



The Institute for Public Sector Accountability
'res ipsa loquitur'



A Blueprint for Alberta



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Table of Contents

| | |
|---|----|
| Executive Summary | 3 |
| Introduction | 4 |
| Mistakes or Bad Planning? | 5 |
| Education | 6 |
| Who should grant degrees? | 6 |
| Education Funding | 7 |
| Role of School Boards | 7 |
| Government response | 8 |
| Free Education or taxes? | 9 |
| Higher Education Funding | 9 |
| Old ideas or new ideas | 10 |
| Health care | 10 |
| Infrastructure | 12 |
| Labour Shortages | 13 |
| Deregulation | 14 |
| Municipalities and Local Government | 15 |
| Land Use | 15 |
| Affordable Housing | 16 |
| Energy | 17 |
| Why are the oil sands so important? | 17 |
| Oil Economics | 18 |
| Natural gas | 19 |
| Coal Bed Methane | 20 |
| Royalties | 20 |
| Electricity | 20 |
| Environmental Concerns | 21 |
| Oil sands | 21 |
| Bio Energy | 22 |
| Water Conservation | 22 |
| Alberta Revenues | 24 |
| The Heritage Fund | 25 |
| Save or Spend? | 25 |
| Equalization and Alberta | 26 |
| Debt Management | 27 |
| Good debt or Bad Debt | 27 |
| Taxes | 29 |
| Property Taxes an Anachronism | 29 |
| School Taxes | 30 |
| New Sources of Taxation | 30 |
| Transparency & Accountability | 31 |
| Recommendations | 32 |
| Conclusions | 36 |
| Appendix | 38 |
| Bibliography | 40 |

Executive Summary

This report examines some of the more important Alberta policies of the past 14 years – or the Klein years. The fact that Premier Klein confessed to a lack of a plan may be politically shocking, but it is well known that Alberta has been drifting from an economic philosophy. Based on an economic/philosophical perspective, we believe that markets work best when they are left on their own. This philosophical principle should guide any long term plan. All candidates in the leadership race to replace Klein seem to have a plan. However are these plans the correct ones for Alberta?

Alberta's success is the envy of the nation. In some quarters this success seems to cause concerns, while for others it presents many new opportunities. In the past 14 years Alberta has paid down its debts, and under the pressure of economic growth many asked whether the government should be more involved in the provision of services and should they start spending. The problem for Alberta remains that revenues from non-renewable resources are subject to market fluctuations. Furthermore, many factions would like to see more government expenditures and more control of the oil sands development. While these issues are of great importance we must not ignore that we must also secure existing revenues for the benefit of future generations.

Our analysis of Alberta's success showed that it could have been even better and that there still exists room for improvement. It is important that the new leader acknowledges that the management of the province needs a new approach, and that many of the old strategies are no longer applicable. We examined some of the more important areas of the economy, and make recommendations that we believe will benefit Albertans and indirectly Canadians. To this effect we analyzed and made recommendations in the following areas

- Education
- Health care
- Infrastructure
- Labour shortages
- Deregulation
- Municipalities and Local government
- Affordable Housing
- Energy
- Environmental Concerns
- Revenues, Debt and Taxes
- Transparency and Accountability

The next Premier of Alberta will inherit a government blessed with so many opportunities that we believe the big question for him should be: "What level of government interference should exist in the economy?" and not how much should we spend?" However the answer is complex and it will take bold and creative ideas to maintain the Alberta Advantage.

Introduction

After 14 years as Premier of Alberta, Ralph Klein is hanging up his boots and leaving provincial politics. As a result a pantheon of candidates has put their names forward to succeed him and seek to guide Alberta into a new era. As Ralph Klein departs it seems that after many successes, he also has left some not so savoury legacies behind, but it is not for this paper to discuss the politics of his legacy but rather to provide a transparent and independent assessment of the past and provide a blueprint for the future premier, whoever he may be.

One of the most surprising remarks of the Premier was about the effect of growth on the Province of Alberta and how his government 'did not have a plan for growth'. His opponents and some of his supporters have jumped on this statement to make political hay. On November 16, 2006, he proved everybody right by announcing a \$1 billion spending spree, and on November 21, 2006 another \$3 billion plan for education without any legislative

"We did not have a plan for growth."
RALPH KLEIN

consultation. While many groups would applaud the expenditures, we believe that it is poor management to allocate funds without consultation. Unbudgeted spending is something that all governments should avoid. This is why we believe that in future

we must look at whether a government must have a plan for growth, or must they have a budget to address growth, or better still have both a plan and a budget. The main problem has been a lack of declaration on the part of the government as to which areas it wishes to be responsible for. Thus, the government should state how it wants to be involved in the economy, and then proceed accordingly. A government is responsible for its own budget; this is what it can control. It should not be involved in any aspect of trying to control the growth rate of the Alberta economy. Opponents believe that the Premier's statement meant that his government did not address some of the more contentious issues properly, and that they must now make plans to redress the perceived anomaly. Of course to many of them it means more government spending, instead of looking at alternative ways to provide services. To his supporters it means that he guided Alberta into a new era which needs to be continued to maintain the so called 'Alberta Advantage'.

Before we address and plan for the future of Alberta, we must take a step backward and look at the past achievements of the province, and see why Alberta has become the envy of the rest of Canada. We must also examine how the province has achieved this success and how to maintain it, while ensuring the future viability of the next generation. We cannot and must not address the issues in a vacuum, or based on current levels of revenues to promise expenditures which may not be sustainable in the future. We must discuss new policies which would depart from the old ideas of government intervention in the economy and use the wealth of Alberta to promote good governance which takes transparency and accountability as the cornerstones of the next premier's vision. We believe that Albertans have an opportunity to shape their future, and perhaps the future of all Canadians by adopting a new strategy for the province. If we are the envy of other provinces, imagine how we could become the envy of the world with the right strategy. We do not need a plan for growth, we need a blueprint which will direct us to better manage our resources and create an economic climate which will sustain growth through sound economic principles and not based on government interference in the search for political legacies.

Mistakes or Bad Planning?

The Klein legacy will always be associated with some dark clouds. While some people may characterize his decisions as mistakes due to lack of planning, we do not intend to assign blame. This paper analyzes some of these decisions and looks at how they have affected Albertans. At the top of that list will be Klein's decision to close hospitals and not provide for new ones. Others will also include his inability or unwillingness to provide municipalities with more autonomy, and of course more cash. Another issue will be that of education funding, and how much more we should have invested to make it better. Labour Unions and others would claim that privatization, in general and of Electricity, Liquor Stores and other services in specific are the cause of our high costs and hardship in Alberta. In recent years, Alberta has seen tremendous growth. Major cities and small towns have seen a population explosion not experienced since the years of the oil boom of the seventies. The population as of September 01, 2006 stands at 3,244,990 (see Appendix Table 1) As a result there exists a general housing shortage, not only affordable ones, which has increased prices to levels never previously seen in the province. There is also a huge labour shortage which threatens to hinder the economy, and should be addressed creatively.

While many attribute Alberta's current success to the payment of debt, we would argue this proposition. Not having to pay interest on debt has certainly freed much capital and removed a burden off the taxpayer. In general Albertans have benefited, in part, from this strategy, however we would argue that a number of our problems today stem from the disappearance of provincial debt. The start and stop spending policies of the Alberta Government in the nineties and early turn of the century caused uncertainty in the construction industry which slowed investment in machinery and people. This pattern also left the industry behind and not geared up for what has become perhaps the biggest oil boom in the history of the province. Had the government paid down the debt on a business schedule which was several years slower than the actual, then schools, hospitals and transportation and municipal infrastructure could have been up to par. Further, the industry would have had more people and equipment in place from the steady spending and been less flat footed for the tremendous rate of growth we now experience. This situation is further complicated by the desperate attempts to catch up on old work while accelerating current work, thus driving inflation which has given Alberta taxpayers much less value per tax dollar spent.

Although Albertans have benefited from some reduction in taxation, it can be argued that current levels of taxation should have been further reduced to really benefit Albertans. As the price of oil sky rocketed in the past two years,

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everyone has asked for more expenditure and in some sense, unfortunately, Klein's government responded to those demands and departed from the previous fiscal strategy. More tragically his government has not addressed the issue of future sustainability in a proper manner. According to opposition parties

and some other sources, current spending in Alberta outstrips sustainable income by several billion dollars. So were these policies mistakes or bad planning? Some would argue that some were mistakes; others would argue that they were bad planning. The following review of the more important areas of contention lead us to argue that it is both and that Alberta has the opportunity to address these issues in a new context.

Education

Education which is one of the cornerstones of our continued growth is under extreme pressures. The current labour shortage can be attributed to the size of the population but also to the lack of both white collar and blue collar workers. Education is a 'right', however we must not continue to put our resources into just creating graduates. Education is not just expenditure, it is an investment. We have neglected the training of trade workers, and now we are suffering. An education plan should include not only extra funding but a search for more innovative delivery of education. The size of classes should no longer be an issue, but a strategy. To offer a balanced education and social skills we should have smaller classes at the lower level of education perhaps up to grade 7. Between grade 8 and 12 we could move to larger classes and increased delivery through the internet. It is the actions of School Boards and Unions that prevent a modernization of education delivery.

Who should grant degrees?

There are many models of postsecondary education out there, and the next government should have a discussion of what we expect a university to be. The idea that only universities should have the right to grant degrees is long gone. In the past the title of universities was generally associated with professors with tenure and a desire to conduct research. While research and evolution of new ideas, it is not granting institution to conduct public or private to grant degrees

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is paramount for the expansion important for every degree research. Allowing institutions, has no correlation with the ability to do research. The criteria for granting degrees should be based solely on the ability and qualifications of the instructors and the benchmark for results. The costs associated with current university status are far too large and prohibit many students from accessing degree courses.

Education is not about who gets into which school but it is about learning. Today's technology allows learning from any place on earth. Many universities deliver degree courses through the internet and these degrees are equally accepted around the world. If courses can be delivered through cyberspace with little personal contact between the student and the lecturer doesn't it stand to reason that any institution which fulfills the proper criteria and is properly accredited can and should be able to deliver degree granting courses? Furthermore, if it is lucrative to deliver courses to foreigners on the internet, why is it not good for Canadians to obtain an education by the same means?

Existing institutions want more money for new buildings and smaller classes. We can no longer just use the old delivery methods, but rather look at the real needs of the economy and deliver education accordingly. For years, institutions like Mount Royal College and NAIT, for example, have been begging to have degree granting status, but we still cling to the idea that only a University is the place to get a degree. Times have changed and we must change with it. Education systems must be reviewed and changed to allow a better way to grant accreditation to colleges. We must allow community colleges and private institutions to deliver degree granting courses. It is not about location and denomination that counts. It is whether the institutions meet with certain criteria to deliver the

courses that matter. In England the so called 'Thatcher Universities' have delivered degree granting courses and in many cases their ratings have been higher than those of many old established universities. In Canada Athabasca University has been at the forefront of distance learning and many of its MBA courses are delivered by the internet. Why should places like Mount Royal, Grant McEwan, SAIT or NAIT be excluded from granting degrees? The truth is protectionism in the education system is rampant. Protectionism of teaching criteria, size of class, delivery methods and employee remuneration is hurting the next generation.

Education Funding

Furthermore it is time to rethink the funding of education. The use of property taxes as a means to raise funds for education is not only unfair but redundant. There is no correlation between education and the value of property; in addition the collection of these taxes by municipalities is outmoded. Leadership candidates have inferred that the school tax portion of the property taxes should be vacated - we disagree and we believe that the tax system must be changed altogether if we want an equitable financing of education.

In most industrialized countries, education is a national issue. Governments raise taxes and fund education, and in so doing they also have national policies for education. In Canada, education is under provincial jurisdiction, which in most cases downloads its responsibilities to elected Catholic and Public regional schools boards. This situation not only duplicates costs, but also creates different standards across the country. In general, funding for education is done through taxation, mainly raised through property taxes. In Alberta taxes raised through market value assessment have sky rocketed due to the increase in property values. Furthermore the taxes collected are not accumulated in a separate education fund, but goes directly to general funds, where the government arbitrarily decides how much should be allocated to education.

Role of School Boards

Another issue resulting from the establishment of several school boards is that some school boards, not content to stick to administration, have entered into another realm; that of political empire building. Recently, the Calgary School Board decided that they should be the sole provider of education services in their area, and therefore sued another school board for daring to deliver courses in their territory. Instead of accepting competition as a means to reduce the costs of education, they have decided to get political and start protectionism. Calgary is not the only Board to do so; similar actions are being considered in Red Deer. Fortunately the courts have decided that protectionism will not prevail.

Are these issues about education or politics? The squabbles about funding and jurisdiction illustrate the real problem in education. Duplication of services amounts to increased costs. Since they manage their individual budgets, trustees have an enormous sense of power. Should we believe that leaky roofs suddenly appeared, or that for example Western Canada School just got old overnight? There are enough anecdotal evidence from students of 30 and 40 years ago recounting the same roof leaking back then. Where were the funds for maintenance and repairs used? Administrative costs seem to increase disproportionately year after year, while parents are asked to contribute more and more for services. Tax payers' money should be better spent in the direct

delivery of education instead of lawsuits and administrative costs. Both territorial protectionism by the public school board, and fundraising through gambling by the catholic board are not designed to enhance education.

Government response

In reply to our inquiry about funding for education in Alberta, we received the following answer from The Honourable Gene Zwozdesky, MLA Alberta Minister of Education's Office "Our government has made education a priority as demonstrated through the significant investment in education over the last number of years. Over the last decade, operating support for the K-12 education system has increased by more than \$2.3 billion, or 86%, over a period of time when student enrollments have increased by 4.3%.

More specifically, over the last five years operating support to the Kindergarten to Grade 12 education system has increased by \$1.3 billion, or 35.1%, from \$3.7 billion in the 2001/2002 fiscal year to more than \$5 billion in the 2006/2007 fiscal year. This is a significant increase when you consider that student enrollments decreased by about 1% and inflation was about 14.4% during this period, representing an increase of 18.9% above enrollment and inflation. In addition, our government also invested another \$1.25 billion in school infrastructure funding during this period for the building of new schools, and the restoration and renovation of existing schools.

Including school infrastructure funding, spending on the K-12 education system in the 2006/2007 fiscal year will reach about \$5.6 billion. This means that Alberta Education will spend approximately \$27.9 million each and every school day on the education of our children in Kindergarten to Grade12.

While funding is important, there are many other key factors that have contributed to our successful education system including: excellent teachers; centralized high-quality curriculum; outstanding learning and teaching resources; an effective standardized testing program; and, effective school councils. Albertans can be proud to have one of the best education systems in the world."

We have no doubt that the Alberta Minister of Education has done his best to garner what he believes is adequate funding for his area of responsibility. But we also must recognize that in Alberta, there exists a funding discrepancy for education capital expenditure, especially in fast growing cities. While there is a growing need for capital, it seems that major cities do not get a fair return on the taxes collected. The problem is that school boards have the power to spend money, but have no right to raise it. We also argue that the distribution of funds is not done fairly. For example, in Calgary the \$477m collected in school taxes does not all come back to fund Calgary education. As a result, some mayors want to control the education tax, and appoint themselves as the source for funding education capital and maintenance expenditures. We have too many levels that are or plan to be the authority to spend education dollars. The current system has failed because we are using the same old processes to deliver services in an ever changing environment. How funding for education has been done in the past is in our opinion a major obstacle to efficient delivery of services.

Free Education or taxes?

To continue to say that education is 'free' is fast becoming a paradox. Nothing is free. These free education arguments are simply attempts to shift the financing burden from one group to another. In Calgary the school board has resorted to using credit agencies to chase unpaid school fees, putting enormous pressure on families and their credit ratings. . As stated by Denis Locking of Parent for Public Education "School Boards have used tactics such as sending collection agencies, not allowing students to stand in graduation exercises, threatening to block access to some classes etc. in order to force parents into paying monies which may not even be collectible under the Act. We have a board charging up to \$600.00 per family for lunch supervision for children who **must** be bused from outlying communities that have no schools. This in reality constitutes a discriminatory tax based on ones community location. A sense of distrust and anger is underlying many parents' feelings regarding the fiscal honesty and trustworthiness of the School Boards."

The costs of education are not only driven by growth, it seems that it is also driven by ambition, not that of students but those of the trustees. Let us put a stop to this and require a revamp of the education system. An alternative would be for Alberta to establish only one provincial education board instead of multiple ones which only serve to duplicate and increase the costs of delivery and fail to serve our children. What is really at stake is the power of trustees to start empire building and to higher office. With only three million centralized education. If this is not

The costs of education are not only driven by growth.

raise their political profiles as they aspire inhabitants we can surely have feasible we should at least reduce the number of school boards.

Higher Education Funding

The costs, and consequently the debt load carried by higher education students keep increasing across Canada.(See Appendix Table 2) As a result there seems to be a developing trend in some quarters that the first year of tuition should be free. Noble idea, but ill conceived. First we continue to believe that throwing money at a problem is the way to solve it. Second, to give free tuition in the first year is not an incentive to learn but an invitation to waste time. We believe that tuition should be better funded, and that too many students are left with large amounts of debt after they have completed their studies. The solution is not free tuition in the first year but rather free tuition in the last year for students resident in Alberta for at least 10 years, including the 4 years of attending school. Better still a reduction from full tuition in the first year declining to free tuition in the last year. Either method does two things it alleviates the cost of education and is an incentive for the student to stay in school and complete the course. Free first year tuition will see many students enrol and then drop out in the second year. The taxpayer would have funded a year of 'parties' and wasted education. Furthermore the government will have to monitor institutions, because no sooner that student funding is increased that administrative costs will escalate resulting in more demand for money.

Old ideas or new ideas

With a leadership race underway; all factions are taking aim at getting more funds for education. The trap is that we confuse the addition of new dollars with more or better services. One does not necessarily follow the other. While we believe that adequate financing should exist, we argue that the current delivery of education services and its financing is obsolete. The construction of new schools, where needed, is of major importance. While school boards, in general, prefer huge amounts of money to build new infrastructure, not enough consideration is being given to the extensive use of modular classrooms buildings. The current minister of Education seems to favour the idea of modular classrooms, but will his next leader extend this practice or go back to the old methods of building huge schools which may become redundant when a community's demographic changes? So far most of the candidates prefer more expenditure instead of alternative means of delivery. From a political point of view it is advantageous to promise the moon to the public, but is it the solution to future problems? The next government must show the courage to propose a new approach to education financing, and make use of technology to improve and increase education delivery.

Health care

When universal health care was established, governments agreed to pay medical expenditures out of the public coffers, meaning that it would be funded out of government revenues, mainly taxes. Due to growth and demand for what is perceived as 'free' health care, costs have risen to the point that many governments are finding it impossible to continue to fund health care through taxes and premiums. The debate about health care rages on across Canada. In Alberta government policies have included the demolition and closing of some hospitals and the restructuring of the health delivery system. New Health Authorities have been given the power to manage health care within specific jurisdictions. Yet despite all these changes the costs keep rising. The situation is no better across the country.

Although a recent report stated that Alberta has improved its wait times, the reality is that wait times have increased over the past ten years. While the government has proceeded to build health centres, the initial provision of beds was not adequate, the situation is further exacerbated by a lack of qualified health providers and the tremendous population growth experienced in the past 2 years, as a result Albertans do not see much improvement. As for the costs of health it is not only increasing in Alberta but right across Canada. Politics has been the major impediment to a revamp of the system. Canada, and not just Alberta, has yet to find a solution to a growing problem caused by many factors including an ever increasing aging population. (See Appendix Table 3)

In its favour we must acknowledge that the Klein government has tried to find solutions to the problem, albeit without much success. In the face of public pressure The Klein government put in place some of the least private-health industry rules in Canada while claiming to be willing to experiment with alternative service delivery methods. These changes were so poorly communicated to the public that criticism still pours in about Alberta's anti-public health policies which do not actually exist. The forces of the old beliefs of government fully funded health care have

contributed to this impasse. Canadians must come to grips with the notion that what was right in the days of The Honourable Tommy Douglas, the father of Medicare, is no longer sustainable in the 21st century. Therefore we cannot provide, manage and deliver services in the same manner and under the same protocols. The truth is that the costs of health care in Alberta have doubled in the past five years. Alberta spends more per capita on health care than any other province and its annual health care expenditure is approximately \$10 billion. As the population gets older we shall have to spend more under the current delivery system, and the continued level of expenditure will only mean that we shall have to make cuts in other areas, or raise taxes to meet the demand for health care.

A number of reports, including those by Roy Romanow, Don Mazankowski and Senator Michael Kirby have all addressed and acknowledged that we have a problem, but they cannot agree on how to remedy the situation. Furthermore, to add more fuel to the decision in the Chaouli case circumstances the purchase of **Alberta has the least friendly rules to private health care expansion in Canada.** debate, the Supreme Court's recognized that in certain private medical care may no longer be illegal. Klein tried to make changes, but has backed off several times. In fact, the current rules in Alberta are the least friendly to private health care expansion in Canada. The stop/start approach to solving the problem in Alberta has not served us very well. While people suffer longer waiting times, the debate rages on about whether the private sector has a role to play in the delivery of health care services.

The whole idea of 'if it's not broken don't fix it' is redundant. The current system is in pieces and needs fixing immediately. While the idea of universal care is a noble one and still applies to Canada, the days of delivering health care services under the same model cannot be sustained. We need courage to address and implement a new system that serves all citizens. Too often opponents of change have cited the United States system as an example, the truth is that we should look at other systems in Europe where private and public services co-exist with success. Alberta has the opportunity and the ability to serve as a leader in this area. For the past five years the Alberta government has had the vision to make the necessary changes, but every time it has lacked the courage to challenge the status quo. Other provinces have allowed private health care in different forms, instead of further studies

Candidates have talked but not shown real willingness to tackle one of the most important issues affecting Albertans. So far we have heard either the status quo or possible private health care in some limited fashion. Proposals have not taken into consideration the Supreme Court decision that allows for the private funding of medical services under certain circumstances. What we need is a clear statement on health care that does not pander to opponents of private sector involvement in the delivery system and makes a clear choice to adhere to the Canada Health Act, while addressing the realities of a new era. Albertans deserve better and Alberta should implement some of the changes prescribed in the reports done by Romanow, Mazankowski and Senator Kirby. In addition we must not neglect the role of wellness in any new health care strategy. To provide health care is good, to promote wellness is even better. The Alberta government must include incentives for its citizens to promote wellness. We must look at making membership fees to fitness centers tax deductible, as well as reducing the tax burden of fitness and wellness centers to increase their numbers and competitiveness with public sector facilities.

Infrastructure

Many Albertans, more specifically politicians, drive the notion that the government has not invested in the province's infrastructure. While government ministers would argue that they have spent enough, municipalities have been driving a campaign to the contrary. In our opinion both the province and to a certain extent the local governments have a point; however both seem to have missed the real issue at stake. The traditional definition of infrastructure is: *"A long lived asset that normally is immovable, part of a system or network, specialized in nature, does not have alternative uses, and may be subject to constraints on disposal. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems."*

An alarming trend is that governments have redefined infrastructure to include services that could be and should be provided by other sectors. Social programs are being included in the definition of infrastructure to give more weight to the argument for more tax dollars to fund programs. More recently the term **'social infrastructure'** has been coined and then driven into the vocabulary of governments to justify more spending on non – traditional infrastructure areas. The above traditional definition of infrastructure is far more real and provides a clear basis for funding. In addition, the past years have seen the inclusion of direct or indirect operating costs in the claim for infrastructure funding.

In the last five years there has been a concerted effort by many politicians to address an infrastructure deficit. To look to the future and build appropriately to accommodate growth is a sound strategy, however very little has been done to actually build and plan adequately. Now municipalities and other public sector organizations are claiming that they can no longer cope. We acknowledge that there is an infrastructure discrepancy, and that it should be addressed with foresight and clarity.

Note that we do not use the word 'deficit', because too often the proponents of infrastructure spending have used 'wish lists' to create so-called deficits. On the other hand if we have a plan for essentials instead of a wish list - what we cannot build is a shortage. Municipalities led by the two largest Alberta cities, claim that money is needed immediately to build needed infrastructure. Some mayors have started a campaign to redirect taxes and the powers to raise taxes to local authorities, but they have done very little to control their expenditures and make appropriate plans for growth. Furthermore, we now have a plan to build a rail link between Calgary and Edmonton. Will this expenditure qualify as infrastructure? In our opinion if this project is so viable, and presumably profitable it should be funded by the private sector and the government's role should be restricted to the provision of land for the project.

While it is estimated that the infrastructure shortfall is approximately \$ 7.5 billion it does not mean that we must immediately spend to close the gap. The public sector has too often, with some exceptions; looked at the provision of infrastructure as their sole domain. It is not who delivers the service that matters, as Tony Blair once remarked: "What matters is what works." We have a shortfall of infrastructure because, governments have lacked the vision and leadership to provide public infrastructure through and with the private sector. To date as the debate rages on, we still cannot come up with solutions, like public/private partnerships or privatization that would not costs

taxpayers dollars to provide infrastructure. In some cases we refuse to look at the financial policies and restructure them to alleviate the tax burden. To address the infrastructure problem which faces Alberta and other parts of the country all levels of government must redefine their strategy and involvement. More so now, that the Canadian public is more supportive of P3s, which according to a survey by the Canadian Council for Public-Private Partnership stands at 64%. Alberta should lead in this area and put policies in place to address the problem.

Labour Shortages

The past year has seen an enormous growth in the population of Alberta. However, the in-migration did not keep up with the pace of growth. As businesses grew a significant labour shortage has occurred. As a result it is feared that the growth cannot be sustained unless we get an influx of workers in virtually every sector. Inflation caused mainly in the housing market is now coupled with high wages. We all understand that costs have increased. However, this is an economic phenomenon that is welcome. It will force the pace of growth to be slower.

Some industries are now reducing their expectation for growth and even curtailing some of their future plans. The oil industry seems to be severely affected as is the construction industry. While Alberta seems to be complaining about the shortage of labour it is often ignored that Canada has a limited pool of workers. The country as whole is only about 33 million and Alberta has just over 3 million inhabitants. We must recognize that the issue of labour shortage in Alberta is not an isolated one. This is a crisis which has been well forecasted by the Conference Board of Canada for the past decade.

Although Canada has some policies to allow foreign workers into the country, we need to look at expanding the programs in the short and medium term. The idea of medium term working permits, without extending citizenship, must be looked at. Economic growth tends to be cyclical and we must not have immigration policies based on short term visions for long term gains. Immigration policies must be instituted within a much larger framework than just plugging a medium term labour shortage. But we must understand that we could never import all the labour that is needed to sustain the current economic growth rates. They are simply unsustainable. More importantly we need to look at the recognition of professional qualifications in a more open fashion. For too long institutions, professional bodies and employers in Canada have used a protectionist's attitude towards foreign qualifications. As a result of not recognizing qualified immigrants we now find ourselves in a situation of labour shortage or having under employed workers. Unfortunately, even qualifications within provincial boundaries are not recognized. We believe that the new arrangements between British Columbia and Alberta will in effect allow the freer movement of labour between the two provinces. We hope that other provinces will see the wisdom of this strategy and lower the barriers of mobility of labour across the country. The protectionist attitude in the country is a severe impediment to growth and economic success.

We need to look at the recognition of professional qualifications in a more open fashion.

Deregulation

Most monopolies are not good for general economic life. The Klein government seemed to recognize this, but then thought, quite naively, that if they just waved the magic deregulation wand, all would be well. Depending on which side of the argument one may be, the Klein government is often blamed or congratulated for its bold approach to the deregulation or privatization of some services during his tenure. For this purpose it is very important to examine some of these changes more closely.

The most important of those changes could well be the deregulation of the electricity industry. While the public is aware of the deregulation, the majority does not really understand that the result of that policy was to deregulate the generation of electricity and not the transmission of electricity. The problem that remains is that while the costs of electricity are traded in an open market the transmission is regulated by Alberta Electric System Operator (AESO). Furthermore there are not enough distributors in the Alberta market to make the industry competitive and bring lower prices for electricity. The industry is dominated by companies like Enmax, Epcor and Direct Energy. The irony is that the first two companies and, in fact the largest distributors, are still owned by municipalities who can add charges to the electricity bills to enhance their coffers as a means of vicarious taxation. In effect the electricity industry in Alberta is not truly deregulated.

Another area of deregulation or privatization was the Liquor Board. Albertans have benefited in the privatization of the retail market of liquor and wines in the province. Independent entrepreneurs have invested in corner stores and speciality wine stores providing a competitive market. Once again most people do not know that the wholesale market is still controlled and owned by the government. While consumers have benefited from lower prices and wider range of products government control of the wholesale market has already been criticized by small operators for price discrimination. The next step to full privatization of the industry is advised.

Registries have also been privatized. Instead of large government offices with limited outlets and high costs, today Albertans can buy an array of licenses and permits from independent contractors. Access has greatly improved and speed of service and delivery are no longer a problem. The government has saved an enormous amount of money from moving out of the service delivery and entrepreneurs have successfully filled the gap. As a result we advocate that the government pursues other areas where deregulation and privatization can take place. However, we must recognize that that there is a significant transition process involved, especially when the market has been regulated for along period of time. The government has a responsibility to guide this transition process, or it will likely fail.

Municipalities and Local Government

Under the leadership of Alberta's two largest cities, municipalities and local governments have been clamouring for additional funds from the province. We agree that growth is putting some strain on the finances of many local governments, and that in recent past the provincial government believes that it has provided adequate funding; however there seems to be an imbalance about how much should have been spent to fund local authorities.

It is often argued that higher levels of government have downloaded services to lower levels, but it must also be said that some of these lower level governments were willing to accept those responsibilities. The fact remains that when they accepted the responsibilities, politicians were looking at an increase in their power to spend instead of responsibility to deliver. As they found that the costs were rising, they very quickly blamed the higher level of government for not giving them enough money, or better still the power to raise existing or new taxes.

Fort Mc Murray which is at the heart of the boom in the oil sands development constantly claims that it needs further help from the provincial government. Calgary pursues an aggressive policy to gain more taxing powers to alleviate its enormous appetite for expenditures. Fort Mc Murray, to a point, has some genuine claim that the province should help the financing of infrastructure while Calgary and Edmonton instead of using innovative ways to deliver services, continuously create more programs that requires funding from the same tax base. More alarming is that when senior governments have returned funds to municipalities, the new found funds are not necessarily used for what they were destined for, but instead transferred to political legacy programs.

Land Use

As the population growth of Alberta continues unabated, there is a need for more developable land. Municipalities are constantly negotiating with neighbouring districts to annex land for expansion of their city boundaries. While this practice is common, there are some serious concerns about the procedures and the impact of further development around existing cities.

The first concern is that the province of Alberta needs to deal with the lack of proper land use policies. Under current legislation rural municipalities resist environmentally, sustainable, denser developments, because nodal development results in the development of large enough population base that qualifies for village or town status. At this point the rural municipality loses the entire tax base they have worked to develop. As an alternative rural municipalities tend to approve scattered low density acreage developments which use environmentally negative wells and septic tanks. The result is lower density, large acreages each with only one home rather than concentrated, higher density developments which use less farm land per family home.

The second concern is the reverse. Large municipalities, who see growth and expansion as a source of increase tax base, constantly annex adjoining farm land for further development. This practice encourages suburban sprawl and is very costly. Every encroachment in the surrounding areas requires new infrastructure and loss of green space. Since most municipalities have not been able to come to terms with alternative strategies to provide services and build new infrastructure the taxes for existing citizens keep increasing with each development. Alternatively municipalities go to the province to ask for money often forgetting that there is only one taxpayer. Furthermore, larger municipalities want to increase their tax base, and are resorting to expropriation of adjoining lands. This is a fundamental property rights issue and the government must ensure that these rights are properly entrenched in any future laws and that the rights of citizens are not allowed to be abused.

There is a need to address the role of the provincial government in funding for local governments. However before we just hand money in droves to these governments we must also attach some conditions as to where and how these additional funds will be spent. Any additional funding given by a provincial government must be specifically earmarked and spent on the designated projects. At the same time we must also require that local governments restrict their ever expanding appetite for spending in the same old fashioned way. The desire for new taxing tools already exists. While we must seek to restructure the funding imbalance between higher and lower levels of governments, we must not acquiesce to the desire to raise new taxes without encouraging them to use other financing methods that include more private delivery of some of their services.

Affordable Housing

Alberta's robust economy has also brought a growing problem of affordable housing. The Calgary Chamber of Commerce, among others, started to address this problem in the mid-nineties. Despite efforts by several organizations Alberta still faces a growing shortage of affordable housing and in major cities has resulted in homelessness. Affordable housing can be viewed in two ways. There are those who are working and can afford to pay rent, but who cannot find a place within their means. The other group are the disaffected who cannot afford to pay; they are destitute, and/or helpless due to mental illness. The amazing growth in the real estate market has further exacerbated the situation; it is no longer an imminent crisis but is a real crisis. Construction costs inflation caused by the previously referred to stop start pattern of the Government of Alberta capital budgets has had the same negative impact on housing costs as on other construction categories.

Drop-in centres in major cities can no longer cope with the demand, and each year as winter approaches more beds are required to accommodate people in need. Too often community associations have fought the location of affordable housing. Reasons given have included, wrong location, no access to transportation, no multiple-family dwellings in a single-family area etc. The not-in-my-back-yard attitude has severely handicapped governments from establishing affordable housing in the right locations with easy access to public transportation. Funding for affordable housing from all levels of government has been inadequate. While the goals of organizations such as Habitat for Humanity are widely supported, not all governments have played a significant role in participating in

these programs. Government held land have not always been made available for affordable housing programs. Not enough money within a sustainable plan has been allocated to this growing issue. Recently Ralph Klein, in a last gesture before leaving office, approved \$16 million dollar expenditure for affordable housing. While this expense is well received by many organizations, it seems that once again the expenditure was done without a plan and as a reaction to the affordable housing problem caused by the growing influx of people from other provinces. The problem is unlikely to go away soon, but rather will continue to grow. Tent cities are not acceptable. Solutions must and can be found for this problem. However we must remember that this issue is not an infrastructure problem, but rather a social issue.

While housing is a Federal and Provincial responsibility, it is municipalities that have to bear the burden of dealing with the problem when it arises. Fortunately, with some leadership, governments have the tools to remedy the situation. Unlike others we do not advocate increased taxes or rent control, because both these strategies have failed in the past and will fail in the future because they do not make economic sense. The affordable housing crisis exists because there is a shortage of affordable rental properties. The problem is that it is easier to make a profit from being a developer building and selling condominiums, than being a residential property landlord. Therefore we need solutions to encourage the construction of rental units; in fact they are quite simple.

- Allow legal secondary suites
- Reduce or even eliminate property tax on rental units
- Change zoning bylaws to accommodate more multi-family properties.
- Revive the Multi Unit Rental Building program

Energy

At the heart of the 'Alberta Advantage' lies the policies on the province's most important source of revenue - Oil and gas is the driving force of these policies. However, we must not forget that there also exist other resources such as coal, hydro, geothermal and wind power and in the future nuclear power.

In the past much of Alberta's preoccupation has been with oil and gas, and for that reason it deserves our attention and we shall discuss the oil sands in the first place. We shall also discuss the impact of deregulation of the electricity industry and what we should consider for the future of an increasing demand for electricity as growth in all sectors continues.

Why are the oil sands so important?

The oil and gas industry is a major source of revenue for the province of Alberta, and the oil sands or tar sands are one of the most important developments in this industry. To this effect we believe that a discussion on its future development is of great value, and that ordinary Albertans should be better informed about the industry.

Oil sands are found in over 70 countries in the world, but 75% of the world's reserves are located in two countries - Canada and Venezuela. Tar sands represent as much as 66% of the world's total reserves of oil, and the tar sands of Alberta account for approximately 75% of North America's petroleum reserves. With the increasing political rhetoric of Venezuela, we can see why Alberta's reserves become a very strategic source of oil within the international context.

In the early days of development the costs of extraction were so high that it was not feasible to have large scale production, however with the increase in the price of oil it is now very profitable to produce oil from this source. As a result of increases in the price of oil on the world market Alberta has reaped large amounts of revenue. So much so that this revenue has become the envy of the rest of the country and also put enormous pressure on the government to seek a new strategy for the development of this resource. It is important to Alberta because it provides a steady stream of revenue which if put to good use will benefit not only Albertans, but other Canadians indirectly

Oil Economics

World demand for oil has increased drastically over the past decade. Economic growth in China and India has considerably affected the demand. In addition with the threat of terrorism, political conflicts around the world and natural catastrophes such as hurricane Katrina the price of oil in 2006 sky rocketed to a high of \$US\$ 78.40/barrel.

The price of oil has nothing to do with any policies made by the Alberta government, and is the result of world demand and supply. While a high price provides an increase in revenue for Alberta, it is obvious that it cannot be accurately predicted. The long term prospect may well be a higher price for oil certainly above the once predicted US\$25/barrel, but it cannot be certain that it will always be at the highs attained in 2006. On the other hand any change in the political climate due to conflicts and higher demand may take us the predicted highs of US\$100/barrel.

In mid-2006, the National Energy Board of Canada estimated the operating cost of a new mining operation in the Athabasca oil sands to be \$9 to \$12 per barrel, while the cost of an in-situ SAGD operation (using dual horizontal wells) would be \$10 to \$14 per barrel. This compares to operating costs for conventional oil wells which can range from less than \$1 per barrel in Iraq and Saudi Arabia to \$6 and up in the United States and Canada.

In addition, the capital cost of the equipment, such as the huge machines required to mine the sands and the dump trucks used to haul it to processing make capital costs a major consideration in starting production. The NEB estimates that capital costs raise the total cost of production to \$18 to \$20 per barrel for a new mining operation and \$18 to \$22 per barrel for a SAGD operation. This does not include the cost of upgrading the crude bitumen to synthetic crude oil, which makes the final costs \$36 to \$40 per barrel for a new mining operation.

At a world price of \$50 per barrel, the NEB estimates an integrated mining operation would make a rate return of 16 to 23 percent, while a SAGD operation would return 16 to 27 percent. Prices in 2006 have been considerably higher than that. As a result, capital expenditures in the oil sands announced for the period 2006 to 2015 exceed

\$100 billion, which is twice the amount projected as recently as 2004. However, due to an acute labor shortage which has developed in Alberta, it is not likely that all these projects can be completed.

Basic economic concepts state that when the price for a commodity is high; supply will increase, and when the price decreases supply will generally decrease. Therefore it stands to reason that with the prospect of high prices we could see further development of the Alberta oil sands, which will result in further revenues for Alberta. The other side of the coin is that if prices drop, producers will find it difficult to recover large capital costs despite the fact that exploration costs are virtually nil since the location is well known. However in the long run supply may be curtailed if low prices prevail and therefore revenues will decrease. Although a drop to the US \$25 levels is not anticipated, it also means that the levels of revenue currently attained may not be sustainable. It is more likely that the future price of oil will not be very far from \$50-\$60/barrel, because it is more likely that OPEC would cut production to keep prices relatively high, rather than have a lowering of prices to the \$25-\$35/ barrel

Unfortunately, all the rhetoric of wealth generated by the Alberta tar sands is predicated on continued high prices and increased revenues, which in some quarters demand that the government intervenes in the development of the oil sands. By the same token as oil prices have decreased in the past month, suddenly some companies are stating that they will have to curtail operations due to the high and shortage of labour. This is not new, companies will curtail their operations if they cannot make profits but it does not mean that we need government intervention in the industry.

Natural gas

The other source of income for Alberta is natural gas, and the following are some are the facts:

- Canada is the third-largest producer of natural gas in the world and the number one supplier of natural gas imports to the U.S.
- Canada produces about 6.2 trillion cubic feet of natural gas annually, and exports about 3.7 trillion cubic feet to the U.S.
- Canada has huge potential in emerging resources such as natural gas from coal bed methane (CBM) and tight gas

2005 Statistics

| | |
|---|--|
| Reserves at 2004 Year End: Natural Gas: | 56.5 trillion cubic feet |
| Production: Natural Gas: | 17.1 billion cubic feet per day |
| Prices: Natural Gas – Nymex Henry Hub | \$8.96 (US\$/mmbtu) |
| Exports: Natural Gas: | 10.2 billion cubic feet per day |

Alberta is increasingly allowing more gas exploration. As mentioned earlier natural gas is used extensively in the extraction of oil from the oil sands and heating, furthermore natural gas is also one of Alberta's greatest exports. This non renewable resource is being explored at an unprecedented rate and we must ensure that revenues from this source are properly managed. Although according to The Canadian Association of Petroleum Producers

(CAPP), at 2004 the Alberta reserves stood 56.5 trillion cubic feet, at the rate of exploration we will fast run out of this resource and of course revenues. It is incumbent upon any Alberta government to ensure that while present generation is benefiting from these revenues future generations are not forgotten.

Coal Bed Methane

As the reserves of conventional gas decline, Alberta is finding that vast amounts of methane locked in coal beds, may well be the next contribution to Alberta's wealth. The Canadian Association of Petroleum Producers estimates that coal bed methane production will account for 3% of 2006 Canadian natural gas production, they also estimate that it may well account for 9.7% by 2011. Great news for Alberta as Alberta Energy forecasts gross CBM royalties ranging from \$152 million in 2006 rising to \$514 million by 2010.

While this source of additional revenues has created a new buzz in the industry, it is not without controversy. The extraction of CBM is a lot of work requiring investment, and furthermore is sensitive to gas pricing. Any price below \$5 per thousand cubic feet, results in closure of projects. Price volatility is not the only challenge faced by the industry, the most difficult one remains public opinion. The fears of well water deterioration and other possible environmental problems are definitely on the minds of residents close to operating wells.

Royalties

We need a better plan, including a review of the royalties which accrue from natural gas and oil exploration. The current royalty regime needs to be re-evaluated. The full cost of exploration including reclaiming land and repairing environmental damage should be amortized into each unit of extracted resource. Otherwise the current spider web of pipelines and abandoned well sites could become a tragic legacy of a resource squandered on short term political gain while damaging the chances for future generation to succeed due to the contamination of lands required for future economic development by industries other than oil and gas.

Electricity

Since the government of Alberta deregulated the generation of electricity there have been two sides of the argument. Many opponents believe that deregulation is at the root of higher electricity prices in the province. Others believe that high prices are due to transmission constraints, while we believe that high prices are due to a combination of both above stated factors, we strongly believe that it is the government's policy of deregulating only part of the industry that is the cause of Alberta's electricity problem.

Consumers, both industrial and residential, have to be concerned about the transmission of electricity in the province. The transmission portion of the industry is still regulated and operates under the auspices of the Alberta Electric System Operator (AESO). The half-hearted policy of deregulation of the industry causes uncertainty, and so far very little has been done to remedy the problem. Furthermore we have two large municipal owners in EPCOR and Enmax involved in the market. These two entities operate separate from the private industry and are

very often subject to rules under the municipal act and benefit from a lack of true regulation while they compete with the private industry which is heavily regulated.

The governance status of both Enmax and EPCOR should be more transparent. Enmax in recent years has changed its structure to report only to Calgary Council through a Board of Directors. However, it seems that Council can override any ruling from the Energy Utilities Board, the regulator of the industry, at the drop of a by law change. In recent years Enmax has been found guilty of charging excessive amounts to its customers. The EUB has even directed Enmax to return the excessive amounts, but instead council decided to change the rules of the game and quickly appropriated the amounts. EPCOR on the other hand is also owner of a generation plant, while regulated the corporation operates differently from a private company.

With its enormous sources of energy Alberta is well poised to be a leader in the electricity industry. While generation can be increased through the growth of wind power, coal generation or even nuclear power, the problem of transmission still exists. Because the transmission industry is still regulated, and subject to the whim of ongoing market policy reviews by the government, it is difficult to see how the situation will improve in the short to medium term. It is estimated that future transmission projects over the next 15 years will require approximately \$3 billion. Alberta needs clarity and less government interference and market participation in the electricity industry. We need a fairer playing field.

Environmental Concerns

There is always some trade-off between economic development and environment problems. It is up to society to choose where they wish to be on this trade-off. Every candidate has embarked on a platform to address the issues of climate change and the environment. While they may agree on some issues, the solutions provided differ drastically. What concerns us is the use of revenues to finance environmental issues. There is a prevailing philosophy that the revenues from the oil sands should be used to support environmental concerns. The problem with this approach is that the use of revenues from the oils sands is tantamount to a new tax. The candidates are not using the word 'carbon tax' as the solution but it looks very close to one.

Oil sands

It is wise to consider the environmental impact of the oil sands development. The extraction of oil from the bitumen is done in a number of processes. The main ones being used in Alberta involves surface mining which uses hot water and caustic soda to separate the bitumen from the sands. This method consumes a considerable amount of valuable water and is of some concern to communities and their general outlook for potable water for the future. It also requires an enormous amount of energy, mainly from natural gas to generate and produce the steam required.

The other method is known as cold flow which while being a cheaper method of extraction only recovers about 5%, while a better method has been found to recover approximately 10% of the oil it also leaves an enormous amount

of sand that needs to be disposed of. Although the sand by product is already being used to repave some roads and other uses, a broader strategy to use this sand by-product is still not in place. The extensive use of natural gas in the extraction of oil from the sands may also be a redundant way of processing. Using natural gas creates an enormous demand and affects the price in a competing market for residential and other commercial uses. It is time for Alberta to seriously consider the use of nuclear power for producing the steam used in the extraction process.

Bio Energy

Alberta can play an active role in the ever expanding industry of bio energy. Vegetable oil from Soya and palm are converted to diesel fuel through a process that separates the glycerine from the fat, leaving two products – biodiesel and glycerine which can be sold for manufacturing soaps and antifreeze. Ethanol which is produced from corn and sugar is an alternative to gasoline. According to the International Energy Agency, the supply of vegetable oils soared 80 percent in 2005, outpacing ethanol production by 14%.

In Alberta we are considering the production of ethanol; from locally grown canola, wheat, and imported Soya oil. In fact a consortium is interested in investing some \$400 million in a biodiesel and ethanol refinery. In addition any carbon dioxide emissions will be sold into oilfield production enhancement. So far the whole idea seems to be an excellent alternative to non-renewable resources; however we are a little bit cautious about the government's future involvement.

Our concerns are two fold. One, the production of bio energy from renewable resources is a very attractive investment, but we must be very cautious to weigh the benefits and the possible pitfalls of too much concentration into the production of bio energy to the detriment of food. What worries us, is that in search for huge profits that could be made from a source of alternative energy, we may neglect to consider the pitfalls of growing feedstock at the expense of virgin rainforest, or shifting too much of our agricultural land to energy instead of food production. Two, currently Alberta already provides a production credit of \$0.14 per litre, but other people have opined that farming subsidies could be a way to increase canola and wheat production for the purposes of biodiesel. We strongly support incentives and tax credits but we do not support any new subsidies, which may increase the government's pool of grants rather than reduce the level of taxation of successful producers.

Water Conservation

With the expansion of CBM extraction comes the fear of well water contamination. The controversy is significant, and includes not only water issues but also the pollution of ranch lands due to unsound water disposal. As stated by Norma Lafonte a Land Advocate: "The cumulative impacts are pretty invasive because it's not just the surface disturbance – it's the number of trucks, the (amount) of fracturing... the concerns over the water".

So far in Alberta the regulator, the industry and the government have not acknowledge any link to well water wells. This issue deserves more attention from the government, before any harm is done, and water conservation must be placed at the top of the list. The pollution of ground water tables is of great concern and the EUB better take notice that their current approach to granting drilling rights has a negative effect on water management. The growing

wealth from the oil industry may well be affecting the future wealth of the agricultural industry and the health of citizens.

Canadians have for a far too long believed that the vast amount of water in our rivers and lakes should be used without many restrictions. However, the population and industrial growth in this country is now putting this resource under enormous pressure. We must put into place more environmental friendly strategies to manage water. The use of water by large industries like agriculture and oil must be better regulated. New rates must be put into place to recognize the magnitude of water usage. Too often we have seen favourable rates for larger users while smaller users are penalized. We must encourage the frugal use of water and reward those who consume less.

We are deeply concerned for the environment, we acknowledge that it is increasingly under pressure, but we prefer a different solution to the ones proposed by the majority of candidates. The environment should be a priority for everyone, and when it concerns the oil industry we see a role for the Alberta Utilities Board. Governments should not be seen as interfering with the industry but should instead be seen as a leader who guides and regulates without overly taxing the industry. We prefer a solution which gives incentives as opposed to taxation to motivate sound environmental solutions. For example companies should be given incentives to invest in remedial strategies that see results within 5 years of implementation. During the course of remediation companies adhering to the government guidelines would be able to write off any costs incurred to return the land back to normal. Remediation should be a priority for new strategies dealing with the environment. By products such as sand from the extraction of bitumen must be used in other projects that benefit the entire community. However, attached to these tax credits should be very strong and enforceable laws to ensure that the industry adheres fully with the strategy for a cleaner environment. Fines for environmental damage should far exceed any tax credits that may be granted. Corporations should bear the costs of remediation and stewardship for the environment. Those corporations who do not fulfill their share of responsibility should be fined, not with token amounts, but with substantial amounts that will force them to be responsible for their lack of respect for the environment.

We prefer a solution which gives incentives as opposed to taxation to motivate sound environmental solutions.

Alberta Revenues

In its latest budget the government of Alberta provided the following information:

In Budget 2006, the Alberta government produces its 13th consecutive balanced budget, which will continue to address infrastructure needs and improve services for Albertans while lowering taxes and increasing savings.

Highlights include:

- **\$4.1 billion surplus forecast:** allocated mainly to savings, the Sustainability Fund, and capital investment
- **16 per cent increase** in operating funding for post secondary education
- Additional **\$127 million** in annual funding for continuing care initiatives by 2008-09
- Three-year Capital plan allocates **\$13.3 billion for infrastructure**, an increase of 45 per cent
- Funding increase for AISH, seniors assistance and services for children
- 80 new RCMP positions, more prosecutors, establishment of organized crime surveillance team

| | Fiscal 2005-06 forecast | Budget 2006 estimate |
|-------------------------------------|----------------------------|-------------------------|
| Total revenue (millions) | \$34,601 | \$32,408 |
| Resource revenue (millions) | \$14,362 | \$11,354 |
| Total expense (millions) | \$27,226 | \$28,312 |
| Surplus (net revenue - millions) | \$7,375 | \$4,096 |

Surplus

The projected surplus of **\$4.1 billion in 2006-07** will be primarily allocated to savings and paying for capital.

- This includes a total of **\$1.9 billion** that will be invested in The Alberta Heritage Trust Fund
- Endowment funds
- The Alberta Cancer Prevention Legacy Fund.
- The Sustainability Fund will be **increased by \$325 million**, providing added protection against sudden declines in energy revenues and costs of emergencies and disasters.
- Another **\$813 million** will be allocated for capital investment.

Since the budget was tabled, another significant announcement was made to eliminate the Alberta Royalty Tax Credit Program (ARTC). This follows changes to remove or reduce four other oil and gas royalty programs. As a result of these changes, Alberta's energy revenues could increase by up to \$300 million.

The decision was reached following a review of provincial corporate tax reductions and changes to federal tax reductions on royalties since the program was first introduced. Industry and stakeholders were also consulted.

The ARTC program was established in 1974 in response to that year's federal budget, which made energy royalties a non-deductible expense for federal income tax purposes. The program allowed oil and gas companies to receive a tax credit on their provincial income tax. The credit was a percentage of part of the Crown royalties they paid on qualified wells.

To note that 35% of the revenues of Alberta are generated from non-renewable resources. This is based on the following estimates for 2006/7 Oil Price (WTI US\$/bbl), \$50, Natural Gas Price (C\$/GJ) \$7.50. Given the current and foreseeable demand for these resources combined with geopolitical instability, these estimates may well be low, thus may result in higher revenues and therefore higher surpluses than estimated

The Heritage Fund

So far Albertans have been given a plethora of saving strategies for surpluses. The Heritage Fund is being topped up by various amounts and will continue to grow. The problem is that currently there is no predetermined contribution required, furthermore the fund's income has been transferred to general revenues and have been used for different programs and political legacies.

The fund's growth depends on the revenues generated from royalties from oil and gas, and as such are not a steady stream and long-term benefits are hard to judge, especially if we continue to use the income for expenditures that may be political rather than economic. Those expenditures and the growth in the oil and gas industry have fuelled the rate of inflation in Alberta. To continue to budget on the basis of revenues from a constantly fluctuating source is pure madness. As Jim Dinning stated: "If we fall into the trap of budgeting on the basis of lucky money, then we're heading toward disaster again." Wise words indeed, but what do we need to do to secure the future?

Since paying down the Alberta debt the Heritage Fund has reached \$14.6 billion (Dec.2005). Not only is it the envy of the rest of the country, it is also fast becoming a subject of discussion among economists as to how it should be managed to garner the maximum benefit from these riches. A few are proposing that the Fund be managed along the lines of the Norway model. Created in 1990, fourteen years after the Alberta Heritage Fund, the Norwegian fund stands at \$215.5 billion (Nov 2005). A 100% of Norway's oil and gas revenues are placed in the fund and invested abroad, and net earnings are deposited back into the fund. All budgets are drawn without any revenues from oil and gas. Any budget deficit is covered by the fund as long as it does not exceed 4% of annual deposits. From a national point of view the fund buffers the economy from the ups and downs of fluctuating commodity prices. Should Alberta do the same with its revenues? Difficult to envision, while Norway is a country, and Alberta is a province, it should not prevent a strategy that will suit Alberta.

Save or Spend?

The answer may lie in sound fiscal policies. When Ralph Klein recently stated that it would be wise for municipalities to put some of their infrastructure expenditures on hold, he may well have a point. The Heritage

The Heritage Fund's success is a source of political tension.

Fund's success is a source of political tension. As it gets bigger everyone wants a share of the pie, municipalities are spending like crazy, and then ask that the provincial governments fund their excesses. While inflation in the rest of Canada has been fairly steady, the rate in Alberta has soared over the past year. In addition the value of the Canadian dollar has also risen on Alberta's oil riches, causing a drop in exports resulting in lower profits and rising unemployment in the manufacturing sector.

In the mean time continued expenditures and bonus cheques contribute to the low level of the Heritage Fund compared to Norway's fund. There is also another issue which must not be ignored in this discussion, which is the important debate about equalization. To the rest of Canada the riches of Alberta should be included in the equalization formula and shared with the rest of the country. While Alberta restructured many of its service delivery and programs and paid down its debt, other provinces have not made many changes and with the exception of a few provinces they have continued to accumulate deficits.

In our opinion the policy of saving revenues from oil and gas should continue. However many of the policies must change. At the heart of these changes is that income from the fund should be reinvested and not used to top up general revenues. Alberta should also adopt a policy of not including oil and gas revenues in its budget because of their volatility. Based on conservative estimates of future resource revenues, we advocate that for the next 10 years, 75% of the net surplus be placed in the Heritage Fund, the remainder 25% or approximately \$10 billion should be used to bring real infrastructure to par in the province. Roads, water and sewer should be a priority, and not 'social infrastructure'. Once we have been able to close the infrastructure gap, we should gradually increase the percentage of the resource revenues allocation to the Heritage Fund, to be managed for future generations. While the proportion of savings to expenditure may vary in the short term, we still believe that a 100% savings, investment in real assets after ten years is advisable. This policy will require that the government reduce its expenditures and have a better fiscal discipline. This measure is advocated to remove the savings from the hands of eager politicians who may decide to spend to build political legacies.

Equalization and Alberta

As for the equalization issue there are good reasons why revenues from non-renewable resources should not be part of the formula. In fact according to Kenneth J. Boessenkool of Sidicus Consulting Ltd. There are at least 10 reasons for these revenues to be excluded from the Equalization program:

1. Resource revenues have been nothing but trouble for the equalization program
2. Removing non-renewable resources would vastly simplify the program
3. Having non-renewable resources in equalization produces perverse incentives
4. Having non-renewable resources in the formula causes fiscal problems for Ottawa
5. Having resource revenues in equalization is arguably unconstitutional
6. Having non-renewable resource in equalization does not make economic sense
7. The equalization formula double counts the fiscal capacity from resources
8. Removing resources would allow the program to reflect all provinces' fiscal capacity
9. Removing non-renewable resources would mean very small adjustments for recipients
10. The politics of the proposal looks good

The removal of non-renewable resource revenues from the equalization formula is further supported by Brian Lee Crowley of the Atlantic Institute for Market Studies. He proposes the following solution to deal with provincial non-renewable revenues:

- If an equalization receiving province spends its revenues from a non-renewable resource on ordinary programs, that money should be deducted from its equalization entitlement
- If a non equalization province spends its resource revenues on programs, that money should be included in calculating a 10-province standard.
- If a recipient province uses its resource revenue to pay debt, the amount should not be used to claw back its equalization benefits.
- If a non-receiving province uses its resource revenues to repay debt or invest, the amount should not be included in the 10-province standard.

The Crowley proposal will in effect reward provincial governments for good financial management. The payment of debt and investments are fully encouraged. Furthermore the proposal ensures that if a province treats resource revenues as general revenues, it should be treated as general revenue, and if it is treated as a financial asset it should not be treated as general revenue. Under these rules it is a win-win situation for Alberta.

Debt Management

From an economic theory point of view, there is no optimal level of debt. This includes zero. However, the word 'debt is perhaps distorted and misused for short-term political advantage more than any other word in the political lexicon. One of the successes of the Klein government is undoubtedly the elimination of the debt in Alberta. There is no doubt that in the long run cutting back on interest payments will have a long lasting effect. We do not dispute that debt is not always good because it puts a heavy burden on taxpayers, however we must not ignore that debt is a financial tool which if managed properly provides a source of funds to accommodate growth. Klein rightfully came in with a plan to eliminate debt which was at an all time high in the early nineties. What we ignore is that the debt was not only incurred for capital projects but was financing deficits often caused by escalating operating costs.

Good debt or Bad Debt

To be debt free is a lofty goal, but there is also a case for good debt. Borrowing for the right reasons is the right thing to do; not borrowing because we can pay for it out of our savings can easily be the wrong thing to do. This apparent paradox can be used for both government and personal finances. Borrowing to purchase a home allows us to own it sooner than renting does. Borrowing to go on holidays provides immediate satisfaction but little permanent benefit at all, and we must pay back the debt.

Government debt is no different – borrowing for infrastructure will benefit future generations who will be able to pay their fair share of the costs as they use the benefits of the debt. In fact not borrowing for infrastructure, such as utility plants, bridges and roads designed to last for 25 to 75 years only creates a wealth transfer from today's taxpayers to future generations who will enjoy the benefits of that infrastructure without contributing to its costs. On the other hand, if governments borrow to pay current operating expenses, it is only making future taxpayers pay for the foolishness of past taxpayers.

There is such a thing as good debt when used properly. It is nothing but a mechanism for fairness to taxpayers, who pay for the services they get over the years. They should not have to pay for the services they will never see, and the people who follow us should not expect to have a free ride because our government stripped us of our savings to help someone else at another time. Fairness and honesty, matching of costs and benefits, is what 'good borrowing' is about. Debt if used properly is not that bad, it is only a financial tool.

Debt if used properly is not that bad, it is only a financial tool.

The reluctance to have debt was also Klein's Achilles' heel. The fear of debt has been a cause for continued high taxes to finance projects and unduly pass the costs of infrastructure, which will last decades, on the shoulder of the current taxpayer. Having no debt meant that we had surpluses which became the source for demands to spend by every organization in the province, and has in a way caused the envy of other provinces. While it is true that debt servicing costs reduces the government's ability to finance other programs, it is also true that not all programs should be financed by governments. For too long we have been reluctant to allow the private sector into the provision of so called 'public goods'. Some continue to believe that the government should be the sole provider of services. We must encourage competition in the provision of services so as to limit government's involvement, hence the increase in debt.

Pay-as-you-go is a good system, but not in all cases. We cannot finance the costs of infrastructure by asking the present generation to fund projects up front when it will benefit future generations. In the private sector we accept the concept of leveraging to acquire assets. This financing concept, if applied correctly can be used by governments equally well, but with at least the following conditions:

- Debt be raised only if Albertans would allow it through a vote such as proposition 13, as used in California
- Debt should not be used to finance non-traditionally defined infrastructure, or operating costs
- Debt be incurred only for specific capital projects with a shelf life of at least 30 years
- Debt be raised through special tax free bonds which will allow the public to participate in, benefit from and be secured by the assets of the province

Taxes

All government plans, strategies or vision always leads to one thing – taxes. However we must not accept the old bases for taxation as written in stone, we have the opportunity to make serious changes to Alberta taxes that will give us the true advantage.

Many of the leadership candidates are promising more funding for this cause or the other. While funding for libraries and the arts is necessary, the government should not be the only one to fund these programs. While a basic portion of support should be provided by the government, we propose that more tax deductions be provided to philanthropists who support these causes. Some of the world's greatest libraries and museums have been built with private funds. Using only taxpayers' money to fund these programs is not fair, but rewarding those who support them is definitely a means to reduce government involvement and increase individual contributions.

First we need to change the income tax regime to allow for a lower rate in Alberta. If we have operating surpluses not resulting from resource revenues, it means that there is over taxation to a certain extent. We must revisit the idea that sales or consumer taxes are anathema to Albertans. In fact we should make further use of consumer taxes to finance our future needs. The acceptance of new consumer taxes should not be a green light to raise more revenues but in fact create a fairer playing field. While putting in place consumer taxes the government should also ensure that at least an equivalent reduction in income taxes is instituted to counteract the effects of any new taxes. Small business taxes should be further reduced to promote growth in a sector that provides the majority of jobs. Diversification of the economy can be promoted through tax credits, not subsidies, and should be provided over a period of 10 years.

Property Taxes an Anachronism

Property taxes have very little correlation with services provided, and are not based on ability to pay. In the first place Market Value Assessment (MVA) is a method of assessment which is prescribed by provincial statute. The methodology is used in other jurisdictions and has the same pros and cons. First, municipalities are not the ones who mandated the use of the MVA, and second, given its lucrative results all municipalities have embraced MVA with gusto and have not tried to mitigate its effect and disputed its regressivity until now.

Because a booming real estate market is driving the value of properties and due to the MVA taxes have risen in many communities in the province. This phenomenon is not unique to Alberta. And there have been some remedies used in the past to alleviate the heavy burden of property taxes. In Vancouver, for example, since 1974 eligible seniors over 60 can defer their taxes. The total amount owing to the city is approximately \$174 million, and costs \$4 million in yearly administration. It must be noted that a deferral does not mean that the tax is forgiven. In Alberta there are also municipal and provincial programs to help lower-and fixed-income families. However the MVA continues to put a heavy burden on many property owners, more specifically those who live in older areas and

who are on fixed income. It is time to examine the use of an alternative tax regime to tax properties in Alberta. We propose that the tax should be levied on the basis of the purchase price of the property. Taxes are levied on the registered purchase price, with a yearly increase for inflation. Upon the sale or disposal of the property the new price will become the basis for assessment. This new assessment removes the burden of taxation on unrealized property values.

School Taxes

As stated earlier the funding of education needs serious review, and that includes the controversial property school taxes. There is no correlation between school funding and property taxes, furthermore the current MVA is too onerous and needs change. Many candidates have stated that they favour giving municipalities the room school taxes occupy. We believe that 'vacating' the tax room is ill-advised, and we would rather see an elimination of the property school tax in its current form, before any consideration to allow municipalities to appropriate existing property taxes used for education.

There is no correlation between school funding and property taxes.

Vacating has the dangerous notion that Albertans will be better off when the provincial government gets out of the school tax business. This cannot be further from the truth. Vacating will mean that we shall pay the same amount of taxes but it will be collected by municipalities for their own purposes. This is dangerous because if the provincial government does not need the property tax money for education it means that we shall have to find another way to fund education. If that is the case Albertans will now pay a new tax for education and continue to pay the same amount of municipal taxes under a new name. Vacating means more taxes not less.

We therefore propose that if the provincial government can vacate the tax room they should instead eliminate it. They should then allow an education ministry or school boards the power to raise their own taxes for their jurisdictions, and be accountable for it. As for the room that municipalities so eagerly covet and would love to occupy, it will now be reduced and they will have to raise their own taxes and be accountable directly to their constituents for the increase in taxation, and not just appropriate and build their political legacies on funds raised under the provincial taxation powers.

New Sources of Taxation

To allow the use of Tax Increment Financing (TIF) in Calgary is perhaps one of the biggest mistakes made by the Klein government. The whole issue was not debated properly and in the twilight of his career Klein just agreed to one of the most insidious taxes to be allowed in Alberta.

TIF provides infrastructure dollars for areas that would otherwise not be developed because the area may be deemed to be blighted, or the land needs rehabilitation. There are a number of general concerns about this financing method and we are not the only ones to express them. In fact even in the United States there is growing reluctance for its continued usage in certain jurisdictions. As it concerns the East Village in Calgary there are some

facts that have been left out. Although the area has been under a cloud for a number of years it is not a blighted area. The location is good enough for private sector development without government involvement. Calgary is in the midst of an economic construction boom and its economic status does not require the use of TIF, certainly not downtown.

Maintaining the Alberta advantage should remain a major priority and we need to restructure our tax code to lessen the burden not to add to the plethora of existing direct and indirect taxes. We should provide tax credit incentives instead of raising taxes to fund programs. The private sector should be encouraged to become better citizens and be rewarded for their contribution to society. Both corporations and individuals should be rewarded when they contribute to programs such as the arts and culture. It is far better to give a tax credit or incentives than to tax the public upfront to fund programs which very often are chosen arbitrarily and for political gains.

Transparency & Accountability

It is refreshing to see that most of the candidates have some inclinations about accountability within government. A number of them have espoused the idea of limited term and fixed dates for elections, and a lobbyists register. This approach is very encouraging; however we do not believe that they go far enough.

Term limits, in our opinion, is a cornerstone of accountability. We advocate a limit of two four-year terms, and propose a limit on all politicians' term in office, not only the Premier. After two terms an elected official must step down and can be re-elected after a one term sabbatical. Since local governments come under the jurisdiction of the provincial government any legislation on term limits should be extended to include them. True accountability cannot be reached if we do not have transparency. While a register of lobbyists will go along way to remove the veil of secrecy, and provide the ordinary citizen with some information regarding the parties trying to influence government, we believe that for greater accountability we should have full disclosure of government activities and expenditures.

True accountability cannot be reached if we do not have transparency.

We urge the new Premier to include a Transparency and Accountability Act, similar to the one just enacted in the United States. Such an Act will entail that all funding and expenditures be made available on a central web site for all to see. Furthermore we require a strong 'whistle blower' policy that really allows the public to be informed of misdeeds in government. Politicians and civil servants should no longer be protected in cases of abuse of authority or excessive spending. Those who come forward with legitimate concerns and reasonable grievances must be protected.

Recommendations

Based on our review of the issues affecting the future of Alberta, we have produced a set of recommendations which we hope will be seriously considered by whoever gets elected as leader and his new government. Alberta is at a very crucial stage in its history, it is growing economically at a faster rate than most other provinces in the country. It is important that the so called 'Alberta Advantage' is not squandered and that future generations benefit from it. We recommend the following:

General

- The continued success of Alberta will depend greatly on future government policies, and its ability to be a facilitator and not a sole provider of services
- The economy of Alberta is greatly dependent on a commodity which is affected by world markets, and cannot be over-regulated
- The economy of Alberta must be allowed to find its own equilibrium with the minimum interference from government
- The Government should not be involved in any aspect of trying to control the growth rate of the Alberta economy
- While regulations are required for the orderly governance of the province, it is important to not over-regulate to make the province a desired place to do business and be competitive in the world and not only in Canada.

Health Care

- The government of Alberta is encouraged to seek alternatives to the current delivery of health services
- The government should repeal the Health Care Protection Act, to allow for the right of citizens to buy private health care insurance.
- We must use Alberta's influence to bring a new approach to health care onto the national scene.
- Implement the best recommendations of the Romanow, Kirby and Mazankowski reports
- Provide tax credits for corporate health programs that encourage workplace initiatives.
- Promote prevention and wellness as opposed to just spend money on providing care.
- Allow fitness center membership to be tax deductible and lower taxes for private recreation and fitness centers.
- Eliminate health premiums for all Albertans over 60 and resident in the province for at least 10 years.

Education

- Review the whole of the funding model for education in the province.
- Allow all accredited institutions, public and private, who meet the required criteria to deliver degree granting courses.
- Consider the use of school vouchers to increase competition in the delivery of education
- Place an equal emphasis on academic courses and technical and trades programs.
- Control the rising costs of education by ensuring that capital funds are used for capital expenditures and not operating costs
- Provide higher education students, resident in Alberta, with funding on a declining scale , with the last year's cost free
- For newly accredited degree granting institutions, promote the use of more sessional lecturers instead of full time tenured lecturers
- Reduce the costs of brick and mortar delivery by promoting more cyberspace education
- Reduce the number of School Boards and give them the right to raise taxes independent of municipalities and make them directly accountable to the citizens.

Infrastructure

- Ensure that traditionally defined infrastructure is properly funded
- Use 10% of yearly resource revenues over the next 10 years (approximately \$10B) to pay for badly needed roads, water, sewer construction and upgrading
- Use alternative means of funding infrastructure, including tax free municipal bonds and debt financing
- Explore every means of providing infrastructure including private/public partnerships, privatization and tax credits.
- Implement a long term plan for infrastructure based on the province's growth, instead of stop/start programs.
- Increase infrastructure construction during economic slow down and cut back during economic growth.
- Do not fund the construction of a high speed train between Edmonton and Calgary
- Acquire and provide the land for the high speed train but not the project itself, the private sector should be the ultimate source of finance and operations.

Labour Shortages

- Establish a comprehensive recognition of foreign qualifications, either with other provinces or alone
- With the collaboration of the federal government use a system to increase foreign work permits on a needs basis, without automatic citizenship
- Establish training programs for the trades
- Expand the Alberta/B.C trade deal with other provinces within the Agreement on Internal Trade
- Any future agreement should include financial services, health services, labour standards

Affordable Housing

- Work with the federal government to put in place a comprehensive affordable housing program
- Large cities and growing localities bear the brunt of housing shortages and must be given proportionate funding to alleviate the current situation
- Provide tax credits, not subsidies for the private sector to build affordable housing
- Revive the Multi Unit Rental Building program

Energy

- Do not try to interfere with the market place through government policies, allow the laws of supply and demand to work
- Put into place revised royalty regimes for the oil and gas industry, and ensure that the industry is contributing its fair share
- Deregulate the transmission of electricity
- Promote the expansion of wind generated energy industry through tax credits, not higher prices or subsidies.
- Seriously consider the building of nuclear energy generators to accommodate future needs.
- Provide incentives to developers who make use of alternative renewable energy sources in their developments

Deregulation

- Implement strategies that deregulates services as much as possible
- Continue to privatize services which can be better provided by the private sector
- In regulated Industries we should create a level playing field when competition between private and public providers are involved
- Deregulate an entire industry not only part of it – for example generation and transmission of electricity, retail and wholesale of liquor.

Debt Management

- Use debt as a financial tool
- Create debt for capital expenditures not to pay for operating deficits as in the past
- Match debt repayment with life of asset
- Negotiate with the federal government to create tax free municipal bonds

Municipalities & Local Governments

- Enforce existing Municipal Act or get out of the way completely
- Do not allow the establishment of new forms of municipal taxes without consulting the public.
- Municipalities should not be given the room to appropriate the school tax portion if it is vacated by the province
- Clear demarcation of the provision of services must be established between the province and municipalities
- Establish new land use procedures for annexation, and respect property rights

Taxes

- Alberta can have the most advantageous tax regime in the country and we must provide it
- Reduce income, and corporate taxes instead of giving bonus cheques
- Change the Market Value Assessment of property taxes to a Purchase Value Assessment base with yearly adjustments for inflation.
- School taxes should not be based on property values since they have absolutely no correlation
- If the province can afford to vacate existing school tax system it should eliminate it, not give it to the municipalities
- School Boards should be allowed to raise their own taxes, and be accountable for them.
- Do not disregard consumer taxes as a source of revenue, but not without an equivalent reduction in income taxes

Alberta Revenues

- We must recognize that the revenues from non-renewable resources should also benefit future generations
- For the next 10 years the government should place 75% of net surplus into the Heritage Trust Fund
- For the next 10 years the government should use 25% of the net surplus for infrastructure construction and debt repayment on the costs of construction
- After the next 10 years 100% of resource revenues should be placed in the Heritage Trust Fund
- Income from the Heritage Fund should stay in the fund and not appropriated to general revenues for political legacy expenditures.

Transparency & Accountability

- Set fixed dates for elections
- Establish limited terms for all political offices in the province
- Restrict all political offices to a two term limit of four years each
- Establish a web site giving the public access to all funding and government expenditures
- Strengthen the existing 'whistle blower' laws
- Establish a lobbyists list

Conclusions

Alberta has reached a very exciting time in its history, blessed with natural resources, it has been able to pay down its debts and put in place programs that can benefit its citizens. With increasing demand for more spending, many of the leadership candidates seem to be playing to their constituencies and proposing more programs and different types of funding. Our studies and research show that Alberta does not have to continue to manage its affairs in the old fashion way, and now is the time to really make the changes that will affect the future prosperity of its citizens as well as have a significant impact on the rest of the country.

Klein said 'we did not have a plan for growth'. The truth is nobody could have foreseen the events of the past 5 years and predicted and planned for the excessive growth in Alberta. On the other hand many people have been musing about the Alberta Advantage for years. With lower taxes and no debt, it could have been foreseen that the economic climate of Alberta was no longer the same as the rest of the country. One needs to wonder if the Alberta Advantage, encouraged by the Government of Alberta was really expected to materialize. Perhaps the government did not believe in itself based on the lack of preparation for success. For these reasons we should emphasize that the government should not be involved directly with planning growth but only with their own budgetary process in the face of growth

Alberta does not require a leader with a plan, but rather one with a vision big enough to propel us into the next 25 years with confidence, economic strength and security. More importantly we must be very careful not to stick with the old templates and ensure that we use innovative strategies to avoid making the same mistakes. To this effect the most important strategy will be to avoid, and refrain from government interference in the economy. The majority of leadership candidates have plans in their platform to improve, change and redefine certain aspects of government involvement in the main industries and services of health, energy, education, transportation etc. However, what is a little bit disturbing is that most of their plans involve extra spending and promises to transfer tax powers to other levels of government and public sector institutions, and there has been very little talk about innovative public sector financing and funding, or even restructuring the way that services are being delivered or should be delivered in the future.

What is required is great leadership. We need somebody who is not afraid to move away from the past mistakes resulting from old public sector management. One who is willing to make the necessary changes to allow a free

“The preservation of freedom requires limiting the role of government and placing primary reliance on private property, free markets and voluntary arrangement.”

MILTON FREIDMAN

market economy which will make Alberta more competitive, not only within the boundaries of Canada but within a global economy. One who would refrain to use the heavy hand of government to manage the economy, but instead will allow the laws of economics to bring the economy into equilibrium. The new leader and his

government should take heed of the late Milton Friedman's statement that: "The preservation of freedom requires limiting narrowly the role of government and placing primary reliance on private property, free markets and

voluntary arrangements.” Alberta needs policies that provide regulations which do not impede the growth of the economy and yet protects us from the excesses and waste that could place the environment and its citizens in danger.

We need sound fiscal policies that ensure the wise use of non renewable resource revenues for today’s as well as future citizens. We must refrain to have stop/start strategies due to reactive instead of proactive policies. Vision is required to make sure that in times of crisis the government will only spend to stimulate the economy and as soon as the economy recovers the government should stop spending and immediately adjust its budget accordingly. That also means that we should make greater use of tax deductible incentives rather than subsidies to promote, expand and improve industries in Alberta.

We understand that politicians love to make promises, and that their constituents and supporters love to be given what they want. However the old means of fulfilling political promises through additional spending is long gone. To make sure that we do not have politicians who use policies and expenditures to stay in power, we strongly support limited terms for all politicians in the province.

Alberta has the opportunity and ability to become one of the most prosperous places in Canada, which contrary to some views, can also benefit the rest of the country. Lower taxes should benefit everyone, and those less fortunate should be properly looked after, but not through existing programs that may no longer work. Our success would hopefully stimulate other provinces to adopt some if not all of our policies to create a society less dependent on government. Our wealth should not be seen as a burden or a pie to be shared without a plan, but rather an incentive for others to seek the same prosperous results.

Appendix

Table 1 - Alberta Population 2006

| | |
|-----------------------------------|-------------------------|
| Cities | |
| Airdrie | 29,035 |
| Brooks | 11,604 |
| Calgary | 991,759 |
| Camrose | 15,850 |
| Cold Lake | 11,595 |
| Edmonton | 712,391 |
| Fort Saskatchewan | 14,685 |
| Grande Prairie | 44,631 |
| Leduc | 15,630 |
| Lethbridge | 78,713 |
| Lyodminster - Alberta | 15,487 |
| Medicine Hat | 56,048 |
| Red Deer | 82,971 |
| Spruce Grove | 18,405 |
| St. Albert | 56,310 |
| Wetaskiwin | 11,154 |
| Specialized Municipalities | 173,354 |
| Municipal Districts | 433,936 |
| Towns | 411,362 |
| Villages | 38,971 |
| Summer Villages | 4,107 |
| Improvement Districts | 2,559 |
| Special Areas | 5,314 |
| Métis Settlements | 9,119 |
| TOTAL | <u>3,244,990</u> |

Source: Alberta Government - September 01, 2006 Official Population List

Table 2 - The Cost of Education

Average student debt by region (2006)

| | Average Debt | % of student who borrow |
|-------------------------|--------------|-------------------------|
| British Columbia | \$26,675 | 58% |
| Prairies | \$22,787 | 55% |
| Ontario | \$22,589 | 58% |
| Quebec | \$12,992 | 48% |
| Atlantic Canada | \$29,747 | 66% |
| NATIONAL | \$24,047 | 59% |

Source: The Canada Millennium Scholarship Foundation 2006

Table 3 - The Rising Cost of Health

Health spending as a % of government expenditure over 30 years

| YEAR | Newfoundland/ Labrador | P.E.I. | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba |
|-----------|---------------------------|--------|----------------|------------------|--------|---------|----------|
| 1975-1976 | 20.9% | 21.2% | 25.0% | 21.1% | 28.1% | 27.8% | 28.1% |
| 1985-1986 | 23.1% | 24.6% | 26.1% | 24.7% | 25.8% | 30.0% | 25.9% |
| 1995-1996 | 24.8% | 24.6% | 25.3% | 25.7% | 25.0% | 29.6% | 27.7% |
| 2005-2006 | 31.9% | 30.4% | 35.7% | 32.7% | 27.3% | 39.5% | 37.5% |

| YEAR | Saskatchewan | Alberta | British Columbia | Yukon | N.W.T. | Nunavut | Canada |
|-----------|--------------|---------|---------------------|-------|--------|---------|--------|
| 1975-1976 | 24.0% | 24.1% | 26.1% | 9.5% | 10.1% | - | 26.6% |
| 1985-1986 | 22.9% | 22.8% | 28.4% | 11.4% | 11.3% | - | 26.7% |
| 1995-1996 | 26.3% | 25.7% | 29.7% | 13.5% | 15.4% | - | 27.3% |
| 2005-2006 | 33.1% | 36.5% | 37.1% | 19.0% | 17.1% | 21.6% | 34.6% |

Government health spending per capita (\$) over 30 years

| YEAR | Newfoundland/ Labrador | P.E.I. | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba |
|-----------|---------------------------|----------|----------------|------------------|----------|----------|----------|
| 1975-1976 | 371.04 | 368.40 | 336.98 | 315.13 | 419.98 | 391.35 | 387.06 |
| 1985-1986 | 985.81 | 974.34 | 996.11 | 993.72 | 1,150.62 | 1,069.31 | 1,109.11 |
| 1995-1996 | 1,646.57 | 1,518.14 | 1,412.21 | 1,659.62 | 1,661.73 | 1,678.73 | 1,695.61 |
| 2005-2006 | 3,097.51 | 2,669.04 | 2,818.92 | 2,789.90 | 2,792.60 | 2,792.60 | 3,152.07 |

| YEAR | Saskatchewan | Alberta | British Columbia | Yukon | N.W.T. | Nunavut | Canada |
|-----------|--------------|----------|---------------------|----------|----------|----------|----------|
| 1975-1976 | 342.79 | 403.28 | 394.17 | 289.59 | 369.09 | - | 393.15 |
| 1985-1986 | 1,093.16 | 1,287.57 | 1,083.10 | 1,028.04 | 1,375.25 | - | 1,108.38 |
| 1995-1996 | 1,577.45 | 1,410.68 | 1,857.97 | 2,159.10 | 3,348.86 | - | 1,663.89 |
| 2005-2006 | 2,997.30 | 3,183.13 | 2,854.89 | 4,762.38 | 5,303.50 | 8,026.81 | 2,806.13 |

Source: Canadian Institute for Health Information 2006

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Canada is one of the most democratic countries of the world. Its diversity and cultural richness are the basis for our prosperity. However in recent past there have been too many instances of government mismanagement, which if left unchallenged can and will endanger our democratic system.

In the 21st century we can no longer manage our public institutions with 20th century models. It is time to re-examine the role of government in our society and seek new ways for the delivery of public services. We need more transparency and accountability in the public sector. There is a need for a new vehicle to allow citizens to express their opinions and provide new ideas to maintain our prosperity.

The Institute for Public Sector Accountability (IPSA) is a non-profit organization founded to promote transparency and accountability in the public sector. **IPSA** is dedicated to the enhancement of democracy.

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- **To inform the public on issues related to the public sector**
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