



Legislative Assembly of Alberta

The 30th Legislature
Third Session

Standing Committee
on
Resource Stewardship

Ministry of Treasury Board and Finance
Consideration of Main Estimates

Tuesday, March 8, 2022
3:30 p.m.

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Third Session**

Standing Committee on Resource Stewardship

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Standing Committee on Resource Stewardship

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Ministry of Treasury Board and Finance
Hon. Travis Toews, Minister

Alberta Gaming, Liquor and Cannabis
Kandice Machado, Chief Executive Officer

Alberta Investment Management Corporation
Angela Fong, Chief Corporate Officer
Paul Langill, Chief Financial Officer

ATB Financial
Dan Hugo, Chief Financial Officer

3:30 p.m.

Tuesday, March 8, 2022

[Mr. Hanson in the chair]

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

The Chair: Welcome, everyone. I'd like to call the meeting to order and welcome everyone in attendance. The committee has under consideration the estimates of the Ministry of Treasury Board and Finance for the fiscal year ending March 31, 2023.

I'd ask that we go around the table and have members introduce themselves for the record. Minister, when we get to you, please introduce the officials who are joining you at the table as well as yourself. My name is David Hanson. I'm the MLA for Bonnyville-Cold Lake-St. Paul and the chair of this committee. We'll begin starting to my right.

Mr. Getson: Sure. Shane Getson, MLA for Lac Ste. Anne-Parkland, or, as we all know it now, God's country.

Mr. Guthrie: Peter Guthrie, Airdrie-Cochrane.

Ms Lovely: Jackie Lovely, MLA for Camrose constituency.

Mr. Yao: Tany Yao, Fort McMurray-Wood Buffalo.

Mr. Turton: Afternoon, everyone. Searle Turton, MLA for Spruce Grove-Stony Plain.

Mr. Sigurdson: Afternoon. R.J. Sigurdson, MLA for Highwood.

Mr. Rehn: Good afternoon. Pat Rehn, MLA, Lesser Slave Lake.

Mr. Toews: Good afternoon. I'm here with my officials, my deputy minister, Athana Mentzelopoulos. ADMs: we have Mark, Darren, and Mark.

The Chair: We all know who you are, sir, but please introduce yourself.

Mr. Toews: Travis Toews, MLA for Grande Prairie-Wapiti and Minister of Finance.

Ms Ganley: Kathleen Ganley, MLA for Calgary-Mountain View.

Ms Phillips: Shannon Phillips, MLA for Lethbridge-West.

Mr. Nielsen: Good afternoon, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: And we have nobody joining us online today.

I'd like to note the following substitutions for the record: Member Sigurdson for Member Singh and Member Ganley as acting deputy chair.

A few housekeeping items to address before we turn to the business at hand. Please note that the microphones are operated by *Hansard* staff. Committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. The audio- and videostream and transcripts of meetings can be accessed via the Legislative Assembly website. Members participating remotely are encouraged to have your camera on while speaking and your microphone muted when not speaking.

Remote participants who wish to be placed on a speakers list are asked to e-mail or send a message in the group chat to the committee

clerk, and members in the room are asked to please signal to the chair. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates. A total of six hours have been scheduled for consideration of the estimates for the Ministry of Treasury Board and Finance. For the record I would note that the Standing Committee on Resource Stewardship has already completed three hours of debate in this respect.

As we enter our fourth hour of debate, I will remind everyone that the speaking rotation for these meetings is provided for under Standing Order 59.01(6), and we are now at the point in the rotation where speaking times are limited to a maximum of five minutes for both the member and the ministry. These speaking times may be combined for a maximum of 10 minutes. Please remember to advise the chair at the beginning of your rotation if you wish to combine your time with the minister's. One final note: please remember that discussion should flow through the chair at all times regardless of whether or not speaking times are combined. If members have any questions regarding speaking times or the rotation, please feel free to send an e-mail or message to the committee clerk about the process.

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 taking the break? Seeing none, we will announce that when the time comes.

When we adjourned this morning, we were five minutes into the exchange between Member Singh and the minister. I will now invite Member Singh or another member from the UCP caucus to complete the remaining time in this rotation. You have five minutes. It's Mr. Rehn? Thank you. Go ahead, sir.

Mr. Rehn: Thank you, Mr. Chair. I would first of all like to thank you, Minister, for coming today and thank your staff for arriving here to answer our questions today as well. I would like to commend all of you on this magnificent budget, having our first balanced budget in seven years for our great province. It's definitely quite an accomplishment, and I congratulate all of you in doing that.

I'd like to start by looking at page 113 of the ministry's business plan, and it explains that the Alberta heritage savings trust fund will earn a five-year annualized rate of return, CPI plus 4.5 per cent. However, shortly after the budget documents were released, AIMCo, Alberta Investment Management Corporation, announced that they will be selling off Russian assets. I know people in my constituency very upset about what's going on over there, and it's not a matter of whether they support it or not. I guess I find there is a lot of support for that, but I want to know: how do you think the sell-off will affect the provincial pension plans and the Alberta heritage savings trust fund?

Mr. Toews: All right. Well, Mr. Chair, if I can, through you, thank the member for that question. I have officials here from AIMCo, and I would like to call on Angela perhaps or Paul.

Ms Fong: Actually, Paul Langill will take this.

Mr. Toews: Okay. All right.

Mr. Langill: Thank you, Minister. Good afternoon. I'm Paul Langill, the CFO of AIMCo. The Russia exposure: our CEO announced last week that we had an exposure of about \$99 million Canadian equivalent across all of our portfolios that we manage at AIMCo. That market is effectively closed, as you know. That exposure is fairly low on a percentage perspective, so it will have an impact, but it won't be substantial.

Mr. Rehn: Do you happen to know what the percentage is?

Mr. Langill: Very small: \$99 million over \$160 billion. I don't have the calculator right now, but . . .

Mr. Rehn: Under a per cent.

Mr. Langill: . . . under a per cent, for sure.

Mr. Rehn: Okay. Fair enough. Thank you very much.
At this time I'd like to cede my time to MLA Getson.

Mr. Getson: Well, thank you, MLA Rehn, and thanks, Minister, again. I'm going to jump around a little bit for the members here, because I wanted to talk about insurance. In your business plan on page 111 you're talking about Finance regulating the market conduct of all insurance companies. Last November we had some troubles, Minister, quite frankly, with school buses and how they're getting their insurance. One of the other policies that you brought out was around captive insurance. A two-part question. The first one is going to be very direct. What the heck can we do for the school bus operators, especially the mom-and-pop groups? And then if you could explain a little bit about how potentially a captive market might work. I've had some expressed interest from one of the school divisions on potentially doing a pilot project along those lines.

Mr. Toews: Sure. Well, Chair, again I'd like to thank the member for the question. I think it's a very pertinent question. We know that last fall there were some school divisions that were working to find appropriate insurance, reasonably priced insurance. There were a couple of reasons for the difficulty. Firstly, we do have a hard insurance market in this province. It's not limited to this province. In fact, we have a hard insurance market really across North America right now, driven by a number of factors. That was an issue, in fact, for school bus operators as they were looking to find appropriately priced insurance capacity. The good news is that every school bus operator has found insurance for this current year. You know, that's the first hurdle, and that's most important. Again, as I mentioned, there's a hard insurance market. There were also some operators out there with perhaps loss ratios that were higher than the average. Of course, that also complicates the organizations' obtaining appropriate insurance.

I would encourage school divisions to look into their options around setting up a captive. As I think we know, captive insurance corporations are typically a subsidiary of a parent that then ultimately provides insurance capacity and products to that parent or associated corporations. But a captive can also be established by a trade association, and we've seen that, for instance, in the province of British Columbia, where I believe their version – well, their veterinary medical association has established a captive for its members.

The Chair: Thank you, Minister.

We'll now move to 10 minutes with the Official Opposition. Do you wish to go back and forth with the minister?

Ms Phillips: I would request to go back and forth, Mr. Chair, if the minister is amenable to that.

The Chair: Thank you. Carry on.

Ms Phillips: Looks good?

Mr. Toews: Sure.

Ms Phillips: Okay. Thank you. Thank you to the minister and his officials for rejoining us here this afternoon. It's International Women's Day, so I did a little Ctrl-f search for the word "women" in the fiscal plan. I found 29 hits. There was one reference to women's labour force participation rates, a few references to women's shelters, and the rest were referring to departmental amounts for the Women Building Futures program.

Let's go back, though, to the labour force participation references. On page 30 the fiscal plan observes that there is a gap in participation rates between women and men in Alberta and that it is higher than elsewhere, but there's absolutely no discussion after that even though we know that the pandemic had a significant effect on women's labour force participation and exposed a number of different structural challenges and inequalities between women and men and really underlined economic inequality between women and men. We don't see any, at all, discussion of that within the fiscal plan after page 30.

But, lo, in the employment section on page 84 we do find a chart, chart 14, indicating that male participation rates for youth and mature workers are lagging. What we have here is a fiscal plan that is missing half the population on page 84. I'm wondering if, while the minister is rewriting this budget for a number of the affordability challenges that this original document did not address, he would also undertake, at least in the next budget or perhaps in the quarterly update, to reflect 100 per cent of the population in his labour force analysis.

3:40

Mr. Toews: All right. A number of things there. Firstly, just to provide some context and acknowledge that there's no doubt that women were disproportionately affected during the pandemic – certainly, there were other groups as well, but women were disproportionately affected, particularly with the hard hit to the service sector. I do know that women were disproportionately affected on the front lines in our health care system as well, put under extreme pressure, particularly, I believe, because a disproportionate number of nurses are women. They provided exceptional care during a time of extreme pressure on our health care system.

I do want to note, though, as well that Alberta has the highest employment participation rate for women of any province in the country, and that's encouraging. I think that needs to be entered into the record this afternoon.

But recognizing that there are barriers, this budget does actually deal with some of those barriers. In fact, this budget includes well over \$600 million, in fact \$666 million, for additional child care funding for the budget year '22-23. This funding will go some distance to ensure that parents have access to affordable, accessible child care, and I believe that's critically important. Again, I believe that will certainly support women participating in the workforce in this province.

The member noted that we have a program that we'll be continuing to fund, Women Building Futures. That program will ensure capacity for women who want to enter the trades. I'm very supportive of that program, and I believe there's a great future in the trades in the province of Alberta.

I do want to also just note that, again, I was very pleased with the United Nurses of Alberta ratifying a collective bargaining agreement, with a high majority of nurses ratifying that agreement. Again I just want to express my deep appreciation for the contributions of our professional nurses, so many of them being women, during the last two years of the pandemic. Again, ultimately, coming to a ratified collective bargaining agreement will ensure predictable employment for those nurses that choose to continue to serve Albertans through our health care system, and I'm very appreciative of that.

But I think that broadly, Mr. Chair, what this budget does is that it continues to position the province with the most competitive business environment possible. That's important to all Albertans, including women, women who want to pursue a profession or start up a small business or raise a family here in the province of Alberta. This positions all Albertans for prosperity for themselves and their families, and I think that's critically important.

Within Budget 2022 as well there are a number of pieces that will ensure we can remain the most affordable jurisdiction across the country. That's important to Alberta families. That's important to Alberta women, so I think that's a critical piece, again, that supports Alberta families in this province.

We're seeing, as we pointed out, in Q3 of 2021 that Alberta again became the province with the highest numbers of net in-migration, interprovincial migration. That's a very encouraging statistic, and I see that as positive to Albertans and Alberta families.

Again, Alberta is the place to come to raise a family, to pursue a career, to start a business. It has the most competitive business environment. It is the most affordable province, and we're working hard, through responsible financial decision-making, to ensure that Alberta is going to be the most affordable province in the future. That's critically important.

Ms Phillips: Thank you, Minister.

I want to move on here and talk about the Fair Deal Panel recommendations and in particular taking Albertans out of the Canada pension plan. There was a report done for the minister, and I believe it was delivered some time ago, many months ago, in fact. It could have been over a year ago. Where is that report? Can we see it? That is my first question.

Number two is that we have a couple of references here, on page 147, negotiating a fair deal for Alberta within Canada. That's in the fiscal plan. We have page 22 of the strategic plan, considering outstanding recommendations of the Fair Deal Panel. But I don't see any budget line here – and perhaps the minister can point me to it – for any referendum or any timing of that referendum. Will it be this October? Will it be during the May 2023 election? Will it be sooner? Will Albertans see the contents of that report that the minister has had on his desk for some time on the relative merits or not, as the case may be? And the silence maybe tells us a lot more about the lack of merits for taking Alberta out of the CPP. Can we see the report? Is there going to be a referendum, and who's paying for it?

Mr. Toews: Mr. Chair, Albertans will see the conclusions drawn in the report. This is a very, very complex issue. We're continuing to undergo analysis. The complexity of the issue is very significant. There are many, many considerations where there needs to be thorough analysis conducted so that, firstly, our government can make an informed decision and then Albertans can make an informed decision around an Alberta pension plan. The work continues. Again, we commit to sharing the results of that work with Albertans.

Ms Phillips: Thank you, Minister.

I have very little time left, so I am going to go back to something that I had little time for before, and hopefully we will get back to it in the next round, and that is student loans. Now, in schedule 2 of the fiscal plan, the statement of financial position, if you compare calendar year 2018 with the projection for 2023, the value held by the GOA in student loans will go from \$2.5 billion to \$5.3 billion. That is a 109 per cent increase. That's an asset to the provincial treasury, but that means debt held by students will double. Literally what is happening here is that provincial debt is being downloaded

onto young people, people who are trying to get ahead, start a family, start a job, put down roots, buy a house. Before, the Alberta advantage for students meant getting a good education at a good price, but we are eroding that advantage. You know, doubling student debt seems like an extremely short-sighted way to balance the provincial budget, especially – especially – given the changing fiscal position. This is an incredible explosion of debt.

The Chair: We'll have to wait for the answer on that one till the next round.

We now move to the independent member. Five minutes, or would you like to go back and forth with the minister?

Mr. Loewen: Back and forth with the minister.

The Chair: If the minister is okay with that?

Ten minutes, then. Go ahead.

Mr. Loewen: Okay. Thank you very much. Thank you, Minister, for being here, and to your staff for being here, too. That's great to see. I appreciate the opportunity that we have to ask questions and receive answers. I wanted to start with the deindexing of tax brackets. I think you mentioned that that would be temporary. When will that change? When do you expect that you'll be removing that deindexing?

Mr. Toews: Chair, I'm pleased to answer that question again, for the third time today in this committee. The member is absolutely correct. We did pause indexation for personal tax exemption, and we commit that that will be, in fact, a temporary pause. We committed to pause indexation until the province effectively was in a much more healthy fiscal situation. Again, we're projecting a balanced budget for '22-23. However, there remains a lot of uncertainty, global economic uncertainty, certainly geopolitical uncertainty, and uncertainty within commodity markets. So while we're projecting a balanced budget, we've not yet achieved a balanced budget.

3:50

I made a commitment this morning, and I'll reiterate it today. As we head into the fiscal year and as our economic assumptions turn into reality, as we again can confirm that the assumptions made that have ultimately informed our revenue projections – as those turn into reality, then I commit to members around this table and I commit to Albertans that we will reconsider indexing for 2023.

Mr. Loewen: Is there a surplus that you're looking to that you would deindex or a price of oil? What factors or what number are you looking for before you'll take care of this issue?

Mr. Toews: We are in an environment of significant volatility and uncertainty right now. Again, we're not even at day 1 of our fiscal year '22-23. As we get through that fiscal year and as our economic assumptions can be tested against the upcoming realities, as we start to solidify the economic assumptions we've made, again, as we get through the year and if, in fact, they are verified, then we will consider deindexing for 2023.

Mr. Loewen: So you don't have a number in mind yet as far as when you might do that.

Mr. Toews: There are a lot of factors that contribute to, effectively, the economic environment. Those include commodity prices. They include interest rates. They include global GDP growth. All of those contribute to economic strength within the province of Alberta. So, no, we haven't identified a specific number or metric but broadly

of the economic assumptions that we're using in our projections. As we start to get into the fiscal year and as those projections start to be reality, at that point in time we can confidently consider the decision for 2023. I will look forward to that day.

Mr. Loewen: Okay. Thank you.

Now, you just mentioned that we haven't hit day 1 of the fiscal year yet, which is true, obviously. But we've already removed the gas tax, which – I welcome that. I think that was a great idea to reduce some of the cost that our Alberta consumers are suffering with with inflation. Is there any portion of that gas tax that would have been forwarded to municipalities?

Mr. Toews: The gas tax effectively comes into provincial revenues. It is not going to impact our grant funding to municipalities.

Mr. Loewen: Okay. Now, in that gas tax removal the figures that you are using as far as implementation and removing it was the price of oil, west Texas intermediate. Why wouldn't we have used the western Canadian select prices?

Mr. Toews: Well, again, western Canadian select prices are certainly hinged to WTI pricing. We have a conventional play in this province that ultimately trades closer to WTI pricing. That's why we connected it to WTI prices.

Mr. Loewen: Okay. As far as the effect on the budget – obviously, you know, the budget is here with its projections, and I'm sure you're trying to use reasonable projections as far as income and expenses. This, obviously, is a dramatic change to the income of the province with the removal of the taxes. The figures that I think you've used would indicate that unless there's a change in the budget as far as the income of the province, then we may not be in a situation where we actually have a balanced budget now. What are your comments on that?

Mr. Toews: When we did the policy work around eliminating the fuel tax – and, again, we're going to move forward with that for April 1. It's going to be in place for the first quarter of the next fiscal year, to be evaluated ahead of each subsequent quarter. We have, again, tied our decision-making for each subsequent quarter around energy prices. We did that to ensure that we could maintain revenue stability for the province of Alberta. In that way, this measure, this tax relief, will not undermine our ability to achieve a balanced budget with respect to revenues because, again, the tax would be fully eliminated for the subsequent quarter if WTI prices are \$90 or stronger.

Again, let's go back to the budget assumptions. We're assuming \$70 WTI for this upcoming year, and we've been transparent in this budget. For every dollar change in WTI it affects government revenues by approximately \$500 million. It was very important to me to ensure that we could continue to have as much revenue stability for the province going forward, and that has effectively informed our policy development and final decisions around this tax reduction measure. It's a measure that will offer Albertans and Alberta businesses real, tangible tax relief around their fuel purchases, and it will also provide real stability for the province's revenues and not undermine our fiscal situation.

Mr. Loewen: Okay. Basically, I guess, in order to keep on saying that you have a balanced budget, you are adjusting the price of oil, the projected price of oil, too, then, to accommodate for the extra I think it's \$1.7 billion, the gas tax reduction and the rebate on electricity that isn't considered in the budget. Are you changing the

projection for the price of oil in order to maintain that balanced budget?

Mr. Toews: We are not changing our projection. Again, if we take a look at what's before the House, we have before the House an appropriations bill, which is a spending bill at this point in time. We also acknowledge the very significant uncertainty and volatility in commodity markets. What we're doing with this particular measure: we're bringing in the fuel tax holiday, so to speak, on a quarter-by-quarter basis. In the event we see high WTI prices persist, then, in fact, Alberta consumers will pay – you know, in the event prices of WTI are above \$90, Alberta consumers will not pay any fuel tax for the subsequent quarter. With prices that high, that would trigger, effectively, a zero-rate fuel tax.

We know that there will be unanticipated nonrenewable resource revenues coming into the province. That's how we can confidently go forward. Again, we have an appropriations bill before the Legislature. That's not changing. In terms of revenue projections within this volatile commodity market we believe we can confidently come out with a program, again tied to WTI prices, well in advance of what we're projecting in this budget to inform our revenue projections. We can confidently go forward knowing that if, in fact, revenues are higher than we're projecting because of WTI prices, then we can confidently provide relief on the fuel tax side.

Mr. Loewen: Okay.

Mr. Toews: Without undermining our bottom line in Budget 2022.

Mr. Loewen: Yeah. I understand that part, for sure, but I am saying that you've now changed from what you delivered in the budget. You've now changed the expenditures, and now you're quarter by quarter adjusting the income also.

Mr. Toews: We haven't changed the expenditures. Again, a fuel tax is not an expenditure; it's a revenue line. It doesn't affect the appropriations bill before the House.

Mr. Loewen: Sorry. You're right. The fuel tax is an income into the province from Albertans, and the price of oil is being changed . . .

The Chair: Thank you, Member.

We'll now move on to a 10-minute rotation with the government caucus and back and forth with the minister, I assume.

Mr. Getson: Perfect. Would that work for you, Minister, as well? Back and forth again?

Mr. Toews: That works.

Mr. Getson: Excellent. If we can just carry on. We got a little bit cut off by the bell there on the school buses and the potential for captive market. The other tack-on I'd like to talk about that is also on aviation, if there's a potential – I've heard about that for different markets. And then as well, if there was someone or one of those school boards, who would they contact to try to go through that? I think you gave an example of British Columbia, but if we can bring it closer to home, where we might be able to get a pilot project.

Mr. Toews: Sure. I would encourage that kind of investigation by trade associations in this province. We have excellent resources in our department under Mark Brisson's team, so we would welcome inquires. We certainly commit to work with trade associations or school boards, divisions, associations to investigate the possibility of a captive providing, you know, maybe more appropriate insurance capacity and insurance capacity at perhaps a lower price.

4:00

Mr. Getson: I appreciate it, Minister.

Next item is on the strategic plan, page 5. It states that the Alberta government is committed to achieving long-term prosperity by “improving competitiveness, attracting investment,” and creating jobs. Page 111 of the business plan also explains that the TBF “has implemented a rigorous capital spending framework to ensure predictable and sustainable funding, promote greater transparency, and mitigate risks.” Unfortunately, the Prime Minister of the present didn’t get the memo, so now we have this out-of-control spending that’s been taking place. Their fiscal policies, obviously, are a little bit different: skyrocketing prices here and there, ran up a debt that’s larger than all the other Prime Ministers combined, and now we’re getting hit with inflation rates that we haven’t seen – I believe 5 per cent – for the first time since 1999. With that, understanding that you did a lot of work to make sure that we had our transparency and you had your budget in order, what strategies are you doing right now or trying to implement that would mitigate the risks that higher inflation costs have been causing the province because of the federal policies?

Mr. Toews: Well, Chair, I appreciate that question. We talked a bit about inflation this morning, and I believe there are, you know, a number of things that governments can do when we’re working in an inflationary environment. Firstly, we really need to consider our approach to borrowing. In this case, as we take a look at our upcoming year, we will have very low borrowing requirements because we have a balanced budget, but we will have debt that will be maturing. As I noted this morning, that has informed our decisions around borrowing in the last 18 months. As we have been in capital markets, we’ve been issuing bonds. We’ve looked at taking bonds with longer maturities so that we could take advantage of what was a very low cost-of-capital environment, recognizing that with future inflation pressures that low-cost environment may not be here forever. That’s something we’ve done tangibly.

Another factor in an inflationary environment is a fiscal policy. If we take a look at federal fiscal policy during this time, it’s been a very liberal fiscal policy. Our federal government has poured tens of billions of dollars into the economy. I would suggest that right now federal fiscal policy is to some degree working at odds with central bank monetary policy. As our central bank is moving rates up, I would suggest government fiscal policy needs to be in keeping with Bank of Canada fiscal policy. We need to ensure that we’re not adding to inflationary pressures with irresponsible fiscal policy. I’ve stated this in my budget speech. I’ve stated it subsequently. The best thing governments can do, the most durable and beneficial measure, is to spend less, borrow less, and tax less in a time of inflationary pressure.

On top of that, we’re also providing tax relief. In fact, we’re staying consistent with that. We’re providing tax relief in the form of, effectively, adjustments to our fuel tax, eliminating our fuel tax for the first three months of the next fiscal year, evaluating it each quarter thereafter. We are also coming out with, again, some relief for January to March 31 of the current fiscal year that we’re in, and that is in the form of a utility rebate.

Mr. Getson: Okay. I appreciate it, Minister.

I’ll cede the rest of my time to my colleague MLA Guthrie.

Mr. Guthrie: All right. Thank you. You know, the oil and gas subject seems to be a popular one here today, and I guess I’ll start on that. The pricing that was used was \$70 WTI. Today I think the close was \$124.77 and almost hit 130 bucks. I guess where I’m

going with this is that, obviously, when you selected \$70 – I think we were somewhere in the 80s or high 80s perhaps at the time. There’s been so much volatility over the course of these last two years from negative to where we are now, so I can certainly understand taking that conservative approach. Now, looking out over the next six months and seeing the price where we’re at right now, in order for us to hit \$70 – like, I think for the foreseeable future we’re going to stay on these high figures. For the back half of this year we would need to average something less than \$50 in order to average \$70. Naturally, that looks good for the surplus and meeting the surplus at the end of the year. I guess my first question would be: what’s the impact of oil prices for us on the fisc, and will there be an adjustment at the end of this quarter to accommodate?

Mr. Toews: Well, Chair, I’d like, through you, to thank the member for that question. I want to talk a little bit about energy prices. Firstly, I want to caution everybody in this committee meeting that we’ve not yet hit day 1 even though we’re, you know, two and a half months through our calendar year. We’ve not yet hit day 1 of the next fiscal year. We have to keep that in mind when we’re considering energy prices and energy price volatility and risk.

Just to provide an example – and this is a real life example of Treasury Board’s deliberations around energy price assumptions – when we were in mid-December, we hit approximately \$85 WTI. You know, it felt a bit durable, but all of a sudden omicron kind of flashed up globally, and by the end of December WTI was trading in the low 60s. That was the volatile commodity market that we were facing as we tried to grapple with: what is a credible yet cautious, responsible energy price assumption? Effectively, we landed at really just below the private-sector forecasters’ levels at \$70, \$69, and \$66. At this point in time those look very, very cautious, conservative.

Again, I just want to remind all of us that we have incredible volatility right now, brought on by a recovering economy globally but now also affected by not only the pandemic but by geopolitical events that could change things very quickly. We know that high, high energy prices will ration demand. We also know that high, high energy prices will incentivize additional production. Those things happened certainly in the energy industry, where supply-demand fundamentals and price signals actually, you know, encourage production or discourage it. I have an expectation that these prices will spark additional production capacity, hopefully here in the province of Alberta and in western Canada, because the world needs more responsibly produced, ethically produced energy right now.

The Premier is in Houston talking about ethically produced Alberta energy, responsibly produced Alberta energy, environmentally friendly produced Alberta energy. I’m going to New York tomorrow to meet with capital fund managers to talk about the opportunity in Alberta around responsibly produced energy – all forms of energy: hydrogen, renewable energy, as well as oil and gas – and not only the opportunity that Alberta and Canada have today but the deep responsibility this province and nation have right now for energy security for the nation, for North America, and, in fact, for our geopolitical allies around the world.

Mr. Guthrie: Yeah. I love it. Sounds great. We’ve got to get Justin Trudeau in the room here and convince him of the same.

I guess, on this same sort of discussion, then, can you just elaborate maybe on the assumptions that you made, then, for inflation for the upcoming year? And then sort of, you know, with these geopolitical issues that are going on around the world, how do you feel about that assumption?

The Chair: That's a great question. We're going to have to wait for that answer, sir.

We'll now go over to the Official Opposition for – you want to go back and forth with the minister?

Mr. Nielsen: With the minister's permission.

The Chair: Five for 10 minutes. Go ahead, sir.

Mr. Nielsen: Sure. Thank you, Mr. Chair. Thank you, Minister. While I'm very, very excited to hear about the answer around student loans, certainly something I've heard in Edmonton–Decore quite clearly, I would like to explore first about some of the regulatory processes. Of course, I understand that the government is very, very focused on red tape. I was excited to see a committee meeting. It seemed like we talked more about red tape and real property rights in that meeting alone than we have in the last six months. But I want to really focus on the number one piece of red tape issue that I'm hearing from people right across the province, many of them deeply concerned about the regulatory process and, frankly, Minister, speed. My questions will touch on three different areas, but the commonality that we're hearing is that it's not that the regulatory burden is too high; rather, it's that government reviews are taking too long. It seems that the bureaucracy is understaffed, which is leading to commercial lost opportunities.

4:10

Directing kind of your attention first towards Environment and Parks, I'm hearing that a combination of staffing cutbacks and legal decisions have led to increased times for basic permitting. Maybe I'll use the example in Lac La Biche, who's very, you know, aggressively trying to grow its tourism industry. I'm very, very familiar with the area. I've vacationed there, not 40 kilometres away, so I'm always in Lac La Biche. It took them two years to get a permit to build a boat launch from the Ministry of Environment and Parks. What I kept hearing was that there just weren't enough staff to process the permit. What is Treasury Board doing in order to try to speed up these times? Are you looking at staffing up in places where we need regulatory or permitting approvals?

Mr. Toews: All right. Well, Chair, happy to have that discussion. As the member noted, red tape reduction regulatory modernization has been a high priority for this government. I appreciate the member's interest in that initiative. We've made significant progress, but the work continues; there's no doubt about it. This work will really need to be ongoing, I would suggest, for this government, for every subsequent government as well.

With respect to the specific example that the member provided, I do know that Environment and Parks are working to upgrade their system. They have some electronic processes, digital processes that they're working to get up to speed so that they can in real time provide adequate government services in respect to decision-making as well as in respect to the services that they're providing. That much I can say. There's work being undertaken right now to get the system up to speed.

I do want to note, for the member's information, that we've invested, I believe, \$5 million in Service Alberta's budget to speed up land title transfers. That's been systemically slow and impaired over the last number of years, so we made a very specific investment of, I believe, \$5 million, if I'm correct – my officials can provide me with a correction if need be – specifically to ensure that we had the capacity to get caught up on land title transfers.

Again, I will say that this work is ongoing. I am always interested to hear where we have regulatory burden or processes or red tape that is impairing the ability of Albertans to move forward, that is

impairing the ability of Alberta entrepreneurs or businesses in moving forward.

Mr. Nielsen: Minister, are you looking at potentially investing some more dollars in that area? You mentioned the \$5 million possibly with Service Alberta. You know, what would that number be? Whether that might lead to increased activity if we were to cover that difference: I don't know if there's been a cost-benefit analysis done around that. I mean, really, when we're looking at a boat launch, for instance, probably very, very low risk for something like that, but certainly something like that draws the tourists to lake Lac La Biche. Myself, of course, I spend my time, like I said, 40 kilometres south in Whitefish, but I have been there, and it's quite enjoyable. I'm wondering if you have looked at and if there's any additional dollars coming for that.

Mr. Toews: Well, Mr. Chair, the north has so much to offer when it comes to, you know, tourism opportunities and opportunities for Albertans and Alberta families and for folks that are out of the province to have a great vacation, so I appreciate the member's inquiry here. What I can say is that we have funded Environment, I believe, very adequately to deal with pressures in their department, and specific questions around their regulatory processes, I suspect, would be better asked in that ministry's estimates.

But in terms of red tape reduction, regulatory modernization I appreciate the member's inquiry because the work is ongoing, and there will always be more to do. We've made significant progress, and I want to point out as evidence of that progress an investment decision that Canfor made, actually, in 2021. They sold or divested of four mills in British Columbia and purchased three in Alberta. They cited the reason for it publicly, and that is because of Alberta's open-for-business regulatory environment. We want to ensure that Alberta businesses and all Albertans can experience a nimble, responsive, outcome-based regulatory environment, one that protects our great assets in this province but one that enables and encourages business or the approval of boat launches in this case.

Mr. Nielsen: Well, it's funny that you mentioned businesses because that kind of leads nicely into my next question around Indigenous Relations. The ministry has seen in percentage terms some of the biggest cuts under this current government. Of course, I understand that you have choices that you have to make. It'd be nice if you can absolutely fund every little thing that comes along, but that's not necessarily realistic. But one area that we're hearing needs more resources is the Indigenous consultation office. Again, projects, including those by the GOA, are getting delayed because the office just simply can't keep up. Industry is telling us that it's kind of an example of penny-wise but pound-foolish and is really, really holding back these Alberta businesses that we're supposedly trying to help bring the province up to the speed of business. What's going on in Budget 2022 with that office, and did you give serious consideration to fixing that bottleneck in government?

Mr. Toews: All right. Well, Chair, I appreciate the member's inquiry. I would suggest this in terms of Indigenous Relations. We have funded that ministry based on their requests. I should note that expenditures appear down in large part for this last year because casinos were closed, so the funding that effectively flows through the government from AGLC to First Nations was decreased for that reason. Again, I would suggest that specific questions around Indigenous consultation capacity, which, you know, the member is right to raise, should be made to the appropriate minister.

Mr. Nielsen: I'm sure my colleague the critic for Indigenous Relations will be asking some very specific questions.

But I will quickly turn your attention, finally, to the AER and regulatory approval times. Like you, of course, we did extensive prebudget consultations, which included detailed discussions with the energy sector. We heard that many operators are trying to do reclamation of wells. They have the capital allocated on their balance sheets. They want to spend it – it would put people to work, protect the environment – but they're all caught in the AER processing times. It's not the level of oversight or what you would often call red tape in this issue. The issue is that the AER doesn't have, again, enough staff to process these applications in a timely manner. Can you tell me: did you hear about any similar concerns, and if so, what are you doing about it? Maybe you can point me in the direction of any new spending or new staffing initiative to ensure the government can do its job so that industry can go out, deploy this capital, create the jobs, and put Albertans back to work.

Mr. Toews: Well, Chair, through you, I appreciate the member's inquiry because this is important work. It's important activity that will put thousands of Albertans to work, provide great opportunity for many, many Alberta small businesses . . .

The Chair: Unfortunately, you'll have to wait for the next round, sir.

We will now move on to the independent member. Five and five, back and forth, sir?

Mr. Loewen: Back and forth, please.

The Chair: Thank you. Go ahead.

Mr. Loewen: Okay. Thank you. Yeah. Just previously we were discussing, Minister, the gas tax removal and the money given back to people because of the electricity costs last winter. Based on that and based on numbers you've given, that's a reduction in income to the province of about \$1.7 billion, and I think that's the number you've used. The budget projects a \$500 million surplus. That leaves, basically, a \$1.2 billion deficit. Of course, the price of oil is higher than what you've projected, but I guess that's the question. Are you changing the projection of the oil price to account for the deficit of \$1.2 billion?

4:20

Mr. Toews: All right, Mr. Chair. There are going to be a couple of pieces to this answer. Firstly, with respect to the electricity rebates, those rebates are going to ultimately relate to the periods January through March 31, 2022. They do not affect the upcoming budget year. The only impact on the upcoming budget year is the \$1.3 billion, which would be the number that fuel tax revenues would decrease effectively if they were eliminated. That would require that the price of WTI, of oil, stays above \$90 for the whole year. Again, it does not affect the appropriation bill as it is not an expenditure. It would be effectively transferring revenue between lines on our income statement. In the event oil is higher than we projected, then this price mechanism will kick in. It will be in place to provide tax relief to Alberta consumers, to Alberta businesses, but it does not affect the appropriation bill. The utility, the electricity rebate is in the current fiscal year, so it does not affect the appropriation bill.

Mr. Loewen: Okay. Thank you very much.

I want to move over to page 114 of the fiscal plan, where it talks about AGLC. My understanding is that the government put out an RFP for regulatory management software, and my understanding is that multiple companies provided bids and proposals on that RFP. Now, it's come to my attention that there was a local company that

bid somewhere in the area of \$4.4 million, and there was a bid from a multinational company of \$19.7 million. Can you confirm that?

Mr. Toews: You know, Mr. Chair, we have the present CEO of AGLC here, Kandice Machado. Kandice, would you want to come up and make a few comments, please?

Ms Machado: Hello. I'm Kandice Machado, CEO of AGLC. Thank you for your question. We certainly did do an open request for proposal process looking for new software to modernize our regulatory applications in the organization. We did follow trade agreement legislation, and it was a very open and transparent process. I do not have the numbers in front of me of what was awarded, but certainly cost is weighed as part of our evaluation criteria. However, the entire project is not worth \$19 million, so I do feel that the team who evaluated it was very open and considered all of the deliverables of this particular request for proposal in the software we were looking for.

Mr. Loewen: Okay. Obviously, that's a wide disparity. Again, I understand that you don't have the numbers in front of you, but this is my understanding: a \$19.7 million bid was accepted over a \$4.4 million bid. I guess I'm wondering: are you suggesting the \$19.7 million bid had other responsibilities and duties attached to it as opposed to the other one?

Mr. Toews: Chair, I would just like to, through you, caution the member. One thing we can't discuss is specific commercial decisions. I would ask that we limit our conversation to the process that AGLC uses, but we cannot talk about specific commercial decisions and ultimate bid award decisions in this committee.

The Chair: Okay. Thank you, Minister.

I'll just remind folks that that is a legitimate concern of the minister, so please keep your questions to policies and procedures at AGLC and not on specific contracts.

Mr. Loewen: Does AGLC – are its financials included in your budget?

Mr. Toews: Yes, effectively, their results are included in the budget.

Mr. Loewen: Okay. So would not the expenses of AGLC be subject to these estimates?

Mr. Toews: Absolutely. The expenses of AGLC are included in the budget. They effectively are brought in as one ultimate net result in this budget, net income, not the individual expenses and revenues in this budget.

Mr. Loewen: Okay. I understand that you might not have all this information in front of you, so I understand the hesitancy to answer. But is there any way we can undertake to find out this information?

Mr. Toews: Chair, I would suggest that the member should feel at liberty, because we have the CEO of AGLC, to talk about the process, to talk about, you know, transparency within the process, but we are not at liberty to discuss individual decisions with respect to the award of an RFP.

Mr. Loewen: I do think this is fair ground: page 114 in the business plan, initiatives supporting key objectives, reviewing the gaming, liquor, and cannabis regulation, AGLC. I think, you know, that this is relative and relevant to what we're discussing here today. But if we want to talk about the processes and everything, I guess, is it

standard practice for AGLC to sign contracts with a vendor prior to having publicly announced a successful bid?

Mr. Toews: I would ask Kandice to make some comment, again, just on broad policy and procedure, as you feel comfortable.

Ms Machado: Thank you. Again, Kandice Machado, CEO of AGLC. We follow all requirements under the trade agreements when we're issuing and awarding contracts, particularly for the request for proposal. We look at a variety of criteria focused on the technology solution, what the vendor offers AGLC, how we'll implement it, and of course the pricing is of concern. We do announce who we've awarded the contract to. We typically do not announce the details of the contract with the selected vendor.

Mr. Loewen: Okay. Now, would this process include checking references of companies who submit proposals in RFPs?

Mr. Toews: Kandice, would you want to answer that?

Ms Machado: Sure. Thank you. We do often receive references from proposals of companies, and we may connect with them. However, usually the criteria that we evaluate the proposals on are based on what we've received specifically as outlined in our request for proposal.

Mr. Loewen: Okay. Could you provide us with the scoring matrix that was used for this process?

Mr. Getson: Point of order.

Mr. Toews: Yeah. Again, Chair, that's an unacceptable question.

The Chair: Yeah. I think we're stepping a little bit across the line. I'll remind folks that the minister is really under no obligation to answer. Like, he could answer the question with talking about some other thing. But we need to concentrate on what's in the budget on a budget line item or in the business strategy for the province going forward. You know, trying to do indirectly what you can't do directly is against parliamentary procedure. You know that, sir; I don't have to remind you of that. So we'll disregard that question. Please, again, try to stick to where we're at on the questions and a line item particular, but we will not be entertaining specifics on contracts at this time.

We will now move on to the government caucus for 10 minutes back and forth.

Mr. Guthrie: Thanks. We were rudely interrupted there last time. Thank you, Chair. I was just asking you, though, about the inflation assumption that was made and your opinion on what that looks like moving forward. There's been a broad range, depending upon who you're talking to, as far as inflation, from 4 to 7 per cent, so I just wanted to get your perspective on that.

4:30

Mr. Toews: All right. Chair, I have to say that this is again a good, pertinent question for the environment we find ourselves in today. In 2021 Alberta had an inflation rate of 3.2 per cent, and I believe that was – well, it was lower than the Canadian average, which I believe was 3.4. So we had a slightly lower rate. We're projecting in 2022 for that 3.2 per cent rate to continue. We're projecting a bit of a front-loaded start – in other words, higher inflation pressure – early in 2022 but then tapering off towards the end of the year to average 3.2 and then tailing off in the out-years to 2.2 per cent.

Mr. Guthrie: Okay. Great. Back on the surplus discussion that we were having, I mean, we can't count our chickens, but, you know,

just from your perspective what do you see as being the priority moving forward? I know it's early, but is it debt payback, tax reduction? What are your feelings on the heritage trust fund? What are your thoughts now? I guess it's initial right now, but I just want to put that out to you.

Mr. Toews: All right. Well, thank you to the member, through you, Chair, for that question. I was very explicit in this fiscal plan that any surplus up to the earnings of the heritage savings trust fund would be reinvested in the heritage savings trust fund. Should we have a surplus that exceeds those earnings, this will be the first year in many, many years where we won't rob the fund, and that will be a good day for the province. Right now we're projecting \$2 billion of income for the heritage savings trust fund, and it would be a great day if we could reinvest that back into the fund. The fund is sitting right at approximately \$19 billion right now. Any unexpected surplus beyond that amount we would anticipate to be using for debt reduction and/or additional investment into the heritage savings trust fund for the upcoming fiscal year.

I'll be interested in hearing from MLAs from across the province, certainly from Albertans broadly, on their priorities. During the prebudget consultations I was amazed at the interest in the heritage savings trust fund, you know, as I consulted with Albertans. The trust fund has been a point of pride for Albertans, I believe, for decades, and it will be a great day to begin to reinvest.

Our decisions around debt reduction or investment into the trust fund would be, you know, guided by debt maturity dates. I mean, much of our debt would have a penalty to pay it out early. So it's going to revolve around debt maturity dates, our cost of capital. The CPI will factor in, which will, no doubt, be influential in terms of returns from the heritage savings trust fund. Those will be the considerations.

You know, right now if we continue with a relatively low cost of capital and also have significant volatility in commodity prices and in the economy broadly, having additional liquidity available to be able to make decisions is a good thing.

Mr. Guthrie: Yeah, for sure. How did the heritage trust fund do percentage-wise this year?

Mr. Toews: For the first three quarters of this year we were at 14 and a half per cent. So our returns were exceptional this year.

Mr. Guthrie: Wow.

The last question I have. I see here for '20, '21, '22 we are coming to the end of crude by rail. We don't see that in the forecast moving forward. What did crude by rail finally cost us in the end, the crude-by-rail contracts that we had there?

Mr. Toews: We are projecting the crude-by-rail total cost to be \$2.24 billion, effectively. Now, that's a big number. There's no doubt about that.

Mr. Guthrie: Yeah.

Mr. Toews: That's a very, very big number. Now, had we continued on the program, our estimates projections would have been that the cost – if everything would have gone perfectly, and I can't imagine that in a government-delivered rail transportation system, it would have cost Albertans between \$2.4 billion and \$2.7 billion. So the fact that we, effectively, bought out the contracts will have saved Albertans \$300 million to \$500 million if everything would have gone perfectly. Had we had one spill or disruption or major issue, no doubt the cost would have climbed.

Mr. Guthrie: Yeah. That being said, I see no liabilities moving forward, but we are completely out of that obligation at the end of this fiscal year?

Mr. Toews: The APMC is working to lay off the last of the contracts, effectively buy them out and end them. There is a possibility that there will be a couple of very small contracts that will make it past March 31, but the vast majority of the obligation will have been met by the end of this fiscal year, and that's what we're projecting. That's what we believe will happen. If they're unsuccessful with their plan to get that done, my expectation is that it will be cleaned up very, very, very early in the next fiscal year.

Mr. Guthrie: Okay. Well, thank you for that, Minister, and I will pass it on to MLA Sigurdson.

Mr. Sigurdson: Thank you, MLA Guthrie, and thank you, Minister, to you and your staff. This is my first chance to be able to direct questions to you and your department. I just want to first say thank you for all the hard work that's gone into the years previous and this year for the budget. I've always believed that we're just a steward for the future, and as a father of three children the fact that we're living within our means and not passing on to future generations our debt and we're protecting them from that I think is critically important. I just wanted to first state that and say thank you for the hard work gone into this.

My question is about affordability. I've always believed in the Alberta advantage. Born and raised here, it's something we talked about a lot. I think what we're going to see are the challenges of Alberta being such a growth province, our economy booming, coming back. I'm already hearing stories of people that are having a hard time finding staff. I think that when it comes down to it, we have to accept the fact that, you know, we're going to be a destination with that booming economy, and we've got to continue to speak about it.

I know that in your key objective 1.1 on page 113 you talk a little bit about the fairness, competitiveness of Alberta's tax system. Historically Alberta has touted its low tax environment as being a massive advantage over other provinces, and I think this is key. I think this is key to our businesses to attract more people to come here so we can fill those jobs that we're seeing that are popping up every day. Can you, within this, expand on how much more, maybe, in taxes Albertans would pay if we were taxed similarly to other provinces? As well with that, Minister, how much does the Alberta tax advantage save a typical family? I think this is something that needs to be talked about. I think this is something that's going to bring more people here to help businesses and be able to build and shore up this growing economy that we're seeing right now in Alberta.

Then I do have a follow-up to that as well. Thank you, Minister.

Mr. Toews: All right. Chair, through you, I'd like to thank the member for that question, because Alberta has an affordability advantage. We talked about the Alberta advantage being an advantage for investment. We also have – there's a huge advantage for affordability even though today we certainly feel pressure from costs rising. A lot of our affordability advantage is based on a province with a low-cost tax structure, as the member appropriately pointed out.

I'm going to provide a couple of metrics that I think are really important. Firstly – and I believe I might have mentioned this this morning – if we would take Ontario's tax structure, which is the next low-cost provincial tax structure in the nation, and apply it over Alberta's fiscal capacity, we would collect an additional \$14.8 billion in taxes. That shows just how much tax relief . . .

The Chair: Thank you, Minister. We look forward to the rest of that answer.

We'll now move to the Official Opposition. Do you want to go back and forth with the minister for 10 minutes?

Ms Phillips: Yes. That is my request, Mr. Chair.

The Chair: There you go.

Ms Phillips: All right. If the minister is amenable. Thank you, Minister.

Let's go back to inflation and cost of borrowing. What we have here is that we used to on-lend to students at CIBC's prime rate, and now we've decided as a province to charge prime plus 1. This is an important question because it means additional revenue to the province over three years. I am interested to know how much more revenue as a result of this policy decision, and I want to share with the minister why this is important, Mr. Chair.

4:40

Last week we stood with students asking the minister to reverse this new tax on student loans. Another 1 per cent might not seem like a lot, but consider that we have a real-world example here. A student with a \$78,000 loan, now working full-time but statistically still lower middle class in terms of income, will pay an additional \$780 a year. That's \$780 after they've paid their taxes, which are already higher because of the deindexation of the personal income tax. In an inflationary period like this, when the province does have a surplus, why is this student paying \$780 a year more with a new tax on loans, and how much more is the government of Alberta – what is the incremental revenue from increasing this tax on student loans?

Mr. Toews: All right, Chair. A couple of pieces in that question. Firstly, Alberta's rate is really not an outlier. I can look at Ontario. They have the same rate of prime plus 1 as Alberta has now for student loans. I just want to remind everybody in committee here that, in fact, student loans are not repayable nor does the interest meter start until – I believe it's six months after graduation, and that's important. That's an important feature. I benefited from that feature as perhaps the member that is posing the question did. We want to save that advantage for Alberta students.

Again, we're not an outlier in the rate that we're charging, but I do want to identify two things. Firstly, again, we inherited a postsecondary system that was really not sustainable. There were a whole host of changes that were made. And again I have to, as I commented this morning, give governance boards credit, executive teams at our postsecondary institutions credit, for making great progress at reform, which ultimately results in the lowering or a reduced cost of education for folks entering our system. A disproportion of that cost was picked up by Alberta taxpayers, and that was rendering our system ultimately unsustainable in the long term. What I can say today is that given the changes that have been made, it is much, much more sustainable to go into the future.

I also want to point out that this budget reinvests \$600 million over three years to help skill Albertans. There will be actually over \$170 million directed specifically at our postsecondary institutions for enhanced capacity. This will matter to those institutions; most importantly, this will matter to Alberta students who are looking to reskill, Alberta students who are looking to pursue a career where it can be a good-paying career, a career in great demand, a career where they can provide well for themselves and their families.

Ms Phillips: Can the minister, then, share with the committee how much more revenue is coming to the Crown as a result of the prime plus 1 decision? How much more?

Mr. Toews: All right. I've been working with my officials, working to get that number, and the conclusion is that it's a very, very small number, and it is not – it's what I would suggest is a very small number, so it does not appear in the fiscal plan. We will provide that number subsequently, but today, again, given the fact that it's quite small, we don't have it available to us.

Ms Phillips: So if I'm to understand this correctly, it is a small number to the GOA, but we stood with an Albertan last week who indicated that it is not a small number to them and that 780 bucks over the course of a year is, in fact, a lot when you're trying to start your life and your family and begin your life in the workplace. So why do it, then? Why undertake this to make ordinary people who are trying to start their lives and put down roots in this province – why cost them more when the minister just said that it doesn't matter to the government of Alberta at all? This is just being punitive to young people just for the sake of it. It doesn't seem to have any public policy rationale whatsoever.

Mr. Toews: Again, Mr. Chair, we're not an outlier here. We're aligning with a number of other provinces in our policy around interest rates with respect to student loans. Here's what we're really doing for Alberta students that will be graduating and pursuing a career: we're positioning this province for disproportionate investment attraction and economic diversification, which ultimately will result in incredible opportunities for graduates from our postsecondary institutions. That's what will matter to future generations of Albertans, and we're doing all we can to ensure they have as much opportunity as is possible.

Ms Phillips: Let's go on to that. What I'm hearing is that it will cost people something, but we are happy to pass those costs on to them. It makes no difference to the GOA. It does make a difference to ordinary people, but we're going to do it just because. And in this case we are not going to hold it up as a point of pride to have a more affordable cost environment for pursuing a postsecondary education as we did this morning on being relative outliers on things like assured income for the severely handicapped. In this case we are going to simply continue to cost people more just because even though it doesn't matter to us, but it does matter to them.

Now, on this investment piece the fact of the matter is that when I look at page 75 on oil and gas investment and I look at nonenergy investment on page 78 of the fiscal plan and when I also review CAPP's latest forecast, investment is up from pandemic levels on the energy sector investment, which stands to reason given that we're not in a negative WTI situation anymore. But we are not seeing that investment is projected to be over levels seen under the previous government. In fact, it's projected to be below that.

So there's that piece around Alberta's recovery plan that doesn't quite add up, and then there's the employment piece. When we tabled Budget 2019, the minister promised that by 2023 there would be 2.55 million Albertans employed in the province, which assumed oil at \$63 a barrel, yet in Budget '22 by 2023 we are now projecting only 2.408 million people employed in Alberta. We keep saying: oh, we're going to attract more investment. Those numbers don't add up in the fiscal plan. We keep saying, "Oh, there's going to be more jobs created as a result of our fiscal management," but the province has revised down the job target through the mandate by more than 100,000 jobs. What do we say to Albertans, you know, if the plan is working so well that the minister has had to lower his job-creation estimate by six figures?

Mr. Toews: Mr. Chair, we've just come through a pandemic and an incredible economic shock in this province. I suspect that everybody around this table understands that. We have great news on the jobs

front. Not only have we recovered all of the jobs lost during the most severe economic shock in a generation, but we've added 33,000 more. In fact, in January, when the nation lost 200,000 jobs, Alberta added 7,000. When I visit with employers across the province and across sectors, what do I hear? They can't find employees. There is great opportunity in the province of Alberta for individuals looking to find a job or maybe find a better job or perhaps pursue an occupation that didn't exist five years ago as we see so much accelerated economic diversification in the province.

Mr. Chair, I need to make a comment with respect to student loan rates. We're aligning our rates with other provinces, comparable provinces. That's been an effort since Budget 2019. Alberta can no longer be an outlier. The member contrasted that with our approach to AISH. No, we did not reduce AISH payments. We made that intentional decision because it's incredibly important to this government and to Albertans to not undermine the most vulnerable. We are happy to be an outlier on AISH payment levels.

Ms Phillips: The job-creation tax cut was meant to . . .

The Chair: Sorry, Member, to interrupt.

We'll now move on to a 10-minute block for the independent member. Do you wish to go back and forth with the minister?

Mr. Loewen: Yes, please.

The Chair: Minister, are you okay with continuing that way? Okay.

Go ahead, Member, followed very quickly by a five-minute break, okay?

4:50

Mr. Loewen: Sounds good. Thank you very much. I just want to maybe give a little explanation on this AGLC contract issue. We have a local company that provides this service across Canada and the U.S. They just won a bid in the U.S. against 15 competitors, but I think what's odd is that they can't seem to win a bid in Alberta when they're one-quarter the cost of the winning bid. I think there has to be a reason, and that's what I'm trying to get to, what that reason is. It might be a very good, very valid reason, but until we hear that reason, I think there will always be a little bit of wondering going on about that issue. One thing that I should be able to ask is: can you tell me the amount of the winning bid? That is what should be in the budget. I think the winning bids should be public.

Mr. Toews: Chair, I would consider that question out of order for an estimates process.

Mr. Loewen: If you don't want to answer it, that's fine. If you wanted to undertake it, that would be fine, too.

Mr. Getson: Point of order.

The Chair: A point of order is noted, but I do agree with the minister. I don't think what the member is asking for is a name of a company or anything. He's looking for a specific number that may be or may not be in the budget documents. I'm not sure of that. I do thank the member for explaining his reasoning for asking the question. I do understand that. I don't at this point know – maybe this isn't the place for him to get that answer, but perhaps your department could provide him with that, if it is legally appropriate to do so, at some point after this meeting.

Mr. Toews: AGLC followed their process with respect to RFPs and decision-making with applicants and ultimately awarding a contract. This is not the place, I believe, to discuss specific contract decision-

making. We do not report AGLC's expenses in this budget. It does not relate to the estimates today. We report AGLC's net income, net contribution, to the fisc but not their individual expenses.

The Chair: Thank you, Minister.

I will encourage the member – this is your opportunity to ask questions related to the budget on Treasury Board and Finance. If you would like to use up your time asking questions that the minister can't answer, I guess that's your prerogative, but he's not required to answer questions that he's basically not legally allowed to. We can continue on, but I would encourage the member to pick another topic.

Mr. Loewen: Yeah. No problem. It is a cost to taxpayers, but that's fine if the minister doesn't want to answer. That's fine.

Now I'll just move on to page 115 of the business plan. It talks about the expense and revenue of AIMCo, and there were, obviously, some issues when the government decided to have AIMCo take over the teachers' fund. What I would like to know is: what was the end result of that process of taking over the teachers' fund, and what were the savings to taxpayers by AIMCo taking over the teachers' fund?

Mr. Toews: All right. Chair, a couple of pieces to that question. I'll make a few comments, and then I'll ask either Angela or Paul to maybe add any additional pertinent information. Our estimate at the time of making that decision was that effectively combining the asset base, that was managed by the ATRF, with AIMCo would result in an economies of scale that would bring down the costs of managing the investments. There would be a \$40 million saving at the time; \$20 million of that would be attributable to teachers and \$20 million to the government of Alberta.

But the saving would be greater than that because, in fact, there would be an economies of scale benefit that would also be passed on to the other assets managed at AIMCo, so the estimate was actually just under \$100 million every year at the time. My officials can provide the exact number, but it was very material, very significant.

What I can say is that AIMCo has successfully negotiated an investment management agreement with ATRF. The assets are transferred. A number of the key staff, some of the expert staff, and key capacity that ATRF had have been transferred to AIMCo and have in fact enhanced their capacity, which is really good news, I think, more broadly for AIMCo. And AIMCo has been delivering excellent results.

I would ask either Angela or Paul for any additional comment.

Mr. Langill: Thank you, Minister. Good afternoon again. My name is Paul Langill, CFO of AIMCo. As the minister mentioned, we completed the transfer of the assets from ATRF into AIMCo at the end of last year, so that was just recently completed. We need to work with, you know, ATRF as well as our other clients, our new clients, WCB and AHS, to work through what the cost savings will be over time. That will take time. The majority of the savings will likely come from internalizing some of the assets that are externally managed today.

For example, in our budget the external management fees actual '21 to budget '23 has more than doubled to \$471 million, so there is an opportunity there to work on that line item by internalizing some of these externally managed assets into AIMCo. But that will take time. We need to work with our clients on that, and obviously there are contracts in place, so that will take time to move those assets over into AIMCo in-house.

Mr. Loewen: Okay. What was the benefit to taxpayers on that? What was the net benefit, and will that benefit continue with the new agreement?

Mr. Toews: Again, I think we've heard from Paul that right now the assets have just been transferred. Just been transferred. We just have a very recently signed IMA. It will take some time to benefit, to actually realize the benefits and cost savings. I think what we heard from AIMCo is that they're very interested in identifying the efficiencies that have been created through economies of scale and the lowered costs, not only for assets held by the previous ATRF but also assets held more broadly by AIMCo for the benefit of other pension plans.

Mr. Loewen: Is the projection going forward the – you know, you used the figure of \$40 million a year. Is that projected going forward with the new agreement?

Mr. Toews: That was the estimate that was provided to us based on expert analysis, and I'll be very interested to see how actual results relate to that estimate.

Mr. Loewen: Okay. Is there an expected change in that estimate now?

Mr. Toews: No, there's not an expected change to the best of my knowledge in that estimate. I would ask Paul to add anything additional if there was.

Mr. Langill: No. I'd say that the other thing I just want to mention is that we do have our costs independently benchmarked to our peers every year, and we're consistently below median on that while also delivering investment performance above our benchmarks. Again, as I'd mentioned, those assets recently came into AIMCo, and we will work on a revised estimate, if any.

Mr. Loewen: Okay. Thanks. That's great. I appreciate it.

Mr. Langill: Okay. Thank you.

Mr. Loewen: Now, when we look at the contingency plan and the budget for contingencies, what is that amount again? I think – does it add up to about \$2.3 billion? Does that sound right?

Mr. Toews: This year we have – we're proposing in this budget to set up \$750 million in a COVID contingency and \$1 billion in a broader contingency that relates to disasters and unanticipated eventualities. In the past we've set up \$750 million for that line item. We inherited in previous budgets – prior to our first budget in 2019 the previous government set up \$200 million in that line. It's been proven to be inadequate just given the lived experience in the province, so we moved it to \$750 million. This year we moved it to \$1 billion given the uncertainty that we face on so many levels. So we have \$1.75 billion set up in contingency for the upcoming budget year.

Mr. Loewen: Okay. Has that been adjusted for inflation and the rising energy costs and those things?

Mr. Toews: Well, again, the \$750 million is related to unanticipated costs that COVID might send us, including what we expect could well be some additional cost requirement, resource requirement for getting caught up on surgeries that were delayed during the pandemic. The \$1 billion would be earmarked for disaster assistance, that kind of thing, for fighting fires, for instance, beyond what we budgeted

for, for dealing with perhaps support for agriculture producers such as we had this last year with the significant drought. We've also . . .

The Chair: Thank you, Minister.

We will now take a quick five-minute break, followed by 10 minutes with the government caucus.

[The committee adjourned from 5 p.m. to 5:05 p.m.]

The Chair: We'll now carry on with the government caucus for a 10-minute back and forth. Mr. Sigurdson, go ahead.

Mr. Sigurdson: Thank you, Chair. Minister, I'd just like to rewind a little bit and get back to that affordability piece that we're talking to in kind of a crossjurisdictional comparison. You were commenting on where we were at to our closest – and I do believe you were commenting on Ontario being \$14 billion. I just want to allow you the opportunity to finish your question there and then a possible follow-up after that.

Thank you, Minister.

Mr. Toews: Sure. Good. Thank you for that. Not only broadly do we collect almost \$15 billion less tax than Ontario's tax structure would allow us to, but if we drill that down to a personal example – and I've used this one often; I should actually even use an example with a higher income – at \$75,000 a family of four saves \$3,800 a year by being in Alberta relative to Ontario. That's a family with a relatively modest income in this day and age. A family of four: that's a material affordability saving by being in Alberta, and we want to ensure that we can hold on to that affordability metric.

Right now we're focused on attracting talent. We're focused on ensuring Albertans can reskill, and we're wanting to ensure that Alberta employers in every sector – the tech sector, financial services sector, manufacturing, and more – are able to find the right talent and experience. Ensuring that we have the most affordable province is a key ingredient in that.

Mr. Sigurdson: Well, thank you for that, Minister. I think that's a critical piece. When we look at the diversification that's happening in the province right now and the growth in jobs, I think that's something very important to communicate to attract that talent, to be able to fill those positions here.

I guess just my follow-up to that would be: when we look at this strategy and when we look at the comparison of what's being done – I mean, we see that federally they keep layering on more and more costs. I think we've identified the importance of that low tax structure in what we're seeing here in the province and how it is making life more affordable for people to be here, affordable and to be able to pay their bills, invest back into the economy. How critical to your department is it to continue this path forward, to be able to ensure this growth and continue to alleviate some of the pressures that we're seeing world-wide with inflation? I mean, this is a piece to alleviating pressure, and what we're seeing with inflation is not just focused on Alberta. How committed and how important do you think it is, as a department, to continue with this strategy to be able to build Alberta and continue this growth that we're seeing?

Mr. Toews: Yeah. I think it's absolutely critical, and it starts with very responsible decisions around spending. It starts with ensuring that we're delivering government services most efficiently because if we fail there, then there's a creep. If we fail there, then ultimately we'll start borrowing more to cover our spending. Ultimately, we will then start paying more in terms of debt-service costs, which funds then cannot be applied towards programming. Ultimately,

that results in tax increases and a loss of affordability. It becomes a downward spiral.

That's why it's so critical that we've remained disciplined the last years, that we've actually got this province on a sustainable fiscal trajectory relative to our cost structure. It will be critically important that we stay disciplined, that we ensure that as we make strategic investments, which we will in future budgets and we are in this budget, we ensure that those additional investments stay below population growth and inflation – that's critical – and, I would suggest, well below, ideally. That way we can maintain a critical tax advantage, a tax advantage that is a key ingredient in the most competitive business environment in the nation and is a key ingredient in attracting talent and retaining talent in the province.

Mr. Sigurdson: Thank you, Minister, for that response.

I'll concede the rest of my time to MLA Turton.

Mr. Turton: Yes. Thank you very much, Minister, again for being here today to answer our questions. Minister, over the last two years I have heard from constituents of Spruce Grove and Stony Plain who have become unemployed as a result of the pandemic and oil crash. Some of my constituents have been unemployed for much longer due to the disastrous decisions by the previous government for the accelerated coal phase-out, which adversely affected many residents in the riding that I call home. Key objective 1.3 of your business plan relates to maintaining a competitive corporate tax environment, making Alberta an investment destination, and in turn ensuring economic growth and job creation. Minister, my question is: what does this budget do to create an environment for my constituents in Spruce Grove and Stony Plain to find work?

Mr. Toews: Chair, that's a great question. It connects the budget fundamentals in Budget 2022 back down to households and families, which I think is critical. This budget has a whole number of measures that will contribute to the well-being of Albertans. Firstly, again I have to go back to the fiscal discipline. The fiscal progress that is reported in this budget is critical to the future prosperity of the province and of Albertans. If we can remain disciplined on the spend side, we can ensure that taxes remain low. That's an upward cycle because that kind of business environment ultimately results in increased investment and increased opportunity. Increased investment and opportunity do a couple of things. Firstly, they provide our constituents, Albertans broadly, with additional career opportunities. It will result in increased wages. We're predicting household income to rise by well over 6 per cent right throughout the fiscal plan. That's a great indicator of personal income tax revenues. We're predicting average weekly earnings to go up by well over 3 per cent, which will be well in excess of inflation. That's good news for Alberta families that right now find themselves somewhat pinched.

That additional investment also results in expanded fiscal capacity, and that's what we're reporting here in Budget 2022. The expanded fiscal capacity is a result of increased business investment, and the good news is that we're seeing that investment in a multitude of sectors. We're predicting nonenergy business investment to rise by 7 and a half per cent. That's a significant growth factor. That's a significant factor in a more diversified economy. A more diversified economy, of course, provides Albertans additional opportunities, again, in occupations where they may not have had an opportunity in the past. It provides additional revenue diversity for the Alberta government, right?

We have a very volatile revenue structure in this province, and we will appoint a panel to take a look at our revenue structure to ensure it's most efficient and appropriate going forward. That will

be an important process. But in the meantime additional economic diversification fundamentally broadens our tax base and results in a less volatile revenue structure. That is depicted in our corporate income tax revenue projections.

Mr. Turton: Yes. Thank you very much for the answer, Minister.

Last week or the week before, when you were giving your budget presentation, you talked about a constituent or a friend of yours, Larry the pipefitter. That example of Larry resonated with me as a dual-ticketed tradesman. I know that many of my residents in Spruce Grove and Stony Plain don't have the skills needed to take advantage of jobs of tomorrow. I guess my question to you, Minister, is: how will this budget support individuals in their efforts to reskill for new jobs so they can take advantage of those economic opportunities you've been talking about today?

Mr. Toews: Yeah. Chair, that's a great question. I don't know if I'll have time to answer it all, but I would love an opportunity to finish if time doesn't allow. We're going to be investing over \$600 million over three years to ensure Albertans have the right skills to re-enter the job market. You know, in Larry's case he had been out for several years. Larry is a real person. He's a friend of my brother-in-law from Calgary. He's a real person. He was out of work for a period of years. He had lost his skills. More importantly, he had lost his confidence. It was affecting his mental health. He was becoming isolated.

5:15

We need to do all we can to re-engage those Albertans back into the workforce because all of us around this table know the value of gainful employment, the confidence that it provides, the purpose it provides for each one of us, the dignity it provides as we provide for ourselves and our families and contribute to our communities.

Part of this initiative, this investment, will include another tranche of the jobs now program. That tranche will target the Larrys of the world, the Albertans who have been out of work and unemployed for a period of time, those Albertans who are hard to bring back in. We want to assist them on re-engaging in this workforce.

The Chair: Thank you very much, Minister.

We'll now move to the Official Opposition for 10 minutes. I'm assuming you want to go back and forth. Please introduce yourself for the crowd at home.

Ms Sweet: Thank you, Mr. Chair. Heather Sweet, MLA for Edmonton-Manning.

Minister, are you okay to go back and forth?

Mr. Toews: Yes, I am.

Ms Sweet: Great. So I actually wouldn't mind continuing on some of the comments you were just making now about the jobs now program and the right skills, focusing on rural Alberta and the need to diversify our agricultural industry. The focus of this government, I would say, has not taken the opportunity in the way that maybe it could have in relation to trying to leverage that capital investment and reskill and educate individuals to work in the agriculture sector.

One of the highlights that I would like to talk about is the fact that if we look at the current fiscal plan, rural universities and colleges have not been funded the same way that we would see our other urban centres. So Olds College, innovation and technology in the agriculture sector, did not receive any supports in this current budget. Same with Lakeland College and Lethbridge. My question would be: when we're looking at the right skills, as you've just said,

and the jobs now program, are you not recognizing the potential of the agriculture industry and the fact that looking at innovation and technology in agriculture and those colleges would help develop the right skills in the future of Alberta's economy?

Mr. Toews: Chair, that's a great question. I have a great affinity for rural Alberta and for the Alberta agriculture industry. There are a number of pieces, I believe, in this budget that are specifically targeted to rural Alberta. Firstly, rural postsecondary institutions can participate in the additional \$171 million, and I'll encourage their participation. We're in the process of identifying – when I say “we,” the broader we in the government – those occupations where there will be great demand and a lack of capacity. My hope and expectation and deep belief is that some of those will relate to agriculture sciences because we do have, as the member appropriately points out, a shortage in those disciplines.

I do want to add a couple of additional pieces. We are making a \$59 million investment into the veterinary medicine faculty at the University of Calgary. As I know the member knows, we have a great shortage of large-animal veterinarians. That's holding back production of animal agriculture in this province, a key economic sector. This investment will effectively double the enrolment capacity in the faculty, which will be very good news for the province and for agriculture broadly.

I have to say this as well. We are investing, I believe, \$47 million in charter school, collegiate school, an approach to vocational education. I had the privilege of joining the Minister of Education down in Acme last week. You know, we walked into a school that was 70 years old, badly in need of an upgrade. It looked like a school I went to in elementary, and that's old. That's a long time ago. This school is going to get an upgrade, but more importantly the community and school board, the teachers, and administration got together with business partners.

We're going to be investing in space and technology equipment in that school where students can learn specialized skills in the trades, in areas such as ag tech manufacturing. There are employers in that community, employers in the ag tech space, manufacturing space that are going to co-operate with the school and school division to give these students an unparalleled opportunity to learn skills and to test their aptitude and interest in rural skills development.

I have to say this as well if I may. I was able to tour a greenhouse in that community, and I would encourage every member to tour that greenhouse. It was an example of high-tech agriculture. They have significant plans to expand from 20 acres to 70 acres under roof. It was incredible and a real example of increased economic diversification in the province.

Ms Sweet: Well, thank you, Minister. I agree with you. I think the economic potential for diversification in agrifoods is something that this government should be taking seriously. I think the very facility that you're discussing actually had to pay for their own infrastructure to be able to build in that area, and this has been something that I have brought up to other ministers in relation to what kind of capital investments this government is choosing to fund and not fund when it comes to supporting that infrastructure development to attract that investment.

We have seen across this budget, especially in relation to municipalities and the economic capacity and competitiveness in comparison to other jurisdictions, Saskatchewan and Manitoba – and we've had this conversation – that if an industry can look at investing in Saskatchewan and they get the benefits of the infrastructure being put in place and some of that economic stimulus or opportunity that the province may offer, they will look at Saskatchewan over Alberta. I haven't seen a shift by this

government to encourage that investment in the diversification of the agriculture industry.

Veterinary services: it's a problem internationally and nationally, and I appreciate that three years from now we're going to have opportunity for vets in Alberta. We have a gap between now and that three-year span, though.

What I haven't seen is a clear plan within this budget that really supports rural economic development and the diversification of the agriculture industry. I think it's a missed opportunity, and when we look at the fact that there is volatile revenue that our budget does rely on – oil and gas, primarily – and there is an opportunity to be competitive with the Saskatchewan and Manitoba markets, my question again would be: why has that not been highlighted in this budget and that opportunity for capital investment being leveraged with this surplus that this government has in a way to encourage that investment to continue to look at opportunities in rural Alberta such as making sure there's infrastructure in place, like, such as the greenhouse, where they would want to build and encourage that job growth and diversification in those communities?

Mr. Toews: Chair, I appreciate the member's focus on rural Alberta. I share that vision for economic growth in that part of the province. I have to say that this budget does include \$15 million over the fiscal plan specifically in – that's in the investment and growth fund. That's specifically to target investment in rural Alberta.

I also need to say that with our economic recovery plan we focused on key strategic infrastructure that would improve our competitiveness, productivity, result in increased investment attraction. One project, for example, targeted specifically in the southeastern part of the province, was the twinning of highway 3. That was key infrastructure that agrifood processor investment proponents identified as insufficient before they would move forward with their investment plans. We're remedying that right now. This summer there will be dirt flying on that project. We need to get it done so that we don't have any lack of infrastructure that's impeding investment.

This sector strategy is ongoing. We're constantly evaluating our competitiveness. There are many factors at play when investment proponents choose to deploy capital. One of those is broadband. Right now we've committed to invest \$390 million in our broadband strategy for rural Alberta. That will matter. That will leverage another approximately \$600 million from the federal government and industry. We believe that will largely achieve adequate, modern digital connectivity for folks in rural Alberta, and that will truly matter.

Ms Sweet: Well, thank you, Minister. Okay. I appreciate your comments.

I think that my concern is, again, around the sector strategy and how it's being funded. I have heard from stakeholders that the \$15 million for the rural investment attraction is actually not enough and it's small in comparison to other jurisdictions. Again the question is: why is the industry being ignored within this budget? There is opportunity for numerous investments in different sectors within agriculture when it comes to that value-add. To be clear, when we look at this budget, even the throne speech, there were minimal conversations when it comes to agriculture. It seems to be a forgotten industry with this government, maybe taken for granted a little bit, I would say, in their relation to the agrifood and the potential of diversifying the economy.

5:25

We can go back to grains and crops and our ranchers and our beef production, and those are amazing things within the Alberta economy,

and I'm not minimizing that, but we're also hearing that there's a ton of more potential. So my question would be that when we're hearing that there's a lack of opportunity to be able to leverage the investment – \$5 million would be a prime example of where there seems to be a threshold in Alberta for private investment to be able to hit that threshold to build these projects for local Alberta companies.

You can bring in big investment. We've seen it across the country. Cavendish would be an example. Those are great industries that could be in rural Alberta, but we want capital investment from within the province investing in those projects. So what is the government doing to try to leverage that local capital, to encourage local Albertans to diversify and invest in Alberta?

Mr. Toews: Chair, we're working to create the most competitive business environment possible.

The Chair: Unfortunately, we'll have to carry on after.

Seeing that there's no independent member present, we will move directly on to government caucus. Go ahead, Ms Lovely.

Ms Lovely: Thank you so much, Mr. Chair. Minister, I am so excited to have this opportunity to personally and publicly thank you so much for awarding the University of Calgary extra money so that they can increase the number of veterinary seats that we have in the province of Alberta. You and I know very well that I made a motion, Motion 524: "Be it resolved that the Legislative Assembly urge the Government to recognize the important work of rural veterinarians and explore ways to increase the number of veterinarians serving rural communities."

You gave a large amount of money, and that's because we are short. At that time I tabled it, 864 veterinary vacancies across Alberta: that's 17 per cent. That is drastic. Well, it specifically affects the large-animal market. If we have producers who are not able to get care for their animals and they're having to do these surgeries, it doesn't have a positive outcome for the animal generally because these are just laypeople who love the animals, who want to do the best for them, but if that veterinarian is an hour and a half or more away, the chances of that animal getting the help that it needs at that moment when it needs it is very, very slim.

So I wanted to thank you for that investment. It happened so quickly, so I just wanted to check in with you and have you address that and talk with us for a moment about that.

Mr. Toews: Sure. I'm happy to. Chair, through you, I have to say that the member's advocacy in that motion was effective and instrumental. I mean, there was significant advocacy across the province by a number of members around expanding capacity, but I will say that that motion carried weight.

Again, as we worked to understand what features are limiting our economic growth, what features or lack of capacity are going to limit economic growth in key strategic sectors, sectors where we have natural competitive advantages, the shortage and lack of capacity with large-animal veterinarians specifically was an issue. It was this issue, raised by, you know, a number of members through this motion and through conversations with industry, that prompted the investment announcement in this budget, and it is, I believe, essential. If we're going to see our agriculture sector, particularly, again, our food animal production agriculture sector, reach its capacity, we need adequate capacity and large-animal veterinarians across the province.

Ms Lovely: I also wanted to tell you and share with you that I have had so many people reach out to me, people who work as veterinarians, students who are interested in becoming veterinarians,

and the dean. I've heard from so many people and all thank you, so we're really grateful that you've made the investment, that the Alberta government has made this investment in rural Alberta. Thank you very much.

The other question I have for you is that I have a number of teachers who live in my community. My mother was a teacher. I have a sister who's a teacher. I have tremendous respect for the work that teachers do, as we all do. It's not an easy profession. They're concerned – and I know that we have the contact here for AIMCo – about the investment that they have, and I know it's something that we've addressed in the past, but if we could talk about that for a few minutes as well.

Mr. Toews: Sure. Well, I'll call Paul back up to talk a little bit more about perhaps what AIMCo sees as opportunities in the future, because investment opportunities will ultimately translate into returns for the ATRF and for other pension funds.

But again I will reiterate that I was very pleased when AIMCo ultimately successfully negotiated an IMA, investment management agreement, with the ATRF. I've been very pleased to see the assets transfer over as well as some very good capacity that was housed at ATRF, again, moved to AIMCo, because there are real advantages. In fact, as we've heard from our AIMCo representative today, one of the key advantages from a cost standpoint is moving adequate, sufficient, competent capacity in-house and thereby not being subject to exorbitant high fees – maybe I shouldn't say exorbitant fees – but fees that are variable as well, depending on returns, and fees that can get very, very costly when returns are significant.

I would ask Paul if you'd be interested in making any additional comments with respect to what you see as opportunities out there in capital markets.

Mr. Langill: Okay. Maybe I might make a few comments. I'll be brief. As the minister mentioned, AIMCo has signed an IMA with the ATRF late last year. Obviously, it has been a significant client. We worked very collaboratively with the Alberta teachers' fund on the investment profile, investment mix suiting their needs. We have a number of products that we've developed, and we work in high consultation with all of our clients in developing those products. Again, it all comes down to really ensuring that we have the right products in place to satisfy the needs of the teachers' retirement fund. They would decide, obviously, the asset mix, where they want to invest the money based on various asset classes. Then our role is to, obviously, maximize those risk-adjusted returns based on their strategy. We would do that, obviously, working with our own investment management staff, as I mentioned, but also with external investment managers that have come over with the asset transition from ATRF into AIMCo at the end of last year.

I would say, just in sum, that it is a highly collaborative process on ATRF's decision on the asset mix for their organization, and we would work very closely with them in maximizing the returns.

Ms Lovely: Thank you so much for the answer. I appreciate it.

Mr. Langill: You're welcome.

Ms Lovely: There's one more thing that I wanted to talk to you about. I've had several constituents who have a keen interest in the heritage savings trust fund. When you announced that we have a balanced budget and now – you talked earlier today about investing in the heritage trust fund. I see a big piggy bank, and I see you dropping bills into it. I think that'll be a very happy day for Albertans because they care about the future, they care about the next generation, and they want to make sure, like me, which is why I actually ran to be in politics – I want an Alberta that's going to be

as good if not better than what I received during my lifetime here. Can you talk about that a little bit more?

Mr. Toews: Sure. I would be really happy to. Again, I share your enthusiasm for a balanced budget. We're projecting it. We haven't achieved it, but we're projecting it for the upcoming year. Again, we were explicit in the fiscal plan that any surplus up to the value of the investment return earnings of the heritage savings trust fund will be categorically reinvested into that fund this year. Should we end up with an unexpected surplus, there will be a significant investment again into the heritage savings trust fund. We've had very good returns. I believe I mentioned earlier that our returns for the first three quarters of the fiscal year, or AIMCo's returns, for the heritage savings trust fund were 14 and a half per cent, again, very, very significant returns, well ahead, significantly higher than the benchmark.

The heritage fund has been, again, a point of pride for Albertans. I'm a lifelong Albertan, and it has been a point of pride for those in this province. I believe it's provided – you know, even as credit-rating agencies take a look at the province's fiscal structure, its balance sheet, the fact that we have a heritage savings trust fund has mattered. The fact that we have effectively set aside some funds for a rainy day has mattered. But I believe that whenever possible we should be growing that fund, again, Chair, to the member's point, and that is to ensure that future generations have as much opportunity as our generation has had in this province.

5:35

Ms Lovely: Thank you, Minister. I do have some prepared questions as well. Corporate tax revenues are expected to increase to their highest level since 2015 in '24-25. How is that possible, that revenues are going up despite the rate going down?

Mr. Toews: That's a great question. It really speaks to expanded fiscal capacity driven by significant economic growth that is driven by investment attraction, and all of that is accelerated because we have a very, very competitive business environment in the province. We worked hard at that from the first day we took office. We initiated the job-creation tax cut, accelerated that initiative in June 2020 as kind of a key plank in our economic recovery plan. At a time when other jurisdictions were probably looking at raising taxes, we wanted to send a clear message to capital markets that we would follow through.

The Chair: Thank you, Minister.

We will now move on to a 10-minute block for the Official Opposition. Go ahead, Member Ganley.

Ms Ganley: Thank you, Mr. Chair. I actually . . .

The Chair: I'm assuming you want to go back and forth?

Ms Ganley: Oh. Yes. Back and forth if you're willing.

Mr. Toews: Sure.

Ms Ganley: Thank you. I actually just had a question about revenue coming in, and I think it would be under other revenue, which is rather a large bucket. You know, a couple of years ago your government brought in a plan to pay for additional RCMP under the contract, and that plan involved sort of having municipalities pay for it. Essentially, the money comes in from the municipalities, and it goes back out under the RCMP contract policing. The revenue doesn't appear to be sufficient under other revenue in the Justice budget to reflect it. Yesterday Municipal Affairs was unable to answer the question, so I'm hoping perhaps you can tell me where

that revenue is reflected and how much it was both in the year we're just completing and in the upcoming year. And I'm happy to receive that in writing as well.

Mr. Toews: All right, Chair. That is a very specific question. I'm happy to answer it. If officials can provide me the information during this time, I will answer it verbally. Otherwise, we will provide it in written form. Effectively, the objective of that initiative was to enhance our rural policing. We have a rural crime problem, which I think we all recognize. It's been a challenge for years in this province, and there's been work done by previous governments and certainly carried on by our government with new initiatives to combat rural crime. That was really the goal with ultimately enhancing enforcement capacity in rural Alberta.

Maybe I'll leave my comments there and provide additional information when I have it.

Ms Ganley: Thanks.

Ms Phillips: Thank you, Minister. Just to confirm, back and forth? I don't know if we need to confirm that.

Mr. Toews: Sure.

Ms Phillips: I just have a couple of follow-up questions on just items that potentially the minister could table for us, perhaps before we vote on estimates, as customary. One of them is that on January 25 at the heritage savings trust fund meeting I asked AIMCo for some follow-up on the annual investment performance bonus figures for the previous CEO. I was looking for the long-term investment performance figures, the total of that, and confirmation that levelling up his annual performance bonus figures – that is to say that there was a missed performance target of 16 points and levelling that up to two points negative – was, in fact, industry standard. I haven't received that response yet. It's customary for it to be forwarded to the committee within 30 days but not required, so I'm wondering if the minister can just simply undertake that that follow-up is either sent on to the Heritage Savings Trust Fund or to this committee prior to the vote. That would be appreciated.

Mr. Toews: Yeah. I'll confirm, Chair, that any publicly available, appropriate data will be forwarded as per the member's request.

Ms Phillips: Thanks.

There's been some talk that there'll be a repeal of RABCCA, and I'm wondering if there's a cost analysis of that that the minister could – for the management pay freeze. Sorry; policy. I'm wondering if the minister would like to share with this committee before estimates what the projected cost of that policy change will be.

And then I have one other question right now about inflation-proofing. I've been taking a look at some of the line items, and some grants and other programs of the government of Alberta are more sensitive to inflation than others. One of them is our grants to municipalities for policing – I'm thinking here of Lethbridge, Medicine Hat, Edmonton, Calgary – and there are obviously some collective agreement obligations that happen there with law enforcement but also just even going down to very simple things such as filling their cars with gas. They're not going to a magic gas station; they are paying increased costs just as the rest of us are. At 3.2 CPI for '21 and expecting a 3.2 to continue for 2022, those are significant compound cost increases.

But then when we look at some of these grants – for example, we have the policing assistance to municipalities in JSG: in 2020, \$89 million; 2021, \$89 million; estimate for '22, \$89 million. At a time when it's not just rural crime, Minister, that the communities are

grappling with, as a downtown Lethbridge resident I would not like to see the choice be between reduction in service or an increase in property tax. But really filling that inflation gap: there are really only two options for municipalities here and for police services. There are no unicorns in a budget. How is that inflation gap being filled if not by property tax increases or reduction in service? I can reliably report to this minister that I am not interested in reduction of service as a downtown Lethbridge resident, but these police services are not getting an inflation adjustment, and that is going to be the logical outcome of this policy.

Mr. Toews: All right. Chair, there's quite a bit to unpack there, a series of questions. First, I want to respond to the perhaps assertion question, whether we're looking at RABCAA, and I can say that, yeah, we're taking a look at policy options there to understand if there's perhaps a more surgical approach, an approach that might provide additional flexibility, appropriate flexibility to our agencies, boards, and commissions, perhaps including our postsecondary institutions. I'm hopeful that we can find perhaps a modified model.

With respect to the wage freeze for agencies, boards, and commissions, that wage freeze is still in effect although we have provided the ability for ABCs to apply for exceptions in certain circumstances. But the wage freeze is still in effect at this point in time. For ABCs decisions are pending very soon. We did lift the wage freeze for the Alberta public service. The cost implications are in fact embedded in this budget, and the cost of lifting that freeze for '22-23 is \$14.2 million. Again, those costs are reflected in these estimates broadly throughout the government.

Chair, the member talked about inflation pressure on enforcement services and how inflation pressure actually affects the delivery of services broadly, and I agree with that assertion. That's one reason why I believe the fuel tax relief measure will be of real assistance broadly across our economy and even to government efforts. This 13-cent tax relief will apply to enforcement when they fill up their vehicles, so should WTI prices stay high, should there be a continued squeeze in terms of energy, gas, and diesel prices, then enforcement services will benefit from the tax relief. I will broaden that out. School divisions will benefit significantly in their busing and transportation from that relief measure, and of course Albertans broadly will benefit.

5:45

Ms Phillips: Let's talk a little bit, in the remaining time that we have, about Calgary's unemployment rate. With a number of head offices in Calgary as down under the government's mandate according to Statistics Canada, Calgary has the highest unemployment rate of any major Canadian city. There has been \$5 million put into Calgary's downtown core, an amount that people in that city felt was insulting. What is the plan for Calgary, and what lessons has the government learned on strategies that haven't worked over these first three years?

Mr. Toews: All right. Chair, with your indulgence, I would like to just finish my answer – that's at no fault to the member – to the previous question. I did want to add that we've increased Justice's budget by \$99 million this year, largely for the RCMP agreement, which is pushing up costs, and for the cost of sheriffs, correctional services, and court and justice services, which needed an increase in capacity. We have basically added \$100 million to their budget, and that was necessary, in my view.

Now, with respect to the question around downtown cores I'm going to talk about Calgary and Edmonton, being our two largest cities, but, you know, I could even broaden that out to municipalities like Lethbridge or Grande Prairie or perhaps Fort McMurray. With

respect to our effort for the downtown revitalization, firstly, the \$5 million investment announced in this budget is a direct response to Mayor Sohi, who asked for \$5 million for downtown revitalization.

The Chair: Thank you very much, Minister. We can carry on with that later.

Now to the independent member. Mr. Loewen, would you like to go back and forth with the minister?

Mr. Loewen: Yeah, if possible, please.

The Chair: Okay. Go ahead. You have 10 minutes, sir.

Mr. Loewen: Okay. Thank you very much. I'd like to ask about the deindexing again, I guess. There's a \$2 billion increase in personal taxes under revenue on page 115. Does that have anything to do with deindexing, and then could you confirm how much extra tax Albertans paid because of deindexing?

Mr. Toews: Yes, Mr. Chair. Zero.

Mr. Loewen: Okay. Thank you.

Now under revenue on page 115, investment income. The number there in 2021, compared to 2022, goes up almost double, and then in 2022-23 it drops back down almost to the same amount. Could you explain: why that dramatic change?

Mr. Toews: Sorry. Chair, I'm going to ask for the member just to identify again which schedule he's on. I just want to make sure I'm looking at the right one.

Mr. Loewen: Oh, sorry. Business plan, page 115, revenue. Yeah. I should have been more clear there.

Mr. Toews: All right. Again I apologize, but can you just reiterate that question?

Mr. Loewen: Okay. Between 2020-2021 and 2022-2023 the numbers go – you know, it doubles and then drops back down. I guess it's in billions. It goes from \$2 billion to \$4 billion back down to \$2.8 billion.

Mr. Toews: I am just working to understand which line item. I understood you were talking about personal income tax revenue.

Mr. Loewen: No. This is investment income.

Mr. Toews: Oh, I'm sorry.

Mr. Loewen: Sorry. Yeah.

Mr. Toews: Investment income. Oh, yes. Okay. Thank you. Thank you for that. I apologize for the confusion here.

Mr. Loewen: Yeah. I changed gears on you there. Sorry.

Mr. Toews: We are having an exceptional year in capital markets right now, and that's reflected in our forecast for '21-22 as presented in Q3. We don't expect those kinds of returns to continue in perpetuity, and we believe it would be irresponsible to project unusual returns. We're expecting that returns will fall, you know, back to more historical levels, and this budget projection reflects that.

Mr. Loewen: Okay. Thank you.

On the same page, under expenses, does the line item Corporate Planning and Red Tape Reduction include the whole red tape ministry?

Mr. Toews: Yes, it does.

Mr. Loewen: It does. Okay.

Is there kind of a breakdown between the red tape ministry and corporate planning?

Mr. Toews: I don't have that. There's a lot of overlap in terms of personnel and function, so I think it would be hard to disaggregate that.

Mr. Loewen: Okay. That's why they're lumped together, then, I guess. Okay. That's fine.

On the same page under expenses, the office of the controller. Expenses there increase, it looks like, you know, maybe 40 per cent, 50 per cent. Is there any reason for that increase in expenditures?

Mr. Toews: All right. I'm not seeing that kind of an increase. What we're seeing in Budget '21-22: under the office of the controller we were projecting a spend of \$7.428 million, and in our '22-23 estimate we're projecting a spend of \$7.456 million. So a very marginal increase, about a \$28,000 increase from one budget year to the next.

Mr. Loewen: Yeah. I guess I was looking at the actual of \$5 million and the estimate at \$7 million. So you're right, the Budget '21-22, but the actual from '20-21 to the estimate '22-23 . . .

Mr. Toews: So you're really asking: why did we come in well under budget for our current fiscal year based on our Q3 projections?

Mr. Loewen: No. Actually, I'm asking why there is such an increase from 2020-2021 to the estimate of 2022-2023.

Mr. Toews: I see. Okay. So basically over a two-year period.

Mr. Loewen: Yes.

Mr. Toews: Okay. All right. There has been a material increase there. I would ask perhaps any of my officials to identify that. Of course, that's over a two-year span.

Mr. Loewen: Yeah. Absolutely. I see the number in between is about halfway in between, but it does seem to be a pretty steady progression there.

Mr. Toews: What I would suggest is that we'll provide you a written response for that increase. There are a couple of things that I can definitively say. We have a new collective bargaining agreement with the Alberta public service, so we have built in any changes in that collective bargaining agreement. For '22-23 it is not particularly significant, and the reason for that is that it is only in the last quarter of the fiscal year '22-23 where the new collective bargaining agreement would result in increases. I do have some additional information. There were significant vacancies in that office in '20-21 as well as in '21-22. Those vacancies effectively – well, they're unfilled positions. Legitimate positions but unfilled positions. This budget would anticipate filling those positions in the upcoming year.

Mr. Loewen: Okay. Thank you.

Similarly, under the tax and revenue management there is a similar jump of about 50 per cent, you know, within that two-year time period, though I see the budget for '21-22 was substantially higher.

Mr. Toews: Sure. That's a fair question. I know on that front we had a number of unfilled vacancies during that time. Let's remember that during the, you know, various COVID waves we had

personnel working from home. We had scaled back on our audit effort at that point in time. We couldn't physically be in businesses' premises doing field audit work during that time. So it is effectively a result of unfilled positions and basically a pullback for a period of time in that function. We have really, as well, been consolidating the revenue collection process at TRM from around government, so all of that combined reflects the fact that we were well below what we're projecting for the upcoming year.

Mr. Loewen: Okay. Thank you.

Same page, going down to Alberta family employment tax credit. I'm guessing that maybe that's being phased out. Could you kind of give me an idea of what's going on with that Alberta family employment tax?

Mr. Toews: Yeah. Actually, fair question. That program, of course, was combined into the Alberta child benefit program, and that program is now housed in Children's Services, so you'll find it in their budget.

Mr. Loewen: Okay. That sounds good.

Under revenue, same page, there is a line item called other taxes. What's included in that, the other taxes?

5:55

Mr. Toews: Other taxes include the fuel tax, for instance. Other taxes would include taxes on insurance, our 3 per cent tax on life insurance, our 4 per cent tax on other classes of insurance. It also includes, of course, our education property tax, which we've talked about. It includes our tourism levy, our cannabis tax, and our freehold mineral rights tax.

Mr. Loewen: Okay. Thank you.

Again under revenue, the same page – sorry – other revenue. Yeah. There's other taxes, and then there's other revenue down at the bottom of that section. What is included in that, other revenue?

Mr. Toews: Under other revenue it includes sales, rentals, and services effectively from capacity and business enterprises in our schools, universities, colleges, and health care system, for instance, under AHS. They would have parking fees and other services, sales at perhaps their cafeterias, that kind of thing. You can apply that to postsecondary institutions, colleges, universities, et cetera. It also includes donations, gifts, and contributions under the same. We call it the SUCH sector, again: schools, universities, colleges, and hospitals. It includes our AIMCo investment management charges. As you know, any investment charges . . .

Mr. Loewen: Thank you.

The Chair: We'll now move on to 10 minutes of back and forth with the government caucus. Go ahead, Ms Lovely.

Ms Lovely: Thank you, Mr. Chair. Minister, on page 113 of the ministry business plan it indicates that one of the main objectives is to maintain a competitive corporate tax environment, making Alberta an investment destination for high-value and high-impact investments, ensuring economic diversification, growth, and long-term economic success. Page 205 of the fiscal plan shows that corporate income tax revenue is increasing by almost 21 per cent to \$4 billion for 2022-2023. This is \$697 million higher than the forecast for '21-22. Could the minister describe what accounts for such a significant increase?

Mr. Toews: Sure. Well, that's an excellent question. You know, we've talked about it at length at committee, but it just bears

repeating because it's such an important narrative in Budget 2022. Effectively, corporate income tax revenues are rising. We're projecting them to be \$400 million higher per year over the course of the fiscal plan at an 8 per cent rate than the corporate income tax that was collected prior to 2020 at a 12 per cent rate. Of course, the reason for that is expanded fiscal capacity as a result of investment attraction and economic growth and expanded fiscal capacity in a diversified way.

You know, I think a lot of people would believe – I think I mentioned this this morning. A lot of folks would expect that the energy industry, particularly exploration and production companies in the energy industry, would be the largest contributor for corporate income tax revenues. That's not the case. The reason for that is that royalty expenditures are deductible for tax purposes, which results in a lower contribution, effectively a lower taxable income, than one would expect.

The largest contributor by far in corporate income tax revenue is our financial services sector. That's a sector that we're really looking to grow. It's a sector that we're seeing significant growth in. I could note – you know, RBC, for instance, is setting up a tech hub in Calgary, effectively resulting in increased employment opportunity for, I believe, about 300 people in the province. EY announced that they're going to set up their centre of excellence for North America in Calgary, in Alberta, again expanding employment opportunities and expanding the financial services sector in the province. We're seeing great interest in captive insurance opportunities now that we've enabled that with this legislation. All in all, Alberta has typically been underserved or unrepresented in financial services on a GDP basis relative to other provinces. We are looking to remedy that. All of that growth in financial services and, more broadly, in economic growth across sectors is contributing to strong corporate income tax projections.

You know, one thing I should also add: we really intentionally took an approach that foundationally ensured that we had the most competitive business environment broadly. We get great pressure from individual sectors to carve out special treatment for this sector or that sector. You know, as a member from rural Alberta I have seen over the years, I'm going to suggest, all kinds of failed projects, projects that were initiated because of significant government incentive, taxpayer incentive. That's the only reason why they went forward. Very often three to five to 10 years down the road you see an empty warehouse, an empty building, ultimately wasted taxpayer money. That's why we've taken a broad-based approach to investment attraction, an approach that will be durable, that will be sustainable, and it's an approach that's resulting in broad-based growth.

Ms Lovely: Thank you, Minister. I appreciate the answer.

I'd like to turn my remaining time over to MLA Getson.

Mr. Getson: Thank you, MLA Lovely. I really appreciate that.

Minister, I've got a couple of things here, so just leading into it, I don't know if we could have teed that up any better. Obviously, you're aware that under Minister Schweitzer I conducted the Economic Corridor Task Force. We just officially have that in now in the hopper, but one of the things that we did find, to your point, was that Alberta has a ton to offer. It's no longer a one-trick pony when we start talking about the energy crisis, when we start talking about logistics and transport.

We almost saw – to your point, it was the perfect storm of events that lined up, the initial pressures on the logistics and the supply chain of the port of Los Angeles being backed up. That then cascaded into the port of Long Beach. That then turned around and started cascading into the port of Vancouver, and then we had the

mudslides. That backed up all of our northern outputs when it came to the pulp and paper industry, double handling, double transporting, which then backed up the oil by rail. It was a cascading effect. Then we throw COVID onto that, where we have, you know, downturns and supply chains both coming across the border, and then we had the geopolitical events taking place with the push on the energy.

With that, we also saw a resurgence, if you would, of interest of higher produced value products in the ag sector, the agrifood items and everything else, of which I believe there are, you know, several strategic initiatives. I quickly jotted them down here. You have on page 71 that that was the key objective when it comes to transportation, of looking at enhancing and greening up the environment. So that almost ties perfectly, quite frankly, into the short-line rail capacities. When you're talking about key outcomes on the fiscal plans regarding agriculture and forestry of looking at the rural economic development, most of these infrastructure needs are going to be in northern Alberta, for the most part, to try to reach the port of Vancouver.

One of the items that I'm missing, though, is – if you can, just bear with me. I'm a little bit jagged here. I'm getting tired towards the end of the day. I can't imagine how you're doing with all this speaking. When I'm looking at page 16 of the overview of the fiscal plan, what kind of jumped off the page at me – we're talking about oil by rail, and there was nothing booked. Maybe I missed it in a different part of the estimates. Where was our exposure on Keystone XL? The reason why I'm asking that is because of all of these other elements, and I can't tell you about the report because it isn't officially released, but it kind of covers off those losses and those margins, if you would. I'm not sure how that's booked given the current environment and that the U.S. is looking to try to backfill those 850,000 barrels. I would sure like them to buy Alberta, quite frankly, so I'm not sure how that's booked in the expenses.

Mr. Toews: Sure. The financial impact on KXL was dealt with in the previous fiscal year, so it's not impacting this budget. In fact, it's not impacting the current fiscal year that we're in. I, too, would very much welcome that project getting back on the rails. In the meantime we're seeking damages through NAFTA, CUSMA right now, but seeking damages from the U.S. administration around President Biden cancelling the permit.

Again, I'm encouraged with the work, Chair, that is going on around corridors, economic corridors. I have stated this before, earlier in the day, but again it bears repeating that I believe Alberta and Canada broadly not only have an opportunity to increase the most responsible energy production in the world but, I would suggest, now a responsibility to do that.

6:05

I've been discouraged that we only have one major LNG project that's really being built. We should have five or more when you consider the type of resources we have. We have all the ingredients for a world-class LNG export industry in this country. In my conversations with my provincial counterparts and with my federal counterpart I continue to make the point that we have to once again become a nation with vision. We have to once again become a nation that can complete a big, visionary project to the benefit of Albertans and Canadians broadly. Again, we have a great opportunity here.

Mr. Getson: If I can add on that, too, Minister, the other thing through the study when we were working with the other jurisdictions, the territories, Yukon and Northwest Territories in specifics: there were a lot of synergies when it came to cobalt and nickel. It was interesting looking at the Industrial Heartland of where we're

importing cobalt and nickel literally from Cuba right now and we can't sell into our largest trading partner, to the U.S. market. There were tons of efficiencies there. The First Nations were onboard with looking at these pathways. It has all the right economic elements. Minister, it will light up the scoreboard when it comes to GDP when we start looking at the northwest Canada region. I'm very encouraged with that.

Also the Canada Infrastructure Bank: it also hit on their high points, too, sir, so it might be one of those keys going forward. I appreciate your foresight on that, and I'm hoping there are a few shekels left in the jar to advance this work and to make sure that we can formalize some of these corridors.

The Chair: Thank you, Member.

We will now move on to a 10-minute back and forth, I'm assuming, with the Official Opposition. Go ahead.

Ms Phillips: Yes. Thank you, Mr. Chair. Thank you to the minister for agreeing to go back and forth. Okay. Great. Just back to Calgary now. I just heard the minister say that this downtown strategy of \$5 million was what the Edmonton mayor asked for and therefore should have been sufficient for Calgary. But it is not, in fact, what the city of Calgary asked for, nor to what the chamber of commerce indicated would have been sufficient. In fact, the announcement landed like a bit of a lead balloon in Calgary. So will the minister revise this commitment given that his downtown Calgary strategy landed like a complete dud at the chamber of commerce speech, now that we are rewriting the budget? Are we going to revise that commitment given how unpopular it was?

Mr. Toews: Chair, for the record there is no budget rewrite here whatsoever. I just want to make that very clear. I also want to suggest that while we did make this investment announcement for both the downtown cores of Edmonton and Calgary, what we're doing more broadly on the skills and talent front, what we're doing more broadly to position this province for disproportionate investment attraction, economic growth, and diversification will be key and critical to filling up and alleviating some of the challenges in our downtown cores of Calgary and Edmonton.

Right now the tech sector is booming in Calgary. The tech sector is beginning to take a very substantial amount of core commercial space in downtown Calgary. When I talk to folks in that sector, again, there is one common denominator that's holding back growth. It's not capital. It's not office space, commercial space. We have great advantage right now in Alberta around very affordable, world-class commercial space. You know what's holding them back? Talent and skills. That's why we're investing \$600 million over the next three years to ensure that Albertans can reskill, to ensure that Albertans can enter into a program, to ensure that Alberta postsecondary institutions have the specific dedicated capacity to upgrade skills, to ensure that we have additional capacity in data science, data modelling, IT, in coding, and other high-tech skill sets and occupations. Right now that sector needs to grow. Right now that sector needs to utilize more office capacity in downtown Edmonton and Calgary.

Moreover, broadly, our effort to deliver efficient government, our effort to keep taxes low, our effort to modernize our regulatory environment: all of that is resulting in increased investment attraction. All of that together, combined, has been effectual in attracting RBC to set up a tech hub in downtown Calgary, to attract Ernst & Young's effort on their finance centre of excellence located in Calgary. Those things matter. They matter to the long-term health of our downtown core, not only in Calgary and Edmonton

but, I might suggest, in Lethbridge, Grande Prairie, Fort McMurray, and every municipality in the province.

Ms Phillips: The minister has claimed that those corporate tax changes and a few other things are going to lead to the outcomes that he desires and, in fact, a reversal of the historic levels of vacancy in downtown Calgary.

When I met with the representatives of the chambers of commerce in Edmonton and Calgary, their number one ask, as I understood it, over and above some specific investments in downtown for Calgary, was also investment in housing, working with postsecondary institutions on downtown campuses, and investment in child care. That's what they have said both to government and to the opposition. They didn't see action on those specific asks at all, in particular on housing, where we don't see the provincial investments increasing in order to be able to appropriately leverage the federal funds that we know are on the table.

But let's go to the minister's central argument here that corporate tax changes are going to lead to a flood of investment. We see on pages 75 and 78 of the fiscal plan that investment doesn't recover to levels experienced under our government until at least next year. But when the CIT rate was lowered, the Premier stated that the big six Canadian banks would be, and I quote, irresponsible if they didn't move to Calgary. A moment of hubris indeed. It's been another year since I last asked, so can the minister tell us whether there's any indication that Royal Bank, TD, Scotia, BMO, CIBC, or National Bank are leaving Bay Street to set up shop with their head offices in Calgary or if any of the three big life companies – Sun Life, Great-West Life, or Manulife – are also doing the same? That was what the Premier set as the benchmark for an indication that his corporate tax reduction would be working. So what's the update?

Mr. Toews: Sure. The update's really positive. Firstly, we're seeing investment flood into this province by the billions. Just before Christmas the Premier and I spent a week on Bay Street. We had to do it virtually because of omicron, but we spent a week on Bay Street, spoke with the CEOs and presidents of, really, a multitude of banks, financial services firms, and I came away incredibly encouraged. I came away knowing that all of those major financial institutions were taking a look at the incredible value proposition that Alberta presents, including by far and away the most competitive corporate tax rate in the nation. So, yes, our plan is working. Investments flooding into the province, and, yes, major financial institutions are looking at adding capacity in Calgary.

What we've seen with decisions by RBC and EY is just the beginning. We're heading into what I would suggest is going to be a time of economic renaissance in this province like we've not seen for years. Chair, I might add that we are projecting GDP growth of 5.4 per cent in 2022. We will finally break the ceiling that was set in 2014 in this upcoming year because of the intentional economic policy this government has put in place, which contrasts to the economic policy of the previous government, which drove out investment by the billions, contributed to the vacancy rate in Calgary and downtown Edmonton, and now is being alleviated this quickly on the heels of the largest economic crisis in the province in a generation. Why? Because of a defensible pro-business policy implemented by this government.

6:15

Ms Phillips: The minister says that investment is flooding in and it's, you know, so much more than it was between 2015 and 2019, but you'll look at the actual facts on the page here, Mr. Chair. We

have page 78 of nonenergy investment and page 75, and what we see here is that investment is not forecast to exceed the levels that were experienced between 2015 and 2019 until next year. So this is not investment flooding in at all. This is a government that has presided over relatively low levels of investment in both energy and nonenergy investment areas and will maybe in a forecast period of next year maybe exceed those levels that we saw previously, with a forecasted unemployment of 100,000 fewer people working than they had originally forecast.

This is not at all borne out, the minister's statements, by the facts on the page in front of us, showing once again that I don't know if the minister actually stands behind this budget either in his expenditures with respect to the rebates for people and the cost of living rebates or in his own forecasts. I don't know how the minister can in fact justify to Albertans that investment is pouring in when it is demonstrably not. It is coming in, but it is not pouring in in any way that is that much different. But what is happening here is that we see corporate profits up 31 per cent on page 81 of the fiscal plan. We do have that. Despite that and relative to 2018, we have \$800 million less in corporate tax revenue.

The Chair: Unfortunately, we won't be able to hear that answer.

I know it's getting late, but I challenge the government caucus to set up T-balls like were just set up for the minister and look forward to the answers.

Mr. Getson: Thanks. On that point, Mr. Chair, I think that I'll tee it up for my friend in Fort McMurray-Wood Buffalo, MLA Tany Yao.

Mr. Yao: Thank you so much. Thank you again, Minister. I'm wondering if you'd be able to answer some questions on Alberta treasury branch. If we look at page 220 of estimates, under loans and advances for ATB Financial – my apologies if someone else asked this question before, but I didn't quite hear this – 2020 to '21, the actual is \$1.4 billion, I think, in loans, and it's gone up. For the '22-23 estimate it's at \$2.2 billion. It looks like an increase of about \$800 million. I'm just wondering if you could just clarify those numbers for us and quantify the reasoning, please.

Mr. Toews: All right. We have a representative from ATB, so I'm going to invite Mr. Dan Hugo to make some comments, but effectively the ATB does use funds from the provincial government for part of its financing activities. So, again, this schedule would reflect changes, the ebbs and the flows, in government funds transferring to the ATB for financing and capital purposes. But I'm going to invite Mr. Hugo to make a few comments on what he's seeing at ATB with respect to that specific question but also with respect to opportunity at ATB.

Mr. Hugo: I thank you for the question. I'm really honoured to be here. We've been there for Albertans since – what? – 1939, and we are continuing to look forward to being there going forward.

As it relates to the specific question, we would actually use this funding from the province – I would call it our interim funding, and it varies. Most of our funding comes from deposits, which we then turn around for loans for Albertans and into the community. We use that funding more as swing funding as we do need variable funding. So I would sort of say that those would ebb and flow, and we use that to optimize our net interest margin. As an example, since the pandemic started, ATB was the only one of the big banks that was able to increase its net interest margin. All the other banks were actually decreased in net interest margin, another one of those examples where we were actually being able to effectively use the

funding from both the province as well as the funding from our depositors.

Mr. Yao: Thank you for that. I guess the reason I want to ask questions on the ATB – and perhaps you can clarify the purpose of ATB for me – is that I’ve heard a lot of anecdotes, including from other credit unions who have lobbied me, that we need changes to our banking system and to Alberta treasury branches in particular.

I have a friend who has a lot of experience managing banks. She retired. She was so bored – this was a few years ago – that she decided to go back into the workforce, and she decided to go work for ATB. She was shocked at the antiquated processes that Alberta treasury branches uses. She came from Toronto-Dominion Bank.

I guess my concern is: can you clarify what the mandate is of ATB? I understand ATB does specialize in special loans with government and stuff like that, but can you help me understand what the concerns are that these other treasury branches, banks have with Alberta treasury branches? Are you on an unfair playing field because, as you just stated, you were in a different mode, going the opposite way of all the other financial institutions? And then I see here that you do have an \$800 million loan from taxpayers to support your institution. Can you explain that, please?

Mr. Toews: I would like to speak to the mandate of ATB. That’s a mandate that we provided the ATB in our current term. And the very clear, singular mandate is for the ATB to maximize risk-adjusted returns and to be at least comparable or better than similar financial institutions. That is their mandate. They are to provide excellent maximized returns for their shareholders, their owners, who are all Albertans. So with respect to, you know, IT, digital progress I’ll let Dan speak to that, but the mandate is crystal clear.

Mr. Hugo: And I’ll also clarify that the results that we obtained were not through some handouts. It was through, actually, really good market practices. All our pricing is at market rates. So I would actually push back against that comment.

As with all banks and especially, I think – we make continuous progress. We’ve actually made some significant investment in our technology, and going forward and even where we are, I’m really proud of the level of service, what we provide at ATB, as well as the service and the vision that we have as we move along our strategic plan. And reiterating what the minister just said, we are committed to providing market-comparable returns for Alberta and continue to be there for Albertans going forward.

Mr. Yao: To clarify, banks, when you look at their investments like their bank stocks, are some of the most successful stocks that are out there. They’re solid investments for anyone for their portfolios. They accept no funding from any government. They’re considered to be very, very profitable. Yet, again, here we see \$800 million from taxpayers going to your institution. So you stand by the fact that your institution is the most financially viable even amongst the big banks?

Mr. Hugo: Absolutely. I think most big banks get access to market funding. We, actually, through the province get that access to market funding, so it’s no different than other banks accessing capital markets.

Mr. Toews: Yeah. ATB pays a cost of capital to the provincial government for capital received from the province, and that’s important. Then we do expect them to provide, again, comparable or better risk-adjusted returns with other institutions.

6:25

Mr. Yao: I’d like to cede the rest of my time to Mr. Rehn, the MLA for Lesser Slave Lake.

The Chair: Go ahead, Mr. Rehn.

Mr. Rehn: Thank you, Chair. Minister, I’ve heard from a lot of young people in my constituency that high school is becoming merely a university prep school where pathways that aren’t a four-year degree are looked down upon. I think that’s very important, especially in our great province here with a lot of opportunities for different programs and different skill sets that we have, some different stuff. What does the budget do to provide pathways for children who do not wish to go into a four-year degree program at university or college?

Mr. Toews: Chair, I appreciate that question. Firstly, I would suggest that in the future Alberta is going to need increased capacity in expert tradesmen and tradeswomen. That’s going to be essential. We have many that will be retiring in the upcoming years, and I believe, again, based on the real GDP growth in this province where in 2022, this year – next year has become this year. It’s now 2022, the year we will break the real GDP ceiling set back in 2014, the GDP growth that was undermined seriously by economic policies put in place by the previous government, the GDP growth that will grow again to exceed 2014 levels as a result of this government’s economic policy and positioning.

There will be great demand for tradespeople in the future. That’s one reason why we’re allocating \$30 million in our labour strategy, skills-talent strategy, to expand capacity at our postsecondary institutions for Albertans wanting to reskill in the trades. The trades should be held in very high esteem. The competency required to be an expert . . .

The Chair: Sorry, Minister, to interrupt.

We’ll now move back over to the Official Opposition for about two minutes.

Ms Phillips: Thank you, Mr. Chair. I just want to thank the officials. I want to thank in particular the last official from ATB Financial for coming to provide some clarity on his remarks on the value of ATB. Certainly, from our caucus’s perspective, ATB provides an important rural anchor for communities. They provide extremely important services for small businesses and the agricultural sector in particular and a significant source of employment for their storefront banking operations in very small communities in which there are few other employment opportunities in small places.

I would also direct the committee’s view to page 114, in which we have ATB Financial net income forecast in excess of \$300 million both this year and next. It does in fact make good financial sense to provide those vital banking services particular to rural, small business, and agricultural clients. I want to thank the ATB CFO for that work.

One final thing. I’m just wondering if the minister could commit to a written undertaking. I’m wondering if there were estimates for the economic costs of the blockade at Coutts. There are monthly reports on exports and imports of manufactured goods and other commodities. Could the minister table with the committee those reports from February and any indication of the economic costs of the blockade at Coutts?

Mr. Toews: Chair, we would certainly be willing to provide the best estimate on any economic repercussions.

Ms Phillips: Thank you. Given that we are almost out of time, Mr. Chair, I will cede the rest of my time and thank all members of the committee, all of the officials, and the minister for a very productive six hours. It just seemed to fly by, didn't it? I look forward to seeing fellow members of the committee at further estimates debates.

Thank you.

The Chair: Thank you for ceding the two seconds to me. I really appreciate that.

All right. I apologize for the interruption, but I must advise the committee that the time allotted for consideration of the ministry's estimates has concluded. I would like to remind committee members that we are scheduled to meet next on Monday, March 14, 2022, at 7 p.m. to consider the estimates of the Ministry of Agriculture, Forestry and Rural Economic Development.

Thank you, everyone. This meeting is adjourned.

[The committee adjourned at 6:30 p.m.]

