



Budget Address

Protecting lives and livelihoods

Delivered by: Honourable Travis Toews | President of Treasury Board,
Minister of Finance | Legislative Assembly of Alberta

Introduction

Mr. Speaker, I rise today to present Budget 2021 to this House.

It is a budget that is focused on what matters most today – on health care and on jobs.

Today marks the first in a series of one-year anniversaries for Alberta that are unlike any other in this province's history.

Today, and in the weeks and months to come, we will pass the one-year mark of unprecedented events that have shaken our province, our country, and the world – and continue to test our collective resolve.

A year ago – on the day that I presented Budget 2020 – a dispute amongst the OPEC+ countries tore the bottom out of oil prices across the globe.

At the same time, the government of Alberta was already closely monitoring an emerging epidemic originating out of Wuhan, China.

Through the first months of 2020 and into March, this government began planning for the onset of what was ultimately declared a pandemic by the World Health Organization. As a cabinet, we considered the different strategies, from containment to mitigation, and we reflected on information and advice from Dr. Deena Hinshaw, our Chief Medical Officer of Health.

Mr. Speaker, the scale of the required response to the pandemic was unpredictable.

What was immediately evident to the Premier and to all of cabinet, however, was the need to prioritize the protection of the lives and livelihoods of Albertans during this period of great uncertainty.

These twin priorities of our pandemic response would overtake all other plans and aspirations we as a government may have had for our province for the foreseeable future.

And it heightened our focus on our third priority: fiscal accountability – by ensuring adequate funding support to meet the challenges of the pandemic - while laying the groundwork for Alberta's economic recovery when we emerge from this global human health crisis.

COVID-19 has challenged health care systems around the world including ours. This government recognizes that protecting the capacity and function of our health care system is essential if it is to be available to deal with COVID-19, and all the other health issues that require attention.

I want to thank the Minister of Health and his officials, and everyone working in the health care sector in this province. To our nurses, doctors, long-term care workers, comfort workers, contact tracers and support staff - your efforts are appreciated. You deserve our thanks, and that of all Albertans.

It became clear to this government early on that the disease would not be controlled until we had achieved widespread vaccinations and immunity.

In the meantime, we have continued to achieve our goal of bending the curve in the infection rate to ensure that our hospitals are not overwhelmed.

Our government has adopted an approach that strikes a balance between the actions necessary to limit the spread of the disease, and the need to keep our economy functioning.

But, Mr. Speaker, there can be no mistake that the direct and indirect impacts of the pandemic have been profoundly difficult.

Some have lost their lives, or that of a loved one.
More have lost their livelihoods.
And many have lost their hope.

Throughout the pandemic, there has been vigorous debate about how best to manage this catastrophe. Some have perceived this as a binary choice – either keep the economy open, or save lives.

From the beginning, this government chose to trust that our fellow citizens would do the right thing in following public health advice and orders. And the vast majority have.

Mr. Speaker, we chose to respect our fellow citizens, the everyday Albertans who work hard and make significant contributions to the economy of this province and that of the country.

They help pay for our health care system - and our system of social supports.

They help maintain the social fabric of our province.

Mr. Speaker, trusting and respecting our fellow citizens has been the basis for our balanced approach to managing the pandemic.

When economies around the globe fell like dominoes last March, this government set out transparent benchmarks for managing the pandemic. Principally, we focused on the key metric of hospital capacity.

In March, we implemented public health restrictions that effectively bent the curve, even while we kept much of our economy open.

Indeed roughly 85 per cent of Alberta businesses were permitted to remain open in the spring of 2020, representing 96 per cent of our economy by GDP.

When we returned to a public health emergency last November, and then implemented further public health restrictions two weeks later in December, we did so with the knowledge and lessons of the first wave.

Those were incredibly difficult decisions that nobody at our cabinet table ever wanted to make.

But we did so to protect the health care system and prevent it from being overrun.

Mr. Speaker, when we presented our first budget in October 2019, it fulfilled our platform commitment to maintain the health care budget. We continued to honour that commitment in Budget 2020, and when the global pandemic was declared, we immediately added a half-billion dollars to health care.

Since March 2020, in addition to the highest per capita spending on health care compared to other large provinces, we have spent what was necessary to fight COVID-19.

With Budget 2021, we continue that fight. While the ongoing vaccination effort provides hope that victory is within reach, we know that we have several hard months still ahead.

So, Mr. Speaker, while we are unable to predict with precision the duration and cost of fighting the pandemic in the upcoming year, Budget 2021 includes a COVID-19 contingency provision of \$1.25 billion in the next fiscal year.

These are emergency funds that supplement the existing and considerable base budget of the Ministry of Health, bringing our total expected spending on health care for Albertans to \$23 billion.

Mr. Speaker, It has become clear that, even after we've beat the pandemic, there will be a residual need for extra resources in health care. In spite of best efforts by Health, the pandemic will leave a longer list of Albertans waiting for necessary surgeries and procedures.

To fund this and other post pandemic pressures, Budget 2021 provides over \$900 million in increased base funding for health for the duration of the fiscal plan.

Before the onset of the pandemic, the Ministry of Health was well underway with a review of AHS. The minister publicly-released the results of that review, but its implementation has been on hold while we have been focused on managing COVID-19.

In the coming months, as we beat back COVID and return to our normal lives, work to improve our health care system will resume.

We will not have the luxury of avoiding the pre-pandemic fact that per capita health care spending in Alberta is well above the national average. We will continue with the implementation of the AHS review to ensure our system is patient-centred and efficient, with costs more on par with those in other provinces.

Mr. Speaker, we recognize that COVID-19 has proven to be exceptionally difficult for those on the margins of our society.

This government will continue to consider the unique needs of high risk and vulnerable people in our COVID response. Budget 2021 continues support for these Albertans today and will throughout the pandemic.

Investing in Business

Mr. Speaker, to date in this pandemic we have provided almost \$5.9 billion in financial relief and supports to businesses in Alberta.

That includes a grant program for small businesses directly affected by public health measures, which is providing over \$700 million in needed support – support that is keeping businesses open and helping them survive.

Mr. Speaker, we were among the first jurisdictions to respond to the economic consequences of the pandemic with immediate measures to free up cash for employers. We deferred corporate income taxes to provide Alberta businesses with access to \$1.5 billion to pay their employees, their rent, and continue operating.

We deferred WCB premiums for all private sector employers and committed to covering half of the 2020 premiums for small and medium sized employers.

Utility payments were deferred; the education property tax was frozen and deferred; we abated tourism levy payments and Alberta Energy Regulator fees.

And this was all within days of the first measures in our province.

Throughout the pandemic, I have had nothing but admiration for Alberta businesses that quickly adapted to our new reality.

These efforts, along with the actions of government, helped protect us from the worst possible economic outcomes.

They have contributed to the strong foundations from which we have been able to build a comprehensive approach to recovery.

Fiscal Responsibility

Mr. Speaker, as the Minister of Finance and President of the Treasury Board, I consider responsible fiscal management my core priority. And as the minister, with this fundamental responsibility, I want to share a critically important fiscal reality: economic recovery and growth will be essential to get this province to fiscal balance.

That priority has acted as a beacon while we have navigated this crisis.

That is why we accelerated the full implementation of our Job Creation Tax Cut as part of our recovery plan.

That is why we have kept a laser focus on regulatory modernization and red-tape reduction – efforts that earned Alberta an A grade from the Canadian Federation of Independent Business this year, thanks to the good work of our Minister of Red Tape Reduction.

And Mr. Speaker, this is great progress considering the members opposite left this province with an F at the end of their term.

Mr. Speaker, with our preferred business tax rates, vastly improved regulatory environment, low cost of living, and world class affordable commercial space, we've created an incredible value proposition.

In fact, Mr. Speaker you could say we've created a special economic zone, and it's called Alberta.

As part of the recovery plan, we added \$1.4 billion in 2020 to our capital plan for construction projects, to position the province for future economic growth, and to provide immediate opportunities for unemployed Albertans.

Core infrastructure and projects that would improve our competitiveness and productivity were prioritized.

Projects included core capital maintenance, and new necessary infrastructure improving transportation corridors, health care and education facilities, and utilities upgrades.

Mr. Speaker, our capital stimulus in 2020 has already created thousands of jobs and is laying the foundation for future economic growth.

The 2021 Capital Plan furthers the government's commitment to recovery with 41 new projects and ongoing support to stimulus funding outlined in the Recovery Plan, with a \$1.7 billion dollar increase from the previous budget and a total three-year Capital spend of \$20.7 billion.

This will create opportunities for private sector participation and support more than 50,000 direct and 40,000 indirect jobs through to 2024.

The 2021 Capital Plan will build roads, bridges, overpasses, water projects, gas lines, schools, hospitals, long-term care homes for seniors, addiction treatment centres, tourism infrastructure, and agriculture and natural resources projects that will help develop and protect Alberta's distinctive resources and support environmental sustainability.

Mr. Speaker we are aggressively pursuing every area where Alberta has a competitive advantage in private sector investment and job growth.

I want to reflect for a moment on why Alberta businesses – regardless of their size – are so vitally important.

Mr. Speaker, Alberta businesses do more than employ Albertans. They provide meaningful work and fair pay to citizens across the province.

We know from research that working is vital for good health.

It promotes independence and personal achievement, and supports healthy social engagement and connection. There is pride and great purpose in meaningful work, and in providing for oneself and one's family.

Preparing for Recovery

When I released Budget 2020 a year ago, it included a new Alberta Jobs Plan that identified key areas for growth in the Alberta economy.

We did not know then what we know now – that the Jobs Plan would constitute another fundamental element of our recovery plan.

Mr. Speaker, around me today are colleagues who have worked tirelessly on developing sector-specific plans that will grow and diversify Alberta's economy.

Budget 2021 will provide funding for these sector strategies to ensure Albertans have a competitive edge as economies re-open, growth re-starts, and opportunities re-appear.

In the coming weeks, the details of each of these strategies will be provided to Albertans, and we'll be focused over the coming months and years on implementation, adaptation, and progress on those plans.

Many people talk about economic diversification, but they are often not precise about what they mean, or what they believe it will achieve.

Some suggest diversifying the economy requires a transition from our traditional sectors such as energy.

Let me be clear, Mr. Speaker. That is not this government's position.

Oil and gas are still among the most productive and highest-paid industries in the nation. The sector's commitment to continuous improvement has created today's high-tech, highly productive, and efficient industry.

Mr. Speaker, the average greenhouse gas emissions intensity of an oil sands barrel declined by 22 per cent over the past decade. Moreover, leading producers are on track for further reductions of 16-to-23 per cent over the coming decade.

Wealth from Alberta's oil and gas sector has been a key factor in the continuous improvement of the standard of living of all Canadians. And it has provided a foundation for economic diversification in Alberta – spurring technological innovation and providing the wealth for further investment, consumer spending, and benevolence.

Mr. Speaker, I want to be clear: economic diversification is a key component in economic recovery, and a key priority for this government, and it includes a strong and innovative energy sector.

Mr. Speaker, I've said it before, and it bears repeating today: A robust economy and real wealth creation is built on the effort, investment, and ambition of citizens and businesses – and governments role is to provide a business environment that encourages the entrepreneurial spirit of its people.

Not in our lifetimes have business investment and private sector growth been more important, Mr. Speaker.

Our government will continue to create the most competitive business environment in the country, and for that we will make no apology.

Now, Mr. Speaker, let's also be clear about the challenges we face as a province, and as a nation.

Even before COVID, Canada experienced investment decline – almost \$165 billion since 2014.

Mr. Speaker, the biggest obstacle to recovery may be our own national government, which has layered on regulatory requirements, created investment uncertainty, chased away the investment that maintains family-supporting jobs, and is now increasing the costs for our most vital national economic drivers.

The federal government's 240 per cent increase in the carbon tax will disproportionately hit key Alberta sectors, including agriculture, in ways that we have not yet fully calculated. We do know that trade-exposed sectors in Canada may be particularly vulnerable.

And moving the carbon tax to \$170 per tonne cannot be seen in isolation.

Mr. Speaker, if we are going to ensure prosperity for future generations of Albertans and Canadians, we must reverse the trend of investment decline, and we must have unity of purpose in positioning the nation for economic recovery. So far, achieving unity of purpose has been elusive.

That has been reflected in the federal government's unilateral approach to the fiscal stabilization program. As members know, changes to the program were announced as part of the most recent federal fiscal update – changes that fall far short of fairness.

Mr. Speaker, Alberta has contributed hundreds of billions of dollars to the federation in recent decades, and we cannot continue to see the same arrogance and unilateralism from the federal government as it develops plans to spend billions of taxpayer dollars on economic recovery.

Mr. Speaker, a strong Canada needs a strong Alberta.

And so, I would ask the federal government to respect Albertans' priorities, whether that is further technological innovation in our oil and gas sector – or broadband to serve rural Albertans – or fairness in fiscal stabilization – or other initiatives that are defined by Albertans for Alberta.

Responsible Spending

Mr. Speaker, Budget 2019, the first budget of this government, put the province on a credible fiscal path to balance by 2023, a commitment we made to Albertans in our platform.

Mr. Speaker I want to be clear with Albertans. While balancing the budget remains a high priority for this government, the pandemic and the resulting economic realities have significantly impacted the revenues of the province and will delay the timing of a balanced budget.

When I released the mid-year budget update last November, it included a set of fiscal anchors.

These anchors will inform and guide government decisions, and ensure we are best positioned for fiscal recovery.

First, we will bring our spending in line with that of other provinces.

In its report, the MacKinnon Panel told us that, for years, Alberta has spent more per capita than comparable provinces without achieving better outcomes.

We began taking steps toward bringing spending down in 2019, and outside of our pandemic response, we've made good progress, but there's more to do.

We will continue to evaluate Alberta's spending levels and outcomes relative to comparable jurisdictions, and take actions to be at least as efficient.

Second, we will keep our debt manageable by keeping Alberta's net debt to GDP ratio below 30 per cent.

GDP is a measure of economic output and has a strong correlation to a jurisdiction's own ability to generate revenues. The ratio indicates a government's ability to repay its current debt and reflects its balance sheet strength. The higher the ratio, the greater the burden on government to repay.

Third, once we can see our way clear of the pandemic, we will present a clear path and timeline for balancing the budget.

Preparing for Recovery

Mr. Speaker, to put the province on a trajectory for fiscal recovery, perhaps the most important fiscal anchor is to align Alberta's spending levels and outcomes with that of comparator provinces and take actions to be at least as efficient.

All governments face tough choices, Mr. Speaker. In Alberta, for too long, governments avoided that fate.

The public sector grew.

Costs escalated.

Even in years with \$100 per barrel oil, governments in this province could not balance the budget.

And while our spending has temporarily and necessarily risen to meet the challenges of the pandemic and the resulting economic crisis, Budget 2021 continues the long-term expenditure trajectory laid out in our first budget, Budget 2019, and will align our spending with that of comparator provinces within the term of the fiscal plan.

One area where we can no longer delay is addressing a public sector salary structure in Alberta that has for decades been an outlier compared to other provinces.

Mr. Speaker, I want to address public sector workers directly.

To each and every Albertan who works in the public sector, I say thank you for the work you do.

Many of you have gone above and beyond your regular responsibilities responding to needs created by the pandemic. Your contribution matters and has not gone unnoticed.

However, addressing public sector salary structure is required to protect government services and ensure a sustainable fiscal trajectory for the province.

And it is a decision supported by significant data that shows the many ways our compensation is greater than other provinces.

Perhaps if governments had shown more restraint in previous years, we would not have had to confront this issue.

But simply put, we no longer have the revenue to justify higher comparative wages, especially at a time when many Albertans throughout the province have either experienced a wage reduction – or lost their job entirely.

That reality has further impacted government's revenue – revenue that pays for services and for the wages of public servants.

We see other governments – here and abroad – rapidly escalating their debt. We have had to do so ourselves over the past year and over the course of this fiscal plan.

We do so reluctantly, Mr. Speaker, and with clearly articulated fiscal anchors that mitigate against excess and position the province for fiscal recovery.

Because we know that every time we borrow money, we are taking away opportunity and potential from future Albertans.

And we know that – while many want to believe that interest rates will stay low forever – we must anticipate what rising interest rates will do to the repayment of debt here in Alberta, and in Canada.

It is critical that Alberta students receive a world-class, high-quality education – and that starts with stable funding for school authorities. Our commitment to stable and predictable education funding is why we introduced the new K-to-12 funding model in 2020.

We remain committed to providing school authorities with the resources they require to support safe learning for all Alberta students. Approximately \$130 million will be provided to school authorities in COVID mitigation funding that would have been removed from the education system because fewer students enrolled in the 2020-21 school year.

As we protect our funding in education, and even increase our funding in health, we are also continuing to find ways to bring the costs of public services in Alberta more in line with those in other provinces.

Those are tough choices. And I want to thank my colleagues on Treasury Board who worked so diligently over the last several months to help make those decisions.

Mr. Speaker, Budget 2021 demonstrates that we are committed to sustainability – to adequate funding for necessary programs that is better calibrated to the costs in other jurisdictions and maintains our net-debt-to-GDP ratio under 30 per cent. That is a sustainable path.

Sustainability means that we have assessed what future generations can bear – and we believe they can maintain these levels of benefits without the need for levels of taxation that will undermine productivity, prosperity, and personal aspiration.

When taxes are too high, they discourage work. They undermine personal savings. They chase away investment. And they suffocate innovation.

Mr. Speaker, this budget announces no new taxes or tax increases.

To those who would suggest we should simply raise taxes, I say no. Raising taxes at the best of times impedes economic growth, and with the challenges we face today, it would undermine the economic recovery that is so essential.

So, while a third-party review of the efficiency and appropriateness of our revenue structure will be important in the future, our immediate fiscal focus is on growing the economy and delivering government services most efficiently.

Conclusion

Mr. Speaker, I sometimes think about what might have been.

I think about how, if past governments in Alberta had maintained fiscal discipline, we could have increased holdings in the Heritage Fund, reduced or eliminated ongoing deficits, and avoided massive debt.

We cannot change the past – but, Mr. Speaker, I am committed to learning from it.

I ask all Albertans to reflect on this: if we know that past excesses were ill-conceived and have left us depleted, then let us apply that wisdom to our decisions today. Together, we will make better choices that consider the fortunes of future Albertans.

When you look at the totality of the budget I am presenting today, Mr. Speaker, everything we are doing is to support that goal.

Supplementing the budget of the Ministry of Health – to ensure continued effective pandemic response, and to shrink surgical wait lists which have grown.

Protecting education funding – and enhancing financial literacy in classrooms.

Keeping government costs in check – so that we can keep the tax burden on Albertans low and not impede economic recovery.

Ensuring we have the most competitive business environment – to position the province for investment attraction and sustainable economic diversification.

Supporting strategic sectors – positioning the economy for diversification and growth.

Continuing with strategic infrastructure projects – to employ Albertans now.

Seeking a fair deal within the federation – to fight for the interest of Albertans.

Mr. Speaker, over this last year there are countless Alberta stories of resilience, innovation, and compassion.

And we've witnessed Alberta's famous entrepreneurial spirit rise to the occasion.

People are betting on Alberta by launching new business ventures, from fishing gear rentals in Edmonton, opening a new restaurant in the city's historic Transit Hotel building, perfecting the process to recycle plastic waste into fence posts in Vermillion, or making reusable protective face masks in Lethbridge.

We've seen that innovative spirit in existing businesses. Orpyx Medical Technologies, a Calgary-based company, will create up to 100 jobs and provide over 40 million locally made medical masks to Alberta Health Services.

That entrepreneurial spirit is fundamental to economic growth .

So, Mr. Speaker, in spite of our present affliction, I remain very hopeful for the future of the province.

As Alberta's government, we have worked hard to create an environment for growth – and we are seeing those efforts bear fruit.

Alberta has very favourable demographics, including the youngest population among provinces, and population growth is expected to remain above the national average after 2021.

In just the first three quarters of 2020, Alberta has attracted a record \$304M in venture capital investment – that's higher than the previous full year record, and 2021 looks to be off to an even better start, with \$78 million in venture capital in Edmonton alone.

Tech companies like mCloud Technologies are moving their headquarters to Alberta and plan to hire many more Albertans. Symend quintupled its work force to 250 employees in the last year and plans to double that this year. Neo Financial plans to undertake significant hiring this year, with 70 positions currently open. Jobber plans to hire 200 more people. There are many more examples.

Big Rock Brewery Inc. announced an \$8.8 million capital plan focused on strategic equipment investments through enhanced IT and digital transformation projects. That will position Western Canada's largest independent brewer for sustainable growth.

Mr. Speaker, there are also numerous positive economic indicators in Alberta's foundational industries.

Solid activity in the North American housing market continues to bode well for lumber prices and exports of forestry products, following a demand surge in 2020 that pushed North American lumber to record prices.

Crop exports are forecast to remain strong again this year, following a blockbuster production year in 2020. The livestock sector is poised to benefit from improving market prices and food service demand; and a growing global population will continue to drive growth in agri-food exports.

In Alberta, energy investments in oil and gas and renewables are forecast to increase and projects are set to begin or resume construction this year – including Greengate's \$500 million Solar Power Project and BHE Canada's \$200 million Rattlesnake Ridge Wind project in Southern Alberta.

Mr. Speaker, while President Biden's cancellation of the Keystone XL permit was incredibly disappointing, there remains a bright future for the oil and gas industry in the province.

With critical pipeline construction moving forward on Enbridge's Line 3, Trans Mountain Expansion (TMX) pipeline, and Coastal Gas link, we are getting closer to fixing the egress issue that has held back industry investment for years.

TC Energy's Nova Gas Transmission line and Pembina's Peace Pipeline expansion are both set to go ahead in 2021. This will further debottleneck the system and will result in increased industry investment and job opportunities for Albertans.

This government, along with the Canada Infrastructure Bank and eight irrigation districts, have partnered on a historical \$815 million investment in irrigation infrastructure to support economic recovery in Alberta. The investment is expected to lead to the expansion of over 200,000 irrigated acres.

These events will propel real manufacturing exports to grow by 4 per cent this year and 3.5 per cent over the medium term.

Mr. Speaker, the resilient and generous nature of Albertans is part of the very fabric of our province, and it's no surprise then – in these unusual and challenging times – that those very traits were so evident in communities from one end of Alberta to the other.

In my community, for example, the Salvation Army Kettle Fund exceeded its annual goal by over \$270,000. Mobile flower trucks were routinely sold out as local businesses bought flowers for every senior in nearby care homes. And school children formed parades to brighten the day of those who were shut in.

A Calgary landlord notified all tenants in a three story walk-up that rent was free for December. An elderly veteran's bill was paid by a stranger who said: "God bless veterans, lest we forget." And I have to mention the 91-year-old who shoveled his neighbor's driveway.

Most significant however, were the small acts of kindness, ingenuity, and generosity that didn't make the headlines, but made a world of difference in the life of a neighbor, a stranger, or a community.

Mr. Speaker, there are tangible reasons for optimism and hope.

And while we can be confident that better times and economic growth will return, we cannot be certain about the full timeframe of that return to normal.

Let me assure you – Alberta's government will remain nimble to respond to emerging needs.

We will be transparent – even in the midst of uncertainty.

We will continue to follow through on our commitments – so that every Albertan can feel confident as we continue to navigate through these challenging times – together.

And, Mr. Speaker, we will stick with Albertans every step of the way.

Thank you.

