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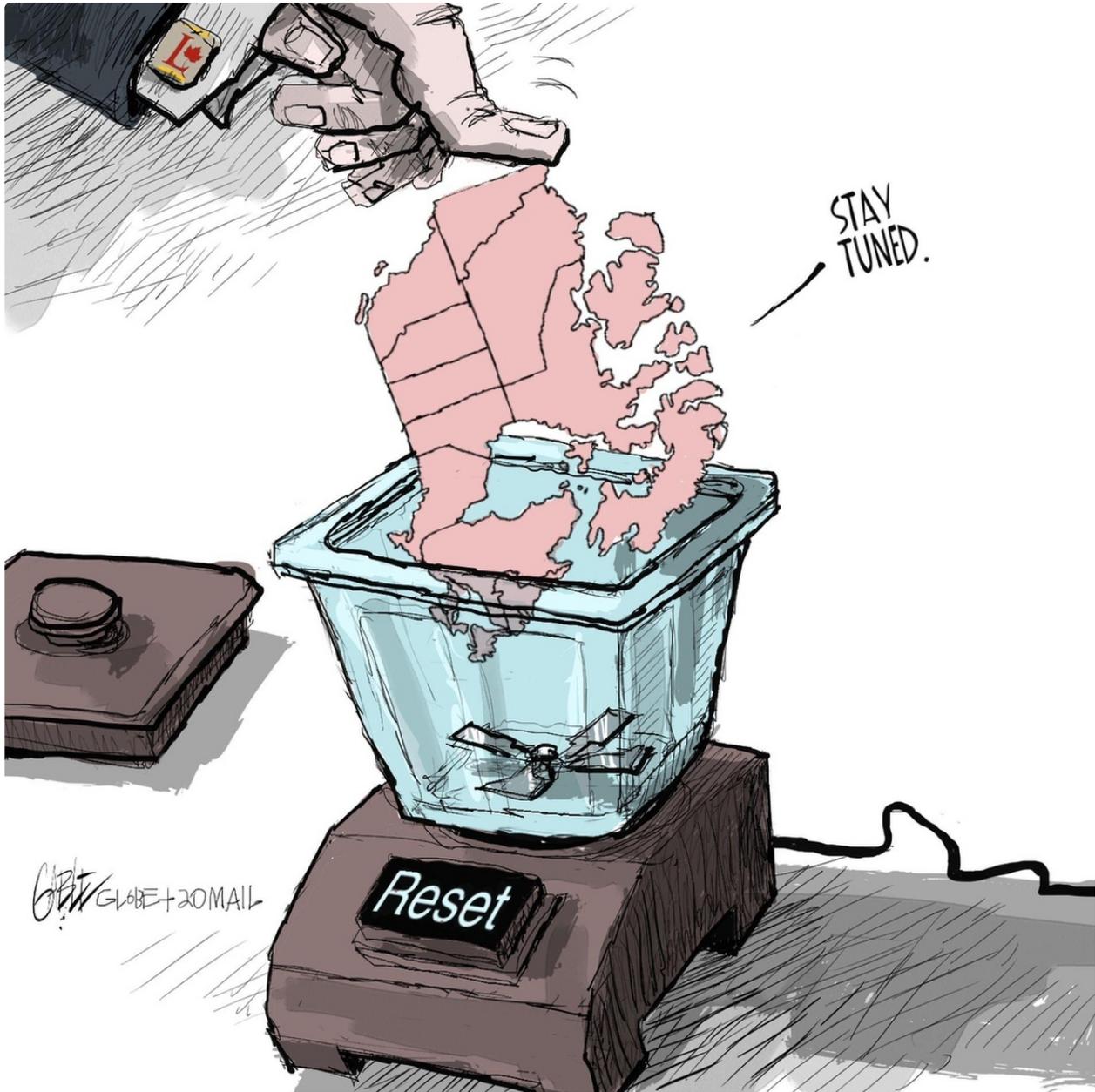
Subject: ActionAlberta #160 - MORTON: WE SHOULDN'T BE FIGHTING WITH OURSELVES OVER ALBERTA'S DEFICIT BUT WITH OTTAWA!

Date: December 5, 2020 at 9:18 AM

To: Action Alberta info@actionalberta.ca

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MORTON: WE SHOULDN'T BE FIGHTING WITH OURSELVES OVER ALBERTA'S DEFICIT BUT WITH OTTAWA!

The Government of Alberta's Wednesday budget update was not encouraging. It's hard to get excited that the projected deficit for this year is down from \$24 billion dollars to \$21 billion. Yes, there has been some uptick in job creation since the March-April collapse, but we are not expected to return to 2019 levels until 2023. And then there is the issue of balancing the budget in their first four years—a key promise of the Kenney government in the 2019 election. With a \$21 billion dollar deficit this year, we obviously aren't going to balance the budget anytime soon. Deficits for 2021 and 2022 are now forecast as \$15 billion and \$10 billion dollars, respectively. This will push Alberta's net debt to well over \$100 billion dollars, when only 15 years ago we were debt free. The best Finance Minister Toews could promise on this was a "time-line" to a balanced budget after the pandemic is over. If nothing else, we should give credit to the Minister for being brutally honest with Albertans about the fiscal quicksand we are in.

So how do you slay deficits when you have a structural deficit this large? Two choices: increase revenues or decrease spending. On the revenue side, options are bleak. Oil and gas prices are predicted to stay low for another few years. Only one of the three pending new export pipelines is near completion. And you don't raise taxes when you are trying to restart the economy.

That leaves decreasing spending, and we all know where that leads. The 2019 MacKinnon Report confirmed that our teachers, doctors, nurses and other public sector union members are paid more than their counterparts in other provinces. Interestingly (see below), Quebec is the only province that spends more per capita on public civil servants than Alberta. And public sector salaries account for 55 percent of the government's total budget. Janice MacKinnon was the first Finance minister in the newly elected NDP government in Saskatchewan in the 1990s. They inherited a similar structural deficit. MacKinnon's solution—not an easy one for an NDP government—was to cut public sector salaries. So she's been there; done that; and basically recommended the same harsh medicine for today's Alberta. And that was

recommended the same harsh medicine for today's Alberta, and that was before the 2020 Covid collapse.

So now we are bracing for an ugly fight between Alberta's public sector unions and the Kenney government over where and how much to cut. There is no win-win solution here. I'll simply note that both myself and my wife were public sector employees in the 1990s—a professor and a teacher in Calgary—and we both took the 5 percent cuts imposed by the Klein government. We didn't like it. But we accepted it, because we had friends in the private sector who had already lost much more. Twenty years later, the private sector has again borne the brunt of our five-year recession.

But it's unfortunate that we are now going to be fighting with each other over how to get back to a balanced budget, when the real problem is Ottawa—and the billions of dollars that the Federal government takes out of Alberta each year.

Between 2015 and 2019, Alberta ran five consecutive budget deficits, accumulating \$44 billion dollars of new debt. Over this same five-year period, the difference between all the taxes we sent to Ottawa and what funds came back—the net transfers that left Alberta—amounted to \$90 billion dollar loss for Alberta. So now imagine, if only half of these transferred funds had remained in Alberta--\$45 billion—it could have been possible to balance the budgets each year.

It's not that Albertans don't already pay enough taxes. The problem is that our tax dollars leave the province in staggering sums every year. And where do they end up?

During this same period, 2015 to 2019, the Government of Quebec reeled off five consecutive balanced budgets, accumulating \$13.6 billion dollars in savings. How did they manage this? With massive cash transfers from the Federal government. To take just one year—2018—the Quebec budget projected a \$5.6 billion dollar surplus, made possible by \$12 billion dollars of net transfer payments from Ottawa. That same year in Alberta, our deficit was \$12 billion dollars while \$17.8 billion dollars left the province in federal transfers.

These numbers translate into real life differences. In Quebec, the government has promised to reduce the cost of publicly-funded daycare to \$9 dollars a day. Undergraduate tuition at a Quebec university is \$2,400/year. Tuition this

year at the University of Calgary is \$5,600 dollars; at the University of Alberta, \$5,300. Similar examples could be endlessly multiplied. The threat of separatism has been very profitable for Quebec.

So when we get through 2020 and the Covid crisis—and let's pray to god that it is sooner rather than later—Albertans should stop beating up on each other, and focus on this deeper structural vulnerability. The problem is not that we don't pay enough taxes. The problem is that our tax dollars don't stay in Alberta.

Ted Morton is an executive fellow at the School of Public Policy, a former Alberta minister of finance and a co-editor of the recently published Moment of Truth: How to Think About Alberta's Future.

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OUR READERS' COMMENTS

1. From a Reader: We need to deal with the East the same way that Quebec does ... threaten with separation. ONLY then will they sit up and take notice that we are pissed off and mean business. Until then we are only shooting blanks. While Mr Kenny has made some progress with cutbacks to try to slow the bullet wounded economy from bleeding out the only real solution it to get our products, oil and natural gas etc, to new markets to get our economy going again. The black face drama teacher PM will never do this for us as he wants to do an "economic reset" where everyone is looked after and we live in some sort of fantasy land where oil is not an important part of the economy, besides the fact that the East doesn't want to share power with anyone and especially the west. Meanwhile China, India and the rest keep chugging along laughing and watching us gut our countries economies chasing after a pie in the sky dream of the UN 2030 agenda. Someone should tell Fifi Trudeau that communism doesn't work ... looks good on paper but always fails. Both Kenny and Trudeau need to go ... and soon before the latter destroys our country ... if it's not already too late.

2. From a Reader: I read with interest, Al Romanchuk's piece in Action Alberta Newsletter #158. He is absolutely right in stating that, even with a Federal PC win, "NOTHING WILL CHANGE". Erin O'Toole had barely become party leader when he was shamelessly pandering to vote-rich Quebec, He would undoubtedly continue punching the gravy-train ticket/free ride pour les

Quebecois. Isn't it curious that the over representation in Quebec is never addressed by any politician? Once in a while, someone may whisper the awful spectre of "electoral reform" but somehow, this is quickly forgotten. Political suicide to bring the issue up. Together with the 416 and 905 area codes and promising even more funds for Quebec, is what decides federal elections. What am I missing?

3. From a Reader (in Ontario): I have been taking notice of the subtle Trudeau statements spaced apart in time to obfuscate the whole package of his intentions. The first came with his aborted attempt to grab totalitarian power, followed by the banning of 1500 species of guns without debate. The latest, trying to get the Premiers to be a team under his single government control of the pandemic. There may have been more that I have missed but the above are of such significance and the people don't seem, want, or care to understand where this is heading. Canadians are so complacent, they must wake up to what is happening or the Boiling Frog Syndrome will soon turn Canada into a Venezuela and communism.

4. From a Reader: The article by Mr. George concerning "The Great Reset" was very informative and, frightening. The only thing I question is his suggestion that the Federal Government go to the Canadian Electorate for a "Mandate" on the issue. When, in God's name, did the Feds EVER go to the people to ask them what their beliefs or opinions are? In my humble view, that is one of the reasons we are in such a mess and why "Confederation" is dead.

ADDITIONAL READING/ VIEWING

In closing, here is additional information on the problems we are facing and the need for us to take remedial action immediately to right our sinking ship.

1. GWYN MORGAN: THE MADE-IN-CANADA CARBON SOLUTION WE REFUSE TO PROMOTE [Click here](#)

2. IMPERIAL OIL TO WRITE DOWN UP TO \$1.2B, NO LONGER PLANS TO DEVELOP 'SIGNIFICANT PORTION' OF ALBERTA ASSETS [Click here](#)

3. JUDGE TOSSES APPLICATION TO PAUSE ALBERTA INQUIRY INTO FUNDING OF OIL AND GAS FOES [Click here](#)

ACTION ALBERTA - WHO WE ARE

We are a group of deeply concerned, unpaid Alberta resident volunteers. Our work is intended to educate, inform and motivate all Canadians to be visible and vocal regarding the unequal, unfair and discriminatory treatment of Alberta by our Federal Government. Alberta's energy sector is the most important driver of the Canadian economy and its health directly impacts the standard of living of every Canadian. Unfortunately, that is not happening under our current Federal government!

Please **share** this email with your contacts so we can turn this unfair, inequitable, unjustifiable travesty around for the good of all Canadians. If you would like to submit information or articles, please send them to me.

Thank you for ALL of your support and interest!

Robert (Bob) J. Iverach, Q.C.
Calgary, Alberta
biverach@mac.com

Ken Wilson
Calgary, Alberta
kenfwilson@icloud.com

Rick Shannon
Calgary, Alberta

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If you are an elected representative of any level of Government, you have a fiduciary responsibility and a moral obligation to hear constituent voices about the problems facing Canada and the Canadian energy and equalization/transfer payment crisis.

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