

Legislative Assembly of AlbertaTitle: **Tuesday, June 18, 1991****8:00 p.m.**

Date: 91/06/18

[Mr. Deputy Speaker in the Chair]

MR. DEPUTY SPEAKER: Please be seated.

head: **Government Bills and Orders**head: **Second Reading****Bill 45****Financial Administration Amendment Act, 1991**

[Adjourned debate June 18: Mr. Woloshyn]

MR. DEPUTY SPEAKER: The hon. Member for Stony Plain.

MR. WOLOSHTYN: Thank you, Mr. Speaker. As I was indicating prior to the break, the big problem with supporting Bill 45 is the question of the competence of the author of the Bill. As I was indicating before, when you're looking for a source of income – as this Bill 45 is certainly doing – only there is no basis for the income, it's straight borrowing and putting us in debt.

I'd have just a few more comments to make with respect to this. I would like to point out for the benefit of the hon. members that on the revenue side there has been no sparing of going after every conceivable area possible to try and generate income out of people who are consumers or your regular taxpayers. As a matter of fact, they are so desperate for additional revenue that they even took the front licence plates off cars after the budget, which would generate an additional \$75,000. I guess that shows that they won't know where they're coming from if we don't identify them, but even that won't help them balance the budget.

Mr. Speaker, I think that in all clear conscience all of us in this Legislature have to seriously consider the ramifications of just going along and arbitrarily increasing our debt by another \$2 billion for this Treasurer's so-called interim financing. I find it very interesting that this \$2 billion would not even make it into the estimates to debate its dispensation. It just becomes a source of mad money for the Treasurer to try and make himself look good down the line, and I don't think at this point that that is going to be possible.

As I indicated earlier, on the revenue side of things everything has been increased, even fees, for example. They even increased the take from – we'll look at agriculture for a few moments. Agriculture, as we all know, is suffering very greatly in this province due in some large measure to the poor management of the province and due in some measure to areas beyond its control. If we refer to page 39 of the Budget Address, you will notice there that the increases in fees coming out of the agricultural sector for things such as brand inspection jumps by a whopping 30 percent. It may not sound like too much, but it's there, and it's just one continuing example of how this Treasurer is going after anybody he can to try and generate whatever few pennies he can.

This is on top of the fact that last July he arbitrarily – along with the Minister of Agriculture, after the House was out, after the budget was in, in his mad plunge to try and generate revenue when he saw that last year's budget was heading for its disaster – decreased the tax subsidy given to farmers. Now, I might point out, Mr. Speaker, that this is not a present to the farmers; this is just a lower tax on the fuel they use. With his heartless

approach he took and put a lot of retired or semiretired people into a position of having to pay more. He dumped on the beginning farmer to the extent . . . Now they've quietly again rearranged the rules of it. I believe first-time farmers and seniors get a little bit of a break from the \$10,000 ceiling.

We understand that the motivation was to get the acreage farmer. Well, I don't know what an acreage farmer really is by his definition. When you push people some more, then we hear that it was really to get the people who use purple gas in their pickup trucks. Well, you know, I would suggest that maybe if that was the motivation, you should be up front with it. At least say that trucks don't have the exemption anymore and live with those consequences. Instead, it's this silly little game. It's a lot more red tape. It generates a significant amount of funds, I would hope.

Just to sum up, I think the Treasurer has gone after us in increasing taxes, the Treasurer has gone after us in increasing fees, and the Treasurer has gone after Albertans in decreasing services to the point now where in both education and especially in secondary education we're hitting close to crisis problems. In health he's gone after the seniors. After all this effort, his \$33 million so-called surplus is translating into a \$2 billion deficit as early as the end of June. For those reasons, Mr. Speaker, there is no way that I can in any clear conscience support this Bill.

Thank you very much.

MR. DEPUTY SPEAKER: The hon. Member for Edmonton-Jasper Place.

MR. McINNIS: Thank you, Mr. Speaker. There's a profound difference between the provision of this Bill and the provision of the budget Bill, and I think that's really the nature of the debate before the Assembly today. It is, I think, unique to our culture and certainly unique to our species that we pay more attention to what people say sometimes than what they do. What the Treasurer says in his Budget Address – and we all well recall the thumping of desks on that occasion when he said: Mr. Speaker, [Mr. McInnis pounded his desk] we have a balanced budget. It's only a pale imitation of the sound that occurred on that occasion. Today we have a Bill that in fact authorizes the government to borrow an additional \$2 billion. Two billion dollars is an awful lot of money, and it really does invite some further explanation and debate as to why it's necessary for a government to borrow \$2 billion on a budget which is presented, on the face of it, to be balanced.

There is some history, which I believe my colleague from Edmonton-Kingsway has recited, in terms of the variation between budget forecasts and actual budget performance in the past several years. In the budget year 1989-90 there was a \$500 million difference between the forecast contained in the 1990 Budget Address and the actual results contained in the public accounts, and I think there's some reasonable potential for it to exist in the fiscal year just concluded.

In that budget, as I understand it, the Provincial Treasurer counted on a \$195 million transfer payment from the federal government as part of the claim under the stabilization program. He also included a \$335 million profit on the sale of AGT shares. I believe there's been some problem with the realization of the revenue stabilization claim, but the AGT estimate is particularly troublesome given that there's been something in the neighbourhood of \$160 million spent from those funds to reacquire one portion of AGT; namely, the money-losing subsidiary NovAtel. There's also likely to be some further provision required for financial losses from that company. The

actual amount of that isn't known at this point, but it's certainly some hundreds of millions of dollars in losses that have to be absorbed or at least offset against the \$335 million surplus, if I can use that term, which was budgeted by the Treasurer in the fiscal year just concluded. So there are problems in the stabilization claim, problems in the AGT account.

Furthermore, on the natural gas royalty side it appears that the estimate was unduly high. There are record volumes of natural gas being shipped out of the province of Alberta, but, as I think most hon. members know, the price has not been what might have been hoped for. In fact, it's been relatively low, so it seems that the revenue projections from the fiscal year just concluded were some \$100 million too high. On the expenditure side the Treasurer booked a \$105 million credit for lapsed appropriations last year which actually didn't end up materializing, so it doesn't take a great deal at the margin here and there to make a difference of something that may be in the order of \$500 million.

8:10

This year the budget we're currently dealing with shows on paper to be balanced – a surplus in the range of \$35 million – but on the revenue side we see that nonrenewable revenues of \$3.23 billion are forecast even though we haven't seen the kind of boosts in the price of oil that was hoped for. In fact, all of the troubles in the Middle East last year didn't lift revenues from nonrenewable resources any higher than about \$2.8 billion. So the figure that's in the budget is up in excess of \$400 million over the year just concluded even though there's really nothing on the horizon that would indicate price increases along those magnitudes. Again, that's part of what's said by the Treasurer and placed into the budget documents by way of justification for this claim that the budget is balanced, which we're trying to measure in this debate against the desire by the government to increase the borrowing limit by some \$2 billion. Nonrenewable resource revenue estimates are perhaps in the order of \$500 millions too high, judging by the performance of last year. In particular, there seems to be an unexplained boost in the revenues in the area of natural gas royalties and Crown land sales.

The heritage fund is another key area of government revenue. The investment income forecast for the current budget year, \$1.55 billion, makes very little sense in my reading and seems to be somewhere in the order of perhaps \$300 million too high. No information is presented in the budget documents about how the extra revenue is going to be generated from the Heritage Savings Trust Fund during the current fiscal year, and that's certainly something that needs to be explained.

There is a one-time, I suppose, revenue grab from the Lottery Fund in the amount of \$225 million, which we are told is an appropriation of the accumulated surplus of the Lottery Fund to help the budget along. Now, there are certainly those in the community who are concerned about the erratic pattern of expenditure from the Lottery Fund. There are those in the community who put that down to more of a political timetable than an economic or fiscal one. I guess it's a concern of members on the opposition side of the House. We don't feel there's sufficient control and scrutiny over lottery funds.

What are the implications of a \$225 million transfer of lottery funds into government revenues? Well, clearly one implication is that that will help to buy down any deficit that might be there for the current year. It's one of the items that helps to come to that bottom-line total, although it says really nothing about the state of our budgetary performance, because budgetary

performance doesn't happen in a single 12-month period. As the Treasurer well knows, the performance of a government is usually measured over the life of a Legislative Assembly, and to take a big pile of money from another bank account for one fiscal year does not a balanced budget make on the grounds that that sum of money may not be available next year.

It may also cut deeply into some of the other programs which are funded by lotteries in our province, Mr. Speaker. There are community groups in my district who are hoping to construct community halls. We have some fairly new districts which don't have the facilities that the more established neighbourhoods do, and many of them are in the process of looking at their needs and lining up their revenues and trying to figure how it might be possible for them to have community facilities to run programs such as child care and the various arts, crafts, and activity programs. They're looking at the community facility enhancement program, which is scheduled to expire this fall, and they're looking at the Treasurer grabbing \$225 million out of the Lottery Fund, and the two things don't add up. They're not at all certain whether the government will be in a position to provide the type of support that it has traditionally for capital finance of community facilities which are used by families for recreation programs. So that's problematic in terms of this question of whether in fact we have a balanced budget.

There is on the expenditure side an increase of almost \$1 billion between '89-90 and '90-91; that is to say, in the last budget it provided for a \$1 billion increase in spending. The Treasurer forecasts this year that that spending will be actually chopped by \$400 million during the current fiscal year without doing harm to the province's infrastructure or its people. Well, I submit that there may also be some creative accounting involved in the selection of numbers for that figure, because how you go from a \$1 billion increase in one year, the year just concluded, to a \$400 million reduction in the current year is also something that requires explanation.

I think part of the explanation is clearly in the nickeling and diming of people who are involved in government programs, some of them quite defenceless. I suppose the government might feel that politically marginal people who exist under Aids to Daily Living benefits or other health care benefits for seniors – those have been cut, but there's still very little to explain what amounts to a \$1.4 billion swing in terms of the trends. We went from a \$1 billion increase last year to a \$400 million reduction this year, and there isn't really a ready explanation for that.

I suppose one explanation might be that the government has budgeted more tightly in the sense that it's not provided much room for a contingency. As we all know, what takes place over a 12-month period is not readily able to be forecast at the very beginning of the period. We may have a bad forest fire season, although it certainly doesn't look like it based on the moisture conditions today. We may have flooding, for that matter. We may have all manner of things that happen both on the revenue and expenditure sides. It seems clear to me that the provincial government is looking to special warrants to cover a lot of the contingencies that are often provided for in the budget. I think that may be an explanation for a major portion of the \$1.4 billion swing that I just referred to in terms of expenditure, so we expect to see more and more special warrants passed.

That would certainly be an explanation for Bill 45, because Bill 45 provides that standby credit authority which the government can use to borrow even if no legislative appropriation exists. I guess that's the underlying concern that some of the members of this House have, that it's one thing to come forth and say, "This year the operations of the government are going

to provide a net contribution to the assets of the province in the amount of some \$30 million" and then to turn around and say, "But we do need to have this standby capacity to borrow an additional \$2 billion." It's sort of like the family member who says: "Well, Dad, we're finally going to make it this year. We're going to really make it pay. We're going to make a net contribution. I'm going to pay you back what I owe you, what I borrowed before, but just in case, I was wondering if I could have some more money to sort of put over to the side here just in case something or other happens."

Well, I think the "just in case" is a very real prospect in this case. We're looking at a situation in which the Treasurer obviously does not have great confidence that the budget will be balanced; otherwise, he would not be here requesting a further \$2 billion in borrowing authority under the provisions of Bill 45. Debt servicing costs seem, to my reading, to be too low given the amount of the debt that exists and the present indication of what the interest rates are. I had the experience of borrowing some money on a car loan just recently, and the bank offered 2 percent lower for one year than they did for three years, which leads me to indicate that the bank, at least, feels that interest rates are going up and not down; otherwise, they would be offering a better rate for a longer term. But they're not; they're offering a better rate of borrowing for a one-year period than they are for a longer period of time. So to show what amounts to a reduction in debt servicing costs in this budget under these economic conditions seems to me to be questionable and can perhaps only be explained if we have some reserve borrowing capacity such as is provided should Bill 45 pass at the present time.

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We should also have a look at the Capital Fund because that's a part of the overall budget equation. There is some \$286 million set aside for expenditure under the Capital Fund and, of course, no corresponding revenues to go with that. We have general revenues to the province of Alberta and some other revenues like heritage fund and lottery revenues, but there are no capital revenues against which the capital expenditures can be balanced. In fact, the Capital Fund expenditure needs to be considered in the equation as well and may also be part of the reason we have a \$2 billion borrowing Bill in front of the Legislature right now when the Treasurer assured us, in the solemn way that he usually does, that the budget is in fact balanced. Well, it's balanced if you don't consider the debt servicing costs, if you don't consider the capital expenditures of the province, if you don't consider that the expenditure numbers are fishy, if you don't consider the one-time transfer of lottery funds, if you don't consider the inflated heritage fund revenues, and if you don't consider the clearly inflated nonrenewable resource revenues.

That's really another way of saying, Mr. Speaker, that if you assume it's balanced, it's balanced. Well, in this House we can't afford to deal in assumptions and neither can the Treasurer, which is why he's here today with a \$2 billion borrowing Bill. He's prepared to assume for the purposes of a news release and a press conference that the budget is balanced, but for purposes of the real world, having to pay the bills on time, having to make sure that the payroll cheques don't bounce and to make sure that the government has funds to operate: well, in that case we need a \$2 billion borrowing Bill. That's why he's before us today with this particular request.

The opposition does have some objection to the detailed provisions of the budget, but I think I'd better not repeat those

today. That really is the general budget debate and not the borrowing limit that's here today.

We've had a pretty steady increase in borrowing limits over the past several years. We were really in a surplus position up until about 1985 or thereabouts. I well appreciate what happened to the Alberta economy in the early part of the 1980s and many of the things that happened to the public finances over that period of time, although you'd think that somebody would have thought over the long pull that went from Leduc No. 1 in 1947 up until 1982 that maybe we should try to put the public finances of the provinces on a more realistic footing; maybe this oil and gas windfall, this spending of the heritage of future generations is going land us in trouble one day. You would think that maybe somebody would have thought that.

I guess it's in the nature of people when there are good economic times to believe that they're going to continue. People who I know in the province of Ontario just recently really thought that it made a great deal of sense to spend \$300,000 on a home because you probably wouldn't be able to afford it if you waited for a year or two because it would be \$400,000 or \$500,000. So they really had no hesitation in going out and borrowing money and putting everything that they could get into a home at that level. Of course, it's in the nature of economic reality that those good times don't continue forever, and there are people in the province of Ontario right now who are stuck with property that is not worth what they paid for it, a story that many Albertans experienced in the earlier part of the 1980s.

We're not talking here about economic cycles in that sense; we're talking about nonrenewable resources. The idea that we can continue to spend those proceeds for current purposes really is a bit of a betrayal of future generations. Those resources were not necessarily put there for one or two generations to enjoy in the way that they did.

In any event, from 1985 on the borrowing limits moved up fairly dramatically. In '85 there was a request granted by the Legislature of \$2.2 billion. The following year it was up to \$5.5 billion. Two years later, the '87 year, 6 and a half billion, then 7 and a half, 9 and a half, 11 and a half, and today it goes up to 13 and a half billion. So we see a pretty steady trend line there over the period of seven years where we go from essentially a balanced or surplus position up to \$13 billion; it's 13 and a half billion, close to 14. It's sort of averaging in there at \$2 billion a year. It's sort of like clockwork under this government.

When did the present Premier take office? Was that 1985? I believe it may have been during that period of time. It looks like the old guy got out at the right time. He had an idea of what was coming and left the new guy with a pill to deal with. Over those seven years to the end of this fiscal year it's a \$14 billion pill that's being passed on to the next generation of Albertans to finance. That's my kids and everybody else's kids here. Fourteen billion dollars. So it looks like we're right on track, Mr. Speaker, right on target with your annual \$2 billion deficit that's coming in under this Getty government, and this year is no exception.

The only difference this year is that somehow the Treasurer claims that the budget is balanced. You look at the real world for most of the species on our planet, and they pay a lot more attention to the way animals behave than they do to what they say. I think perhaps we should take a lesson from the animal kingdom in this case and pay a little more attention to what the Treasurer does than what he says on budget day. What he does is bring in an increase in the borrowing limit, which is step by step what it's been the past six years and coming into the seventh year in a row of deficit financing: no change. The only

change seems to be that the ledger has been altered to show something that looks like it's in plus figures at a bottom line. Of course, as I think anybody who's been around government knows, there is not one bottom line in government; there are many of them.

I guess this kind of approach makes it more difficult for people to really try to understand what's happening in public finance. I think we in government have an obligation to try to make things understandable to people. I know that's difficult sometimes if your objective is to miscommunicate or to present information in a way that will force somebody into a conclusion which is one you would choose of your own design, but I think that's what we have to do. Somehow we have to try to find some way to sort through all of this.

My own feeling is that perhaps we in this Legislative Assembly ought to give the Treasurer and the government the benefit of the doubt. After all, we're all just human. What do we know that the Treasurer doesn't know? Maybe he does have a plan that will realistically and honestly achieve a balanced budget at the end of the year. If that were the case, then it would seem logical that Bill 45 would be unnecessary, that it would be something that wouldn't be required. But of course, as I think the Member for Smoky River pointed out, a budget, in fact, is a forecast or a projection of sorts. Obviously, we can't know at the beginning of the year what all the variables will be, so we have to accept that the budget does include assumptions. Our problem is to sort out whether they're realistic assumptions or unrealistic. The Treasurer undoubtedly would stand and say that these are realistic assumptions, that they will stand the test of the year, and that they will be borne out. In which case we will be at zero.

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So it did occur to me that perhaps the best way to approach this might be to give it the test of time: try this budget out for a little while in the way that you might test drive a new vehicle, or you might try to learn from our experience over the period of the year. What I'd like to suggest to the government is that perhaps they put this Bill on the shelf somewhere and hang onto it until they see whether these generous, not to say self-serving, assumptions in the budget turn out to be true. If things are going so well in six months' time that the budget will be balanced, then, of course, Bill 45 could be abandoned, but if some of these assumptions turn into sand or vaporize, then they could afford to bring that in. That would involve sort of putting it aside.

I have a motion here to that effect, but I think I'll just put that as a suggestion to the Treasurer: consider setting this Bill to one side and see how well your budget does in the real world, how it withstands the test of time, and come back with this Bill at a later date if, as, and when it seems that your budget will not be in balance, that the course that was set will not produce the result that's intended, and in that way provide an opportunity for all members to assess the situation when that comes.

Thank you, Mr. Speaker.

MR. DEPUTY SPEAKER: The hon. Member for Edmonton-Belmont.

MR. SIGURDSON: Thank you, Mr. Speaker. I'd like to spend a few minutes tonight dealing with Bill 45.

MR. JOHNSTON: That's the Bill.

MR. SIGURDSON: That's the Bill. Thank you very much, Mr. Provincial Treasurer. I'm glad you pointed that out to me.

Mr. Speaker, when I went to university and studied general arts, there was a particular course that talked about Pavlov and all of his experiments trying to train dogs so that when certain events took place, he would get a certain response. He spent a long period of time trying to get these animals to respond in a certain way and spent a great deal of money trying to prove a hypothesis. Isn't it too bad that he didn't have the opportunity to come and visit the Legislature on the night the Provincial Treasurer introduced the budget? As I recall, sitting in here, the minute the Provincial Treasurer said, "Mr. Speaker, this is a balanced budget," [some applause] the back bench did exactly what it's doing now. Isn't it amazing? It doesn't matter if the terminology comes from the lips of the Provincial Treasurer or the lips of a member from the opposition. All it takes is a certain word, just like that dinner bell going off. The back bench starts to thump the desks, the dogs start to salivate, and everybody is happy.

MR. DAY: What's the word?

MR. SIGURDSON: Balanced budget. [some applause] You want to do it again? But, you know, Mr. Speaker, when the Provincial Treasurer introduced Bill 45, there wasn't a bang. It was more like a whimper. It was more like a little puppy that had soiled in the house, and they had to go home and find this mess that was there, and all of that training seems to have gone for naught. Maybe now some of them are having their noses rubbed in it a little bit, and they're being scolded, and they have to be sent away, saying, "No, that's not right; you've got to go outside and make your mess out there."

Maybe that's what Bill 45 is. This is the paper upon which they can make a mess. And do you know what? I would hazard the guess that that's what we're going to get. When we come back here next year, the Provincial Treasurer will give us a little report called the 1992-93 fiscal year budget. We're going to have a little bit of a mess. It would have been all right . . .

MR. McINNIS: How much of a mess?

MR. SIGURDSON: How much of a mess? Almost a 20 percent increase. Over an 11 and a half billion dollar allowance that's already there, he asks for another \$2 billion. Why does he do that? Do you know, I recall when he introduced the budget, he said: well, the monthly expenditures of the province aren't static; we can't estimate, you know, that there's going to be this much expenditure each and every month, and we have to make sure that we're going to have enough funds in the Treasury to cover those unforeseen circumstances.

Well, what are some of those unforeseen circumstances? Could it be that the Treasurer knows that in September we're going to have to have extra borrowing power so we can provide the universities and the colleges and the technical institutions with the kinds of dollars they require to provide quality education to an increased and growing number of young people that want to have a postsecondary education? Does the Provincial Treasurer know that the Minister of Advanced Education and cabinet are going to make this decision and, hopefully, are going to provide more funding? Surely to goodness he would come before the Legislature and say, "We want to authorize this expenditure." But we're not getting any of that information.

A number of my constituents – and I'm sure that Albertans in every single constituency throughout the province have had

opportunity to phone their member of the Legislature to complain about the backlog waiting for certain medical procedures. Maybe the Provincial Treasurer and the Minister of Health got together and put a proposal to cabinet that said, "No, we need more dollars to go into our health care system so we can look after the needs of Albertans." Maybe we're going to put back some of the programs that we took away from the senior citizens, and we need some of that money, and that's why we've got Bill 45. But I'm sure the Provincial Treasurer and the Minister of Health and all of the colleagues would come back to the Legislative Assembly and say, "We want to have the authorization to expend those dollars." Don't you think they would do that, Mr. Speaker? I think they would.

Maybe what this \$2 billion increased borrowing authorization is going to do is allow the Minister of Career Development and Employment along with his cabinet colleagues to come up with a job creation program to help those 116,000 Albertans that are without work. Goodness knows that those people without work right now are not contributing to the General Revenue Fund of the province through income tax because they don't have any income. They're drawing on revenue from government sources. Maybe this \$2 billion increased borrowing power would go out to help some of those unemployed Albertans that are looking for work. But I know, or at least I think I know, that the minister of career development and the Treasurer and surely to goodness the cabinet would come back to the Legislative Assembly and say, "We need X number of dollars for this program so that we can help out unemployed Albertans."

Mr. Speaker, you know, I still have in the south end of my constituency an area that's quite economically depressed. We have children that go to school hungry. Maybe this government has finally adopted a program that they've not yet announced that's going to deal with a hot lunch program for children that go to school in certain areas of cities, maybe throughout the province, to make sure that the children that go into the classroom have their nutritional requirements fulfilled before we try and fill their minds. But I think there again this government would come back to the Legislative Assembly and say, "Well, we want the authorization to spend this amount of money, rather than just have it in Bill 45."

Could it be that the Minister of Family and Social Services finally – after all the years we have had complaints about the welfare rates in our province, could it be that the welfare rate is about to visit the poverty line? I would hope that minister and the Provincial Treasurer would come back to the Legislature and again ask the Legislative Assembly to authorize those funds.

I'm sure in all of those instances I cite that the government would have any number of press releases going out saying, "My goodness, look at the good work that we're doing; look at what we're trying to do for Albertans." There would be all of these press releases going out. No doubt there would be additional money authorized to pay for advertising so that this government could get its message out.

8:40

Or could it be that this increase of \$2 billion in borrowing power is to help the government get through some anticipated problems that just might be coming out? Could there be more companies out there the government has either given loan guarantees or grants to that are not economically viable, and they're going to have to be paying off those expensive little gifts? I've got to ask: how many more Pocklingtons are out there? How many more friends of the government have investments that are going bad that the government's going to have to come

forward and cover off on their behalf? You've got to wonder, Mr. Speaker, just how many of those are out there, because I would suggest that part of the reason we have Bill 45 here tonight is so the government can have this extra borrowing power to cover off some of the debt that's going to be incurred, some of it for valued reasons, some of it for realistic expectations, but some of it just so they wouldn't have to come back to the Legislative Assembly and have the authorization to spend additional funds.

It's no wonder that Albertans are upset. It's no wonder that they're upset not only with the debt of the province, but it seems that the higher the debt goes, the flip side of the coin is that the level of accountability goes down. So on the one side we've got the debt level going up, and on the other side we've got the level of accountability going down. Mr. Speaker, I'll tell you, when I go out and talk to my constituents, they've got every right to respond in the way they have been responding. They're more than upset with this government. They're more than upset with the kind of dollar they're having to pay to this Provincial Treasurer. What they would like is for the Provincial Treasurer to come back and be accountable to the Legislative Assembly, and that's why we should be opposed to this Bill.

The Provincial Treasurer can come forward at any time. The Legislature can be called back, and we can deal with this Bill. If he says that the budget is balanced, then let's give him an opportunity to prove it. We said from the very beginning that we didn't believe him, and Bill 45 almost confirms it. So if this is a balanced budget, let's give it an opportunity to have a trial run. If we find that we've got some problems and we've got other debt, let's call the Legislature back and deal with it. Let's have a fall report from the Provincial Treasurer about the economic condition of the province. Mr. Speaker, given the words that the Provincial Treasurer used when he introduced his budget in the spring, this time no member of this Legislature should be willing to vote in favour of Bill 45.

MR. DEPUTY SPEAKER: The hon. Member for Edmonton-Strathcona.

MR. CHIVERS: Thank you, Mr. Speaker. I said earlier in this House that I wouldn't hesitate to give credit where credit is due, and I think that in view of the scorn that's been heaped on this Bill, it's only appropriate that I should do so in this instance. Not to shock my colleagues on this side of the House – I didn't warn them I was going to be speaking to the credit of this Bill. But this Bill does have a virtue, a single virtue I might add, and that single virtue is brevity. What this Bill does it does very briefly. It adds a phrase to a section of the legislation, and it changes a number, and that's all it does. So it certainly has a single virtue, the virtue of brevity. It's also in plain English, plain language. I'm sure the Minister of Consumer and Corporate Affairs will be very appreciative that the hon. Provincial Treasurer has followed his lead and has introduced legislation expressed in plain language.

Enough about the good things about this Bill. Let's deal with some of the downside to it. There's no difficulty here in the debate on this Bill, because of the brevity of it, in distinguishing between a debate on the principle of the Bill in second reading and the detail in third reading. There is indeed no distinction to be made between principle and detail in this Bill.

The plain language that the Bill uses has significant ramifications. The significance is that by a short phrase and the change of a number, the hon. Provincial Treasurer has increased the debt of the province, the debt of the people of Alberta, by \$2

billion: no mean sum. The people of Alberta, Mr. Speaker, won't be fooled. Although, you can fool some of the people some of the time and all of the people some of time, you can't fool all of the people all of the time. The people of Alberta have not been fooled by the contentions of the Provincial Treasurer that he has indeed introduced a balanced budget at the beginning of this session and shortly thereafter has increased the debt of the province by \$2 billion. The people of Alberta will not be fooled by that sleight of hand.

The people of Alberta know that they were sold a bill of goods with the talk, the sound, and the fury that surrounded the speech about a balanced budget and that indeed they have not had the goods delivered to them. They have not had a balanced budget delivered to them. They know what an increase of \$2 billion in debt means to them. Does it mean there's going to be more funding for health care? Does it mean there's going to be more funding for secondary education? Does it mean there's going to be more funding for advanced education? Does it mean there's going to be more funding for policing, for seniors? Does it mean there's going to be more funding for food banks? Does it mean there's going to be funding available to deal with the plight of the unemployed? Does it mean there are going to be more job creation initiatives? It means none of these things. Does it mean the cutbacks to the seniors are going to be rescinded and the seniors will have available to them the funding that they previously had, and does it mean that the increases in health care premiums will be rescinded? It does not mean either of those things. Does it mean the increases in park user fees will be rescinded? It does not mean that either.

The people in Alberta know what an increase of \$2 billion in debt doesn't mean. What they don't know is what it does mean to them in terms of fairer taxation. They don't know what it means to them in terms of dealing with the financial mismanagement of this government. They don't know what it means in terms of the giveaways to Tory friends. They don't know what it means in terms of a fairer, open government. They don't know what it means to them in terms of the impact it's going to have on their daily living and how this is going to enhance their ability to cope with the difficulties that people on limited incomes have in coping with economic matters in times of recession, times of fiscal restraint, as it was described on the other side of the House during the budget debate. They don't know what it's going to mean in terms of employment and full utilization of the hospital facilities and the layoffs in that industry.

The members of this House do know that when the budget was introduced by the Provincial Treasurer some short months ago, he spoke in terms of a balanced budget, in terms of a fair budget, in terms of balancing competing interests and the need for restraint. The people of Alberta will now see very clearly the fact that the budget debate was surrounded by sound and fury, meaning and signifying absolutely nothing, and that it had no substance whatsoever. It's clear to the people of Alberta that if the budget could have been passed off as a balanced budget at the time, it certainly can't mean that now. The people of Alberta know that this is not a balanced budget.

8:50

MR. DEPUTY SPEAKER: Is the Assembly ready for the question?

HON. MEMBERS: Question.

MR. DEPUTY SPEAKER: The hon. Provincial Treasurer has moved second reading of Bill 45, Financial Administration Amendment Act, 1991. All those in favour, please say aye.

SOME HON. MEMBERS: Aye.

MR. DEPUTY SPEAKER: Opposed, please say no.

SOME HON. MEMBERS: No.

[Several members rose calling for a division. The division bell was rung]

[Eight minutes having elapsed, the Assembly divided]

[Mr. Speaker in the Chair]

For the motion:

Ady	Hyland	Osterman
Black	Johnston	Paszkowski
Bradley	Jonson	Schumacher
Cardinal	Lund	Severtson
Cherry	McCoy	Shrake
Clegg	Mirosh	Sparrow
Day	Moore	Thurber
Drobot	Musgrove	Weiss
Gesell	Nelson	Zarusky
Horsman	Orman	

Against the motion:

Barrett	Laing, M.	Pashak
Bruseker	Martin	Sigurdson
Chivers	McEachern	Taylor
Chumir	McInnis	Woloshyn
Hawkesworth	Mjolsness	

Totals:	For - 29	Against - 14
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[Motion carried; Bill 45 read a second time]

9:00

Bill 43 Fuel Tax Amendment Act, 1991

MR. JOHNSTON: Mr. Speaker, I'm pleased to move second reading of Bill 43, the Fuel Tax Amendment Act, 1991.

Mr. Speaker, this legislation again is part of the fiscal plan of the government of Alberta. Essentially, this Bill, in speaking to the principles, does a couple of things. I guess it actually does three things.

First of all, Mr. Speaker, there are, as usually expected in a tax Act, some increases in taxation on fuel that's charged by the province on certain end users. This change, of course, has been reflected and talked about in the budget of April 4, 1991, the balanced budget that's been referred to often tonight.

Secondly, Mr. Speaker, this legislation also, within the administration of several taxes, adjusts for policy changes which we've announced in the remote area heating allowance, sometimes referred to as RAHA, and the Alberta domestic heating oil allowance, sometimes referred to as ADHOA, and the Alberta farm fuel distribution allowance, sometimes referred to as AFFDA. Now, if you can keep all those acronyms straight, which I can't, then you'll understand very clearly the principles of the Bill with respect to those sections. In a nutshell, what it does, in fact, is change the way in which some of the assistance

to rural Alberta flows through to the end users of propane and heating oil within and without a franchise area served by natural gas to ensure that there is a consistency on application of policy and assistance and to ensure that those individuals within a gas franchise area are encouraged to move to natural gas as opposed to heating oil.

At the same time, the adjustment in the remote area heating allowance, in fact, Mr. Speaker, was announced by my colleague the minister of transportation some time back. In blending together to cause the efficiencies which this government is known for in terms of administration of plans and to improve the way in which the end user contacts and deals with the government, we are merging these two programs together; that is, RAHA and ADHOA are going to be merged together.

Finally, Mr. Speaker, like all tax legislation which deals with administration, a fairly complicated delivery of a product, in this case a fuel tax – we are also providing for administrative changes. That's a bureaucratic word for saying "to improve the efficiency of the tax collection."

Now, Mr. Speaker, that is what this Bill does. You have heard the debate with respect to the revenue side already. Finally, this policy as reflected in Bill 43 has been announced on several occasions before, and I know all members will stand and support this Bill in the spirit in which it's offered and in the same way that I move second reading of this Bill.

MR. SPEAKER: Calgary-Mountain View.

MR. HAWKESWORTH: Well, thank you, Mr. Speaker. I guess that as far as the Provincial Treasurer is concerned, hope springs eternal in the Provincial Treasurer's heart that simply by introducing something, the Official Opposition will go along with it.

You know, he talks about improving efficiencies. He doesn't talk about how the benefits to ordinary Albertans are taken away as a result of Bill 43. He talks about efficiencies, but as far as I can read the Bill, it eliminates the domestic heating oil allowance program and increases the fuel oil tax by 2 cents per litre. Mr. Speaker, these have impacts on ordinary Albertans. This seems to me to be something that should concern all of us in the Assembly, that our tax policies are supportive of ordinary people and not hit them as a primary pocketbook for raising revenues for the Provincial Treasurer.

Now, one of the things, as I understand, about the Bill is that farmers in this province are exempt from this tax but are again subjected to a corresponding reduction in the farm fuel distribution allowance so that the net impact on farmers is an increase in the cost of gas and diesel fuel. I should point out that consumption, by the way, is not discouraged for people whose use is mandated by the job that must be done. So if there's some thought, at least as far as the agricultural industry is concerned, that raising the taxes on fuel is going to lead to greater reductions in the amount of fuel burned, that's not always the case. It just simply hits those people at a time when they can ill afford those increases.

Mr. Speaker, in this Legislature on this side of the House we've consistently objected to the impact that these fiscal measures are going to have on ordinary Albertans, and I'm sorry that I can't give the Provincial Treasurer the assurance that he's seeking that we will support him on Bill 43.

MR. SPEAKER: Calgary-Buffalo.

MR. CHUMIR: Thank you very much, Mr. Speaker. I'm pleased to get up and comment on Bill 43, although I can't say that I'm pleased to see it. The Provincial Treasurer has referred to this piece of legislation as part of the government's fiscal plan, and that may be adequate explanation in itself for the fact that we don't intend to support it.

What is the element of the fiscal plan that is made up by this piece of legislation? Well, let's look at a little bit of history. Going back to 1985-86, fuel taxes in this province totaled \$6 million. We move forward six years, to 1991-92, and fuel taxes are estimated to be \$527 million. What is the percentage increase? Let me take out my calculator, my solar-powered calculator, I might mention. It comes to an 8,683.3 percent increase. Round it out to 8,683 percent. Well, we have the Provincial Treasurer who can now be known as the 8,683.3 – yes, let's keep the .3 in there; I kind of like that .3 – percent man. Well, can the Provincial Treasurer raise taxes? Watch me, he says, at the same time as he goes about the province and tells Albertans and probably tells those in other parts of Canada – I'm sure he doesn't tell Moody's this, because Moody's knows better; they'd bump him down another notch if they heard him spouting the nonsense that he spouts – that we have no sales tax. Can you believe that? He says no sales tax. I mean, every time Albertans buy a litre of gas, they're going to be paying 9 cents on each litre, and the Treasurer tells them they're not paying a sales tax. Well, that's the fiscal plan that we see presented by the Provincial Treasurer. The heart of the plan is that you say you're doing one thing while you do another.

Now, what's wrong with this piece of legislation that hits Alberta taxpayers at the same time as the government continues to blow hundreds of millions of dollars down the drain on perhaps the most ill-managed loan guarantee program operated by any government in the history of political science? First of all, Mr. Speaker, we have a regressive tax which impacts low-income persons more heavily than it does those with heavier incomes, at the same time as the Provincial Treasurer crows about how this province's income taxes are the lowest in Canada. Of course, income taxes are ones which are progressive and paid by those most able to pay them. Secondly, we have a very unhappy group of truck drivers. The Provincial Treasurer is lucky that the square in front of this Legislature has not been packed with these trailer trucks as in Ottawa. I don't know what magic he's woven. We all know what a tough time our truckers are having, particularly competing with United States truckers in this era of free trade, and does the minister help them? Nope. Wallop: hits them with another round of taxes.

9:10

Thirdly, we have another round of tax increases hitting our farmers at a time when much of our agriculture is in trouble and input costs are eating our farmers alive. Now, this gets a little tricky – and the Provincial Treasurer likes that – because we have tax and grant components intertwined. But the net effect of what's happening is clearly set out in the minister's own budget document on page 25. We see there a little bit of a schedule, nicely laid out for the opposition there, unusually nicely, where we have – prebudget, pre-Bill 43, or whatever it is – a 14 cents a litre advantage for farmers. Then without more other than Bill 43, without more but after Bill 43, we have a 2 cents a litre tax increase and a statement in the budget document that by November 1, 1991, the advantage, as it's described in the budget document, to farmers is down to 11 cents a litre, down 3 cents. Then the Provincial Treasurer with this 3-cent

change, the only intervening effect there being through Bill 43, goes and tells the farmers that they're not getting hit with this 2-cent tax in one form or another.

MR. McEACHERN: He did that last year too.

MR. CHUMIR: And he did that last year too. Thank you.

MR. SPEAKER: Through the Chair, hon. members.

MR. CHUMIR: Fourthly, another wonderful feature of this piece of legislation that we're being asked to support is that it off-loads some of the government's tax problems to municipalities, school boards, and other public institutions which are struggling to make ends meet. On one hand, the government provides meagre increases in grants to these institutions, and then with the other hand he eats away the assistance by taxing these institutions.

What I would like to ask the Provincial Treasurer is: why is it that there is no process within the Fuel Tax Act to rebate the taxes? I note that section 4 of the Fuel Tax Act has some very broad provisions with respect to rebates. There is a somewhat narrow aspect of those broader provisions in section 4(1)(c) which provides for a rebate to cities, towns, villages, school boards, colleges, et cetera – the types of institutions we're concerned about – but only when vehicles are operated on private property or the equivalent of private property. I'm just wondering whether the minister would be in a position to explain to this House and to school boards and to universities and to municipalities, all of whom have been complaining – because I've heard some head-shaking. They're saying: "Oh, no. You don't know what you're talking about. Where are you coming up with this stuff?"

We're coming up with this stuff from town councillors and city treasurers. People who are working in the municipalities and the school boards and the universities are complaining that the Provincial Treasurer is off-loading to these institutions at the very same time as the Provincial Treasurer is complaining about the manner in which the federal government is off-loading in respect of its financial obligations and piling them onto the province. There's a bit of what some might describe as hypocrisy, Mr. Speaker.

Then we move on to an environmental concern, which is the fifth concern, and that is the fact that propane taxes have been going up in the last few years. We're now getting a bump-up from 5 cents to 6 and a half cents per litre, and you'd think that one arm of government would know what the other's doing. You'd think that the Minister of the Environment would have some clout, and you'd figure that there'd be some consistent policy in this government to try and bring environmental concerns within the heart and the bosom of the fiscal policy and to recognize that we should not be taxing in a heavy way those fuels which are more environmentally friendly. That's exactly what is happening in this particular instance.

I note also, Mr. Speaker, that there's something in this legislation which authorizes the Provincial Treasurer to enter into what is described as the international fuel agreement. Well, might one inquire as to what is the international fuel agreement? There's no definition of what it is, no description, simply the international fuel agreement, which presumably has some significance to the Provincial Treasurer. Would it be asking too much if he would let the members of this House in on the secret as to what the international fuel agreement may be which he is asking this House to authorize him to enter into?

Mr. Speaker, there are other aspects of this legislation, but they are, as used to be said with respect to the pornography legislation within this country, without redeeming social value, and as a result, we do not indeed to support this legislation. Thank you.

MR. SPEAKER: Edmonton-Kingsway.

MR. McEACHERN: Yes, Mr. Speaker, just a few comments. I just want to record again my, I suppose, disgust or disrespect for the Treasurer when he tries to tell farmers of Alberta that he has not increased their farm fuel costs by this tax. He did this last year; he's doing it again this year. He increases the tax by a couple of cents per litre and reduces the rebate given to farmers by a couple of cents a litre and then says: oh, but we didn't tax the farmers more. Well, obviously it is taxing the farmers more, and the farmers' costs right now are really putting a lot of them into jeopardy, and the last thing they needed was a fuel tax increase by the Provincial Treasurer.

The provincial government and their federal cousins have consistently tended to give farmers help at the last minute, just before elections, instead of working out a long-term way of helping farmers make a go of it. They've consistently been backing the American GATT talks, and there's not much doubt that the European subsidies are too high and should come down. If they think that going to a straight, total free market situation in agriculture is going to help the prairie farmers, they've got another think coming. There's got to be a middle road somewhere and long-term stability. There's got to be some marketing boards to help farmers. There are some marketing boards that we built up over the years, and the free trade deal is going to do those in. So what we need is some longer term policy, not his chipping away at farm costs and making life more difficult for farmers.

9:20

The other thing that I wanted to just record also is the disappointment with the \$100 fuel rebate reduction that they did to seniors in the changes to seniors' programs. Here we are increasing the cost on heating fuels. Generally speaking, it will sift down to higher bills for everybody in the province. We're going to end up with the seniors having to pay the extra \$100 that the government chipped away at them in their recent changes to seniors' programs.

The Treasurer has failed to come up with a coherent program to deal with his deficit, and all he has done in his budget this time around is chip away at a few vulnerable people like seniors and farmers. I don't see that that's the way to solve his budgetary problems. He's going to have to take a more comprehensive view of it than that.

MR. JOHNSTON: Mr. Speaker, just let me make a few quick closing comments on this piece of legislation. I wanted, in fact, a minute to deal with the changes which have taken place with provincial jurisdictions since the very fine budget, the balanced budget was brought down on the April 4, 1991. [some applause] There's a guy with a conditioned response. You see, he actually has bought into it. It'll be easy for him to communicate back in his own constituency that this is a balanced budget, the only balanced budget of any province in Canada, in fact any government in Canada, and the only government in Canada with a plan which has been to reduce the deficit, move to the balanced budget, and then get on with buying down the debt. That's the clear plan. It's a clear message. Albertans want it, Albertans

asked for it, and Albertans got it. They like a balanced budget. The strongest endorsement of any government is that kind of a commitment where the government moves in the direction of the people themselves. [interjections]

MR. SPEAKER: Provincial Treasurer, thank you.

Perhaps the minister would be allowed to continue without quite so many catcalls.

MR. JOHNSTON: Gee, yeah. I've got a chance to get my rhetoric in.

Mr. Speaker, what I missed was that we keep pretty careful track of the fiscal adjustments that take place in other provinces. As I said in the budget on April 4, 1991, Alberta had the lowest fuel taxes of any province in Canada, the lowest overall taxes of any government in Canada, and there were no increases in the personal income tax in that budget.

MR. McEACHERN: You didn't count medicare premiums.

MR. JOHNSTON: There have been some changes in . . .

Speaker's Ruling Interrupting a Member

MR. SPEAKER: Excuse me, Provincial Treasurer.

Edmonton-Kingsway, please refer to Standing Order 13(4)(b). If you have a point of order, I'll be willing to hear it, but otherwise no.

The Provincial Treasurer.

Debate Continued

MR. JOHNSTON: There have been changes in other governments' tax regimes. One of them, Mr. Speaker, that is quite interesting has been the tax regime affecting gasoline. Now, several provinces, in particular Ontario, have increased the gasoline tax. In the case of Ontario it's gone up from 11.3, which under the Liberal administration was the second highest of any province in Canada, but now with the NDP socialist government - NDP Party, sic - it's now at 13 cents a litre. Now, you talk about percentage increases. If you look back under the Liberal administration, the increase is over 300 percent in the very brief period the Liberals had anything to do with Ontario, and now with the socialists on a time-collapsed basis - that is, the movement from 11.3 to 13 percent on a time basis - that must close to 300 or 400 percent as well.

Again, I'm only confirming what we said in the budget, which has been our goal all along. When it comes to taxes, Alberta is the place to be. When it comes to comparison, no one can outstrip Alberta on a comparable basis. Again, now that all the numbers are in, in fact Alberta has maintained its position as the lowest tax province in Canada, and particularly on gasoline tax, which is a user tax, with a lot of rebates flowing through to farmers in particular. It is still the lowest tax province: 9 cents a litre in Alberta to a high of 13.7 in Newfoundland. The closest province happens to be British Columbia. I should say that in the case of British Columbia and Saskatchewan, those provinces add their retail sales tax on top of the gasoline tax itself. So you can see how it pyramids or cascades, as they say in the parlance of taxation.

Mr. Speaker, we did in fact reduce the AFFDA allowance, and of course, farmers don't have to pay any fuel taxes per se. We did reduce the AFFDA allowance, but there was a reason for that. That was a considered position in that we had brought into place new assistance programs to farmers, and the compen-

sation side was to reduce the AFFDA. We smoothed it, if you notice. It's a two-part adjustment this year. That two-part adjustment is reflected in the legislation so that it does phase in over the period of a year ahead, and on November 1, 1991, the total advantage on gasoline to farmers in this province will be 11 cents a litre, or 50 cents a gallon, and 17 cents a litre, or 77 cents a gallon. No other province can come close to that comparison, and I know all members on the border in particular are being accosted by other governments, who are saying, "Look, can't you do something about that assistance program for your farmers?" We have done something about it. We're going to maintain it. It's going to be effective, in particular, for farm fuel used on the land and to some extent will be used for getting to and from the service sector on farm trucks.

That's the commitment, that's the policy, and that's how it's struck here in this province of Alberta, but let me confirm again that in terms of comparison on the fuel tax side, the province of Alberta is the best in terms of the lowest taxes across the board and the lowest taxes in this particular issue.

On a technical point, Mr. Speaker, the Member for Calgary-Buffalo asked me about the International Fuel Tax Agreement. It sounds complex. It isn't, but what it really does is allow the province to enter into an agreement which allows truckers to allocate or to prorate the fuel tax paid among provinces, and member jurisdictions report, and then it's allocated and prorated based on mileage.

Mr. Speaker, I move second reading of this Bill.

[Motion carried; Bill 43 read a second time]

Bill 44

Alberta Corporate Tax Amendment Act, 1991

MR. JOHNSTON: Mr. Speaker, in dealing with and moving second reading of Bill 44, Alberta Corporate Tax Amendment Act, 1991, I want to just briefly outline what it is this piece of legislation does. Again, much of the changes have already been dealt with by the budget process, and in the budget process on April 4, '91, I outlined the major changes to the corporate income tax sections.

This legislation, Mr. Speaker, as I said in the introduction of the Bill, deals in three broad areas. The first area, of course, is to reflect an adjustment with respect to the tax on large corporations; I'm moving it up by half a percent.

Secondly, there have been some adjustments with respect to the way in which the Alberta royalty tax credit operates, and in particular there's something called the Alberta royalty tax credit gas supplement, which was put in place by the Minister of Energy and is delivered through this legislation to assist in the difference between the price of oil and the price of natural gas. During the period when oil was soaring, the ARTC, the royalty tax credit, was not working as effectively as intended, so this is a special sunset provision in this legislation to allow us to adjust for the impact on gas and the ARTC. At the same time, when I am talking about ARTC, Mr. Speaker, what we are doing in this legislation is moving the ARTC as it's applied to individuals into the corporate tax administration, where we can administer that program with better information, more consistency, and a cheaper cost of delivery, which is now, on a personal basis, being delivered by the federal government.

Finally, Mr. Speaker, like all pieces of tax legislation where we try to harmonize between the provincial government and the federal government, there are those sections which attempt to amend the Alberta Corporate Tax Act as necessary to reflect in

a consequential fashion the changes which have been effected by the federal government in their own tax legislation. In particular, we're careful to ensure the administrative side is maintained; such things as interest, rebates, penalties are all part of the adjustments that I've referred to.

I think, Mr. Speaker, in looking at my notes that those are the major elements. I can say again that in terms of comparisons I think here the province of B.C. on the large corporation side has a small advantage over Alberta. As I will have said before, in the case of the small business corporations since the time of the budget, Ontario has increased the tax on small business corporations, unlike Alberta, where we maintain a very great premium for small business corporations because of the amount of job formation and job investment that is done by those entities.

So, Mr. Speaker, this is a piece of legislation, as I've outlined, that deals in those three areas, and I move second reading of the Bill.

9:30

MR. SPEAKER: Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Speaker. The Provincial Treasurer has outlined some of the aspects of Bill 44: as he mentioned, a marginal increase of half a percentage point on large corporations – the rate I believe goes up to 15 and a half percent – and there are some other technical aspects to the Bill that he's outlined.

I guess the other question is: what is not in Bill 44? He talks about raising the tax on Alberta corporations, but I'd like to know what attempt has been made to tax Alberta corporations that are currently escaping taxation totally. I'll just give the Provincial Treasurer and all members of the Assembly a few examples of some companies that are based in Alberta that had declared pretax profits of over 3 and a half million dollars that paid little or no income tax at all. I don't know what efforts are being made in Bill 44 or any other Bill by the Provincial Treasurer to cast a net that would begin to bring some of these profits under the purview of this Bill to ensure that taxes are paid.

For example, tax year 1989, Altex Resources: pretax profit \$5,600,000; the tax paid was .8 percent, not 15 and a half percent. BP Canada, 1989: \$6.2 million; taxes paid, I'm told, are zero, but they in fact got a tax credit on top of profits of \$1.4 million; in 1988, \$10.3 million, again no taxes paid. North West Trust is one that the Provincial Treasurer knows all about. I presume he knows something about it; it is, after all, a Crown controlled corporation. The 1989 tax year: pretax profit, \$9.1 million; not a cent of taxes paid.

Paramount Resources, Poco Petroleums, Prairie Oil Royalties, Renaissance Energy: there's just a number of them. Nova Petrochemicals, Ranger Oil, Canterra Energy, Chieftain Development: Mr. Speaker, those are just a couple of examples of untaxed profits totaling 1 and a quarter billion dollars, and in many cases the percentage of tax paid is not the 15 percent or the 15 and a half percent contemplated by the Provincial Treasurer in Bill 44 but 1 percent, 2.6 percent, 1.2 percent, and in some cases tax credits.

Mr. Speaker, this is not an exhaustive list, but it certainly indicates to me that there are a lot of companies in this province who made profits but by the way that the tax system is set up are able to escape without paying any effective rate; in fact, are being the beneficiaries of the tax system. Now, I might point out, Mr. Speaker, that we don't have access to the records of

private corporations. These are publicly traded corporations, and so no doubt there are lots of them out there that we have no access to records to that may in fact be making a lot more money and are in exactly the same situation and paying a very small percentage of their profits to the Provincial Treasurer. The examples I've given don't include Canadian companies based outside of Alberta that have generated substantial income from activities within the province.

Mr. Speaker, the point I'm trying to make is that there is a lot of income, a lot of wealth that is currently going untaxed. Now, I'm sure the Provincial Treasurer will have lots of reasons why that's the case, and I'd welcome his comments on that score, but the point that I'm making to him tonight and to members of the Assembly is that at the same time that he's coming to the Assembly asking for \$2 billion of extra debt to pay for this year's deficit in this year's deficit budget, there are a lot of people in profit-making companies that aren't paying taxes at all. In fact, if I were to draw your attention and the attention of the Assembly to the most recent Auditor General's report, we see that consistently for the last three years for which figures are available, the amount of revenue that comes from the corporate sector as a percentage of the income that the provincial government takes in has consistently been around 18 percent, whereas taxes paid by ordinary Albertans through the personal income tax system have averaged somewhere around 64 or 65 percent. So the bottom line to all of this is that there's a lot of income that's escaping the tax system, and it's income that accrues by and large to fairly well-to-do and certainly profit-making corporations, and I'm not talking here necessarily about companies that lost money in the tax years that I'm making reference to.

My concern about Bill 44 is that the Provincial Treasurer has once again, another year gone by, failed to take appropriate steps to make the tax system more fair. I would suggest that a rate of a marginal increase in the taxes on large corporations is fine and dandy as far as it goes, but if all these companies are able to escape taxation, does it matter whether the rate is 15 percent or 15 and a half percent or 20 percent? What difference does it make? If they're able to escape the tax man, does it matter what rate it is that they're escaping?

Now, I've always felt that the Provincial Treasurer was doing Albertans a disservice by not accounting in his budget for these tax expenditures, and by tax expenditures I mean the loopholes that exist within our legislation that allow deductions, that allow the escape of paying taxes, that allow people to make these deductions. There's no accounting for it. There's no estimate of what revenue is lost and what expenditures are made basically through the tax system that allows money and income to go untaxed. There's been no accounting for that, and I would have hoped that the Provincial Treasurer, along with an increase in the marginal rate on large corporations, could have taken a look at amending the legislation to at least put on the record somewhere in his Budget Address how the Alberta Corporate Tax Act works in the province to allow certain profit-making companies to escape from paying any tax at all.

So I'm saying to the Provincial Treasurer and to members of the Assembly tonight that this is not a serious attempt by the Provincial Treasurer to make our tax system fairer for everyone and to make an effort to close the net or stitch up the holes that allow a lot of people to escape from making their fair contribution to the costs of providing the services and programs in our province.

9:40

Now, Mr. Speaker, I think it's important to understand how the tax system works. We spend so many hours and days and weeks in this Assembly arguing over the way the money is being spent by the Provincial Treasurer. We don't spend a single moment in this Assembly, or hardly more than a few moments every year, talking about how the tax system is used as an instrument of government policy to allow wealth to accumulate and to allow divisions and gaps between the rich and poor in our province to grow. That really is a legacy of inaction to properly take stock of our tax system and make it fairer. We've just seen recently a report of how middle Canadians are being hardest hit by the tax system in recent years, and that's as a result of intentional government policy both in Ottawa and here in Edmonton, in Alberta, with this government. It's a deliberate policy and one that I think is fundamentally creating serious problems for the provincial economy and certainly for many hundreds of thousands of our fellow citizens. It's being driven, Mr. Speaker; I suppose the word is "harmonization." The Provincial Treasurer made reference to harmonizing Alberta's tax system with that of the federal government, but our federal government is moving to harmonize our Canadian tax system with that of the United States, and certainly as a result of the free trade deal, that's certainly the excuse that has been traditionally given by Mr. Wilson and Mr. Mulroney as to why these taxes changes are required in Canada.

Well, let's take a look, if I may, briefly at what effect those tax changes have had on the United States in the last 10 years. It was just recently, about a year ago, that the Centre on Budget and Policy Priorities issued a study of what has happened in the gap between rich and poor in the United States since the early 1980s. They have concluded in their report that as of last year the richest 1 percent of Americans received nearly as much of Americans' total income after taxes as the bottom 40 percent. That, Mr. Speaker, is an amazing statistic outlining the kinds of concentration of wealth that have accumulated in the United States. The bottom 40 percent will receive 14.2 percent of total after-tax income received by all groups in 1990, while the top 1 percent will receive 12.6 percent. This, the centre concludes, marks a sharp change from 1980, when the top 1 percent received half as much after-tax income as the bottom 40 percent. Now, the share of the income going to those Americans in the middle of the income scale is lower than at any time since the end of the Second World War, and the richest 2.5 million people have nearly as much total income as a hundred million Americans with the lowest incomes. It concludes that the most affluent Americans received large income gains during the 1980s, while middle-income people gained little and the poor fell behind.

Mr. Speaker, this course that the Provincial Treasurer has set for Alberta, following along with his colleague the Conservative Minister of Finance at the federal government in Ottawa, is to create a tax system that allows for a growth in the gap between rich and poor in our country. Now, I'm not here to say that there shouldn't be, you know, some rewards for effort and all that sort of thing that the Conservatives are happy to trot out in defence of this particular system. I'm here to say that the extent to which the Provincial Treasurer allows that gap to grow in this province, he's sowing the seeds for all kinds of problems down the road to families, to individuals, to the tensions between citizens in this province in years to come.

It's gotten so bad, Mr. Speaker, that in urban areas in the United States infant mortality has now exceeded that which is found in many Third World countries. That is amazing evidence

and I think a damning indictment of the strategy that has been pursued by Ronald Reagan and George Bush in the United States in the last 10 or 11 years. For example, this appeared in March of this year, reported in one of the Calgary newspapers: a recent report indicated that the infant mortality rate in cities such as Washington, D.C., is now at 21.1 deaths for every 1,000 live births – that was the average from 1984 to 1988 – and in Detroit that figure was at 20.38 per every 1,000 live births. Those figures were higher than Jamaica and Costa Rica, as two examples.

Mr. Speaker, I'm not here to suggest that we are there in Alberta yet, but I'm simply saying that allowing this tax system to become more and more an imitation of that which is found in the United States is simply going to create exactly the same problems here in our province down the road. While we may not be there yet, the Provincial Treasurer seems to have chosen a road that is taking us in that direction. Usually what happens in Canada is that we're about 10 years behind the United States, so that the gap, while I know it has increased since the mid-1980s after the Conservative government was elected in 1984, is probably not quite as pronounced as we see it in the United States.

There are other areas in which the tax system by not properly taxing wealth simply continues to create a problem of both cutting of services, slashing of services, and an increase in deficits. Now, in the case of the province of Alberta we've seen the provincial government not keep up with the impact of inflation in its spending on necessary and essential services such as our health care system, and we've seen that in real terms: cuts in our schools, in our hospitals, in our universities, in our support programs to people of low income, which is exactly the situation that is plaguing the United States and one that seems almost to become intractable. Certainly without a commitment on their part in the United States to a more progressive tax system, it's going to be exacerbated there, and if we follow merrily along in imitating them, we're going to continue to get deeper in debt in our province and we're going to continue to see high rates of unemployment, we're going to continue to see a growing gap between rich and poor, with who knows what consequences for our society even a few years down the road. We're already seeing the erosion of programs for our senior citizens. Who's going to be next?

9:50

Meanwhile, as I said earlier, we see lots of profits in this province going untaxed at a time when ordinary Albertans such as our senior citizens are being asked to take cuts in services or at a time when we're seeing a heavier reliance on flat taxes, such as the Bill just previously adopted by the Legislature, that do not distinguish between people's income as to their effect. So we see a heavier reliance on flat taxes, which disproportionately hit our low- and moderate-income Albertans, we see a cut in services, and at the same time we see profitable companies escaping the tax bite from this Provincial Treasurer. We also see tonight in Bill 44 no serious attempt by the Provincial Treasurer to address that very serious discrepancy, that very serious problem, that very serious situation.

That, Mr. Speaker, fundamentally is what disappoints me with Bill 44, a continual reliance on the tax system without any debate or accountability or reporting to the Legislature on its effects, a continual reliance on the tax system to create a growing gap between middle income and high income in this province. It just is fundamentally, in my view, unfair and ought not to be supported.

MR. SPEAKER: Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Speaker. In respect of this Bill a case can be made that there is a need for this government to raise additional funds and that taxes should increase in certain areas. I think any sensible person would agree that we have to be open to that option to some degree. However, I find it impossible to support putting additional tax revenues into the hands of this government, which has blown so much money on low-priority expenditures, waste, extravagances, and continues to blow hundreds of millions of dollars on its ill-administered loan guarantee program, and while it continues a number of other very low-priority expenditures. Given a different overall picture, a different overall balance, a different overall chemistry, we might think that some additional tax on the corporate sector might be one of a number of proper places to raise more revenue. Certainly the share of taxes of the corporate sector is and has been low in relation to taxes on individuals, but we're not prepared to countenance that for this government at this time.

We can't help noting, Mr. Speaker, how what was once a wonderful and very strong and valuable comparative business advantage for this province in terms of a low tax rate has been terribly eroded over the past five years. We've seen the tax rate for large corporations, the amount not eligible for the low corporate tax rate, increasing from 11 to 15 and a half percent since 1985-86: a tremendous increase, a tremendous blow to our competitive situation. As at the date of the budget speech, Alberta's large corporate tax rate of 15.5 percent exceeded that of British Columbia, which was then 14 percent; Saskatchewan, which was 15 percent; Prince Edward Island, 15 percent; and was equivalent to Ontario's at 15.5 percent. Yes, there have been some adjustments in the rates of these other provinces since then, but it is very relevant and revealing how the advantage that this province has had has been steadily eroded.

Of course, it's not only in respect of direct income taxes that this advantage has been and is being eroded. We've seen the very regressive measure taken by this provincial government amending the tax rebate in respect of taxes on electrical utilities, which is moving to take away one of the great, again, natural advantages that this province has had in respect of low power costs and put us at a disadvantage to those provinces which have public power, and this in a province which was trying to develop a magnesium processing industry which was so dependent on low electricity rates. That is a very sad catalogue and itself is a bit of a chronicle of just what has been happening to this province in terms of its capacity to compete over the last five or six years.

So that is the bad news, Mr. Speaker. I'd like to move on briefly to comment on a couple of other aspects of this legislation and perhaps to throw a bouquet, some kudos over to the Minister of Energy. It wouldn't help to compliment the Provincial Treasurer in terms of his own legislation. We might as well toss the bouquets at the Minister of Energy here for his timely action with respect to adjusting the Alberta royalty tax credit last December at a time when the previous scheme was seen to work very unfairly towards those entities which were heavy producers of natural gas. This is an element of the Bill that we would be able to support and will do so in committee as an isolated part of the Bill, although we're not able to support it as a whole.

Finally, I would just like to comment briefly on a rather interesting development here in terms of the third element of this Bill, and that is that the Alberta royalty tax credit provisions with respect to individuals are being moved into the province's corporate tax administration from the administration of the

federal income tax authorities under the individually filed income tax returns. This is a very interesting development to see, corporate tax administering a tax oriented rebate style of program – and I'd appreciate the comments of the Provincial Treasurer on this – and perhaps opens up the possibility that other programs which have some element of rebate or credit might be administered with respect to individuals under corporate tax administration. If this were to be so – and it requires some technical input which is certainly beyond the capacity of the opposition to manage without the expertise of the civil service – it points in a direction that would be very favourable, as opposed to the stated preferred direction of this government of scooping most of the tax jurisdiction, or a good chunk of it, from the federal government with a view to establishing our own personal fiscal tax regime with our own provincial personal income tax returns, the result of which would be that the citizens of this province, like they are in Quebec at the present time, would be forced to file two separate income tax returns. If the Provincial Treasurer has talked to his colleagues in the accounting profession, he will realize just how pleased and supportive they are of having to file two corporate income tax returns. I say that with some degree of sarcasm, because they opposed it when it was implemented and they have opposed it every year since then. When we met with members of the governing body of the accounting profession some three or four months ago, they told us again that they still oppose it. Their eyeballs rotate and their eyes turn glassy at the very thought of individual Albertans having to file two income tax returns.

10:00

So that's why I find this particular measure somewhat creative and interesting, and I'd be interested in a bit of input and perhaps some comment from the Provincial Treasurer as to whether or not there is the scope that we need for administering a number of other programs here. Might I enquire, for example, as to whether or not the Alberta stock savings plan might not have been administered, perhaps with some additional complexity beyond that of its administration under the personal income tax return, but even with the admitted additional complexity, whether it still would not have been manageable through corporate tax administration, perhaps thereby allowing the minister to apply tailor-made conditions, including a much higher percentage of investment in this province than was allowable under the federal rules?

So with that, Mr. Speaker, I will conclude my comments.

SOME HON. MEMBERS: Question.

MR. SPEAKER: There's a call for the question.
Provincial Treasurer, summation?

[Motion carried; Bill 44 read a second time]

head: **Government Bills and Orders**
head: **Committee of the Whole**

[Mr. Schumacher in the Chair]

MR. CHAIRMAN: Order. Will the Committee of the Whole please come to order.

Bill 19 **Lottery Fund Transfer Act**

MR. CHAIRMAN: Are there any questions, comments, or amendments to be offered with respect to this Bill?

MR. HAWKESWORTH: Just one question, Mr. Chairman, to the Provincial Treasurer. The most recent figures we have in the public accounts are a year out of date, and that was for the year ended March 31, 1990, indicating there was \$237 million surplus in the Lottery Fund at that point. I wonder if the Provincial Treasurer could give us an estimate of how much surplus was in that fund as of March 31 of this year. I won't hold him to his estimate, but could he give us some idea what this \$225 million represents? Does it look like it's something like 50 percent of the surplus in the fund, or something closer to 90 percent? How much does he anticipate being left in the Lottery Fund after this transfer has taken place?

MR. JOHNSTON: Mr. Chairman, as I said when moving second reading of this Act, this is not a Bill on lotteries; this is simply a Bill to transfer surplus dollars from a variety of funds. I should say that we do this from time to time. In fact, if you go back over the past year in orders in council, you will find that we have transferred \$30 million, \$40 million, \$50 million in a variety of funds, and this piece of legislation really only transfers money. But since I'm always trying to be as helpful as possible and since we provide so much information and assistance, I'll try to outline very briefly what it is we have said on policy about the Lottery Fund already.

First of all, the Lottery Fund does conduct a series of programs, which I'll generally describe as cultural and social, to the benefit of cultural groups and, in particular, exhibition boards. We have looked at the forecast for the year ahead for the lottery funds, and obviously we are pretty close on our forecast of revenue and expenditures. We will continue our commitment of well over \$100 million to allocate to those very important objectives, programs, and entities which are served through the Lottery Fund. There is in excess of about \$25 million annually expected just from the ticket sale cash flow, and therefore you can see that over the period of the year the fund is sound. That is to say, it will meet any commitment that's been put in place currently, and anything that will be dealt with will be on top of the current commitments. But there should be no question in anybody's mind who's now a beneficiary under the program that this province will back away from any commitments through the Lottery Fund to those very important objectives: exhibition boards and culture groups in particular, and other lottery programs including some additional programs which were announced in the budget.

Secondly, the fact that we're going to transfer \$225 million does not mean it has to take place on any particular day. The transfer of funds can take place over a period of days, over a period of intervals, or a period of points. There's nothing to say it has to be done in any one day. We would over the period of the year allow some funds to stay in the Lottery Fund so they could earn a rate of return or generate revenue on an investment basis. We would expect that those surplus funds will stay within the Lottery Fund.

Finally, if the members will forgive my very crude memory, Mr. Chairman, it seems to me that the current balance in the Lottery Fund is well over the \$250 million level, so the \$225 million would not at all, as I've said, impair the cash flow of the Lottery Fund because we'll take the money at various intervals over the period ahead, probably most of it up front obviously. We will allow some interest to accrue to the fund, and thirdly, there will be a surplus of cash flow based on the operations of the fund. That is to say that the ticket sales and interest revenue will be greater than the payouts or obligations, and therefore the fundamentals of the fund will not be in peril at all.

I do this gratuitously, Mr. Chairman, because I think technically that's outside the scope or penumbra of this legislation. But, as I say, because we want to provide as much information and full accountability, which is the theme, principle, goal, and commitment of this government, I would only give that as a quick update to the member.

Mr. Chairman, I think, as I say again, this is a broad-based transfer of money which we do in a variety of ways, a variety of times. The reason it's done by legislation is that the Lottery Fund is a separate fund and was set up by a separate piece of legislation. This money will be used, as I said, in terms of choices the government has had to make between using surplus money, increasing taxation, or increasing the deficit. We think the transfer of funds is a much better or viable alternative, and we would certainly rather use that choice than have to increase taxes. After listening to the lesson I just had on regressivity of taxes, I'm sure members would agree that in terms of choices it's easier to use surplus funds than to increase taxes. So, Mr. Chairman, that's the explanation.

MR. CHAIRMAN: Thank you.

The hon. Member for Calgary-Mountain View.

10:10

MR. HAWKESWORTH: Thank you, Mr. Chairman. I appreciate the information from the Provincial Treasurer, and I will take him at his word that there won't be any reductions in the obligations under the Lottery Fund in terms of . . . Well, the community facilities enhancement program I think is one of the largest, and that's drawing to a close, or it was announced when it was set up that it would draw to a close in the fall of this year. I just would point out that in the year for which we have an accounting, which was the year ended March 31, 1990, the net proceeds from lottery operations only amounted to a little over 81 and a half million dollars while the full expenditures under the Lottery Fund amounted to almost \$100 million. The gap was filled by interest revenue of \$22 million, almost \$23 million, accruing to the Lottery Fund. The revenue to the fund itself was \$104 million and expenditures were \$99 million, so there was a small surplus generated that year.

If this \$225 million is transferred, it should have a dramatic reduction in the interest revenue accruing to the Lottery Fund. It would seem to me that then it would be creating some reductions in the expenditures under the Lottery Fund, which by itself, Mr. Chairman, I have no objection to. At least the funds under the transfer will be coming into the General Revenue Fund. When they exist under the Lottery Fund, there are no votes or estimates provided to the Legislature, no authorizations provided for it, so I guess it has the net impact of reducing the slush fund.

If the Provincial Treasurer is assuring the Assembly that he doesn't see there being any reduction in the commitments, then that's fair enough.

Thank you, Mr. Chairman.

MR. McEACHERN: If the Treasurer is going to take the main part of the capital of the fund and put it into the general revenue account, perhaps he would commit himself to talking his colleagues into transferring the handling of the expenditures of lottery funds also through the Legislature. It would seem to me that the one should go with the other.

I'm sure the people that receive the lottery funds must be concerned about the problem mentioned by my colleague. If you take away the lump sum of money, then you no longer have

this \$20 million and some of interest to add to the revenues. Now, maybe the government, because the community facilities enhancement program is being cut back in – well, we're not sure about that, I suppose. The government hasn't said one way or the other. Again it's something that doesn't seem to be decided in the Legislature here or debated in the Legislature. Again it's just something that I guess the government is going to decide behind closed doors or as a cabinet, as to whether or not the facilities enhancement program will continue after the fall, when the three-year program that they announced just prior to the last election runs out. I hope he will comment on that.

Another question I have for the Treasurer. This \$225 million that's being transferred: if I remember right, I heard a few months ago that that money was transferred from the western lottery fund to the province of Alberta. I think before that fund was a reserve fund that Alberta had, if you like, stacked up in the western lottery foundation, which I believe is a joint project with the three western prairie provinces. It came over to the Alberta government, under what auspices or under what heading I don't know – I guess under the lottery corporation of Alberta or whatever it's called – in a kind of lump sum. They had been accumulating the surpluses before that and then transferred them all over to us all at once. I guess what I'm hearing the Treasurer say is that he couldn't stand to have that lump sum sitting in the Lottery Fund and decided to take a bunch of it into general revenues to narrow the gap in his budget. Is that essentially correct? Is that essentially what happened, where that money came from? How many years was it built up over? What does that accumulation of \$250 million that the Treasurer talked of, where does that . . . How long did that take to accumulate?

MR. JOHNSTON: Mr. Chairman, these kinds of questions, of course, force me to dig into the back of my memory bank somewhere, and I must tell you that at this hour and after listening to the cogent statements of the opposition for the last six or seven hours constantly, I'm a touch dull with respect to my memory bank. I'll do my best to deal with the issues from memory, so I'm not at all committing to the technical or specifics.

First of all, with respect to Calgary-Mountain View's actual reference to last year's public accounts. What we have found on the revenue side, Calgary-Mountain View, has been that the source of revenue is more dynamic and, in fact, has grown. Therefore, the gap between revenue and expenditures is not as great as the 80-100 – those are the rough numbers we're using – and we're expecting more dynamic because, of course, the economy is very strong in Alberta. There's a lot of disposable income in Alberta, and there are a lot of payoffs and a variety of great prizes for the people to invest in. Now, I'm not going to debate the regressivity of this particular aspect of what some people consider to be a tax. I'm only indicating that there is a fairly large, dynamic pool in Alberta and that Alberta generates a large share of the total winnings of this particular pool money.

Secondly, with respect to Edmonton-Kingsway, I don't have all the details with respect to the time or the temporal set, but I can say that the money is transferred from the western Canada fund into the Alberta fund, and that's our share of the net income of that fund. It's accumulated over the past two years, I believe, ever since the Member for Calgary-*Buffalo* started taking the Minister of Energy and me to court. That's probably the date on which it started to accumulate, so he knows as well as I do when that transfer took place, and that probably is the reference point. I think it's about two and a half years, if I'm not mis-

taken. That has been the surplus that has been generated. It's grown very rapidly. It's a very dynamic program. But, as I say, this is not a debate on lotteries or a policy position on lotteries. This is simply by way of illustration to show how the money has accumulated. So that's it, Mr. Chairman; it's simply a revenue transfer.

I've given, I think, the position of the government that we are not going to imperil the obligations of the government. As I said before, the fund will have an opportunity to generate revenue on the \$225 million that we will transfer because, as somebody has already pointed out, it's nearly the end of June, and although interest rates have gone off a bit, let's assume it can make \$18 million a year. So it's made another \$6 million or \$7 million while we proposed the legislation, and that will stay in the fund itself. Then, finally, we will not make necessarily a full transfer of the full \$225 million amount until sometime during the year, although we would transfer a large portion of it up front.

MR. CHAIRMAN: The hon. Member for Calgary-*Buffalo*.

MR. CHUMIR: Thank you, Mr. Chairman. I'm just wondering whether the Provincial Treasurer would be able to tell us: isn't he somewhat offended by the concept of having lottery funds in the General Revenue Fund where members of the Legislature can actually vote on the way in which they're expended? I would have thought from arguments we've heard in this Legislature earlier that that would be somewhat offensive to the government. I'm wondering: what justification is there for treating some of the lottery funds which remain in the Lottery Fund itself, with capitals, on a basis where the expenditure can be decided in the back rooms of the Tory caucus, perhaps by the minister in charge of lotteries to expend on special briefcases for special beneficiaries? What justification is there for spending one part of the funds in that manner and having another part of the funds spent in the very offensive way of having them approved by the Legislature?

MR. JOHNSTON: Well, Mr. Chairman, we've had this debate before. I think we have said already that we don't intend to change the way in which we handle the expenditures, and the way in which that is done has been debated here fully when the lottery Bill itself was put through this Legislative Assembly. So that's not a change of policy. We've had the debate before, and members have had an opportunity to express themselves. One member has even expressed himself by taking us to court, as I've said, so that's gone the full course of options, and I don't think I'm going to further that debate any more.

I must say that despite my colleague the great lawyer, the Oxford scholar, we still are doing it, despite his protestations, in the way in which the government outlined it would do it. So I hope he's got more dollars for legal fees, because it does circulate faster. The member is known for his propensity for litigation, and actions against the Minister of Energy and myself, actions against the Minister of Consumer and Corporate Affairs haven't really proven too successful for the Member for Calgary-*Buffalo*. In fact, I think in both cases he has lost. So he has an opportunity, if he wants to go back into court, to do it again. [interjection] Well, I don't want to take that position. The poor folks in Calgary-*Buffalo* think that he's not really a politician, that he's practising as a barrister. Because he doesn't know how to achieve things in the Legislature, he has to go to the court system. That's the way he's operated, Mr. Chairman.

10:20

So I'm not going to get into that debate because I've said before that this is not a debate about the Lottery Fund. This is simply a debate about the transfer of \$225 million, and it's out of the goodness of the government's heart that we have provided this broad range of discussion. There's nothing contrary or different from what we've done before. This Act, Mr. Chairman, is important to allow us to maintain the balanced budget as opposed to increasing taxes. If I understood the arguments of both opposition parties before, they're opposed to increasing taxes for all the reasons they have stated, so they must be in favour of this transfer which alleviates the necessity of increasing taxes.

MR. CHAIRMAN: The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. The Treasurer treads on dangerous territories every now and again. Let me explain them. A few minutes ago my colleague from Calgary-Mountain View said that the income for the lotteries – I believe it would be the '89-90 fiscal year – was \$81 million, and the interest added to that was something like almost \$23 million, for a total of \$104 million. I'm doing these from memory, Mr. Treasurer. You said you had trouble remembering numbers, but fortunately I don't. So there was enough money to cover the \$99 million in expenditures with a little bit left over.

Now, the Treasurer pointed out that that problem will not be a problem now because the Alberta economy is so dynamic and doing so well and everything is so wonderful in Alberta – you know, the "we're in the middle of a recession, but everything is wonderful in Alberta" expression – that in fact there has been an increase in the buying of lottery tickets. Well, I would like to point out to the Treasurer that most of the people that buy lottery tickets are not those that are doing well in society; they are the poor people of society. The reason is fairly simple . . .

MR. JOHNSTON: Do you buy them?

MR. McEACHERN: Oh, very rarely; on the odd occasion.

MR. JOHNSTON: Well, you must be well off. You must be a rich person, Alex.

MR. McEACHERN: Yeah, I am. That's the high salary I get.

But the point I want to make is that the reason people buy more lottery tickets in the last few years in this country is because the Horatio Alger dream is dead in this country. We have so turned over the economy of this country to the huge corporations and the people with the incredible amounts of power that most small businessmen can't make it anymore. Most ordinary workers are being pushed into working-poor jobs. The fact is that our economy is in a lot of trouble. All the Al-Pacs, the Mitsubishis of the world are okay, but the ordinary people of this society are being harder and harder pressed. The middle-income people that do have a little money are paying more and more taxes. The poor people, the working poor and those on welfare and UIC, are just struggling to get by, and the only hope they have of making it in the world is to buy a lottery ticket. So it's sort of the Horatio Alger dream of the modern day and age to buy a lottery ticket. I guess that's the thing that's sad about this wonderful economy that you keep talking about, that more and more people see their only hope for success is

to buy a lottery ticket. That's why the sales are booming, and it's a rather sad commentary on our society, quite frankly.

We would be better to share a little more of the wealth, have more people with reasonable paying jobs being prepared to pay the taxes that pay for our schools, that pay for our roads and that sort of thing, rather than having a few very, very wealthy. We are trying to turn this society, the rate you're going, into a Latin America type of society instead of the European type of society that we have built over the last 150 to 200 years since the industrial revolution started. So don't tell me that everything is wonderful in this society. In fact, the lotteries are a measure of the misery in our society, quite frankly.

MR. JOHNSTON: Mr. Chairman, we've heard this comment now from the members for Calgary-Mountain View and Edmonton-Kingsway that there's some distortion taking place in the Canadian tax system or the Alberta tax system. Since that's been raised on both occasions, I feel it incumbent to say that that in fact is not the case in Alberta.

Now, I asked the Member for Calgary-Mountain View if he had read the literature; he didn't answer. I'll ask the Member for Edmonton-Kingsway if he's read the literature. If you read it – and I think there are very few people that have the information we do in Treasury – in fact the case of Alberta is not at all as the members for Calgary-Mountain View or Edmonton-Kingsway point out. They're both dead wrong on their facts when it comes to Alberta. They may well be accurate in terms of the American side, but if you read the literature carefully . . . In fact, the book that you're referring to you is by Kevin Phillips. If you read that book, he does make the point that there is that distortion taking place in the American system. To the contrary here in Alberta, to the contrary. Anyone who would allow the Member for Edmonton-Kingsway to say that Alberta is going to become a Brazil is absolutely fallacious. That's the most fallacious argument I've ever heard in my life, and that kind of nonsense has to be stopped before it becomes pervasive like a virus.

MR. McEACHERN: Give us time, Mr. Chairman. The free trade deal and the Mexican trade deal will do it for us.

The Treasurer keeps referring to reading the literature, and I think he's talking about, at least in part, this business about the provincial tax rates that he was singing and dancing about a while ago.

I can't believe that he didn't get around to bragging that we have the lowest medicare premiums in the country; that is, of the two provinces that bother with medicare premiums at all. The rest, of course, have zero medicare premiums. Had he counted medicare premiums into his tax system, you'd find that Alberta really isn't much better off than most of the other provinces.

MR. CHAIRMAN: Is the committee ready for the question?

SOME HON. MEMBERS: Question.

[Title and preamble agreed to]

[The sections of Bill 19 agreed to]

MR. JOHNSTON: Mr. Chairman, I move that the Bill be reported.

[Motion carried]

Bill 42
Tobacco Tax Amendment Act, 1991

MR. CHAIRMAN: Are there any questions, comments, or amendments to be offered in respect of the Bill?

Calgary-Mountain View.

MR. HAWKESWORTH: Mr. Chairman, it might be of some comfort to the hon. Provincial Treasurer that members of the Alberta Cancer Board were encouraging members of the Assembly earlier this evening to do all we could to discourage the use of tobacco. To the extent to which the Provincial Treasurer achieves that objective, perhaps he can feel not quite so under attack this evening.

MR. CHAIRMAN: The hon. Member for Calgary-Buffalo.

MR. CHUMIR: Thank you, Mr. Chairman. I wonder if we might have some comment from the Provincial Treasurer on an issue that's been raised by the Action on Smoking and Health organization with respect to the fact that the tax on bulk tobacco is lower on a quantitative basis than on finished cigarettes. This has been of some concern to ASH. They have raised it on a number of occasions, and they're somewhat concerned that this goes against the grain, encourages smoking in terms of roll-your-owns.

I note that the minister has not been forthcoming in terms of requests for information that have been made, studies and so on. One of our questions is growing mossy on the Order Paper while waiting for a response, and a letter has kind of disintegrated with age in waiting for a direct response from the Provincial Treasurer. So now that we have him in such a garrulous mood, probably entertained by the unprincipled quality of the previous Bill that went through, Bill 19, perhaps we might get him to tap-dance an answer in respect of that particular feature and perhaps what he anticipates down the line.

10:30

MR. JOHNSTON: Mr. Chairman, several comments have been moved here that we should try and tax all roll-your-own usable, smokable materials, but that may be a little difficult at some point. We're trying to be fair-handed and even across the table with respect to these increases. One year we increased cigar taxes by over 1,000 percent; the next year we tried to catch up. It's a question of trying to keep an even playing field. But I'll accept the recommendation from the Member for Calgary-Buffalo. Everybody knows how hard it is to roll a cigarette with the rollies, so I'm sure he's had an opportunity to try that. For the life of me, I don't know why anybody smokes that form of cigarette. If they get a bit of an advantage or if there's a redistribution towards rural Alberta as a result, if that's where the demand is, I guess it's something you live with.

Let me say that I will try and correct it. We've had a lot of representations, and even today we get them from people here in Edmonton in the anti-smoker's group. Helle Jorgensen writes to me, I think, every day telling me that we have to fix the imperfections with respect to the Alberta tax system on tobaccos and should increase it. So on that basis we receive a lot of input. But I'll look at the bulk tax next time and see if I can't provide some assistance on that recommendation from the Member for Calgary-Buffalo.

MR. CHAIRMAN: The Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. The tobacco taxes in this country are getting very high, and I quite agree with that. I will be voting in favour of this Bill, as my colleague from Calgary-Mountain View indicated we would. However, because of the high taxes, we do end up creating some rather interesting problems. I think most members of the Assembly would be aware that there was a problem in eastern Canada, I believe on the Ontario/United States border, of a native community that was exempt from the tax and getting involved in the cigarette trade. We are also all aware, I think, of the problem with cigarettes being stolen on quite a big scale now because the tax is quite high and the price is so high.

However, there is a problem closer to home, which I'm sure the Treasurer is aware of. I'm not sure I got all the details straight, but I'll describe it as best I can. There is the small community of Gleichen just near the native reserve. I understand there is a mall going in on the reserve right near the town of Gleichen. Because it will be native controlled, the shopkeepers in the mall will not have to charge the tobacco tax. However, the people in the small town literally just across the railroad track, I believe it is, from the reserve are outside the reserve and do have to charge the tobacco tax. Now, I'm not sure exactly what the rules are, whether they have to charge natives or not. In any case, they do have to charge the tax the same as anybody, say, in Edmonton has to charge the tax. Because of their close proximity to the reserve where this mall will go in, the small businessmen in that rather small town feel they will go out of business based almost entirely on that tax. In other words, cigarettes are a big part of their sales, and the cost to them will be such that probably they could not carry on business very much longer if the mall went in across the railroad tracks and did not have to charge the tax.

The idea put to me was that the federal government in similar situations with the GST has come up with the idea of some kind of comfort zone or exempt zone around reservations. The natives are also exempt from the GST. Stores or businesses operating very close to a reserve, I believe, have been allowed not to charge the GST. Now, if I'm wrong . . . The Treasurer may have better information than me on that, but that was my understanding. So what the businesspeople in the town of Gleichen were asking was that they be allowed to also not charge that tobacco tax. Otherwise, they feel they cannot stay in business, and the small town, of course, will probably wither and die. It's a town of somewhere between 300 and 400 people.

My latest information is that the Treasurer has written a letter in which he denied that thought or idea that there should be some kind of exempt zone near native communities so those communities would not be at too great a disadvantage. Of course, if there's enough distance between, the amount of tax isn't going to stop people from buying cigarettes with or without the tax. But if two stores are that close together that it's only a short distance away, then obviously the one will have a great advantage over the other. It's not that one is trying to suggest the native community shouldn't have the exemptions; that's fine. I think as they move toward self-government and more independence, all kinds of accommodations may have to be made. But it also might mean that governments are going to have to become very flexible also and take a look at what's fair for the people nearby.

I wonder if the Treasurer has any thoughts on that that he could give us tonight, as to whether or not he's considering anything like that. Certainly if there's any correction in any of the information I've put forward, I would like to hear that. But that's my understanding of the situation, and I would certainly

appreciate it if the Treasurer would fill us in a little bit on what's going on.

MR. JOHNSTON: Well, Mr. Chairman, first of all, there is a problem. There's no question that there is a policy mismatch with respect to the way taxation is levied against Indian Albertans in that the Indians properly claim they have jurisdiction under federal legislation, the Indian Act, which exempts them from all forms of provincial taxation and federal taxation. Accordingly, when a province levies a provincial consumption tax, they immediately claim exemption. The difficulty compounds. If the member is accurate, there's going to be bootlegging in tobacco in any event or cigarettes certainly as a result of the high taxes. Compared to the United States side, there will in fact be potential for bootlegging in cigarettes on and off reserves.

We have not fully devised a policy which will deal with it, but we have to do the following: number one, recognize the tax exemption status of legitimate Indians; and secondly, provide a system which allows them to acquire goods, particularly tobacco and certainly even fuel, tax free because we cannot tax Indians on that basis. What we're recommending is not so much any kind of perimeter exemption but having native Canadians identify themselves with a specific card and then having the retailer use that card for identification purposes and record keeping purposes to provide sales tax exemptions. I think it would be foolish to provide tax-free zones in Alberta, because you still have the same problem. I guess anyone could buy tobacco, gas, et cetera, in a tax-free zone – in the case of cigarette tobacco that's about four and a half bucks a package – so instead of cross-border shopping, you'd be cross-county shopping, I guess, to buy your cigarettes.

So we have devised a system which I think will work. But let me say that this is one of the larger problems we're facing in terms of this whole restructuring question about how you finance governments, because it does cause problems for us wherein the Indian Canadians claim Indian Act status exempt from taxation and the province of Alberta is required to deliver programs but does not have the wherewithal to provide revenue to provide those services. So there is both a policy mismatch and a question of the taxation application as a problem in my mind, and until that's sorted out on the big-picture side, we will have a problem in dealing with it here. I think the solution which we have discussed with native bands across Alberta at least in the first go-around will be workable.

MR. McEACHERN: If I understood the Treasurer's answer, I think he's saying that providing a comfort zone, so to speak, around a reserve would just move the same problem to another edge of that zone. Yes, I agree with him on that. However, the federal government didn't seem to do it with the GST, I believe, or at least that was the information passed on to me. I wonder why they would go to that solution, because it would seem to me it would create, as we said, the same problem just in a bigger zone. Is the Treasurer aware of what's going on with that? Or have you talked to the federal people? Obviously, this is going to be a problem right across Canada.

I think that in spite of those problems somehow there still has to be a way found so some people aren't just precipitously thrown out of business because of what amounts to uneven competition. We spend a lot of time in this Assembly talking about trade, for example, and having fair or level playing fields and fair trade practices, and I can't help wondering if some more discussion and more analysis of this situation isn't in order. I'm

interested in the GST aspect of what the feds have done, if the Treasurer has any information on that.

10:40

MR. JOHNSTON: Mr. Chairman, I'm aware of the problems of GST, and the same legal question applies. I'm not going to comment on how the federal government administers its GST because I am opposed to it. Now, I take it you are as well, but I'm assuming that you wouldn't expect me to do anything to provide comfort to the federal government in terms of application of a wrongheaded tax. However, I might note by way of comment that just last week one of my advisors advised me that in terms of harmonization of federal and provincial sales tax, in fact it is Alberta that has a perfect harmonization with the federal GST because our sales tax is zero.

MR. CHAIRMAN: Is the committee ready for the question?

SOME HON. MEMBERS: Question.

MR. CHAIRMAN: As to title and preamble, are you agreed?

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Opposed?

The hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Sorry, Mr. Chairman. I thought I heard someone say they wanted to speak, and I don't know whether that had been received by the Chair.

MR. CHUMIR: Well, I'll ask a question if it's still permissible. It's a short question, simply this: the ASH organization, to which I referred earlier, has indicated that Alberta has the lowest cigarette tax in the country at the present time, and we're wondering whether this is a deliberate policy. Is that the philosophy of the province, to have the lowest tax in that regard?

MR. JOHNSTON: I have already commented with respect to ASH. I think it's ASH. Certainly the group Helle Jorgensen works with must send me a fax a day on recommendations for tax changes.

The simple answer is that there's a lag effect. The lag effect is that we set our increases on these so-called sin taxes. We put our budget in generally earlier than most provinces, and by the end of the day when all the other budgets are filed, as the sort takes place, all other provinces increase their taxes. By a simple question of increasing their taxes above their existing base, they sometimes leapfrog ahead of us. If we wanted to make quantum increases and try to forecast what their increase is going to be, we might catch up to them. But at this point it's simply the timing of budgets that allows for this to take place.

MR. McINNIS: Mr. Chairman, I don't want to prolong this Bill, but the comment of the Treasurer really speaks to something that's been going on in my mind about this Bill. How do we set the level of the tax, and how do we account for the effect of smoking on our provincial budget? The Treasurer said in his Budget Address that he expected tobacco tax revenue to be \$41 million higher than last year, and I understood him to say just now that that figure was set according to the way the budgets were across Canada at that time. He wanted to be somewhere in the average or the mean, some harmonization or what have you so presumably smokers don't change provinces in order to

get a better deal on cigarettes. But I really wonder if it is honest accounting to say that we're going to get a \$41 million increase in revenues out of taxes, because smoking, apart from being a social problem and causing problems for people who don't even smoke because of secondhand smoke and so forth, also costs us a lot of money on the expenditure side. How many of the people who are spitting their lives away with emphysema go to the health care system repeatedly, and those who suffer . . . Well, we heard from the Cancer Board that smoking is one of those preventable causes of cancer and so forth.

I suspect that if we counted all the costs of smoking to our provincial budget alongside the revenues, the whole \$310 million, maybe we wouldn't actually be counting net revenue. Maybe we'd be counting a net deficit, in which case we should establish a public policy principle that somehow smokers as a group have to pay their own way, and that might lead to a different level of tax. That's really my question. The way we sort of, you know, pretend that this is revenue we can take and spend or use in some other fashion really speaks to the question. I feel the same way about alcohol, because that has a cost to it as well. Has the Treasurer ever looked at what the costs to the budget are in terms of smokers and the way they draw on services from our budget?

MR. JOHNSTON: Well, there have been some studies in various journals. I'm not going to get into the academic arguments.

It is very difficult to provide a full correlation between smoking and other carcinogenics, other kinds of diseases, although there's a high correlation in terms of use. It is not the only independent variable that drives these kinds of diseases, so it's difficult both in a temporal sense and in a specific variable sense to segregate what drives the sickness. I think it is both an intuitive . . . A statistical correlation is clear that smoking does cause several kinds of sicknesses, but it's not the only reason these are caused. So it's difficult to segregate from our health care cost analysis what it is that generates the total impact on the health care budget. Yet we work on the assumption that there is a high correlation between smoking and health. Obviously, we are concerned about the health care increases, and we believe one way to curtail at least the rate of increase in health care costs is to reduce the smoking side, and that that will have a very long-term impact, preventative if you like. But it's difficult on an analytical basis. Some have done some work on it to disaggregate the data on that basis.

Secondly, you mentioned the question of revenue forecasts. There are two aspects of it. Again I'm not going to give the economic argument, the elasticity of price changes on the kind of revenue response you get, but we're probably at that point where a substantial increase on the tax side is not a revenue generator. That does not say it's not a preventative health care mechanism, but it's not a revenue generator.

SOME HON. MEMBERS: Question.

MR. CHAIRMAN: Is the committee ready for the question?

[Title and preamble agreed to]

[The sections of Bill 42 agreed to]

MR. JOHNSTON: I move that the Bill be reported.

[Motion carried]

Bill 45

Financial Administration Amendment Act, 1991

MR. CHAIRMAN: Are there any questions, comments, or amendments to be offered in respect of this Bill?

The hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Well, thank you, Mr. Chairman. I gather one of the hon. members has no comments whatsoever. For his benefit, I will tell him that I have some comments. In fact, I'd like to begin by moving an amendment, which I believe has been circulated to all the members in the House.

Now, I'm going to . . .

MR. CHAIRMAN: Order in the committee, please.

MR. HAWKESWORTH: Mr. Chairman, as everyone knows, this is a very brief Bill. It consists of basically two clauses. The second clause increases the debt ceiling by \$2 billion. The Provincial Treasurer has consistently announced in the Assembly that this request is only a temporary situation, that this request is for a temporary problem, a short-term cash flow problem, and it's just going to be come and go and it will be all over with. This debt ceiling increase just doesn't indicate anything about there being a permanent increase in the province's debt. So I thought I'd take the Provincial Treasurer at his word. I guess, as the Member for Calgary-Fish Creek said the other night, I'm naive. I agreed that I would plead guilty as charged.

10:50

What the amendment would do is quite simply this. It would take back the authorization as of January 1, 1992. That seems to me pretty simple and straightforward. It fits with the authorization the Provincial Treasurer is asking for. I can't see how he and the government members would possibly object to that sort of temporary authorization being rescinded, that there be a sunset clause, in effect, added to this Bill. Of course, if the reasons the Provincial Treasurer gave are not the real reasons . . . [interjections]

MR. JOHNSTON: He's hanging on every word.

MR. HAWKESWORTH: Yeah, I can see him hanging over the desk here, Mr. Chairman, but I didn't think it was my words of wisdom bringing the smile of joy and the sparkle to the eyes over there. It wasn't that that was having an effect on the hon. members in the corner here.

Mr. Chairman, if the Provincial Treasurer needs this Bill for something other than a temporary problem, of course there's no way he could go along with the amendment, no way the government could support the amendment. Of course, that would tell us something, too, in terms of what the real reasons for Bill 45 are.

Mr. Chairman, I had the occasion to go to the public accounts. Again, these are documents that are available to the public and to all members of the Assembly. We don't get any quarterly updates from the Provincial Treasurer and there are no other sources of information made available to the members of the Legislature, so these are the details we have to rely on. In the public accounts for the year ended March 31, 1990, the most recent public accounts available to us, the Auditor General has outlined in a number of schedules what the unmatured debt of the province is. In terms of the General Revenue Fund, those schedules can be found on pages 2.16 and 2.17. What these schedules tell us are the critical dates when various

debentures and other debt instruments come due. Now, the Provincial Treasurer has explained on a couple of occasions during debate at second reading of Bill 45 that as this debt comes due, he needs to have in place borrowings, money that's secured, that he has in the bank, to pay for the rollover of these debts.

I would just make note of a couple of those schedules. On June 18, 1991, which will expire in approximately an hour's time – and before I do and the Provincial Treasurer does, it might be appropriate to adjourn the debate. But before making that motion, Mr. Chairman, I would make note of the fact that the public accounts indicate that on June 18, 1991, an amount of \$700 million is due and payable. I hope that sometime in the next hour the Provincial Treasurer will have that \$700 million in the bank ready to pay that debt, but I think he'll be able to do it whether we finish committee reading here tonight or not.

In view of the hour, I would beg leave to adjourn the debate.

MR. CHAIRMAN: The hon. Member for Calgary-Mountain View has moved that debate be adjourned on Bill 45. All those in favour, please say aye.

SOME HON. MEMBERS: Aye.

MR. CHAIRMAN: Opposed, please say no.

SOME HON. MEMBERS: No.

MR. CHAIRMAN: Carried.

MR. HORSMAN: Mr. Chairman, I move that the committee rise and report.

[Motion carried]

[Mr. Speaker in the Chair]

MR. SCHUMACHER: Mr. Speaker, the Committee of the Whole has had under consideration certain Bills and reports the following: Bills 19 and 42. Also the committee reports progress on Bill 45. I wish to table copies of all amendments considered by the Committee of the Whole on this date for the official records of the Assembly.

MR. SPEAKER: Does the House concur in the report?

HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed? Carried. Thank you.

MR. HORSMAN: Mr. Speaker, tomorrow it's proposed to deal with Government Motion 19 and then in committee to revert to the Bill we've just had under consideration.

[At 10:56 p.m. the Assembly adjourned to Wednesday at 2:30 p.m.]

