

Legislative Assembly of Alberta

Title: **Wednesday, February 26, 2003** **8:00 p.m.**
 Date: 2003/02/26
 [Mr. Shariff in the chair]

The Acting Speaker: Please be seated.

head: **Government Bills and Orders**
 head: Second Reading

Bill 2 Financial Statutes Amendment Act, 2003

[Adjourned debate February 26: Mr. Hancock]

The Acting Speaker: The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Speaker. I did speak briefly and adjourned debate, and I don't want to take too much time on Bill 2. I did want to just add a few words to the debate.

Because one of the members this afternoon in debate encouraged government members to get into debate on this issue and made a comment about the debate on Bill 201, the private member's bill, and how much participation there was on that, I just wanted to make sure that everybody understood for the record that before government bills come to the table, they go through a considerable amount of debate. Government members do have the privilege – and it is a privilege; I acknowledge that – of participating in debate at standing policy committees and at caucus and sometimes at cabinet, so they go through a lot of the discussion on bills before they come to the House. So when it seems like the opposition is afforded most of the privilege of speaking on bills in the House, well, there's a very good reason for that: they haven't had an opportunity to speak to the bill yet. They haven't had an opportunity to add their words of wisdom to the debate, but most of the members on this side of the House have participated fully long before it gets here.

Ms Blakeman: How would we know? It's out of the sight of the public.

Mr. Hancock: How would you know? Well, you know because the quality of the bill that comes to the House is usually superb.

What I wanted to say about Bill 2 is important. There are some significant changes, but one of the most significant changes to the way we do financial matters in the province, as outlined in Bill 2, is the change to the way that we deal with capital. I'm sure the Minister of Infrastructure won't mind if I spend just a minute talking about the way we do capital, particularly P3s, because P3s, public/private partnerships, have been a much misunderstood concept in the public debate in my view and one which really bears some discussion and clearing up.

The opportunity for government to leverage its capital to do more in the near term so that we have capital structures in place for the long term at a time when they're needed because the population has grown, because the economy is strong, because things are happening is a very important concept. In the old method of utilizing capital, it was, of course, pay as you go, and it came off the bottom line. That capital was not expressed in a balance sheet of government. So there was no acknowledgment of the fact that although the money was spent, there was good value obtained for it and there was an asset on the books, because the books didn't reflect those assets. So the change in Bill 2 which allows us to reflect assets on a balance sheet and show that an expenditure that's taken is accompanied by a corollary asset that's achieved and then that asset expended

through depreciation over the usable life of the capital project, I think is a very substantial change.

One of the other very substantial changes is the concept which allows us to partner with others to provide public goods, to provide public capital. There are a number of very good ways in which that can be done. One of the projects that is currently being talked about and currently being pursued is a courthouse in Calgary. Now, there is a high demand for capital properties. Health facilities and schools and roads are very important in terms of building and developing the future for our province, but justice in the courts is also extremely important. So how can we find capital to do all of the important projects when there's a limited amount of capital available? In my view, Mr. Speaker, Bill 2 affords us some opportunity to embrace the concept of a public/private partnership where it's appropriate and when it pays dividends for the public.

Now, I've mentioned the public/private partnership concept in a courthouse. I also want to talk very briefly about the concept of public/private partnerships in schools because in recent months there's been some discussion about whether or not they can be effective. Well, whether it's a courthouse or a school or any other public building, if you believe that a public/private partnership is simply having a private developer build a capital structure and then leasing it back to government over its usable life, you haven't got any more than a build/leaseback. That's not what you're talking about in a public/private partnership. It may be one way of building buildings and expressing the capital over the lifetime of the building, but it's not truly a public/private partnership.

A public/private partnership is a situation where you can get the private sector to bring its ingenuity, its ability to do projects perhaps better or faster to the table because of the way they can organize the operation. It's an opportunity to bring innovation to the table. It's an opportunity to reduce, perhaps, the long-term operating risks. But obviously any project of that nature would have to be done in a context where you don't reduce the quality of the building. You don't reduce the quality in order to get the private sector to build, and you don't pay more in order to get the private sector to build unless you're getting something more than you would the other way.

I'll use the school as a concept because in my constituency a lot of people have talked about this question of how you use a public/private partnership for a school. Indeed, the Leader of the Opposition has talked about that in my constituency. There is nothing wrong, in my submission, with having a public/private partnership with a developer in a new subdivision or a new area of a subdivision. I'll use Edmonton-Whitemud as an example. In the southwest portion of my constituency there are probably six new communities being built, and there are probably six developers building those communities. These communities are very good communities; they've got everything they need. They've got roads. They've got parks. They've got all the services you could want. They even have a place set aside to build a corner store. They've got everything they have, but they don't have schools.

Mr. Mason: They don't have a New Democrat MLA.

Mr. Hancock: I said: everything they needed.

What they need is schools, and the schools typically in our subdivisions don't get built until a lot longer down the road, when many of the young children who have grown up in those communities – new communities tend to have younger families – have left before the schools get built. So the system is wrong in terms of the way we develop, but you can't obviously build a new school in every subdivision. The planning process has got to change to recognize that. Probably in southwest Edmonton there's going to be one

school in that area, one elementary school, maybe one junior high school.

So the question then is: where does it get built, and how does it get built? Well, obviously, the question of where it gets built and if it gets built still has to be left with the school division, that is going to determine whether it's got need in the area and determine how it fits in its complement of schools and all those sorts of issues. Obviously, that's not a decision you leave to the developer. But there may be seven or eight or even probably 14 different school sites in that area, and any one of them could have a school built on it. Probably half of them are optimal for having schools built on them, and only one is likely going to have a school built on it.

Why don't we get together with the developers in that area and say: "Sharpen your pencils, guys; come to the table. Which of you would like to build a school in your neighbourhood on the land that's been set aside for schools? What we can bring to the partnership is seven or eight other pieces of land that can be put into the partnership, so put that into your mix." But nobody should be thinking about that. [interjection] The Leader of the Opposition is asking me a question. I'd be more than happy to answer it if I'd heard it.

Nobody is talking about letting the developer run rampant and build a school. Nobody is suggesting that the developer should set the quality standards of the school or decide where the school should be. But everybody, I think, would acknowledge that if a school were built in a community, it would enhance the viability of the community and enhance the salability of the community. So the developer obviously has an interest in having a school in their particular part of the community. And as long as there's not going to be one school in every community but there is going to be a school in one of those communities, why wouldn't you go to those developers and say: "Come to the table. What kind of a deal will you make?"

I'll bet you in some areas where there are that many houses going up and that many developers in there, you might get a developer who'll come to the table with a pretty good deal for the public. But they would have to build it to the quality standards. They would have to build it in an area that the school board wanted a school. They would have to meet all the requirements. We're not talking about having them build a school that we would lease for the next 30 years and pay them more than it would cost for the government itself to build the school. That's not the deal. That's no bargain. That's not a partnership. Partnership is when everybody gets something out of the process.

8:10

So, Mr. Speaker, what I wanted to add to the discussion today is that when we're talking about P3s, we ought not to confuse public/private partnerships with other forms of financing: build/leasebacks or bond issues or those sorts of things. Those may be relevant and appropriate in certain circumstances, but public/private partnerships are when the public dollar and the private dollar can go into a project, where the public gets something it needs on a timely basis, where the private sector obviously gets something that it needs, perhaps enhancement of their community. It's a win/win situation, and it costs the public less to get more. That's what a public/private partnership is, Mr. Speaker.

I'm very excited about Bill 2 providing some of the framework and structures so that instead of doing everything the same old way, instead of having to write off 100 percent of the dollars in the year that you commit to the project, you might think about capital in a broader perspective: carry capital over from one year to the next, dedicate it to the project you're trying to build rather than the year you're going to build it in, deal with it in an innovative way, have

the flexibility to do things appropriately to get the best costs so that you're not always building everything when the costs are highest and building nothing when the costs are lowest. Being able to manage capital in a much more businesslike manner: that's what Bill 2 does for us. It also opens all sorts of opportunities to unleash the innovation that can come from the private sector and allow it to do public good.

Mr. Speaker, I think Bill 2 is a good bill.

The Acting Speaker: All those members who've been sitting on the edges of their chair to ask a question of the hon. Government House Leader, this is your opportunity for the next five minutes.

There being none, may we briefly revert to Introduction of Guests?

[Unanimous consent granted]

head: **Introduction of Guests**

The Acting Speaker: The hon. Member for Edmonton-Rutherford.

Mr. McClelland: Thank you very much, Mr. Speaker. To you and through you to other members of the Legislature it is my honour and privilege to welcome to our Legislature 15 scouts of the Duggan Scout group. They are accompanied by their leaders: Paul Chell, Guy Germain, and Debbie Schmermund. We would ask them to please rise and accept the warm welcome of this House. Welcome.

Thank you, Mr. Speaker.

head: **Government Bills and Orders**

head: Second Reading

Bill 2

Financial Statutes Amendment Act, 2003

(continued)

The Acting Speaker: The hon. Leader of Her Majesty's Official Opposition.

Dr. Nicol: Thank you, Mr. Speaker. It's a real privilege tonight to stand and speak to Bill 2. I just want to start by welcoming to the Legislature the young Albertans that were just introduced. It's great to see them come in and take an interest in the democratic process, especially tonight while we're talking about some of the things that are really going to affect their future in the context of schools and how we build infrastructure and how we manage money so that they've got a stable province in the future. So, personally, I just want to say thanks for coming in, and I hope you enjoy the evening.

On Bill 2, Mr. Speaker, it's really one of those situations where you stand, and as the Official Opposition, you know, in a British democracy we're supposed to say: this is what's wrong and this is what's wrong and this is what's wrong. But for seven years we've been asking the government to do just what they're doing in this bill, so it's kind of hard for us to say there's much wrong with it. Since I became the Leader of the Official Opposition, I've been asking the government to try and implement four different tools that would improve our financial position and financial management in this province. Directly, three of them are now included in this, so I've got to say: for three-quarters let's say thank you.

It was interesting because the fourth issue, which had to deal with the predictability of budgeting for the arm's-length agencies, the minister talked about today and said that this was all going to be now built into the preparation and a much more predictable business plan adherence. So, in effect, all four of the things I was hoping for are being made possible by this bill. So to the Minister of Finance,

thank you. Albertans thank you. It's a great idea that some of these things are finally being put in place.

The Minister of Justice talked a minute ago about the idea of looking at how we deal with our capital assets and investment in infrastructure. That's one of the things that's really being facilitated by this act under the new capital fund that's going to be established. This is a fund that's really going to allow us to, as he explained, spread out in many ways the planning that we do for our infrastructure.

He took that debate and then went off and started talking about P3s. You know, this is one of the issues that you have to look at. If the government had been properly dealing with the needs of our infrastructure over the last 10 years rather than building a debt in our infrastructure – getting behind in building our schools, getting behind in building our highways and health facilities, getting behind in the courthouse that he talked about in Calgary – what we would in effect have is the opportunity to deal with: how is it that we should be planning capital in the long run in a stable, sustainable economy?

You know, with the example that the minister gave about this partnership where everybody gains, we have to recognize that if we were doing that planning appropriately at the start, these multiple communities that he was talking about, only one of which is going to get a school – and he suggested that the best way to do that was to see which developer would give us the best deal in building the school in their community. Well, I guess the reaction that I had to that – and I made a comment about it – is that it shouldn't be the developers that decide where that school is built. It should be the school board of the jurisdiction, in our case the Edmonton school boards, either the public or the separate school board. That's who should be deciding with the community planners, not developers, in terms of who can give the best deal to establish a school in their community. Obviously, they may end up saying: well, if we can put it in our community, we can sell our houses before they can in the other one.

Well, you know, that shouldn't be the criteria because it should be based on the overall community plan. What traffic patterns does the community want? What was built into the subdivision plan? What age distribution? What growth patterns do they want to see in the population base? Where might the next subdivision go? Those are the kinds of things that have to be put in. So I would suggest that letting developers decide where the school goes compromises a community in deciding . . .

Mr. Hancock: Nobody was suggesting that.

Dr. Nicol: Well, the minister says that that's not what he was suggesting, but what I heard him say was that, in effect, he would go to the developers and say: give us your best shot, and let's see what we can get.

The idea is that we've got to make sure that this is done in the community interest, and as a government our mandate is to make sure that the best use of the public dollar is there for the community, for Albertans. We should not be out there trying to make sure the developers make an extra dollar. They're going to do that anyway. What we've got to do is make sure that the public tax dollar is well spent. Private developers get their share of that because they are the people who are contracted to actually build the facility. They can do that. They can do that with the ingenuity and the speed that the minister talked about. So that's kind of what I wanted to talk about just in reaction to the comments that he had brought forward.

In the rest of the act what we're looking at are some real issues about the ability now to really have more flexibility in this long-run plan for our province, you know, the sustainability part of this act,

which is going to allow us to have a fund that will provide dollars for unforeseen and unpredicted shortfalls in revenue.

8:20

Now, the idea that a certain amount of our natural resource revenues is going to be dedicated to general revenue and the rest will go into the stability fund is great because what it does is give us that predictability that we need. When the stability fund is there, we can draw money back out if that level of natural resource revenue is not achieved. In this model right now and in the current government implementation plan it's going to be about 3 and a half billion dollars of natural resource revenues that go to general revenue. The issue is that when we build the stability fund, or the sustainability fund as the government is calling it, what we need to do is look at what is an appropriate level for it.

I was very pleased this morning when we had a chance to get a briefing from the minister's staff, and I want to thank the Minister of Finance for making that briefing available to us. What they talked about were the conditions under which money can be withdrawn from that stability fund. I guess the only question that came up in connection with it after my staff came back and debriefed me on their briefing was how it is going to relate to current budgeting practices. They talk about the idea that the sustainability fund will be used for emergencies, and they list fires, droughts, floods – you know, the Pine Lake tornado – and that kind of thing, yet when they're starting this fund off, they're only committing \$400 million to it this year. This act changes the contingency fund requirements of the general revenue fund from a 3 percent contingency fund down to a 1 percent contingency fund, yet it seems that we're putting more demand on that contingency fund, which is, in effect, the stability fund, or sustainability fund now, by having the flood and emergency components there.

I guess the question that I throw out – and at some point the minister can clarify this for me – is: is this over and above the normal budget amounts? We've always had disaster components built into our regular budget practice. She signals that it's over amounts, so that helps a lot. Thank you. That clarifies one of the concerns that I had. If we were going to put all of those emergency and disaster demands on this fund, then it wouldn't have been big enough, you know, based on some of the experiences we've had in the past few years, but if it is built into the regular budgeting practice and then this is just for over and above the plan, that helps a lot. Thank you. That works out to provide that kind of a better understanding for it.

I guess when we look at it from the point of view of: let's be a little optimistic and think down the road a few years, when the fund hits the cap of the 2 and a half billion dollars – you know, this is a really interesting one that the government gave us in the briefing. They said that once it hits that 2 and a half billion dollars, any additional dollars can be used for four things. They listed debt repayment, capital investment, improving the government's balance sheet, and not operating expenses.

It would be nice to have a fifth one put there which would have an asterisk on it that said: if it looks like we're now entering a new scenario where there's going to be a long-term continuing surplus, how about a tax cut? You know, that might be one of the things we should be looking at as well. If we built that up in a very short period of time, then what we need to do is look at whether or not this is sustainable. If that is a sustainable ongoing surplus, that needs to be one of the options because we sure don't want to make it sound like the only option we've got after that's full is to spend the money. It's Albertans' money. They should have some kind of a say in it as well or some kind of a claim on it. That's the kind of thing that I

would like to just add to their list of options when we look at it. It needs to be built in.

The next part that I just want to talk a little bit about is the benefits that we are going to have with the proposed capital planning part that's built into this. You know, if we actually do undertake and commit to those three-year capital plans, what is going to happen is that we're going to get rid of one of the greatest concerns that was expressed to me in the 2000-2001 period, when we had originally planned for a significant, almost \$2 billion capital budget, and then we had to cut back when revenues fell. I can tell the minister now that I got a number of calls from the capital construction industry in Alberta, if I want to put a broad base on it. I don't want to just say the highway builders or the school builders or that kind of thing. It was a general concern by the capital building industry in this province, and they said: how can they plan, how can they commit to their bank to buy new equipment to carry out the stuff we need if there's no predictability and no stability in our capital plan?

So this is another one of the things that is a spin-off from this whole stabilization concept that's being built into all of these different funds. I'm not talking about the fund; I'm talking about the concept of stability. It needs to be there from the point of view of not only our planning as policymakers but also planning on behalf of the industry that will be doing things for us or the planners who are, like the school boards, trying to meet needs of service delivery. What it does is that it really is going to create a much better environment for all of the things that we want to do in terms of planning in this province.

If we look at the other components that are in there, they talk about moving to an amortization of capital for the government's bottom line. You know, the amortization of capital is a mechanism to keep track of the capital that we've already put in place. I guess the thing that I would like to ask here in that context is: how do we deal with the backlog, especially over the next couple or three years as we try to catch up in some of the deficit that we have in our infrastructure right now?

You know, the Minister of Infrastructure and the Minister of Transportation and the Premier have all talked about the idea that we do have to in effect catch up. If we're going to talk about a balance sheet, which I've heard the minister talk about on a number of occasions, will that catch-up need or the deficit that we have in our infrastructure be included as part of the balance sheet for our province? You know, as we try to create the sustainability that we have been talking about here, that has to incorporate a degree of commitment to ongoing support for our infrastructure, and if we're behind right now, we need to recognize that and catch up so that in the future we can truly be dealing with sustainability of that infrastructure base.

So when the minister has been talking about this balance sheet for Alberta, I would hope that it includes, you know, some kind of an estimate of where we're at in the context of a deficit in infrastructure. If we're going to truly look at what we have to do as a province in making our decisions, the planners out there need to know where we're at, what's a backlog, if we're going to spend the extra \$3 billion a year for the next possibly three years. If the plans of the Premier in his television address work out, then the industry out there needs to know: is that an ongoing thing or is it for three years, that they get the extra billion dollars for three years and then it's gone, that we have to drop back to the approximately a billion that's in the budget on an annual basis? Then they can plan. But if they know that there's still a deficit in infrastructure, they'll expect there still will be possibly some subsequent catch-up in years after that third year. It gives them a chance to decide whether they should invest in new equipment or new training of employees, the whole bit.

So I would hope that that gets built into that infrastructure on that balance sheet basis.

8:30

The other aspect that we look at is, I guess, the increased flexibility, and that has to be something that we look at very positively in this piece of legislation because the government now is going to have options at the end of the year. It's going to have an option to look at how they can, in effect, deal with surpluses in the budget rather than having that rigid 25-75 that we had before. You know, I think that we have to look at that giving us as a province a real chance to deal with some of the issues that are being addressed or that arise during a year and look at it from the point of view of what's really in the best interests of the province as a whole. We need to look at that.

The interesting idea that we're going to have an option to, in effect, carry over those capital dollars really helps. The main thing that we're going to have is some stability. You know, Mr. Speaker, it's I think contingent on all of us to talk about this act and say that it gives us a chance to do things much differently than we did in the past. It's going to give us a chance to probably really promote better planning for the province, and I guess that from that perspective I would hope that everybody would help to in some way expedite this through so that we can put it in place.

I'm going to close with that, Mr. Speaker, and I'm going to close with kind of a humorous little incident that happened this afternoon. When the minister announced her third-quarter update at 10 o'clock this morning, the press obviously ran up and said, "Ken, what do you think?" After some discussions I made a comment. I said: "You know, it's really kind of interesting that we're getting this third-quarter update in the framework of the new legislation, which has not yet been passed, so in effect we're doing something that isn't legal. You know, we're reporting this third-quarter update using a framework that the Legislature hasn't given them permission to use yet." So in the Premier's 3 o'clock scrum one of the reporters picked up on it, went to the Premier and said, "Mr. Premier, the opposition is accusing you of breaking the law." He said, "What do you mean?" He said, "Well, you know, you're reporting your financial statements using a thing that isn't legal yet." The Premier looked at it and said: "Well, my gosh. Whip me with a wet noodle; will you?" So I don't want the Premier to have to be whipped with a wet noodle. Let's give him the framework.

Thank you very much.

The Acting Speaker: Standing Order 29 kicks in. The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Speaker. As I understand Standing Order 29, it's available for question or comment, and I'd only want to make the comment that the hon. Leader of the Opposition, I think, misinterpreted my remarks slightly. I'll give him the benefit of the doubt. There probably was too much noise in the place; he couldn't hear me. I did say that the school boards ought to be the ones who determine where schools go, make that determination. Developers can come to the table and make proposals, but the determination of where a school ought to go ought to be made on the basis of the public interest. That was the gist of my remarks. If I wasn't clear enough, I wanted to clarify.

The Acting Speaker: The hon. leader.

Dr. Nicol: I stand corrected.

The Acting Speaker: There being no questions, I'll recognize Edmonton-Centre.

Ms Blakeman: Thanks very much, Mr. Speaker. I am pleased to take this opportunity in second reading to speak to the principle of Bill 2, the Financial Statutes Amendment Act, 2003. Well, I've been in this Assembly going into my seventh year now, and I've been hearing about the Liberal plan for a stability fund every one of those years, and now we have it incorporated into legislation by the Conservative government.

Mr. Mason: They're just Liberals in a hurry.

Ms Blakeman: You've got to be just the tiniest bit jealous about this one; don't you? I'm sorry. My remark was directed towards the Member for Edmonton-Highlands. I apologize, Mr. Speaker.

As I looked through the notes, actually, there was a letter from Dr. Percy, who was then the Member for Edmonton-Whitemud, first raising the idea, and then in fact the Member for Edmonton-Mill Creek had a bill brought forward with exactly that idea. Then, of course, it was brought forward by our own sitting Member for Edmonton-Ellerslie and then by our leader in the last year. So I think the Liberals deserve credit for being persistent in bringing this idea before the Assembly enough times that the government finally saw the light and, in fact, incorporated it into what they were doing.

I was interested or perhaps intrigued to listen to some excerpts from the government members talking about this act this afternoon. I heard the intergenerational debt argument being raised again, which I thought was very interesting. That's the one about how the government saved future generations of children from debt and deficit. I'm always fascinated by that argument, and it was used at the time, but it's as though the government members like to think that the debt was created by a meteor or an act of God or a firestorm or something. I mean, the truth is that the debt was created by the very same Conservative government. It took them 20 years to rack up the debt and 10 years to pay it off. This was not created out of thin air. They strut about as though they invented the most marvelous thing. Well, I guess they did. They invented an enormous debt, that all Albertans have had to help them pay off now. But they talk about it like they had no connection to the creation of it.

You know, they didn't dissolve the Conservative Party and start it again under a different name or something. They didn't. It's exactly the same party. If you check under the Societies Act registration, it's a continuous registry there. It's exactly the same party. It's exactly the same people that created the debt, and now they want congratulations for having to work to pay it down. Well, I don't know, Mr. Speaker. It's just one of those strange, twisted little facts of sitting in this Assembly some days.

I heard another member speaking: look in the mirror, and you will see who created the debt; it was Albertans who created this debt; let's blame it on the schools and the parents and the seniors. Excuse me. Those people were not the government. They did not make the choices that put those programs in place. They did not pass those budgets. The Conservative Party as the government did. You guys made those choices. Don't bother blaming that on the seniors. Don't blame it on the parents or on the schools. That's not who made those decisions. The current sitting government made those decisions. So don't blame it on anybody else.

Mr. Mason: The ogre of overspending.

Ms Blakeman: You're just itching to get up on this one again. Yeah; this was created by the choices of this government.

The other thing that I've followed along with, I've thought: wow, I don't think you could write a science fiction novel freakier than this stuff. I mean, is this whole idea that somehow this astonishing, brilliant, economic theory helped this government devise the plan to get rid of the deficit and the debt? Well, no. I mean, the money came from high oil and gas prices, from surpluses that way. Hello? It almost grew on trees, except it didn't. It came out of the ground. Lucky, lucky for the government. It literally opened up before them and came out of the ground. They couldn't have had it any luckier. So as far as brilliant planning and astonishing budget management, no. Sorry, guys. You had oil at, like, 40 bucks a barrel. I mean, anybody could have had a surplus with that.

8:40

An Hon. Member: Could it be good karma?

Ms Blakeman: Good karma. I'm asked if it could be good karma. Well, now we're back to this argument about who created the debt. The same people. So maybe the karma was that you'll finally get to pay off your own debt.

So we had cut stupid in that it wasn't planned. They were very quick cuts. The cuts came out of the frontline services. The cuts came out of maintenance, which is costing us a lot of money further down the line, as we know now. We had cut stupid, we had surplus easy, and then we had spend stupid. So I never quite understand why this government is so darned proud of this whole fiscal thing because it just strikes me as bizarre.

Now, let's talk about the intergenerational debt thing: "Oh, my goodness, we have to pay down this debt, or we will transfer debt to our children, to our kids and our grand-kids. Oh, man, we've got to do this right away." I go: what is the one group that has been affected instantly, in less than half of a generation? Which group of people in less than half a generation has borne the brunt of this government's choices? That would be our kids and our grand-kids. Well, how? Well, look at the cost of university tuition and tuition to colleges and institutes of technology. Who is carrying that debt on behalf of this government? Those students are in less than half a generation. So, wow. I mean, wow, you guys are good. It didn't even take a full generation to transfer that debt. You did it in less than 10 years by transferring it directly onto the shoulders of every single Albertan that was attending an educational institution and their parents. Hello? Like, wow.

I mean, we've got university tuition that went from a thousand bucks to 4,000 bucks a year. The debt load that students are walking away from school with now, the last year that I checked, was 25,000-plus dollars as a debt. So there's where the debt went. Right onto their shoulders: 25,000 bucks apiece. There you go. If you're going to be in medical or legal pursuits, you're looking at 40,000-plus dollars as a debt that you're walking out with, and that will soon be higher when they allow differential tuition fees in those faculties. So it's really our kids who took this debt on, but the government likes to take all the credit for it. You know, at least, you guys, admit that you transferred onto the shoulders of your children. Please give credit where credit is due.

Now, let's talk about the Financial Administration Act. This is the other one. It's straight out of George Orwell. It really is.

An Hon. Member: Straight out of George Bush, you mean.

Ms Blakeman: No. George Orwell. You guys must sleep with a copy of *Nineteen Eighty-Four* underneath your pillows. I mean, wow. It just oozes out of you.

Why – why? – are you so proud of having to pass a law to keep

yourself from going over budget, from overspending? Like, who would need to do that? You know, usually you pass laws when you know that there's a tendency to do something and you're trying to curb that tendency. So every time members of this government get up and beat their chests and have ticker tape parades about how gosh darn wonderful they are for having passed an act to keep themselves from overspending – hello? Well, then, what's your tendency? To overspend, and we've seen that: 20 years' worth of debt creation. I mean, I guess it was pretty obvious; wasn't it? You did spend 20 years creating this debt. You did have to hold yourself in line, so you passed a law so that you couldn't go and spend over your budget or create a yearly deficit. Wow. And you want congratulations for that? I guess you do.

The other thing that's happened – and this is a little darker, I think – is that I think it was an easy way for the government to control constituents and certain issue-based constituency groups because you could always use that big stick, that big devil, that bogeyman. That's the word I was looking for. "No, no, you know, we can't go over budget on this. We've got to get rid of the deficit and then get rid of the debt. So no, no, you can't have whatever the heck you're asking for."

I still feel that there were some philosophical or ideological moves that were made under the guise of this economic fiscal restraint. You know, it's in areas like the women's issues program. Now I don't even think it's a desk. It used to be a desk having come down from a branch, but I don't even think the desk is there anymore. There are certainly no programs being offered. Certainly it's in the attitude to poor people in Alberta that, you know, it's their fault somehow. I really didn't approve of that at the time, and I still don't.

We're back to looking at this idea of a stability fund as brought forward by the Liberals repeatedly, and I guess the government finally understood what it was. I was looking back at some of the government reaction in the past when we raised the idea of a stability fund and we explained what it was. I'm looking at *Hansard* from November 21, 2001, an exchange between the leader and the Provincial Treasurer, which is what I think she was called at the time, in which she goes on with some bombast about – and I think this is the crux of it why it took so long. It was just a total misunderstanding about what the stability fund was, and I guess that once they got their financial management group of buddies from Calgary to explain it through that committee – I can't remember the name of it – then all of a sudden that was okay. That put the kiss of success on it. It's just interesting reading, looking back now.

Here's the quote from the Finance minister.

The situation in the province of Alberta is to manage the realities that face us in the economy.

Sorry. I'm going to jump ahead a bit.

Albertans went into a contract with this government again this year and said: "Stay the course. Keep our taxes low, pay off our debt, and spend wisely." The corrective plan that we have put forward is in response to exactly what Albertans have asked us to do. This hon. member would like us to abrogate that responsibility and move away from it. We're not prepared to do that.

Well, how does she think that responsibility is going to be abrogated? Earlier on it says:

The alternative, which the Liberal leader would want, is to put us in debt, spend beyond our means, raise taxes, and not deal with reality.

That's what she thought the stability fund was. So no wonder it's taken us this long to come to this point.

Do I agree in principle with what's being proposed in this act? Yes. I think it is a way for us to start to achieve or at least have stability in sight. This is a boom-bust economy. This government has not been successful in understanding that and trying to manage

it. It's just ridden along with that roller-coaster ride and taken every Albertan along with it. What we're really looking for, I think, in any economic plan is stability and predictability. That's what people want. They want to know what's going to happen. They want to know how they can plan, and they don't want this sort of, "Yes, you're gonna have \$82 million for a school," and then four months later: "No. It's all gone. You're not going to have that until we don't know when." So it's all put off again. My goodness. As a parent how do you decide what school your kid is going to go for? I mean, everything is just placed in front of people and then yanked away again in the next possible second.

Thank you.

The Acting Speaker: Standing Order 29 kicks in. The hon. Member for Edmonton-Rutherford.

Mr. McClelland: Thank you, Mr. Speaker. Our friend and colleague from the Liberal Party, representing Edmonton-Centre, spoke to the genesis of the debt, how the debt evolved into the responsibility of the government to ensure that this did not happen again, and a preoccupation, perhaps, of the government to ensure that we didn't ever fall into the debt trap and the spiral that we found ourselves in beginning in the early 1980s, which caused a recession in Alberta that lasted at least a full 10 years and that caused many, many Albertans to lose everything that they had, to lose their life savings, their businesses. As time goes by, it's so easy to forget the national energy program. The national energy program, which was a creature of the federal Liberal government of the day, absolutely decimated the Albertan economy. Many people representing the Liberal Party feel that the national energy program was an intrusive raid on the resources of Alberta and that that was the genesis of Alberta's descent into debt that we had to dig ourselves out of.

So I would ask my colleague representing Edmonton-Centre . . .

8:50

The Acting Speaker: Hon. member, this time is for brief comments or brief questions.

Mr. McClelland: Okay. Thank you.

. . . to comment on the national energy program. In her estimation was that the appropriate policy for Alberta or was it not?

The Acting Speaker: You don't have to respond.

Ms Blakeman: Yes. I know that.

From the sublime to the ridiculous. You know, truly, the NEP was so long ago. Get over it, you guys. Move on. No wonder you're having so much trouble. It's 20 years ago, honey. We're into a new century. Come on. Move ahead. Good heavens. Every time something is critical towards you, you've got to drag that up. It's old. It's way over, you guys. Move on. If that's the best you can do, it's getting a little tiresome.

Mr. Mason: I would like to ask the hon. Member for Edmonton-Centre if it is not the case that not only was it this Conservative government that drove up the debt, created the debt and the deficit in the first place, but whether or not it's traditionally governments like, for example, the Thatcher regime or the Reagan regime or now the Bush Jr. regime that actually are the greatest deficit creators in the world and if they don't actually put Pierre Trudeau to absolute shame when it comes to driving up deficits.

Ms Blakeman: Yes.

The Acting Speaker: Okay. There being nobody else wanting to ask a question, the chair recognizes the hon. Member for Edmonton-Ellerslie.

Ms Carlson: Thank you, Mr. Speaker. I have to say that after so many years of talking about a stability fund from the perspective of the opposition having presented the idea in the bills, it certainly is a real pleasure to be able to talk about the stability fund from the perspective of the government actually introducing a bill that might in fact get passed this session. I would like in my comments to talk about how this fund has come to be and what I like about the way the government has proposed it and what I don't like about it.

First of all, before I get into those comments, Mr. Speaker, I have to make a few comments on what the Government House Leader said in his opening statements. He talked about the lack of necessity for private members on the government side and government members to speak to legislation because they had already talked about the legislation through their various committees and internal caucus processes, but he missed the whole point of being open and transparent and accountable to Albertans. When that debate occurs behind closed doors and is not in fact rehashed in the public on the record, then nobody knows how the government makes their decisions and what kinds of deals they come to. So we would urge them to actually participate in the debate, not just in flippancy questions at the end of our comments but standing up and putting forth the comments and concerns and debate they had within their own internal committees in terms coming to . . .

Rev. Abbott: That's none of your business.

Ms Carlson: Well, there's a smart-aleck answer there, that it's none of my business. The fact is, Mr. Speaker, that it has nothing to do with whether or not it's my business. It's the business of Albertans to know how their government operates, and it has been a commitment, an often broken promise by this government that they will be open and transparent and accountable. It is exactly Drayton Valley-Calmor's comment that it's none of our business that is completely disrespectful to Albertans and ignores completely the promises that this Premier has made to people election after election after election. So we would hope that that is not the same opinion that the front bench of this government holds, because it is not the way to govern a province. If you're making decisions on a good and sound basis in the best interests of the people of the province, then to be open and transparent, to have the discussion on the floor of the Assembly, where it properly belongs in a democracy, is the right thing to do.

It certainly speaks to the quality of debate. As the House leader said: the quality of debate is enhanced by them not participating. Well, I have to say that often that is the case, Mr. Speaker, but we would expect that they would get better over time. Being Liberals, we'll give them every chance possible to improve the quality of their debate, and we're looking forward to them at least trying.

The Government House Leader also spoke to the quality of the bills then hitting the Legislature because of the quality of their process, but in fact we have seen in this Legislature time after time after time bills hitting the floor that are severely flawed. They're poorly written. They require amendments, amendments often proposed by us, sometimes taken by the government from the opposition. Often the government has to bring in their own amendments to their own legislation because they didn't think it through in the first place. Sometimes they leave the bills on the Order Paper and never pass them, and sometimes after they're passed, they have to rescind them or bring in amended bills to improve the quality of the legislation.

This brings me to my point of the often-discussed all-party committees. If they would have some input from people who bring different visions of Alberta to the table at the drafting stage, at the general debating stage, we would see an increase in the quality of the bills that hit the floor of this Legislature. The complaint from the government side is that they would have to listen to us debate it in the committee and then again in the Legislature, but any of the government members who have worked with me over the years on a variety of different kinds of committees know that that isn't in fact true. Yes, we will have points of contention that need to be brought forward and we won't agree on, but for the most part we will work out the differences, come to a compromise. What happens is that the government will be complemented on the process in this Legislature, and the bill will go through all stages of the reading in a very timely and supportive fashion.

So what I would suggest is that, in fact, what the Government House Leader said is not always accurate. There are many ways that their processes of bringing bills to the floor of this Legislature could be improved. One, all-party committees at the drafting stage and, secondly, having their members debate the bills and talk about the process the bill went through through their caucus and whatever groups they took the bill out to for information and feedback to be discussed here on the floor of the Legislature. That would actually encourage some openness and accountability, as these have oft been promised by the Premier of this province.

Then I have to comment on a difference in opinion I see this evening between the Government House Leader and the Member for Edmonton-Rutherford. During my colleague the Member for Edmonton-Centre's debate she talked about this government, this Conservative government, albeit a few of the players have changed over the past 10 years and more of them over the past 20.

An Hon. Member: Stockwell Day is gone.

Ms Carlson: Yes. Thank goodness for that. That's the good news in this Legislature.

Mr. MacDonald: And forgotten too.

Ms Carlson: Well, perhaps. Perhaps.

In fact, it was a Conservative government who racked up this debt. My colleague from Edmonton-Centre said that it took them 20 years to get there. The Government House Leader said that no, in fact it only took them three years to get there. Then the Member for Edmonton-Rutherford stands up and says: it wasn't this government's fault at all; it all belonged to the NEP, which happened a lot longer than three years ago. So we have a difference of opinion in how we got there, but in fact if you go back – well, let's talk about the NEP for just a minute and who really contributed substantially to the problems that happened. The Conservative Premier of this province at that time decided that he was going to do what this Premier likes to do often, and that's to take on the federal government. Sometimes when you take on that kind of a fight you win, and sometimes you lose, and this time all of Alberta had to pay the price for the ego of the leader of the Conservative Party at that time. So that is where we can start to take a look at what happened with the NEP, but those years were not deficit years for this government.

9:00

When did this government actually run up the debt? I would agree with the Government House Leader on this, and in fact it was three years that it took for them to dig themselves into a hole. And the House leader was right; it did take them 10 years to get out of that

debt. How did they do it, Mr. Speaker? They did it by introducing huge user fees. They did it by creating a huge infrastructure debt that we have yet to figure out how to get our way out of. They did it by a human deficit, by reducing payments to low-income Albertans and those who don't have the same advantages as the rest of us in this Assembly. They did it by substantially reducing seniors' programs without consulting those very people who helped elect them into office, with the high cost of education, with the kinds of hidden user fees that we have seen, by such things as not just those times when you go to pay for your licence renewal but also things like fishing licences, like the tire tax, like downloading the dollars that they used to spend in research and development. All of these things were how they dug themselves out of the debt that they created.

Through that whole time period, through the whole 10 years that I've been here, we tried to give them good ideas on how to properly manage income streams, properly fund infrastructure, and maintain the kind of funding structure that gives some stability to those people and those organizations that count on provincial government funding. Those are municipalities, those are school boards, those are hospital boards, and those are everyday taxpayers, Mr. Speaker. So we took this issue very seriously because it looked like, when most of us here got elected in 1993, this government couldn't figure it out. They were very lucky. They had windfall oil revenues, but they didn't have a fiscal plan.

We spent some time in a subcommittee in our own caucus starting at the end of 1993 and throughout 1994 and talked about how to develop a debt management and retirement plan and long-term funding proposal that this government could adopt. We introduced that, Mr. Speaker, in January of 1995, and we called it the 2020 vision. It was initially introduced by the then Finance critic sending a letter to the then Provincial Treasurer outlining the highlights of it, and we called it a fiscal stability fund.

Mr. MacDonald: Did we have a bill by that name?

Ms Carlson: Well, I had a bill by that name, but so did many other people in this caucus over the past 10 years.

Mr. MacDonald: Tell me about that bill.

Ms Carlson: I will tell you about that bill, but first of all I wanted to see if I could go back and find the comments that had been made by the then Provincial Treasurer, Jim Dinning.

Mr. Mason: Jim who?

Ms Carlson: Jim Dinning. That's a name from the past; isn't it?

Mr. MacDonald: Does he have his hair dyed, and is he going to be Premier?

Ms Carlson: Well, I don't know. That's a good question. You'll have to ask him.

At that time he was asked whether or not it was a good idea to have a fiscal stability fund, and what he said at that time was quite amazing actually, Mr. Speaker. I'm trying to see if I can find the exact quote. I think I've got it here now. This is page 859 of *Hansard*, March 28, 1995. He was asked, "To the Treasurer: is the establishment of a stabilization fund . . . consistent with the government's commitment to open and understandable accounting?" Mr. Dinning said, "Well, Mr. Speaker, the answer is absolutely not."

So it's interesting to see how far this government has come since

March 28 of 1995 to the date of introduction of this bill, the Financial Statutes Amendment Act, 2003, where they have renamed our great idea that we have introduced into this Legislature through letters and through not one, not two, but three different private member's bills over the years. [interjection] Yes. Three different bills. We have hammered away on this particular issue year after year, bill after bill and have been told by this government how foolish we were and how we didn't know what we were talking about and that we had no clue what we were doing. Motions, too, Mr. Speaker. Motion 507 in 1999 was brought in. [interjection] That's exactly right.

So the bills came in, introduced by, imagine, the current Minister of Community Development, who happened to sit on our side of the House in 1998. He introduced the bill, the fiscal stabilization fund. I introduced the bill in 1999. Our leader introduced the bill in 2002. Every time we introduced it, we just got booed right out of this Assembly, and they told us how silly it was, and look what happens now. They slightly renamed it – not very original – from stability fund to sustainability fund, so the people can clearly understand that it was our good idea. And what do we find in the bill? That they took information right out of our original 2020 vision plan, which was very detailed and went through how to implement this, because we know that the government is not really quick on the uptake of new ideas and really good ideas. It usually takes them about three years to take our idea and bring it in as a bill and pass it. This time it took a lot longer than that. It took from January of 1995 until now, but, Mr. Speaker, we're happy to say that they actually got it.

What do we find in their bill? Exactly the principles that we had talked about all those times: taking available surpluses and resource revenues over a certain figure and keeping interest earned in the stability fund. All great ideas.

I know my time is just about up, Mr. Speaker, so what I really did want to be able to talk about was what happens to the heritage savings trust fund now with this stability fund and particularly what happens to the interest revenue from there. Once again, for years we have been saying to this government that to properly manage the heritage savings trust fund they need to, in surplus years particularly, inflation-proof that fund and keep that interest revenue in the fund in years when they don't need it. All we need to do is take a look at the fund that Alaska put into place, which started in the same year as our fund, which started with the same amount of money as our fund, which now is over \$30 billion in revenue and pays a yearly dividend to each citizen in Alaska as compared to our fund which has significantly depreciated over the past few years.

So my concern is that now that they have developed this sustainability fund, they also take a look at properly managing the heritage savings trust fund, that they inflation-proof it, and that they manage the money in a responsible fashion so that fund, too, can grow. Perhaps finally, Mr. Speaker, this government has got it.

The Acting Speaker: Standing Order 29 kicks in. The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you very much, Mr. Speaker. I'd like to ask the hon. Member for Edmonton-Ellerslie if she could elaborate somewhat on the sources of the deficit and the mythology that seems to exist among Tory circles with respect to the impact of the national energy program as opposed to the falling world oil prices as the primary cause of Alberta's economic decline at that time.

The Acting Speaker: Hon. member.

Ms Carlson: Thank you, Mr. Speaker. You know, it's really, really

a pleasure to have a New Democrat not trash the federal government at any point in time and who actually gets fiscal reality. [interjection] No, no. He gets the fiscal reality in this particular instance. He knows who actually is to blame for the financial situation that occurred over that point in time and, particularly, who is to blame for deficit-running budgets.

You know what? I'll tell an interesting story. I don't think I've ever said this in the Assembly. When I was first elected, in 1993, I was pretty idealistic about what government did. I remember going to my first Public Accounts meeting, and my very first question in that meeting was to the education minister. He was sitting down there with his deputy minister and the assistant deputy ministers and all the rest of the people that came with him, and I thought: I'll just start with a really easy question and sort of set up a frame of reference for where I want to go with my question. I said to the minister: Mr. Minister, can you tell me what your budget was for the year in question in Public Accounts? At that time it would've been 1992. He looked at his deputy minister and they talked a little bit and then to the assistant deputy minister, and then the talking goes all up and down the line, and he comes back to me and he says: Well, we didn't have a budget. I said: "No, no, no, Mr. Minister. You didn't understand my question. I wanted to know how much money you went to ask the Treasury Board for to run the education department on for the year and how you justified that money." And he says to me: "No, no. You didn't understand the answer. When we wanted more money, we just went and asked for it." So there was no budget planning process, and that is exactly how they got into the debt they were in. It has nothing to do with any other forms of government in this country. It has a lot to do with their complete inability to manage.

9:10

Mr. McClelland: Mr. Speaker, I move to correct this revision of history as put forth by my friend from the New Democratic Party and echoed by my friend from the Liberal Party. The price of oil did not go down until 1985-86. The national energy program started well before that and was a wellhead tax on the resource taxed as it came out of the ground. It would be similar to, for instance, a tax on the capital activity of the Golden Horseshoe: absolutely inappropriate. It's strangely similar to a carbon tax, which is the Kyoto accord, so they're doing it again.

So my friend from Edmonton-Ellerslie should take the opportunity to look at the dates involved in the national energy program and the decline of the price of oil so that people know that the national energy program did not come off until after the price of oil had come down, not before it came down. After it came down.

Thank you, Mr. Speaker.

Ms Carlson: Mr. Speaker, I would like to remind the Member for Edmonton-Rutherford that he is no longer in the opposition at the federal level. He doesn't have to make these kinds of comments and fight this particular fight. I would remind him, as he very well knows, that at the time that occurred, we were facing a worldwide major recession in the oil patch which affected Houston just as much as it affected Alberta. [interjection] Exactly. Worldwide governments were affected by what happened in the '80s. When did we take a look at the problems of this particular government? They started after that point in time, and we didn't see any other causes for that except complete mismanagement.

This member also knows that I'm quite happy to debate Kyoto with him at length at any time because he is wrong, Mr. Speaker, and we are right.

The Acting Speaker: The five minutes that was the allocated time has run out. Any other members wish to speak on the bill?

[Motion carried unanimously; Bill 2 read a second time]

Bill 3

Electric Utilities Act

[Adjourned debate February 26: Mrs. McClelland]

The Acting Speaker: The hon. Member for Edmonton-Highlands.

Mr. Mason: Well, thank you very much, Mr. Speaker. It's indeed a great pleasure of mine to rise and speak to this bill, which I've been anticipating for some time, and I've certainly been anticipating the opportunity to debate with the Minister of Energy. I would certainly hope that we can have a very productive debate.

I'd like to start with a brief statement, Mr. Speaker, if I may.

Mr. Speaker, history does indeed show that when there is competition, usually that competition exists for the benefit of the consumer, whether that person is buying from a retail store or is buying from an electric power company. Competition equals lower prices.

Now, those are not my words, Mr. Speaker. These were the comments of Premier Ralph Klein on March 25, 1998. "Competition equals lower prices," he said. What a difference five years makes. We now have prices that are anywhere between 40 and 100 percent higher than at the time this Premier made that statement.

Consumers in the Peace country and eastern Alberta pay 40 percent more for power than they did prior to deregulation. Calgarians pay 60 percent more. Edmontonians pay 80 percent more, and consumers in central and southern Alberta in the EPCOR/Aquila area pay fully 100 percent more.

Mr. Speaker, we have released a study from Hydro-Québec looking at the prices for electricity in major cities, and back in May 2000 Edmonton was in the middle of the pack; in fact, slightly below average for the cities surveyed. The cities surveyed on May 1, 2000, were Winnipeg, Montreal, Vancouver, Ottawa, Edmonton, Regina, Toronto, Moncton, Halifax, Charlottetown, and St. John's, Newfoundland. It had Edmonton clearly in the bottom half of power prices. Now, the same cities were surveyed again on May 1, 2002, and guess what? Edmonton has the highest power prices anywhere in this survey.

Mr. Smith: Well, that's because you were there as an alderman.

Mr. Mason: I want to deal with that because the minister said that I was there as an alderman. He's made a number of public statements and otherwise about the role that I personally had played, and the government loves to talk about that instead of the real issue. In actual fact, just to correct the minister, Mr. Speaker, I never was a member of the EPCOR board, rather was, as city council, a shareholder. We had regulatory authority over rates, and those decisions were made in public and in the interests of the citizens. On at least one occasion I was successful in turning down a proposed rate increase by EPCOR on behalf of the citizens of our city. So I just wanted to correct for the record the one additional little piece of misinformation that is being spread by the Minister of Energy.

Now, the minister has also talked at some length about the public debt that exists in regulated jurisdictions, and he's tried to suggest that we have lower prices in regulated jurisdictions because somehow the debt is being subsidized by those jurisdictions in the case of public power companies. That is, of course, not true, Mr. Speaker. This debt is not guaranteed by taxpayers; it's guaranteed by ratepayers. We have shown that major Alberta power companies carry a

debt totaling \$10 billion. That gives Alberta the third highest per capita debt load in its electricity utilities, and Albertans paid for that debt through their higher prices.

In fact, Mr. Speaker, I can give you some ideas of some of the cost. TransAlta has a debt of \$2.4 billion; ATCO, \$2.6 billion; EPCOR, \$1.6 billion; Enmax, because it has not up until this point participated in generation, has a very small debt of \$183 million; Aquila's debt is \$3.45 billion, for a total of \$10.238 billion. The source of this information is the 2001 annual reports of each corporation. That gives Alberta a debt load per capita of \$3,441.

Now, the minister can argue, and quite correctly, that this debt is guaranteed in a regulated system and in Alberta it's not guaranteed, except what the minister doesn't point out is that all of the PPAs are guaranteed by legislation. So billions of dollars of the Alberta debt are in fact guaranteed by this government on the backs of the ratepayers of this province exactly the same way as exists in fully regulated jurisdictions.

What about the other debt? What about new generation debt? That, of course, is not guaranteed. Any investor knows that if they have a guaranteed return, they expect a lower rate of return. If it's not guaranteed, as in the case of new generation debt in Alberta, they would expect a higher return, and they won't invest until they're sure they're going to get it. That means that capital is withheld from investment in the market here in Alberta until prices are sufficiently high as to support a higher rate of return to compensate for the higher rate of risk for new generation in this province. Therefore, we have structurally built in a situation where higher rates will exist on a permanent basis in Alberta in order to support the higher risk required by investors in a nonregulated system.

9:20

So, Mr. Speaker, the government and the minister are not coming clear with Albertans at all on the impact of this deregulated system. Quite the opposite to what the Premier said five years ago, competition in this case equals higher prices, and there are sound economic reasons for that.

Now, let's take a look at the cost of deregulation so far. Of the \$4.2 billion of rebates given by this government previous to the last election, \$2 billion was for electricity. So that's the first \$2 billion. Not even counting the first year, there's \$3 billion in high prices, so the conservative estimate of the cost of deregulation so far to Alberta consumers and to the Alberta government has been \$5 billion. There are many calculations that I've seen, that I think are very, very reputable calculations, that show that the cost so far has actually been closer to \$10 billion.

Now, Mr. Speaker, do you remember the huge hue and cry when the gun registry came in at a billion dollars? There was a national hue and cry about that billion dollars and rightly so because that was just a complete boondoggle on the part of the federal government. Everybody had every right to be upset. But when this government wastes between \$5 billion and \$10 billion on electricity deregulation and delivers less competition and delivers doubled prices, there's just not the same level of outcry, and I have to ask why that is. Well, Mr. Speaker, we're going to do our best to make sure that Albertans understand exactly what's gone on in this province.

The minister has also said that when the rate riders come off at the end of this year, power prices will come down. The fact is that they will not come down anywhere near to the original levels that existed before deregulation. One of the things that people don't understand and that we're helping them to understand is just what the rate riders are. As we well know, there was a very significant spike in electricity prices just prior to the last election, and the government capped the prices at that time well below the cost paid by the power

companies for that electricity in the first place. When the power companies broke into almost open revolt and talked about it being Alberta's version of the NEP, the government and the minister of the moment – I think it was the current Minister of Sustainable Resource Development; at that time we were having a new one every couple of weeks – told the power companies that they would be able to recover their lost revenue and their lost profit, as a result of capping the prices for electricity before the election, from the consumers after the election was safely out of the way. So we have two rate riders in order to repay the power companies for their lost revenues because the government froze power prices and capped them at well below cost in order to win the last election. So this rate rebate is simply the price that Albertans have to pay for this government's re-election strategy.

The problem we've got, Mr. Speaker – and I should say that it's a problem the government party has got. They've got a big problem that people get reminded of every month in the mail, and it's not going to go away. But this bill is a chance to change that. Unfortunately for government members, the minister has chosen to further entrench deregulation in this act. This will end the phase of phasing in deregulation, and this will be, apparently, the final form that it is going to take. So it is institutionalizing deregulation, and it is institutionalizing high power prices in this province. I would suggest to hon. members opposite that if they have any concern at all about this issue going into the next election, now is the time to act. This is your last chance. This bill should be defeated, because after this, high power prices become a permanent fixture of the Alberta economy and a permanent albatross around the neck of this provincial government, and I think people ought to be aware of that situation.

There's nothing in Bill 3 that suggests that the situation is going to improve. It is being based solely on the notion that it will help to spur badly needed investment in upgrading our transmission system and provide more competition in the marketplace. But I would submit, Mr. Speaker, that if a company like Direct Energy is prepared to enter the market at this time, it's doing so because of the high power prices that exist in the Alberta marketplace, so they can make a significant amount of money. They will not compete in such a way as to force down prices to the previous level before deregulation. That would be contrary to their interests. They will instead compete for a market share at or about approximately the level of pricing we now have, and anybody who believes otherwise is, in my view, extraordinarily naive. So don't depend on assurances from the minister that Direct Energy is going to bring down prices in making your decision to vote for this bill.

There are a number of other factors, Mr. Speaker, that need to be taken into account. EPCOR and Enmax will no longer be allowed to own the distribution system and act as retailers, so they are being forced to unbundle their services. The problem is that where it's already unbundled, which is in the EPCOR/Enmax area, there have been tremendous problems with billing errors as the two companies try to talk to each other. The government seems to be so pleased with this type of system that they are now going to require it as a mandatory feature for the rest of the province. I, quite frankly, cannot understand that at all.

Medicine Hat, which is a model of what I would call a social democratic system for providing for electricity and natural gas and utilities and has been able to provide lower power costs and lower gas costs for its citizens, is now going to have to contribute to payments in lieu of taxes. The whole question of payments in lieu of taxes is something that I'll perhaps deal with, Mr. Speaker, in the session when it goes to committee for amendments, because payments in lieu of taxes is not the same; municipal utilities are

designed to provide low prices and a return for taxpayers. They are not intended to provide a return for investors, so they should not be treated the same way.

Mr. Speaker, we believe that rate riders should be canceled and we should return to a reasonable and modernized system of regulation in order to protect consumers in this province, and I urge members to support that.

The Acting Speaker: Standing Order 29 kicks in. The hon. Member for Edmonton-Gold Bar.

Mr. MacDonald: Thank you very much, Mr. Speaker. I have a question for the hon. Member for Edmonton-Highlands. Going back to a government of Alberta news release on August 24, 2000, this is good news for Albertans. Opening up the electricity market will mean more choice, better access and, ultimately, the most competitive power prices for our homes, farms, municipalities, businesses and industries.

9:30

Now, earlier there was talk about how we're going to have to subsidize and this myth that there are going to be subsidies somehow involved in having low-cost power. Could you please explain? Further on in this press release when you were talking about the power purchase arrangements and the fact that for the first auction the sale was \$1.1 billion, and the government claimed here that "some critics have suggested the power auction could have raised as much as \$4 billion" instead of the \$1 billion. "If the auction had raised that much, consumers would have had to pay more in electricity rates to allow the bidders to recover their investments." Do you agree with that statement, or do you think that perhaps it's the consumers that are subsidizing . . .

The Acting Speaker: Hon. member.

Mr. MacDonald: Oops. I'm sorry. Through the Speaker of course. Do you think it's the consumers that are winding up subsidizing the bidders?

The Acting Speaker: Hon. member, brief questions. The hon. Member for Edmonton-Highlands.

Mr. Mason: Thank you, Mr. Speaker. I'm pleased to respond to the hon. Member for Edmonton-Gold Bar. Actually, what the power purchase agreements were for was the accrued value that consumers had paid in the plants as the plants depreciated and were paid off, but the fact of the matter is that the auction failed to raise the money that was necessary, and as a result I think that it's quite contrary to what the government news release said. This contributed to the higher prices for consumers in this province.

The Acting Speaker: The hon. Member for Spruce Grove-Sturgeon-St. Albert.

Mr. Horner: Thank you, Mr. Speaker. Through you to the hon. Member for Edmonton-Highlands. He was talking about the rate riders, and I'd be interested to know his thoughts on my question, which revolves around: in 2002 two companies were making purchasing decisions because the rates had risen to fairly high levels. Both of those decisions were approved by the AEUB, and I don't argue with that. However, I'd like to know if the hon. member agrees with the decision which was made by EPCOR management to lock its customers into a full year's worth of high prices in 2001, which really has caused this huge discrepancy between the rate riders in the EPCOR/Aquila and Edmonton area and the ATCO area.

Mr. Mason: The short answer, Mr. Speaker, is no. I think that EPCOR made a number of serious errors with respect to that particular agreement and in their arrangements with Aquila. But I will point out that what happened was that the company that preceded Aquila, that owned that, sold it in the market set up by the government. EPCOR made the deal to acquire that area and then went to the market after the auctions had already taken place and on the market set up by the government, using the supply that was created under the rules of the government, purchased electricity at a very high price and then passed that on to consumers.

What is supposed to happen is that there's supposed to be some competition so that a company that makes those kinds of decisions goes out of business or loses its market share, and the fact of the matter is that there was no competition in any real sense to EPCOR in that area. So the government, having taken away regulatory protection, failed to provide competition in a way that would protect consumers. So ultimately it comes back, Mr. Speaker, to the bungling of the government in its deregulation effort.

The Acting Speaker: The hon. Member for Edmonton-Rutherford, followed by Edmonton-Centre.

Mr. McClelland: Thank you, Mr. Speaker. Deregulation has the effect of bringing market discipline to the production, distribution, and consumption of energy, thus driving efficient generation and use of the resource. I wonder if the Member for Edmonton-Highlands can give us an example of a publicly owned, publicly managed, publicly funded entity that could bring the same market discipline to any product.

Mr. Mason: Mr. Speaker, the member is letting his ideology get in the way of his understanding of how the world really works. In actual fact, public power is always cheaper than private power.

The Acting Speaker: Unfortunately, the time allocated for this section has passed.

The hon. Leader of Her Majesty's Loyal Opposition.

Dr. Nicol: Thank you, Mr. Speaker. I rise this evening to talk about the issues that arise from Bill 3. The attempt that the government is making under Bill 3 to kind of fix what has turned out to be quite a mess in terms of deregulation of electricity probably doesn't do much to really help it a lot. When you look at the structural changes that they've put in place – they keep talking about this concept of competition and how we have to make sure that competition works, but when you look it at from the point of view of this deregulation truly creating what, in effect, is competition, you kind of wonder whether or not it really is going to operate in such a way that consumers have the choice mechanisms that we normally think of in the context of market economics.

Mr. Speaker, we started off in Alberta with a structure in our electricity industry that had us at the bottom end of the cost distribution of electricity in all of the North American marketing jurisdictions for electricity. Some of the statistics I saw in the year 2000 put us about 24th out of 156, 24th from the lowest cost. The only ones that were underneath us were the jurisdictions that relied mainly on hydropower, which by operation is much less costly on a dollar investment basis. When you build in environmental costs, then you have to think twice about whether or not it really is as low cost as it is, but in terms of capitalization and current market reflections that is the lowest cost source.

So we didn't have a lot of hydro, but the way we dealt with our electricity, having private-sector operators mostly but also one major

municipal operator who was operating in the same vein with bidding into that generation pool, we had a very, very friendly electricity market system. The idea that we were going to restructure this somehow could have easily been done to give us more competition at the generation level without having to disrupt a system that was working really well. We could have built it in so that, you know, the cogen groups had an option to bid in, to supply power, and still to manage that without disrupting their independence and their business position. But, instead, we chose to try to create a competitive market through the system, and in effect we've ended up with a really disjointed system that has a lot of hoops to jump through, in effect more regulation than we had before, because it was very simple to flow through on a fixed-cost basis, through the monopoly distribution and transmission components, the delivery systems that were run, either through a co-op or a local municipal utility, and end up with a fairly stable cost structure.

You know, this is one of the interesting things that we heard earlier from the Member for I think it's Edmonton-Whitemud, that said that we would get market discipline from deregulation. The kind of deregulation – or reregulation is a better term – that we've experienced, in effect, has given us no market discipline whatsoever. The market discipline that we had through the previous system was much more stable and much more predictable and much more friendly, both to the residential and industrial and commercial users.

So, you know, talking about market discipline that would come from reregulation isn't illustrated in the end result that we've got. What we've got to look at is: why is that? A lot of it is that what we've done is we've created a lot more risk points in our distribution system. Really, the only risk point we used to have was the generation side, where there was uncertainty: was the load going to be needed? So what we had was a reserve commitment from some of those generators that they would come on when their load was needed. When they weren't needed, we paid their depreciation costs, and they operated. They got, in effect, a return on investment for a standby facility. That was really the only area where there was risk associated, and we had to capitalize that and pass it on through our pricing systems.

9:40

What we've got now is that we, in effect, have risk at a much greater degree because we've got market risk at the generation level because the pricing structure has to be designed to take into account the fact that they may not be the sufficiently low bid that day. So there's a risk there. We also now have added in a significant number of risk points once we get through the transportation and distribution networks into the market structure because we've added in by law a couple of more steps in the marketing process.

If you look at it from the point of view of this giving us better power, better choice, if we truly wanted to look at market structure and talk about choice, we by law are limiting many of the options that exist in a true market structure situation. The law prohibits consumers getting together and jointly buying. You know, the city or a municipal district cannot buy on behalf of its residents. The REAs are no longer allowed to buy collectively on behalf of their members. They have to open up their membership to other suppliers. Yet if you go out into a regular commodity market, groups can get together and bulk buy. Groups can get together and deal with timeliness. That's not allowed by this act.

So we are intervening and creating a market structure that isn't real life. It isn't the kind of thing that markets develop around. We're in a situation where we are in effect taking away from municipalities a lot of the choices that they should have a right to on behalf of their residents. You know, if they want to have a local

municipal utility that provides them with electricity or provides them with natural gas or one of the other utilities, that should be their choice. If they want to buy in bulk so that they can get a good deal, that should be their choice. Yet that's prohibited here. Municipalities, municipal governments are not allowed to participate. This act is going to force a separation between municipal ownership and decision-making and pricing decisions. What about choice? You know, if we truly talk about "Should Albertans be able to organize and get together in a fashion that they see fit?" this prevents them from doing that.

The other thing that's interesting, Mr. Speaker. Over the last year while we've been talking about the results of reregulation and talking to businesses, I've had a chance to talk both to businesses inside the electricity industry and consumers in the electricity industry. It's an interesting split in the sense of when you talk to them and you say: has reregulation worked, or has it not worked? Of the companies that are, in effect, users of electricity, very few of them – I would suggest maybe 1 in 20 – truly feel that they are getting a benefit from the imposed reregulation of our electricity industry. When you talk to the companies that are involved in the system, it's interesting if you pose two questions to them. If you pose the question, "Have you benefited from reregulation?" probably 4 out of 5 of them will say yes. Even some of the ones that are involved in the industry, about 1 out of 5 of them, are saying: "Well, no, not really. We like the other structure, the other regulation system better."

You ask that same group of industries, "What is your perception of what reregulation has done for the consumer in this province; has it benefited them or not?" They'll say: "Now? Today? No. No way." Unanimous. Even the people involved in the industry, if you say to a business, "In the long run will consumers benefit; will they have a better structure, a better pricing system for their electricity?" they'd say no. You know, in effect, what you've got are the people involved in the industry saying that this isn't going to help Alberta consumers of electricity in the long run. So there's a disconnect between what we see showing up in legislation, what we see trying to be put in place here by government and the industry, both of whom are going to be involved in that reregulation, and the consumers saying: it's not going to work.

Mr. Speaker, you know, this goes back to the discussion that we started here when the first electricity bill was passed in 1995, and I suggested that changing the structure of electricity from one which captures the market surplus for consumers to one which transfers the market surplus to producers is not going to benefit consumers in this province. In the end that's shown up to be what's happened. We are not getting a benefit of any of that market surplus being available to the consumer. You really have to wonder what is happening and how it's going to fit together and how it's going to come to any kind of a long-term benefit for the electricity users in our province. It's one of those things where you kind of wonder where the government was going, what they were after, or what they were trying to do. From a conceptual point of view it cannot be proven to be beneficial. From an operational point of view reregulation has obviously not given Albertans lower priced electricity, and we're ending up in a situation where "What next?" is kind of the answer that you come up with.

You look at some of the issues that have to be addressed, and the bill that we're looking at today is going to go through and try and once again reregulate and differently regulate the electricity industry. There are just a couple of specifics that I want to talk about to start with. You know, who knows whether the changes that we're making in the structure of the administration sector are going to really facilitate marketing ease or simplicity or clarity? We're only going

to know when we see it work. So to start saying, “Yes, no, yeah, maybe” – we’re going to have look because it hasn’t been working. The structure that we’re proposing here doesn’t seem to address the issues that were experienced in the previous regulated system, so how do we know that this is effectively going to be useful for Albertans?

One of the things that I raise that’s interesting here is the PILOT payments. This is an interesting concept that comes up, and I think it’s a reasonable concept. I’m not going to argue. You know, if we’re going to have markets that have mixed ownership in them, we’ve got to have a base that’s reasonably standard. It’s kind of interesting in the sense that the municipally owned utilities are asked to make a payment in lieu of taxes, and they make that payment into the administrative structure of the industry where the private-sector participants who pay tax pay that tax into general revenue.

9:50

So, in effect, what we’re saying is that the municipally owned participants in this structure are asked to direct their taxes into the administration of the system as opposed to those private sectors who don’t contribute their tax to the administration of the system, just a cash flow issue here about, you know, whether the money should be going into the administration pool or the Balancing Pool or whether it should be going into general revenue.

I would suggest that if we’re going to make sure things are always fair for both of them, the tax flow should be to the same fund in the end. So instead of putting those PILOT payments into the Balancing Pool, I would suggest that they go into general revenue because that makes it so the municipally owned participants in the industry are not contributing directly into the administrative support of that industry. They’re being treated exactly the same, and the idea behind the PILOT payments in the first place was: we want to make sure these things are treated fairly, where they operate on somewhat of an equal basis, and we’re not seeing that being a real criteria that comes up with this legislation.

You know, the end result, again, is that we should be looking at a structure of utilities that provides service to the consumer, to Albertans. Part of our responsibility as legislators and, in effect, the framework builders for the regulatory system should be to make sure that we’re looking at the long-run best interests of Albertans. Again I go back to my warning in 1995 in saying that it’s almost impossible to generate a competitive structure in the context of utility delivery when so much of it is subject to monopoly structure. Many of the other jurisdictions in North America that have tried some form of deregulation have failed, even the model that we all talked about as being a potential success story, Pennsylvania. You know, they went into some form of deregulation or reregulation, and it was a success at the start because they had a number of jurisdictions around with surplus power. They’re now finding it a really difficult market structure to operate because the jurisdictions around don’t have the surplus power anymore that they can in effect dump into that Pennsylvania market. So there have been some real issues come up about whether or not that is creating stability for them now.

When full capital cost recovery has to be built into this plus risk, you end up adding costs that you don’t have if you build your cost structure on a fair depreciation schedule, a fair cost recovery

schedule, and a return on variable costs. So that’s the kind of thing, you know, that we should be looking at in terms of trying to make sure that the utility industry in Alberta is fair, and I don’t see that coming even with this what is, in effect, a second attempt at reregulation of Alberta’s electricity industry. It’s not giving us the kind of structure that we really need.

One of the things that we’ve really ended up with is some kind of a structure that’s created a lot of confusion, and you have to accept that in any kind of transition when you move from one system to another without proper planning-horizon preparation.

You know, I think that if we’re going to look at this and really be fair to Albertans and consider the idea of what is in their long-run best interests, one of the things that we should be looking at is a review of: is this really going to give Albertans low-cost, stable electricity? Mr. Speaker, I don’t think it will. I think we’ve got to go and look at a cost-based electricity system. That’s the most effective way when we’ve got an upward slope in supply curve. We can get much greater benefits for our consumers of electricity using a pricing system that is based on the average of costs as opposed to the highest price bid being paid by everybody. That doesn’t give us a real effective structure that can encourage the kind of competition that is talked about.

Mr. Speaker, I just want to end with a comment about my own personal situation or experience with deregulation. I hold four accounts on electricity, and for two of them since January 2000 I’ve had fairly regular billings. In fact, they come quite regularly at the appropriate time each month. For one of my other accounts I have not received a bill since March a year ago. The other bill, which is my irrigation account, normally runs \$5,000 or \$6,000 a year. I received a bill recently for \$78. So if anybody complains that deregulation isn’t giving much cost saving, you can tell them my story; you know, 1 percent of my normal bill. I’m afraid that when the other shoe drops, I will really be hit.

While I was chatting with one of the utility companies recently, I relayed this little story about the difficulties. It happened to be one of the groups that’s involved in trying to develop market customers, so it’s on the retail end. I relayed this little story about: “Why should I worry? I’m not having to pay my bills now.” The guy says: “Well, why don’t you sign up with us. We can take all that uncertainty out of your life. We’ll make sure that you get your bill every month.” So you see, Mr. Speaker, we have to look at both the bright side and the humorous side of everything, but until I start getting my bills, I guess I can be pretty satisfied.

Thank you, Mr. Speaker. As I said, I’d like to adjourn debate on Bill 3.

[Motion to adjourn debate carried]

The Acting Speaker: The hon. Government House Leader.

Mr. Hancock: Thank you, Mr. Speaker. It being 10 o’clock, I would move that we adjourn until 1:30 p.m. tomorrow.

[Motion carried; at 10 p.m. the Assembly adjourned to Thursday at 1:30 p.m.]

