



## When will Alberta learn its lesson?

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Commodities have always driven Alberta's economy.

Inherent in this is the critical need to stick to basics.

The province must anticipate the ever-predictable boom-and-bust cycles as it manages its financial affairs.

In the 17th and 18th centuries, the commodity of choice was fur and England decided how much a pelt was worth.

In the 19th and early 20th centuries, Albertans raised cattle and grain and Eastern Canada set the price.

Since the late 20th century, royalties from coal, oil and natural gas have poured into Alberta's bank account. But Europe, the U.S. and OPEC determine how much a ton of coal or a barrel of oil is worth.

The pattern is obvious. A natural resource is discovered. Albertans rush to develop export markets. Unfortunately, the purchasers set the commodity's price and the province rides a cycle of revenue growth and prosperity, followed by a painful crash and recession.

The treasury expands and shrinks depending on royalties and taxes paid into the government's bank account.

Since it was founded in 1891, the Calgary Chamber of Commerce has periodically urged the province to write a back-to-basics budget because of low (or lower than expected) commodity prices.

Elected officials promise they've learned their lesson to adopt a back-to-basics budget, then as coffers fill, start spending again.

In the 1890s, our founders advocated for the railway to come through Fort Calgary so they could export cattle and grain. During the world wars, Depression and expansions of the 1920s, '50s, '70s and '90s, the Chamber was the voice of reason.

Today, the Calgary business community recognizes the progress the province has made to cut spending this year, but remains concerned expenses are higher than the budget promised. Crucial decisions must be made, therefore, about the short and long-term fiscal policies and Alberta's international competitiveness position.

Always striving to offer ideas solutions, Chamber members recommend the province:



1. Limit the percentage withdrawal from the Sustainability Fund to the percentage drop in provincial revenues. In 2009-10, the expected decline is 19%, equating to a \$3.29 billion withdrawal (not the current \$4.37 billion).
2. Control spending so any short-term deficit equals the same percentage decrease in GDP. Limit annual spending increases to a smart spending bandwidth (between population growth plus inflation and real GDP growth plus inflation). For 2010-11 the upper limit is 3.5%.
3. Amend the Health Care Act to protect patients during surgery by streamlining the current regulatory environment, sharing economies of scale benefits, transferring non-acute patients into long-term care facilities and carving out a larger role for private industry to work within the publicly funded system.
4. Make Alberta the most competitive fiscal, regulatory and environmental oil and gas regime anywhere to maximize commodity revenues.
5. Either increase the basic personal income tax exemption rate from \$16,775 to \$20,000 or lower the current flat tax rate to 9% from 10%.
6. Reduce the province's reliance on non-renewable resource revenues -- we can expect \$5.56 billion in 2009-'10 resource revenues (a 55% reduction from last year).

It's almost 2010 and the Chamber has dusted off its back-to-basic budget request, updated it with new solutions and again challenges the government to avoid long-term debt and deficits.

The province must ensure we remain a successful, attractive place to do business and be competitive in the global investment markets.

Commodity prices are volatile. Alberta must use great discipline to control its spending and save revenues.

Is this too hard a lesson to learn?