

BUDGET

SUPPORTING JOBS, SUPPORTING FAMILIES. **The Alberta Way.**

BUDGET ADDRESS

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Alberta 

Mister Speaker, let me begin by thanking the thousands of Albertans who have spoken to me about their priorities and ideas for this first budget presented by Alberta's new government, led by Alberta's new Premier.

The values of the people of Alberta came through loud and clear during our consultations.

We are a hopeful and optimistic people.

We are entrepreneurial and enterprising.

We are community-minded.

We care about our neighbours.

What we desire for ourselves, we wish for all.

That is the Alberta way.

And those are the values that drive this budget.

This government is working towards a vision of a province that is more prosperous – and whose prosperity is much more widely and fairly shared.

We are working towards a vision of a province with Canada's healthiest and best-educated people.

And we are working towards a vision of a province that is the world's most environmentally-progressive energy producer – a sustainable, diversified engine of the Canadian economy that all Canadians will be proud to support... as well as to benefit from, as we have all done for many years.

Mister Speaker, this summer Albertans told us they want their families' health care and education to be protected, while ensuring that every public dollar is well-spent, and that the rate of growth in budgets is brought under control.

Albertans told us they want to see a plan to return to balanced budgets. Albertans know that lower oil prices mean deficits for the Government of Alberta, since we are currently so dependent on oil revenues to pay for public services. The citizens of this province want to see a plan to balance the budget within a reasonable amount of time – without reckless cutbacks that will only have to be repaired later.

And Albertans told us they want us to look for ways to diversify. Energy is going to be Alberta's business and the heart of our economy and our economic development for many decades to come. But jobs and diversification must also be at the top of our agenda this year and every year from now on.

Albertans are well aware that the recent drop in the price of oil is presenting our province with a serious challenge.

Albertans also know that by making better decisions, we can and we will get through our current challenges to better days.

We'll do it the Alberta way – by encouraging a vigorous and successful private sector; by building on our strengths and gifts; and by making better decisions about our future together.

We will do it while looking after each other.

While looking after our seniors.

While looking after our children.

While giving those who have hit hard times a hand up, just as neighbours have always done for each other in this province.

GETTING OUR HOUSE IN ORDER

Mr. Speaker this Legislature is going to lead by example.

Our government will propose that Members of this House agree to freeze the salaries of members of Cabinet, MLAs and political staff positions for the entire term of this Legislature – in other words, until after the next election in four years.

Further, the Premier has asked me to lead a comprehensive review of Alberta's Agencies, Boards and Commissions.

I want to emphasize that many good people have and continue to contribute long hours of excellent public service on these boards, often for very modest compensation.

But it is time to take a look at this sector.

We are looking to reduce the number of these entities. We will set clear objectives and accountability for results for the entities that remain. And we will rationalize and standardize the compensation of people appointed to sit on them.

Finally, our government will take a careful, responsible approach to implementing its platform commitments. Our plans will be phased in as finances permit, just as we said they would be during the election and just as responsible stewards of Alberta's treasury should.

THE ALBERTA WAY

Mr. Speaker, our province is facing yet another downturn in the international price of oil.

It's not like Alberta hasn't seen this before.

And it's not like we don't know what to do.

Alberta needs to reduce our vulnerability to price shocks over which we have no control.

We must do this by saving for a rainy day; by diversifying our economy; and by getting the maximum possible value out of the development of our energy resources – resources that belong to the people of Alberta.

That was the right strategy in 1971, and it is the right strategy now.

But unfortunately, Premier Lougheed's successors lost their way.

For far too many years, they squandered our resource revenues instead of saving them.

They failed to diversify our economy.

And they focused on a model of development for our energy resources that led us – exactly as you would expect – to where we are today.

Norway studied the Alberta way, adopted it, and has built up \$1.1 trillion in that country's investment fund.

The Government of Alberta set up the Alberta way – and then threw it away.

Our province has the third largest oil reserves in the world.

Between 1971 and 2015, Albertan companies exported \$1.3 trillion in oil and gas resources around the world.

Our predecessors in office saved only a tiny fraction of this incredible bounty.

We must do better.

Mister Speaker, we won't solve all of our challenges in one budget. Getting back to that original vision will likely take more than one term of this Legislature.

But it is time to begin.

And to begin, we need to make better decisions and set better priorities. That is what we are doing with this budget.

THREE PRIORITIES

Mister Speaker, the Government of Alberta is pursuing three priorities in this budget.

First, we will stabilize public services.

We will reverse a number of bad decisions made in recent years, and we will continue to implement the commitments we made to the people of Alberta in the recent election.

Second, we will set out a plan to balance the budget.

A balanced budget plan that will reflect the values and priorities of the people of Alberta, and will strike the right balance between Alberta's fiscal priorities and our economic and social ones.

And third, we will act on jobs and diversification.

We will act, within our means and as resources permit, to be good partners with the private sector as it creates jobs. We will do what we reasonably can to help diversify our economy.

A PLAN TO RETURN TO STABILITY IN PUBLIC SERVICES

Let me begin with the clean-up work we have had to address, and the commitments we are getting to work on, to stabilize key public services

A return to normal income taxes

For a generation now, Alberta has been conducting a unique and failed experiment with regressive flat income taxes.

Rich, middle-income or poor, in Alberta under conservative government you paid a 10% income tax rate.

No jurisdiction in Canada at any level and under any party – including the recently-defeated Conservative government in Ottawa – followed this income tax model because it is wrongheaded, grossly regressive and unfair.

As we detailed in Bill 2 in the spring sitting of this legislature, we confirm today that we are abolishing this flat income tax model. We are replacing flat taxes with a normal, fair, progressive income tax system.

An end to the race to the bottom on corporate taxes

Alberta has also been conducting a failed experiment in undercharging our largest and most profitable corporations.

Our predecessors believed that ordinary Alberta families should pay ever-increasing fees, levies as well as regressive income taxes, while the largest, most-profitable corporations needed tax breaks even in their best years.

In this budget, we confirm that we will do our part to end the race to the bottom on corporate taxes in Canada.

As detailed in Bill 2, we are implementing a 12% corporate tax rate, in the mid-range of rates across Canada.

A great deal of nonsense has been said about this measure.

Corporate income taxes are only paid when companies are profitable.

In tough years, corporate taxes go down, not up – including at this new rate.

In the years to come, as profits recover, our largest companies will make a normal, fair contribution to balancing the budget and to building our province.

Mister speaker, we are not faulting the companies. They were only paying the taxes the government required them to pay. What we are doing is making better decisions, by asking those who can afford to contribute a little more to do so.

Supporting families and communities

And then, with the benefit of these tax reforms, we will act to restore stability to our schools and our hospitals.

Proposals were put before this House by the previous government to cut funding to Alberta's elementary, secondary and post-secondary school systems – even though education is the single most important investment our province can make in the welfare of our children, and the success of our future economy.

In this budget, we confirm we are restoring funding to the education and advanced education budgets that were cut by the former government.

This reinvestment means a great deal to our education system, at every level.

It means that school boards right across this province do not have to make significant cuts to services this year, next year or the one after that.

It means that the new students who showed up for class this fall have teachers in their classrooms.

And it means that university and college students are able to resume their studies benefiting from a two-year tuition freeze – a big relief from planned increases that would have made post-secondary education even harder for ordinary families to afford.

Mister Speaker, last March proposals were also put before this House to deeply cut Alberta's health care system. These cuts were proposed without any plan to implement them. They were simply targets – in truth, a formula for chaos and the layoff of thousands of health care workers.

In this budget, we are restoring health funding.

So we won't have chaos in our health care system.

And we won't be losing thousands of front-line health care providers.

And instead we will continue to build a universal, public health care system that is one of this country's rights of citizenship, and one of this country's great contributions to the world.

Mister Speaker, for far too long, those who needed the most help have been last in line for the support they need.

That is also going to change under this government.

Let me highlight some of the initiatives that will set better priorities for the most vulnerable among us.

First, as I know all too well, the call for increased Family and Community Support Service funding – FCSS – was ignored by previous governments. We will invest \$101 million in FCSS this year – a \$25 million increase. These funds give a helping hand to children and families in most need of help.

Our government will also act on its commitment to address the issue of family violence. Those seeking escape from violence must have a safe place to go. Therefore, as we committed to do in the election, we will enhance supports available to women and children affected by family violence. This year we will invest \$15 million in new, annual funding to support women's shelters.

A PLAN TO RETURN TO BALANCED BUDGETS

Mister Speaker, with these repairs and reforms done, we need to address the fiscal consequences of the current drop in oil prices.

This year, we are projecting a \$6.1 billion deficit.

As Albertans know well, this is primarily the consequence of lower royalty, corporate and other tax revenues caused by the drop in the price of oil.

Last year the Government of Alberta collected \$8.9 billion from resource royalties.

This year we are expecting to collect \$2.8 billion – a \$6.1 billion drop in resource revenues in one year.

To make matters worse, we had a hot and dry summer. We will not leave our farmers and rural communities without support. We therefore funded an additional \$525 million beyond what was budgeted, to provide \$725 million to manage drought and wildfires.

This was an early warning to all of us of the direct price we will end up paying, if we and our trading partners around the world don't get our collective act together on environmental issues.

Albertans expect a prudent, careful plan to get this budget back into balance.

The plan we are presenting today will do exactly that.

Now Mister Speaker, there are those who believe that when the price of oil comes down, it is time to fire teachers and nurses.

They believe that the answer to job losses in the private sector is to make things even worse for our economy, by firing thousands more in communities right across this province.

They would respond to the market behaviour of other major oil producers by targeting people in our communities, whose calling is to teach our children, look after the sick and care for our elderly.

Proposals for reckless cutbacks to front-line public services to balance the budget immediately are out of touch with the people of Alberta. Those are priorities the people of Alberta have rejected.

Albertans told us during our budget consultations that they fundamentally disagree with this talk about multi-billion dollar cuts to their health care or their children's education.

You don't answer an economic challenge by making it worse.

Albertans also told us they want to see a plan to steadily phase out the deficit, and they want us to stick to that plan until it is done.

That is what we are going to do, Mister Speaker.

In this budget, we set out a plan to return to a balanced budget within the term of this legislature.

We are projecting a \$6.1 billion deficit in 2015-2016.

The deficit projection is \$5.4 billion in 2016-2017.

This will drop to \$4.4 billion in 2017-2018.

To \$2.1 billion in 2018-2019.

And we will balance the budget in 2019-2020.

Mister Speaker, a number of tough decisions are required to get there.

Getting to a sustainable health budget

To begin, we will get Alberta's budget back into balance by getting the rate of increase in our health budget under control.

Over the past ten years, the health budget has increased by an average of 6%, each and every year.

We need to manage that rate of growth.

In 2016-2017, we plan to manage the health budget within a 4% increase.

In 2017-2018, within a 3% increase.

Thereafter we will aim to hold the health budget to 2% growth.

So in other words, we intend to stabilize the health budget, and then bend the curve of its growth in steps over three years.

Some will argue that these are modest goals. And they will try to persuade Albertans that we can save billions of dollars overnight by cutting the salaries of a handful of administrators.

The reality is that we need to manage a far more complex challenge.

We need to better manage significant annual spending pressures from the cost of compensating our province's world-class and dedicated doctors; from the rising cost of pharmaceuticals; from the rising costs of operating a very large network of hospitals and other facilities; and from the rising cost of having gotten it tragically wrong on long-term care and mental health care – driving people into our hospitals who would be better helped in more appropriate facilities or through community services.

In the face of these issues, abruptly cutting these budgets would simply cause chaos, and run up costs we'd have to pay later.

We need to phase in reform with a steady hand, system-wide, in a way that preserves a universal, public health care system funded through a sustainable health budget.

That's what we're going to do.

My colleague, the Minister of Health, will be working in close cooperation with all of the dedicated Albertans involved in our health system to plan and manage it more effectively, and to get better health outcomes within what will remain the second largest per capita investment in health care of any province in Canada.

Managing overall government spending growth

Mister Speaker, there is more we need to do to get to a balanced budget during the term of this legislature.

We need to manage the rate of growth in this budget overall – with the same creative, determined approach we will bring to health care.

The plan we are tabling today holds overall spending growth in government to an average of 2% per year.

Additional revenue measures

Finally, we will be raising some levies which will benefit the health and wellbeing of all Albertans.

In this budget we will increase provincial taxes on tobacco by \$5 per carton, and we will increase the alcohol mark-up by 5%. These measures will contribute \$122 million to revenue.

The plan if oil prices recover more quickly or more slowly

Mister Speaker, this plan is based on the best private-sector estimates of commodity prices. But as every Albertan knows, oil prices are hard to predict even two months in advance.

If oil prices recover more quickly, we will use the additional revenues to get to a balanced budget more quickly.

If oil prices recover more slowly, then we will have to revisit all of these issues in future budgets.

One way or another, once the budget is in balance we will present a debt repayment plan as part of an overall re-assessment of our fiscal priorities.

Managing government debt levels

Mister speaker, Alberta has an economic shock to manage. The provincial government plays an important role as a “shock absorber.” But we need to ensure we don’t overplay that role.

On average, Canadian governments are managing debt equivalent to 30% of their GDP in pursuit of their objectives.

Today our government introduces a new Fiscal Planning and Transparency Act that will set the tightest limits on borrowing anywhere in Canada. This Act will limit Alberta government borrowing to 15% of GDP – half the average of other provinces.

That will provide enough room to allow our government to play its economic role, without tipping into overdependence on debt.

As I said a moment ago, debt reduction will be one of our province's fiscal priorities once we are back in balance.

A PLAN TO PROMOTE JOBS AND DIVERSIFICATION

Mister Speaker, let me now outline some important first steps we will take to promote jobs and economic recovery.

A Canadian provincial government does not directly create jobs in the private sector.

That is the work of our entrepreneurs, visionaries and job-creators.

What we can do is time our own work, as government, to be as helpful as possible. We can be good partners. We can create the right conditions. And we can open the right doors.

Throughout the summer I travelled across Alberta listening to Albertans and consulting with industry and businesses of all sizes. I met amazing, creative individuals with bright ideas, who, if given the right tools, and the right opportunities to connect and collaborate, will create successful new enterprise.

They told me about the challenges working with government, about limited capital availability, and the lack of trade support.

There is so much opportunity in Alberta. But diversification and business development has been on the backburner for too long.

Value-added petrochemical industries, agriculture and agrifood, tourism, software and technology, light and heavy manufacturing, the creative industries, and small business are all important latent strengths of our province, and should be pillars of the much more diversified, shock-resistant and prosperous economy we need to build.

To this end, we will take the following first steps.

A new program promoting access to capital for small and medium-sized business

First, we will increase access to capital for small and medium-sized businesses in every community in Alberta.

We will increase the capital available to ATB Financial by \$1.5 billion – with the goal of steadily increasing capital available to loan, on commercial terms but with a clear commitment to building Alberta – to help our province’s entrepreneurs and job creators across the province.

ATB Financial is an important institution our province equipped itself with to build prosperity and to help handle economic challenges.

It is and will remain independently and professionally governed and operated. Lending decisions will be made and administered on the basis of sound banking practice by professionals, not by politicians.

We are equipping ATB Financial with more resources to renew and reinvigorate its mission – helping to support and capitalize small and medium-sized business in every community in this province.

Further measures to promote Access to Capital

Second, we will take steps to promote greater access to venture capital.

Supporting small and medium-sized businesses isn’t just about making it easier for them to borrow.

Entrepreneurs and job creators need access to equity capital on reasonable commercial terms, to get start-ups launched, to become bankable, and to finance growth and innovation.

As a first step to address this gap, the Government of Alberta is today announcing that we will invest \$50 million over the next two years into the Alberta Enterprise Corporation. This will help support the development of a vibrant venture capital market as well as innovation and entrepreneurship across our province.

Growth funds

Mister Speaker, our Heritage Fund is unique and special to Albertans. It was created to support future generations and to invest in our future.

While continuing the mandate of the fund to maximize returns for future generations of Albertans, we are announcing today that we have mandated the Alberta Investment Management Corporation to focus a prudent but significant portion of our province's Heritage Fund to directly invest in Alberta's growth.

Three percent of the Heritage Fund – \$540 million – will be targeted to growth-oriented companies in Alberta.

Mister Speaker, these measures – mobilizing almost \$2.1 billion through ATB, AEC and AIMCo to support job creation and diversification in this province – are important steps to help make Alberta Canada's best place to launch and grow a business.

Professionals with expertise in business development and investment, not politicians, will make decisions in the best interest of Albertans with a focus on growth, diversification and jobs.

By taking these steps we can be Canada's best jurisdiction for entrepreneurs, job creators, innovators, and new ideas – in every part of the economy.

With our world-class universities, manufacturing base, smart young population – and an obvious need to diversify our economy – we have what it takes.

With access to a little more capital, there are remarkable opportunities for growth and diversification right across this province.

There are opportunities in the towers in Calgary and Edmonton.

And in our great universities and colleges.

And in mid-sized and rural communities, north and south.

And among the rising generation of bright, eager and entrepreneurial young aboriginal people, on and off reserve, right across Alberta.

If you are a young person – or just a plain energetic person with good ideas – you want to be in Alberta.

A job creation incentive

Mister Speaker, as we committed to do in the spring election campaign, we will invest \$178 million to introduce a new job creation incentive that will reward eligible job creators with grants of up to \$5,000 for each new job created.

This is a measure specifically designed to encourage job creators to lean on the side of hiring when planning their businesses during the current downturn.

This grant will be available to eligible Alberta employers, non-profits and charities.

It will support up to 27,000 new jobs each year, through 2017.

A new infrastructure plan

Next, acting on the advice of former Bank of Canada Governor David Dodge, we will accelerate the Province of Alberta's capital construction program.

Overall we will increase investment in capital spending by 15% compared to the previous plan – an additional \$4.5 billion in new investment over five years.

We will increase capital investment by \$500 million in the current fiscal year, by \$1.3 billion in 2016-2017, by \$1.7 billion in 2017-2018, by \$600 million in 2018-2019, and \$400 million in 2019-2020.

Over the next three years, this supplementary capital spending will increase employment by 8,000 to 10,000 jobs, and real GDP by about 0.5%.

Our capital plan provides for construction of a new Cancer Hospital in Calgary; a flood control solution in Calgary; significant improvements to health facilities in Edmonton; significant investments in public transit in both Calgary and Edmonton; expanding Red Deer obstetrics; replacing the High River government building damaged in the 2013 flood; expanding the Lethbridge College Trades and Technology Renewal and Innovation Project; and a major increase in water and road projects in communities across Alberta – detailed in Alberta's new capital plan.

Mister Speaker, earlier this fall my colleague, the Minister of Education, was obliged to report to the public that half the schools slated to open across Alberta would miss their announced completion dates, because of poor planning and rushed announcements by the previous government.

That is a serious mistake that we are not going to repeat.

We will therefore carefully review proposals and plans for additional infrastructure projects – on the basis of more transparent and accountable criteria – before we issue any press releases.

We will have a number of important additional announcements to make in coming months addressing roads and transit, water projects, long-term care facilities, educational institutions, and a number of other priority areas ... when plans for these investments are ready.

A one-stop shop for business development and trade promotion

Last week the Premier announced the creation of a new Alberta Ministry of Economic Development and Trade to focus our business and trade support programs and services.

Always with the goal of being a better partner for entrepreneurs and job creators, we have reorganized several departments to create this one-stop shop for all job creation and promotion work in the Government of Alberta.

Services that were scattered among four departments have been put under the leadership of this new department with an aim to be a world-class economic development agency – lean, smart, user-friendly and fast.

The Minister of Economic Development and Trade will focus on enhancing Alberta's trade development and promotion, in markets all around the world.

As a trading province, we need to aggressively build and diversify our markets.

Through this department we will reinforce and build on our network of trade missions, and we will enhance our promotion and marketing efforts, to help Albertan exporters expand their markets overseas, with a particular emphasis on the Asia-Pacific.

Community economic development

Next, we will partner with economic development agencies, business improvement zones, revitalization districts and local associations to enhance opportunities for businesses throughout Alberta.

We will invest \$10 million in community economic development initiatives to support local economic development associations and help them make their full contribution to job creation and economic renewal in Alberta.

A modernized energy royalty regime

Mister speaker, we will make some important strategic decisions about the foundation of our economy – our energy industry.

Our government will soon present a set of reforms to Alberta's energy royalty structure. We are pursuing three aims in this review.

First, this package of reforms will modernize and update our royalty regime to stay up to date with developments in the industry, and to provide the necessary certainty about our royalty system for investors and all Albertans, until it is next appropriate to review it.

Second, we are considering whether the royalty system can be rebalanced to encourage and reward value-added processing and diversification.

And third, Alberta's royalty system will provide that as prices for our energy resources recover, the people of Alberta will share appropriately in better times.

The economic benefits of acting on climate change

Last but far from least, Mister Speaker, we are going to work to recover our good name among our key energy markets, by doing our part to address climate change.

Our government will soon present a set of reforms to Alberta's environmental policies.

Getting control of pollution is good for the health of every Albertan.

Reducing carbon emissions is the right thing to do as our contribution to one of the world's biggest problems.

Systematically modernizing our electricity supply to phase out coal will create a significant opportunity for new investment.

Promoting energy efficiency will pay off in lower costs and greater competitiveness in our energy sector and throughout our economy.

Promoting the growing use of renewable energy will diversify our supply, and cut down on our carbon emissions.

And acting on these issues will restore our international reputation – the necessary prerequisite to getting access to more markets for our energy products.

Getting our environmental policies right will create jobs and promote economic efficiency, competitiveness and growth. Which, as you can see Mister Speaker, is what this government will be working on, on many fronts.

CONCLUSION

Mr. Speaker, with this budget, we are achieving three important things.

First, we are getting it right on health care, education and human services.

Stabilizing public services by providing long-term, sustainable and predictable funding is what Albertans asked of us and what we will deliver to them. To do this we are repairing some serious mistakes and misjudgements in our province's tax system and in its investments in key public services.

Second, we are setting out a balanced budget plan.

Our plan balances our budget in a reasonable time frame without radical cuts or front-line service layoffs.

And third, we are getting to work on a plan to diversify our economy and to create jobs.

We have set out some important steps to ensure the Government of Alberta is a good partner to our province's entrepreneurs and job creators – the keys to diversifying our economy. And we have given the Legislature notice that our government will shortly be tabling the results of its royalty and climate change reviews – further adding to the building blocks of a modern, diversified, energy-efficient and growing Alberta economy.

Mister Speaker, with this budget we will support jobs and we will support families, the Alberta way.

Thank you.

Alberta 