that we've got some best-case scenarios here that are not particularly realistic, and I point out the difference between both your Treasury Board and Finance projections on a barrel of oil versus Alberta Energy's. There's already a delta there of about 3 to 10 per cent over the next three years, but what's not reflected here, again, is western Canada select differential and some others. By our calculations I'm looking at a differential price overestimation by this government over the next three years of somewhere between \$13.40 a barrel up to about \$14.80 a barrel. By my calculations I'm looking at a scenario here for '16-17, '17-18, '18-19 with that price differential that we're going to have not even reflected in your already dire budget: a \$1.742 billion shortfall in '16-17, \$1.9 billion in '17-18, and \$1.9 billion almost in '18-19, which is equal to \$5.525 billion.

Minister, what's going to happen? That will be \$63 billion worth of debt instead of \$57.6 billion. What is your plan if your projections are too optimistic?

Mr. Ceci: On the oil barrel?

Mr. Gotfried: Absolutely, and not taking into account the differentials and the discrepancy between your calculation and Energy's calculation.

Mr. Ceci: Right. We risk adjusted the oil barrel going forward, so we have built our budget on a lower amount going forward for the oil barrel. You know, we're at \$44 today, and we identify a lower number for 2016 of \$38.

Mr. Gotfried: So we might get lucky and get \$4 billion. . .

The Chair: Thank you very much, Minister and hon. member.

Mr. Gotfried: Thank you.

The Chair: We'll now move on to the private members of the government caucus. Please go ahead.

Mr. Dang: Thank you, Mr. Chair. I'd like to share some of my time with the minister, and time permitting after my questions, I believe the Member for Calgary-Northern Hills has some as well.

The Chair: Okay. Please proceed.

Mr. Dang: Thank you so much for joining us today, Minister. Two local organizations here, the Edmonton Social Planning Council and Public Interest Alberta, or PIA, released their annual poverty report last month, in April. Using publicly available information derived from the CANSIM tables from StatsCan, it was reported that approximately 144,500, or 1 in 6, children live in poverty in Alberta. I think we can all agree that during these tough economic times Alberta's most vulnerable families need the government to stand up for them. What actions did you and your ministry undertake as part of Budget 2016 to support low- and

middle-income Alberta families during these tough and challenging times?

11:40

Mr. Ceci: Sure. Thank you very much for the question. First, we ensured that all Alberta families would continue to benefit from stable and predictable services like education and health care by continuing to fully fund enrolment in schools and fully fund Alberta Health Services.

We have implemented two important programs that will start up shortly. The first is the Alberta child benefit. The second is the Alberta family employment tax credit. We are enhancing the second. The first will enjoy a kind of a doubling from the national child benefit, that is coming from the federal government. So the Alberta family employment tax credit is one the most generous provincial tax credits for lower and middle-income families, providing working families up to \$2,100 in annual assistance. Enhancements to that that this government will bring in will be implemented in July 2016. More families will receive that credit, and many families will receive more benefits. The phase-in rate for credit will rise from 8 per cent to 11 per cent, and the threshold at which benefits will begin to phase out will be increased from \$36,700, approximately, up to \$41,250. Those additional enhancements will cost \$25 million, and that will go to Alberta families. The Alberta family employment tax credit will provide \$141 million in annual benefits in support of about 300,000 children and 143,000 families.

The government will build on the success of that tax credit by introducing the Alberta child benefit. Unlike the Alberta family employment tax credit, which targets working families only, we are targeting all families with the Alberta child benefit, and those with less net income than \$41,200, approximately, will be the recipients of it. That means that the net income of up to \$25,500 will receive a maximum benefit of \$1,100 for one child and begin to phase out after \$41,000. The first payments under the program will be made in August, and the Alberta child benefit will support 235,000 children in 130,000 families with \$195 million. It's groundbreaking social policy that will make a difference for low-income children in this province and, like in Ontario, will lift children above the poverty line, and that's the work of government in progressive places.

Mr. Dang: Thank you, Minister. I'm going to shift gears a little bit here. As indicated on page 142 of the ministry business plan, one of the aims is to create a diverse workforce with a capacity and expertise to serve Albertans. So what actual initiatives that are concrete are being taken with Budget 2016 to support this goal, and how are you going to know if you've been successful in implementing these goals? What measures are there?

Mr. Ceci: Sure. We know that Alberta has one of Canada's most skilled and entrepreneurial workforces. You just have to look around and see young Albertans to know that to be true. The government has continued to support young people's access to postsecondary education and new job opportunities by providing stable funding for institutions, including a second year of a postsecondary tuition freeze, and relaunching the summer temporary employment program, STEP, which was absent for three years. The provincial employment and training programs are undergoing a major realignment to make the experience of Albertans accessing these programs more consistent, efficient, and user friendly. Budget 2016 allocates new funding to support apprenticeship on occupationally focused training opportunities. We know that people being successful in that regard will increase

the enrolment in postsecondary and opportunities in employment, and that's more Albertans taking care of themselves.

Mr. Dang: Thank you, Minister.

Shifting back to the Alberta child benefit and the Alberta family employment tax credit again, I've heard very good things about these benefits and credits. The changes that you've helped to introduce benefit low- and middle-income families and, as you've said, are some of the most significant evolutions of social policy in this generation. Like I said, as I speak to my constituents, this is something that people are very excited about and are very pleased about. But, at the same time, many of my constituents want to know how they will qualify for these benefits and want more details as well. What measures are being taken to ensure that uptake of these programs is as simple and as efficient as it possibly can be?

Mr. Ceci: It's pretty simple, and it doesn't get any easier. What they need to do to qualify for the Alberta child benefit and the Alberta family employment tax credit is to fill out their 2015 tax return. Those are going to be administered by the Canada Revenue Agency on Alberta's behalf. Eligibility for the July 2016 to June 2017 ACB and AFETC benefit payments are based on an individual's 2015 tax returns. Payments for the family employment tax credit are made towards the end of July and January, and payments for the Alberta child benefit are towards the end of August, November, February, and May.

Mr. Dang: Thank you, Minister, for the update.

What message could I deliver to my constituents to ensure that they will get access to these funds to help their families now and in future years as well?

Mr. Ceci: I think you can let them know that if they've filled out their tax returns, they will get access to those programs. It is, as I said, administered federally. The monies will be delivered on a scheduled basis for the two different ones. But, please, just make sure people know, and they will benefit and then be able to use those funds to improve their quality of life.

Mr. Dang: Thank you, Minister.

I think my hon. colleague from Calgary-Northern Hills has some questions, and I'll kick it over to him now.

Mr. Kleinsteuber: Thank you, Member. Yeah, I've got a few more questions here if I may.

Minister, the Fiscal Statutes Amendment Act, 2016, repeals section 3 of the Fiscal Planning and Transparency Act, which limits the government's debt to normal GDP to 15 per cent. The Official Opposition has criticized this move. Their action plan in December 2015 called on the government not to exceed 7 per cent of debt to nominal GDP. If you were to stick to the Official Opposition's recommendation, you'd have to cut a little over \$8 billion this year. You suggested that repealing this section in the act would give the government the flexibility to address the worst economic challenge in a generation. You also described the budget as a choice. Therefore, I have two questions. The first question is: what type of cuts would be required to meet the 7 per cent limit set forth by the Official Opposition, and do you think these cuts are in any way feasible?

Mr. Ceci: I guess no to the second question right away. But to the first question, cutting \$8 billion would be extremely challenging, of course, on a \$50 billion budget. We could get to that \$8 billion by firing lots of people, of course, closing schools and closing down the entire Ministry of Education, but you still wouldn't get to \$8

billion. Consider that that \$8 billion, as people here were doing some additions before, is more than the ministries of Advanced Education and Municipal Affairs put together and virtually the entire capital plan for the fiscal year. Put another way, we could severely kneecap the government of Alberta, and you would still not get to \$8 billion.

I'll leave the determination of what the best approach is to Albertans and their judgment, but we know that investing in this province, carrying us through the downturn, being a shock absorber, and diversifying the economy will be in the best interests.

The Chair: Thank you, Minister.

We'll now move back to the members of the opposition.

Mr. Fildebrandt: Well, in the spirit of the questions we've just heard, could you inform my constituents how awesome the budget is?

Mr. Ceci: I'll let you do that.

Mr. Fildebrandt: Thank you, Minister.

To start off from where we were before we ran out of time, I want to emphasize that asking for a voluntary negotiated freeze of existing contracts is not breaking existing contracts. This has happened in the past. People in the private sector recognize the challenges people are facing, and people are reopening their own contracts so that they can keep jobs. Do you think it's reasonable to ask our current government employees to reopen voluntarily their contracts to freeze wages at this time?

11:50

Mr. Ceci: Respectfully, I don't believe that sharing our bargaining strategy in public is in the best interest of bargaining.

Mr. Fildebrandt: Do you think it's fair to share it with the AUPE?

Mr. Ceci: We will be having a respectful bargaining process going forward. Obviously, these are tough times, and it will be a substantial consideration at the table when bargaining occurs with regard to that environment.

Mr. Fildebrandt: Well, can I ask: have you asked them to take a voluntary freeze?

Mr. Ceci: I will not be talking about bargaining strategy with you or any member at this table.

Mr. Fildebrandt: You're not willing to discuss that with the representatives of the people of Alberta, who care about bringing you some tax dollars?

Mr. Ceci: We all care.

Mr. Fildebrandt: So why aren't you willing to share that with the people elected to represent taxpayers?

Mr. Ceci: Respectfully, this is not the place to share information about bargaining positions.

Mr. Fildebrandt: Okay. Well, I'm not sure where else the place would be.

Mr. Ceci: The place is at the bargaining table after discussion and direction with the . . .

Mr. Fildebrandt: Thank you, Minister. I'm sure we're very well represented by the AUPE.

At this time I'd also like to table the requisite number of copies from a business owner from Manning, Alberta, regarding the skimming of fees from accounts regarding the ATB.

I'd like to talk about the viability of our public-sector pension plans right now. I asked you about briefing notes provided within your ministry in the last few years regarding the viability of public-sector pension plans. At our last estimates meeting you declined to provide any to me. I've seen some stuff, that perhaps is not normally released to the opposition, seriously questioning the financial viability of our public-sector pensions right now. Are you confident that our public-sector pensions are viable right now and are not going to require a bailout in the foreseeable future?

Mr. Ceci: We have department oversight systems for Alberta's public-sector pension plans, and that's a priority, of course. I have responded to the AG's report, and we are currently working to address the recommendations there. We're completing an analysis of the plan . . .

Mr. Fildebrandt: My question was not what you're doing to look at it. I'm asking: are you confident in the financial viability of our public-sector pensions right now and that they will not require a bailout in the foreseeable future?

Mr. Ceci: Yes, I am confident in the viability of those plans. We have improved over past years. We have strategies in place to continue to lower the liabilities through contributions by members and investment strategies.

Mr. Fildebrandt: Okay. So you're willing to commit right here that you will not bail out public-sector pensions in the foreseeable future?

Mr. Ceci: You know, I think I just said that I was confident in the viability of these pension plans.

Mr. Fildebrandt: Okay. Thank you.

On page 233 of the main estimates under financial transactions, department statutory amounts . . .

Mr. Ceci: What page?

Mr. Fildebrandt: Page 233.

Mr. Ceci: Of the estimates?

Mr. Fildebrandt: Of the main estimates, yes. Under financial transactions, department statutory amounts, there is \$331 million scheduled for the Alberta Petroleum Marketing Commission. I don't understand why we need to spend big money to market our oil, nor do I understand why we need to subsidize the construction of a refinery that we do not have an equity stake in. Is there any of this amount going to the North West Upgrading Sturgeon refinery, and if so, how much?

Mr. Ceci: I'm sorry. Could you identify what page you're on in the estimates?

Mr. Fildebrandt: Page 233 of the main estimates, under financial transactions, department statutory amounts.

Mr. Ceci: I'm looking at page 233, and it's not the right number.

Mr. Fildebrandt: My mistake. Pages 254 and 255, financial transactions, department statutory amounts, \$331 million.

I'm not sure why we're spending that kind of money to market oil. Are we subsidizing the construction of a refinery that we don't

have an equity stake in? How much is going to the North West upgrader?

Sorry. I was referring to a different number. It's \$328 million instead.

Mr. Ceci: Okay. This is money lent to the North West upgrader. When the project was refinanced, this was agreed to by the previous government to lend on to the North West upgrader, and CNRL has additionally lent money to . . .

Mr. Fildebrandt: Sorry. Is the entire amount going to the North West upgrader?

Mr. Ceci: That's correct.

Mr. Fildebrandt: Over \$300 million alone going to the North West upgrader from us?

Mr. Ceci: That's correct.

Mr. Fildebrandt: Wow. Okay. Thank you.

Canadian Pacific Railway has been trying to merge with the Norfolk Southern Railway. Are you concerned that CP might move its corporate headquarters permanently out of Alberta, permanently out of your Calgary-Fort constituency, for a 10-times increase in the fuel taxes over three years and a 20 per cent increase in the corporate income tax?

Mr. Ceci: We still have low corporate rates overall. Didn't they just move down to Quarry Park?

Mr. Fildebrandt: Well, maybe not right in your constituency but in Calgary. Are you concerned?

Mr. Ceci: Not that it's not in my constituency. They just moved their headquarters to a new headquarters in Calgary, so I think that speaks volumes.

Mr. Fildebrandt: Okay. Well, they've had a 20 per cent increase in their corporate tax, and they will have a 10-times increase in their fuel tax over three years. Are you concerned that now that they are trying to merge with Norfolk Southern Railway, they may leave Alberta?

Mr. Ceci: You know, I do remember, I think, right after the change in corporate taxes that the president and CEO of CP said: you know, we're not concerned about that 2 percentage point increase in taxes.

Mr. Fildebrandt: But you've also increased the locomotive tax significantly and the carbon tax.

Mr. Ceci: We still have a great environment overall for business and will continue to have.

Mr. Fildebrandt: So the answer is that you're not concerned at all that they may leave.

Mr. Ceci: About CP in particular?

Mr. Fildebrandt: Yeah.

Mr. Ceci: I believe CP has been a long-time and important corporate entity and will continue to be here for many years in the future.

Mr. Fildebrandt: Okay. Line 9.2 on page 248 is corporate human resources programs.

Mr. Ceci: Of the estimates again?

Mr. Fildebrandt: I believe so, yeah. It's up \$3,872,000 over the last year. Would this be employee training or early retirement packages to help bridge the gap to get employees to retirement, or what else explains that large number?

Mr. Ceci: The increase represents moving all government funding focused on leadership and talent development initiatives to CHR's budget. There is no net increase in overall government spending. This increase is partially offset by reductions in support for CHR's commitment to reduce spending, a consolidation as opposed to an increase.

Mr. Fildebrandt: Thank you.

On page 143 of the business plan the performance indicator employee engagement index is falling again, from 62 per cent in 2013 to 59 per cent in 2014. We know there are serious morale issues in the public service. Has corporate human resources identified the root cause of the problem?

Mr. Ceci: We've just completed an employee engagement survey, and we'll be analyzing the results and reporting those.

Mr. Fildebrandt: That's not the question. I've seen the reported results here, and I'm asking if you've identified the root cause of the problem.

The Chair: Thank you very much, hon. member.
Just as a reminder . . .

Mr. McIver: I have 30 seconds.

The Chair: I know. I understand.

But I really need to get this on the record, that this document has to be tabled within the Assembly, Minister.

Okay. I will now turn it over to the third party.

Mr. McIver: Minister, you probably don't have time to answer it right now, but will you commit to getting me the answer? For a bottle of wine that cost \$20 on the day you were elected, May 5, how much will it cost to buy it today in an Alberta liquor store?

The Chair: I apologize for the interruption, but I must advise the committee that the time allotted for the item of business has concluded.

I would like to remind committee members that we are scheduled to meet next on May 9, 2016, at 7 p.m. in the Foothills Room. Please note that that's in the Foothills Room, so not in the same room, and we'll be considering the estimates of the Ministry of Municipal Affairs.

Thank you, everybody. This meeting is adjourned.

[The committee adjourned at 12 p.m.]

