Embracing the Challenge

An Alberta Enterprise Group Submission

to the Alberta Treasury Board

The Government of Alberta is under new management, which means it has a different philosophy it should be applying to the delivery of government services. It shouldn't be delivering programs based on a socialist model of government pay, government provided, union monopoly. It needs to start delivering programs on the basis of the free enterprise principles of transparent pricing, customer choice, competition, and private sector delivery. The Alberta Enterprise Group is an organization that believes prosperity is our policy. The government should not only be creating a policy environment that encourages a robust private sector, but it should be operating on the same principles that allow the private sector to thrive. Private sector operators build their success on the basis of risk assessment and mitigation; bureaucracies atrophy because they operate on the basis of risk elimination. It is an adage that there is no reward without risk. The Government of Alberta should make it its mission to transform the culture of the civil service so that it is risk-taking, innovative and high performance.

Alberta's budget challenges also have to be set in the framework of transforming the energy sector to embrace the challenge of implementing new carbon technologies to become emissions free. The Canadian government has committed our country to achieving net zero by 2050 with the lynchpin of the plan being an escalating carbon price that will ultimately rise to $170 per tonne. This aggressive target seems to have been a trigger than has transformed the way the industry thinks about carbon dioxide. It is now seen as a potential feedstock with value and, in response, the business community is investing heavily in carbon tech. Give industry a problem and they will find a solution to it.

Avatar Innovations has partnered with the Elon Musk Foundation on a Carbon XPrize for Direct Air Capture. The Haber-Bosch process, which extracts nitrogen from the air to create fertilizer, has allowed the world to feed 5 billion more people than it otherwise could. Once we have mastered the process of capturing CO2 from the air, the possibilities to create new industries is virtually limitless.

Carbon Black: used to create soft rubber in vehicles, O-Rings

Building materials: Cindercrete blocs, cement, curing, paving stones

Polymers: Carbon fibres and carbon nanotubes including graphene

Polyurethane: insulation, foams, sealants, adhesives, elastomers, coatings

Textiles: dyeing using CO2 instead of water

Industrial minerals: pearl ash derived from furnace emissions can be used to create soap

Polyethylene: biodegradable straws, cutlery, sunglasses, wallets, phone cases

Ethylene: Air Co is a vodka made out of food grade CO2

Alberta's budget challenge involves setting the right framework to attract investment capital. That means having a credible ESG (Environment Social Governance) strategy that gives confidence to the investor community. The emerging discussion in the energy sector is not only how we can meet the challenge of net zero, but how we can get there faster than anyone else.

The issues of divestment and de-insurance can be combatted with a strategy that attracts capital based on investments that address all environmental issues at home and abroad, that is inclusive of our First Nations partners, and that allows for full participation by all.

The Finance Minister has made a great first step in this regard by allowing captive insurance and the establishment of a homegrown reinsurance market. But the broader solution will be for ESG funds to look at Alberta as the ideal destination for ESG investment. The industry is making that happen. It needs the provincial government to be the champion of its successes with the federal government and abroad.

Think Like an Owner

Generating Revenues

There are several important initiatives that will generate substantial revenues in the years to come.

1. Beyond Combustion Bitumen

Innovate Alberta has recently published a paper titled Bitumen Beyond Combustion. This is a future that should be embraced and actively supported by the Government of Alberta. Not only will it allow for a rebranding of the industry with a major reduction in greenhouse gases, but it will allow the provincial government to generate more revenue from using its resources to the highest value.

As an example, Wapahki Energy Ltd is an indigenous owned company that has a vision of using bitumen "as nature intended," for the production of asphalt and building materials instead of burning it for energy. Asphalt has been used as early as 5000 BC for the creation of roads and construction materials. This use supports the Net Zero aspiration in a dramatic way. First, as the world moves to electric vehicles we will still need roads made of asphalt to drive on. Second, graphene (derived from bitumen) is a cheaper, lighter, more durable product to make future electric vehicles. Developing non combustion bitumen is not at odds with Alberta's economic aspirations; it will greatly enhance it.

Wapahkii intends to have its initial 300,000 bpd production process in place by 2022. They project the ability to grow the market for bitumen to asphalt to 5 million barrels per day by 2030. The government royalty on this production is expected to be $10 a barrel. If this vision is realized, at the high end, that would generate $18.250 billion per year in royalty revenues for the provincial government.

At the same time, transporting bitumen in solid form reduces practically all the environmental hazards associated with liquid bitumen diluted with diluent. It would reduce Canada's carbon emissions by 44 per cent since it no longer has to be heated; it would eliminate land liquid trucks, liquid rail cars, liquid marine containers, liquid marine freight and liquid tank storage, the greatest concerns of environmentalists when our products cross water.

It would also resolve the issues of pipeline space. Transporting solid bitumen in block form can use existing coal cars, which will free up pipeline space to transport conventional oil and natural gas and potentially even hydrogen. Transforming our bitumen sector into non-combustion is critical as it will eliminate the “dirty oil” smear that has driven capital away from Alberta.

Recommendation: Actively promote and develop a fast-track approval process for projects that will move Alberta closer to net zero CO_2 emissions.

2. Turning Liabilities Into Assets

We hear from members there are numerous problems with the function of the Alberta Energy Regulator which is impacting government revenues and impairing investment in new production. Small producers experience unreasonable and unnecessary delays in receiving well transfers when mergers and acquisitions occur. We are told these transfers normally take 60 days; this should be reduced to days or weeks. If the answer is no, a company needs to be told quickly so they can get on with other projects. If the answer is yes, there is no need for foot dragging.

We have also been told by multiple members that it is impossible to retrieve viable wells from the Orphan Well Association once they have moved on from the receiver. Indeed, we have attempted for three months to get a simple change in policy to stop the value destruction of Alberta’s natural gas resources, to no avail.

The problem is once a well has gone to the OWA the surface land agreements and mineral rights are severed from the well bore. In practice this means that our members have to go through a four step process to reclaim sites from the OWA to put them back into production.

1. Put a hold on the sites with the OWA so they do not get abandoned
2. Negotiate a transfer with working interest partners on sites that have multiple ownership rights
3. Negotiate surface access with the landowner
4. Acquire the mineral rights to put the well back into production

Unfortunately, Alberta Energy has a policy not to reissue mineral rights once a well has gone into the Orphan Well Association.

This is not only impairing the efficiency of extracting resources for our members, it is destroying the value of the province’s assets. When natural gas prices were trading negative, many natural gas producers went bust. But now that gas is trading above $6 an mcf, many of those same wells are now economic. Instead of turning them back on and generating immediate new royalty revenues for the province, they are being permanently abandoned and the value is being destroyed. The amount of government revenue that has been destroyed with premature abandonments is considerable.

The simple change would be to keep the rights to produce the well intact when it transfers to the OWA, so the Association has the full authority to transfer wells if they return to economic value.

Alberta Enterprise Group

3. Retrieving Value From New Production while Cleaning Up Existing Liabilities: RStar

Sproule estimates that Alberta will need to clean up $20 billion in wellsite liabilities in the next 20 years, or $1 billion a year.

There are many reasons we have the unmanageable liabilities we have today, mostly relating to government policy. While government established the notion of polluter pay, a concept we can all agree on, they never enforced it. Past governments allowed companies to transfer producing assets along with heavily polluted sites that carried huge liabilities. Instead of cleaning up historic sites, they've been passed on without cleanup, some as long as 60 years without being reclaimed.

The point is, the companies that own those sites today, aren't the original polluter. In many cases the original polluter is long gone and the recipient company has no means to pay for the clean up. If nothing changes, these sites will continue to get passed on for the next 60 years, earning Alberta a black eye on ESG, depriving landowners of their peaceful enjoyment of their land, and potentially causing a huge liability that will ultimately fall onto landowners or taxpayers.

RStar is a program designed to create a path forward to clean up the worst wells by creating credits for abandonment and reclamation, which can then be applied to the drilling of new wells to extend the 5 per cent royalty rate on new wells, which will create a virtuous cycle of new revenues for the government which the company can then use to reclaim more wellsites.

Sproule calculates if this program was used to issue $20 billion in RStar credits ($1 billion a year for the next 20 years) it would generate $76 billion in additional GDP, including $8 billion in new royalties for government from the incremental increase in production. It would also result in 366,000 jobs being created – employing people for both the new drilling and the environmental cleanup – which will generate new personal income tax revenues for the government.

In collaboration with Sustaining Alberta's Energy Network, we have proposed a pilot project to test the RStar concept on the worst wellsites in Alberta. Our idea is to give each licensee with a licencee management ratio above 0 (about 450 companies) 10 RStar credits to clean up their worst wellsites. This would be an improvement on the Site Rehabilitation Program, funded by the federal government. Most of that money was spent on downhole abandonment of the easiest wells. We need to create a program that incentivizes companies to clean up their worst wells all the way through surface reconstruction, vegetation management and final reclamation certificates. Once they have been fully reclaimed, they can be transferred to the OWA with a small insurance premium in the event any of the sites need to be revisited for further work. This will also unlock the innovation of new environmental firms that are developing innovative site clean up technologies that can be used to further enhance our ESG reputation.

Long Chain Reclaim has developed a bacteria that can be suspended in order to maintain its viability and transported to well sites to digest hydrocarbons.

Winterhawk has a process to cleanse soils of saline.

Wild and Pine uses the latest hydroponic technology to custom grow seedlings for replanting at wellsites to ensure maximum uptake.

We believe the RStar concept will prove to be so successful in achieving the goals that the government will want to use it to address all legacy wellsite cleanup.

Recommendation: Develop aggressive targets for the approval of well licence transfers and measure the performance of the regulator on the basis of achievement.

Recommendation: Stop the destruction of resource value by making it easy for wells to be removed from the Orphan Well Association and returned to production.

Recommendation: Approve the RStar Pilot project as a means to create the pathway for all oil and natural gas producers to fully abandon and reclaim wellsites and get a final reclamation certificate.

4. Environmental Trusts

The province also needs to develop a new approach for dealing with future abandonment liabilities. The time to set money aside for well reclamation is when it first comes onstream and is producing income for the company. The reason this does not occur is because of a policy change made by the federal government in the early 2000s that eliminated environmental trusts for the oil and gas sector.

Environmental trusts are allowed for the nuclear, mining and forestry industries. The way they work is the company is allowed to set money aside in the trust tax free, grow the fund tax free, and withdraw the money tax free to pay for environmental clean up. This allows a company to use their own resources and use the power of compound interest to ensure money set aside today grows to a sufficient amount in the future to pay for the abandonment. Establishing these funds would allow a company to use it to offset their liabilities, improve their LMR and improve corporate health. When a wellsite is transferred to a new owner, the fund would follow along with it. The key to making this approach work is to work with the federal government to establish a level playing field of fair policy for all industries that have environmental clean up obligations. Once these are approved, this system should apply to all future wells drilled, while RStar can be used to clean up legacy liabilities.

Recommendation: Work with the federal government to extend the existing approach of Environmental Trusts to managing long term reclamation liabilities that exists for other sectors to include the oil and natural gas sector.

5. Carbon Capture and Storage

While the market is developing use cases for carbon dioxide, there may be a need to store carbon dioxide until the markets develop in order to meet net zero targets.

We understand the Big 5 oilsands producers have proposed a $75 billion carbon trunk line that would build a CO_2 pipeline for storage in the Cold Lake region. They are seeking investment tax credits to make this project viable. We would encourage the government to engage in a discussion with the Big 5 to see whether non-combustion bitumen, described above, is an alternative they would consider instead of or in addition to this project.

We also understand that TC Energy and Pembina are wanting to create a carbon trunk line that would operate much like the current pipeline system, granting them a monopoly on the system and charging tolls to users. We have heard from many producers that this will be uneconomic in many circumstances. While this type of approach can offer one solution, it can't be the only solution.

The government owns Alberta's pore space. As a result, they should ensure that all players, large and small, have an opportunity to participate in this market and that there are not unreasonable costs or barriers to entry.

Free Rein Resources is working on a hydrogen hub to provide hydrogen for transportation fuel. They believe they have the capacity to store 40 MT of CO_2 at a site they own in the capital region area.

West Lake Energy owns deep gas wells in southern Alberta with a compressor onsite. They believe they have the capacity to store 80 MT of CO_2 at their site.

Projects such as these will allow the province to reach its net zero targets faster. This is the reason why the government must develop a flexible, decentralized model to allow CO_2 storage wherever it is viable. This will also allow for a new source of revenue. As the value of a carbon credits go up, the province could charge a one-time royalty on every tonne of CO_2 that is permanently stored.

Recommendation: Quickly establish a framework for carbon dioxide royalties and allow for decentralized storage.

6. Hydrogen Vehicles

Traditional electric vehicles powered by hydroelectric and nuclear power may be the future in Eastern Canada, but the future of electric vehicles in Western Canada is more likely to be hydrogen fuel cell electric vehicles, particularly in rural Alberta.

If Alberta is going to be the hydrogen hub, in the Edmonton capital region in particular, it would make sense to have a targeted business attraction strategy to build hydrogen fuel cell vehicles such as the Toyota Mirai, Hyundai Nexo or the Honda Clarity. California and BC are already building out the infrastructure for fueling stations. There is no reason why Alberta shouldn't take the lead on courting one of these companies to establish a hydrogen fuel cell vehicle manufacturing plant here. The province can play an important role in setting the vision and removing the barriers to this kind of investment.

Most importantly, hydrogen using carbon capture technologies will allow Alberta to grow its royalty revenues from natural gas.

Realizing all of these opportunities hinges on working collaboratively with the federal government so they realize the traditional oil and natural gas industry is in a major transformation that will support the country's efforts to get to net zero emissions. Removing the bullseye on the industry and normalizing the public discussion around this transformation will be critical to attracting the investment for everyone's mutual benefit.

Recommendation: Streamline the regulatory approval process to attract a major hydrogen vehicle manufacturer to Alberta, as an anchor tenant to grow a new industrial base centred around this fuel.

7. Owning the Podium as a Technology Hub in the West

Amazon has announced a plan to build a $4 billion data centre in the Calgary area. This is an extraordinary opportunity to embrace the growing technology sector that is taking root in both Calgary and Edmonton. AEG has participated in an investor round for Start Up TNT lead by entrepreneur and innovator Zack Storms who is leading the effort to build a robust start up space in the province. During COVID the amount of venture capital investment doubled from approximately $250 million to more than $500 million. Platform Calgary has launched its new home for technology entrepreneurs in East Village. There should be a sister centre in Edmonton to nurture and cultivate entrepreneurs and help connect them with investors. The political class needs to know and understand this growing sector as well as they understand the energy sector. There are 100s of startups happening every year. Some will grow to businesses of 5 to 20 employees, some will become billion-dollar unicorns. There is a perceived disinterest in this sector that has been noted to our organization by many who are trying to light some enthusiasm from government.

CarbiCrete, an idea originating in Alberta, couldn't find funding or support here but they found it in Quebec. Their website now states they are a Montreal-based carbon removal technology company that is developing innovative, low-cost building solutions that contribute to the reduction of greenhouse gas emissions. This company should have been able to establish itself here.

Recommendation: Hold a round table discussion with tech innovators to establish a framework to Own the Podium as a western technology hub.

Think Like a Customer

The Government of Alberta has an historic opportunity to transform program delivery away from the socialist model of government pay, government provided, union monopoly, toward one based on free enterprise principles of transparent pricing, customer choice, competition and private sector delivery.

1. Service Alberta

Service Alberta is and should be the centre of digital transformation for the province and for the government. One of the finalists in the Startup TNT competition is WaitWell, an app developed to reduce wait times at an Alberta Registry in Northeast Calgary. It worked so well it's been adopted by multiple registries across Canada, and was recently deployed at the Calgary Stampede to manage 80,000 people attending various events on the grounds. Waiting is a fact of life, but customers expect to know where they are in the queue and how long it's going to be until they get their turn.

If this innovation can come out of a government service delivery agency, how many other innovations are there that are just waiting to be discovered?

Simple process improvements like this need to become the culture in the Alberta Government. The government should sponsor a contest through Startup TNT to develop apps to improve the government customer experience. Government civil servants should be encouraged to think like entrepreneurs. They should be incented to fix processes rather than paid to keep things the same.

The Startup TNT process is to go through multiple due diligence rounds and ultimately narrow down and choose a winner who receives a $150,000. One of the features of Startup TNT is that side deals get made along the way. Having the government exposed to dozens of new ideas would help spark a transformation in the delivery of government services.

Recommendation: Partner with Startup TNT on a government tech investment forum to identify innovative approaches to transform government service delivery.

2. Daycare

The government recently signed a deal with the federal government for $3.8 billion over five years to facilitate the creation of 40,000 new day care spaces and realize $10 a day daycare. While we applaud the move to make child care costs more affordable, there is no reason the Alberta government has to implement it the same way the Quebec government did. In Quebec, there remains a major issue of access and equity, where often the highest income families receive the subsidy and there are insufficient spaces for everyone.

The provincial government has an opportunity to implement this program in a way that honours parent choice and builds on the successful approach the province has taken in k-12 education, where there are options for public, charter, private and home schooling.

Building on this framework, we should understand that parents want the choice to be able to take care of their own kids at home, hire a nanny, hire a friend or family member, use a day home, or take their child to a structured day care. The important thing is for the government to implement the program in a way that honours the choice of all parents.

If you give money directly to a facility, it is already obvious what will occur. Only those parents with the best connections to the particular facility will get their child in. Also, all the other providers in the same vicinity will be disadvantaged by being unable to deliver the same care at the same price.

As this will be a new program, it is a golden opportunity to engineer a brand-new approach to the delivery of programs that puts the customer, the parent and their child, first. Why not try a "voucher system" approach where the funding flows through directly to the parent to use on the child care option of their choice?

Here is an illustration of how an Individual Child Care Spending Account could work. The amount the government would deposit in the Individual Child Care Spending Account could be tailored to the choice of child care provider and to the family income of the individual based on previous year's tax filings.

There are currently about 350,000 children aged 0 – 5. If it costs an average of $1000 a month for child care for each of these children, as has been reported, that works out to $45 a day. If the parent is expected to cover $10 of this cost, the government portion could be as high as $35 a day, which would be a $3.2 billion annual program.

The federal government is only providing $760 million a year, which would mean the provincial share would be $2.4 billion. The challenge for the government is to provide an approach that does not create inequity or resentment, honours parent choice, targets the most help to those who need it most, while remaining affordable.

So let's assume it currently costs an average of $12,000 a year for child care. The government is essentially committing to subsidize about 75 per cent of the cost, or $9000 a year.

If you adopted a voucher program you could offer the payment on a sliding scale based on family income and federal tax brackets. Those under $48,435 should be able to qualify for a 100 per cent subsidy. Those over $150,473 would get no direct subsidy. So that would mean any family with $48,535 to $150,473 in family income would receive $9000 per child in their specialized account to defray their child-care costs.

The government would need to develop a simplified model so it is easy for people to register as care providers. Day care, day home, family caregivers and friends should all be able to register to qualify, and then the government would let the market work.

In the interest of fairness, high-income families and families with stay-at-home parents should be able to get a refundable tax credit instead of a subsidy. It does not need to be as generous as the subsidy for formal childcare, similar to how independent schools receive a smaller amount of direct support. Perhaps it could be set at 1/3 the amount of the subsidy, or $3000 per child. This would require some consultation and analysis to determine the correct level.

But it is important to have an option for all parents in all family situations. This would empower parents with the dollars they need to ensure that everyone is treated fairly, that every business owner and caregiver is on a level playing field, and that family choice is preserved.

Recommendation: Pioneer a new approach to implementing a new government program by establishing Individual Child Care Spending Accounts for middle-income working parents, and a more modest refundable tax credit for high-income and at-home parents.

3. Health Spending Accounts

Alberta Health Services failed in the number one task it was assigned at the outset of the COVID crisis in March 2020. The Premier gave direct instruction to build surge capacity – to add an additional 1,089 ICU beds, which should have taken our ICU bed total to 1,384 beds. We began the crisis with 295 ICU beds then, remarkably, in the fourth wave with more than 18 months of planning, it was revealed that we only had 268 ICU beds. This is unacceptable. The lack of surge capacity also completely paralyzed the system and AHS became incapable of delivering any other services aside from COVID care. This is not high-performance government and it is not appropriate customer service.

If public hospitals are incapable of providing any other services during respiratory virus season, then the province needs to act quickly before the fifth wave, which Dr Deena Hinshaw is already predicting. If full service hospitals in Calgary and Edmonton are going to become COVID treatment centres and emergency care only, the Government should accept the limitation of AHS run facilities and begin aggressively contracting out.

There are 100 hospitals in Alberta. AHS should be removed from the direct management from as many of these hospitals as possible. Government should allow hospitals to apply to become independent charter surgical centres, leave the umbrella of AHS, and contract directly with Alberta Health. The Government's goal should be to contract out all surgical services to independent charter surgical centres to avoid the service disruptions AHS has proven itself incapable of avoiding.

During the process of contracting out, the provincial government should freeze Alberta Health Services spending at the current level and reduce it as other service providers take over their services, so it should be revenue neutral.

The way to reduce hospitalizations is to move quickly to adopt a cost-effective early outpatient treatment protocol based on cheap and readily available drugs.

Skymount Medical is a Calgary based company that has used AI and machine learning to assess more than 250,000 generic drugs and have identified 56 that have potential effectiveness in early treatment. They were unable to get approved for a clinical trial in Alberta, despite the announcement of Innovate Alberta in May 2021 that it wanted to create a hub of medical research in Alberta. Instead their human trials will take place in Ukraine and California.

The Alberta Government should accept that the waning effectiveness of vaccines means that therapeutics are going to be a necessary complement to reduce hospitalizations and deaths, and keep the economy open. This is one way the government would shift from being a sickness management system to be a wellness management system.

In keeping with the free enterprise principles of transparent pricing, customer choice and competition, any increase in health care should be given directly to patients in the form of Health Spending Accounts

Health care is going to need more money, but it should not be put in the hands of an unaccountable, underperforming bureaucracy.

Health Spending Accounts are so well established, the provincial government already offers them to their own employees. All Albertans should have the same opportunity to choose their care.

The provincial government should commit to an investment in every person's Health Spending Account with $350 per person per year, or $1.5 billion. If health spending grows over time, the priority should be increasing the amount in Health Spending Accounts. Employers and individuals should both be encouraged to contribute to their Health Spending Account by allowing it to be tax deductible. The amounts in the account should be allowed to rollover and grow over time.

The Alberta Government has tried to transform health care by centralizing regions and increasing the amount they spend, and waiting lists have simply gotten longer and the system has failed to adapt. It's time to be bold and begin a transformational change by putting patients and service providers in the lead.

Recommendation: Allow hospitals to opt out of Alberta Health Services management and charter directly with Alberta Health as charter surgical centres.

Recommendation: Set a target to contract out as many surgical services as possible to charter surgical centres.

Recommendation: Spend $1.5 billion to establish Health Spending Accounts of $350 per person and adopt tax incentives to encourage businesses and individuals to invest in wellness rather than sickness.

4. Trades Education

We began the process of submitting an application for a skilled trades focussed charter school and received and sought input from PCL, Ledcor, Columbia College, Progressive Contractors Association, CLAC, Building Trades, NAIT, The STEM Academy, ICBA, high school trades teachers, and other union and industry associations. Many of the people we spoke with had accompanied the Premier on a mission to learn about European trades training when he was a Minister in the federal government. The overwhelming message supported the Alberta Government's Skills for Jobs Task Force Report, about elevating the skilled professions.

While a charter school is one avenue to do this, the feedback we received was that there is a great urgency to be graduating more students in the skilled trades, and that we will be experiencing shortages within the next three years or less. The strong advice was that an emphasis on the trades should not just be occurring in one charter school, it should be occurring in all junior and senior high schools.

In addition, it became clear that the funding model does not adequately support trades related education. Trades classes are likely to need specialized workspace, equipment, and trained tradesmen and class sizes will need to be smaller in a hands-on environment. Yet the funding model does not adequately compensate for these additional costs.

Recommendation: Set an aggressive target to get more than 50 per cent of high school students enrolled in the Registered Apprenticeship Program, and pilot an enhanced funding model to motivate high schools to adopt a strategy to expand their trade offerings to align with private sector needs.

5. Municipal Funding

It is clear from the results of the 2021 municipal races in Calgary and Edmonton that residents want far more investment in their local communities and they want their local councils to have more autonomy. Rather than set up a situation where the province is constantly at odds with its two most populous municipalities it should establish a new funding model that respects their expertise and allows them control over more of their own funds.

The province just won an equalization referendum where citizens affirmed the idea that one region should not be subsidizing another. It's reasonable to think that Calgary and Edmonton residents may feel this same way about property tax revenues.

Edmonton and Calgary are now at a point where the amount of revenue they collect on behalf of the province for education tax is equal to the amount of operating and capital transfers they receive from the province. To get an idea of how these numbers are converging, it is important to look at a year that was unaffected by COVID.

In 2019, the city of Edmonton collected and remitted $488.266 million in property taxes to the provincial government and received $76.388 million in operating grants and $413.328 million in provincial capital grants. The net result was a difference of $1.45 million in Edmonton's favour.

In 2019, the city of Calgary collected and remitted $795.866 million in property taxes to the provincial government and received $150.885 million in operating grants and $502.826 million in provincial capital grants. The net result was a difference of $142.155 million transferred out of Calgary.

The level of property tax charged on non-residential properties has been a source of considerable dispute in both cities, but in Calgary in particular. It is leading to revenue disputes with adjacent cities and counties as businesses relocate outside the border to avoid excessively high property taxes. The solution may be to exit property tax in these municipalities with a corresponding decrease in direct transfers, and negotiate a permanent change to the property tax ratio so the business mill rate is no more than 1.5 times the mill rate charged on residential properties.

Recommendation: Be open to negotiate a new funding arrangement with municipalities to vacate the education property tax in exchange for reduced transfers, while simultaneously correcting any unreasonable disparity in residential and non-residential tax rates in the municipality.

Think Like a Barber

1. Alberta Sovereign Wealth Fund

If we continue to do things the way we always have we are going to destroy our last opportunity to create a legacy that would honour Premier Peter Lougheed's early vision when he established the Heritage Savings Trust Fund.

A seminal work in personal finance was the book, The Wealthy Barber, written by David Chilton. His great insight was that if you waited to put money into savings out of money "leftover" at the end of a paycheque, you would never save anything. The way to build wealth is to pay yourself first.

If it is a good enough principle to build personal wealth, it is a good enough principle to build Alberta's Sovereign Wealth Fund.

The failure to maintain a savings policy in the past is that the savings target was contingent on saving a portion of Alberta's volatile resource revenues. When revenues go down, the savings discipline gets abandoned.

The new approach we are proposing should be to save 10 per cent of all Government revenues to build the Alberta Sovereign Wealth Fund into a size that will be a true legacy for Alberta.

If the government were to do that based on this year's revenues they would save $5.5 billion. That may be too jarring to start a savings program at such a high level, so we recommend the government start with $1 billion and grow it by $1 billion a year until we are at 10 per cent of all government revenues going into savings. Until we reach $500 billion in savings, it should also allow all the investment income to compound in the fund too. The numbers speak for themselves about how powerful this pay yourself first strategy is. The hardest part of saving is getting started and sticking with it. This budget is the year to get started.

Recommendation: Rename the Heritage fund to the Alberta Sovereign Wealth Fund, save 10 per cent of all government revenues, and maintain investment income in the fund with the goal of growing the Fund to $500 billion by 2050.

Alberta Sovereign Wealth Fund – Growth Estimate

Estimated Revenue	10% Savings Target	Year	Opening Balance	ROR %	Subtotal Balance	Addition $	Ending Balance
$55.0	$5.5	2021	$17.8	1.05	$18.7	$0.0	$18.7
$55.5	$5.6	2022	$18.7	1.05	$19.6	$1.0	$20.6
$56.1	$5.6	2023	$20.6	1.05	$21.7	$2.0	$23.7
$56.6	$5.7	2024	$23.7	1.05	$24.8	$3.0	$27.8
$57.2	$5.7	2025	$27.8	1.05	$29.2	$4.0	$33.2
$57.8	$5.8	2026	$33.2	1.05	$34.9	$5.0	$39.9
$58.4	$5.8	2027	$39.9	1.05	$41.9	$5.8	$47.7
$58.9	$5.9	2028	$47.7	1.05	$50.1	$5.9	$56.0
$59.5	$6.0	2029	$56.0	1.05	$58.8	$6.0	$64.8
$60.1	$6.0	2030	$64.8	1.05	$68.0	$6.0	$74.0
$60.7	$6.1	2031	$74.0	1.05	$77.7	$6.1	$83.8
$61.3	$6.1	2032	$83.8	1.05	$88.0	$6.1	$94.1
$62.0	$6.2	2033	$94.1	1.05	$98.8	$6.2	$105.0
$62.6	$6.3	2034	$105.0	1.05	$110.3	$6.3	$116.5
$63.2	$6.3	2035	$116.5	1.05	$122.3	$6.3	$128.7
$63.8	$6.4	2036	$128.7	1.05	$135.1	$6.4	$141.5
$64.5	$6.4	2037	$141.5	1.05	$148.5	$6.4	$155.0
$65.1	$6.5	2038	$155.0	1.05	$162.7	$6.5	$169.3
$65.8	$6.6	2039	$169.3	1.05	$177.7	$6.6	$184.3
$66.4	$6.6	2040	$184.3	1.05	$193.5	$6.6	$200.2
$67.1	$6.7	2041	$200.2	1.05	$210.2	$6.7	$216.9
$67.8	$6.8	2042	$216.9	1.05	$227.7	$6.8	$234.5
$68.4	$6.8	2043	$234.5	1.05	$246.2	$6.8	$253.1
$69.1	$6.9	2044	$253.1	1.05	$265.7	$6.9	$272.6
$69.8	$7.0	2045	$272.6	1.05	$286.3	$7.0	$293.2
$70.5	$7.1	2046	$293.2	1.05	$307.9	$7.1	$314.9
$71.2	$7.1	2047	$314.9	1.05	$330.7	$7.1	$337.8
$71.9	$7.2	2048	$337.8	1.05	$354.7	$7.2	$361.9
$72.6	$7.3	2049	$361.9	1.05	$380.0	$7.3	$387.3
$73.4	$7.3	2050	$387.3	1.05	$406.6	$7.3	$414.0

Conclusion and Summary of Recommendations

The Government of Alberta has the chance to develop a truly transformational approach to the delivery of government services by thinking like an owner, thinking like a customer, and thinking like a barber. The government needs to maximize its revenues, reengineer program delivery on free enterprise principles, and start saving for the future.

Alberta can be the envy of the world in creating a legacy for its citizens, investing responsibly in the programs they hold dear, being a world leader on the environment, while realizing the lifelong dream to truly diversify our economy. Think of how great this could be. Now is the time to act.

Recommendation: Actively promote and develop a fast-track approval process for projects that will move Alberta closer to net zero CO2 emissions.

Recommendation: Develop aggressive targets for the approval of well licence transfers and measure the performance of the regulator on the basis of achievement.

Recommendation: Stop the destruction of resource value by making it easy wells to be removed from the Orphan Well Association and returned to production.

Recommendation: Approve the RStar Pilot project as a means to create the pathway for all oil and natural gas producers to fully abandon and reclaim wellsites and get a final reclamation certificate.

Recommendation: Work with the federal government to establish Environmental Trusts to extend the existing approach to managing long term reclamation liabilities that exists for other sectors to include the oil and natural gas sector.

Recommendation: Quickly establish a framework for carbon dioxide royalties and allow for decentralized storage.

Recommendation: Streamline the regulatory approval process to attract a major hydrogen vehicle manufacturer to Alberta, as an anchor tenant to grow a new industrial base centred around this fuel.

Recommendation: Hold a round table discussion with tech innovators to establish a framework to Own the Podium as a western technology hub.

Recommendation: Partner with Startup TNT on a government tech investment forum to identify innovative approaches to transform government service delivery.

Recommendation: Pioneer a new approach to implementing a new government program by establishing Individual Child Care Spending Accounts for middle-income working parents, and a more modest refundable tax credit for high-income and at-home parents.

Recommendation: Allow hospitals to opt out of Alberta Health Services management and charter directly with Alberta Health as charter surgical centres.

Recommendation: Set a target to contract out as many surgical services as possible to charter surgical centres.

Recommendation: Spend $1.5 billion to establish Health Spending Accounts of $350 per person and adopt tax incentives to encourage businesses and individuals to invest in wellness rather than sickness.

Recommendation: Set an aggressive target to get more than 50 per cent of high school students enrolled in the Registered Apprenticeship Program, and pilot an enhanced funding model to motivate high schools to adopt a strategy to expand their trade offerings to align with private sector needs.

Recommendation: Be open to negotiate a new funding arrangement with municipalities to vacate the education property tax in exchange for reduced transfers, while simultaneously correcting any unreasonable disparity in residential and non-residential tax rates in the municipality.

Recommendation: Rename the Heritage fund to the Alberta Sovereign Wealth Fund, save 10 per cent of all government revenues, and maintain investment income in the fund with the goal of growing the Fund to $500 billion by 2050.

Thank you for the opportunity to submit our input. At Alberta Enterprise Group we consider ourselves partners with the Alberta Government in driving this province forward and look forward to presenting and discussing these thoughts and recommendations with you.

AEG.

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Alberta Enterprise Group (AEG) puts Alberta businesses first by sharing information, advocacy and building bridges to new markets. AEG members are business owners, senior executives, investors and entrepreneurs representing firms in every major Alberta Industry. AEG members employ over 100,000 Albertans and generate billions in economic activity each year.