

Mark Lisac's

Insight

into Government

Alberta's independent newsletter on government & politics

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Volume 23 Number 40

Week ending June 19, 2009

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THE OPPOSITION PARTIES

WOULD LIFE REALLY DIFFER WITH LIBERALS OR NDP?

All the opposition parties are so far behind the Progressive Conservatives that big gaps in their economic and fiscal policies aren't crucial for now — but sooner or later, they have to offer voters a set of clear alternatives as well as criticisms

Alberta Liberal Leader David Swann began a summer tour this week with ambitious goals — meet at least 10,000 Albertans face to face and try to visit “every major festival, rodeo and significant community gathering in the province.”

It's a bright move. Swann needs the contact. He's been the Alberta Liberal leader for two months and isn't well known.

His party had a disappointing result in the March 2008 election — nine seats out of 83, and 26.4% of the vote. By December, a regular Environics poll had the Liberals slumping to 16% of decided voter support, just two percentage points above the Greens.

The **Greens** themselves are split after a leadership struggle. They don't have an MLA, still haven't filed a 2008 financial statement and have few functioning constituency associations.

The **New Democrats** and **Wildrose Alliance** were both slumping badly in the December Environics poll — down to 6% and 3% of decided voter support respectively.

Although the Liberals and New Democrats both elected MLAs last year, they have only shell organizations in many constituencies. The Liberal party president had to sign 17 constituency financial statements last year; two New Democrat officials signed as president or chief financial officer in just over half the NDP constituency associations.

And the government's very broad policy initiatives have left

POLITICAL PULSE

MINISTERS WITHOUT BORDERS THE TRAVEL DILEMMA: WHO TENDS THE YARD?

Finance Minister Iris Evans was in New York and Toronto this week, officially talking about money but unofficially getting into trouble for a needless comment that the proper way to raise children is to have one parent stay at home rather than work.

She did, however, avoid some trouble by using a low-key comment in Toronto to announce that the province may borrow \$5 billion for infrastructure over the next three years rather than \$3.3 billion.

Advanced Education Minister Doug Horner is on his way to Germany and the Netherlands June 20-27 to talk about Alberta's “knowledge industry.” He leaves behind university officials who are arguing with the new Alberta Health CEO.

Premier Ed Stelmach spent the last week in Utah meeting governors from the western U.S., and in Dawson City talking to other western premiers about trade and employment insurance reform.

In the last seven months, he's also been in Switzerland, Austria, the United Kingdom, the Netherlands, Germany, and in Texas twice.

The heavy travel fits the plan. International marketing is one of the government's four priorities this year.

But the premier's frequent absences have coincided with a less than firm grasp of some domestic issues like Bill 44.

More intriguingly, Insight hears that Sustainable Resources Minister Ted Morton has been building relationships with MLAs. Individual dinner meetings in Calgary have been part of the process.

The premier's far-flung interests and the resignation of deputy premier Ron Stevens create a vacuum. And a large Progressive Conservative caucus is ripe for development of internal alliances.

Morton also poses perhaps the toughest problem if there's to be a cabinet shuffle.

He's finished big projects and handled them well. A demotion into a junior department could upset his supporters.

Giving him a big portfolio like Energy would raise his leadership credibility. Intergovernmental Relations would give him leverage for his views while keeping him directly under the premier's eye; that could be either good or bad.

How about another decently substantial side track like Employment, or a risky hot potato like Finance?

little ground available for the other parties to exploit.

It seems almost futile to ask how an opposition party would change the government. But change is supposed to be possible, so we'll take a look at the two opposition parties that actually have MLAs in the 83-seat legislature (nine Liberals, two New Democrats).

The Alberta Liberals: They're badly in need of a renewal. The "What We Stand For" section of their website still includes items like a promise to eliminate medicare premiums, which were abolished on Jan. 1.

On finance and health they offer little detail.

Swann regularly says that Alberta spends at least 23% more per person than other provinces, but doesn't seem to have better services or roads. At the same time, his party has many ideas for more spending.

Conservative MLAs make cracks about whether the Liberals are on a "spending day or a saving day." Swann acknowledges the apparent inconsistency but says it's a matter of applying resources where they're needed.

In both fiscal policy and health, he's advocating a major systems investigation to find out what's working and what isn't, and why.

Swann's fiscal prescription: Look at where the province is putting its money and what it's getting in return; guarantee consistency in order to make sure that "we don't stop spending in the down times and we don't go through the roof in the good times;" consider the economy, the energy industry and society as an interconnected whole.

FIGHTING BILL 44 AND HEALTH CUTS IS EASY; WRITING DIFFERENT ECONOMIC POLICY IS TOUGH

He's also maintaining the party's commitment to setting aside 30% of energy royalties as savings.

On health, Swann once again wants a major investigation, but he's certain the system is lopsided: "We've got a system now that's dominated by specialists and high-tech medicine." He would put more resources into developing family physicians, preventive care and services such as home-care nursing.

Continuing care kept appearing among the party's priorities this spring. **Bridget Pastoor (Lib—Lethbridge-East)** would like to investigate a model in which seniors in assisted living homes would stay in one room continuously as their needs change "so we're not moving them around like bags of potatoes."

MLAs devoted an unusual amount of attention to **agricultural** issues. **Kevin Taft (Edmonton-Riverview)** pressed for farm safety legislation.

Oil and gas royalties remain a dilemma. The party has gained ground in Calgary. There's still opposition in Calgary to the new royalty framework. But the Liberals remain committed to higher royalties, with some shifting of the burden to the oilsands and away from natural gas.

The party also embraces specific ideas for **electoral reform**, including fixed election dates.

It supports making **labour law** more union-friendly but rarely highlights those ideas.

Swann says he thinks the major concern for the public now is jobs.

The New Democrats: New Democrat Leader **Brian Mason** realizes the media want three things: brevity, drama and simplicity. He routinely gives them all three and often earns more ink than Swann.

The New Democrats don't have a full response to the government's work-in-progress fiscal policy but they are clear on one point: they think there's room to take about **\$4 billion a year more in royalties** out of the energy industry (about a one-third increase).

They see **health care** as their party's historical legacy and will try to be in the forefront of any fight against budget cuts or privatization. They want more hospital space and more training of doctors and nurses. Mason has also emphasized trying to save costs by creating an agency to buy prescription drugs in bulk.

Rachel Notley (Edmonton-Strathcona) has steadily attacked the government's performance in running **continuing care** institutions. She has also been tough on the government's performance in child care and in **protection of children who are wards** of the province. An NDP government would almost certainly undertake a massive investigation and overhaul.

The New Democrats have become vocal opponents of **nuclear power** (the Liberals haven't said much; the PCs are quietly sliding toward support). Mason has never liked the idea of the province paying for carbon capture.

The party also emphasizes **renewable energy**. It would create a Crown corporation to promote research and to develop large solar and wind projects. Interest-free home retrofit loans are also on the agenda.

Like the Liberals, the New Democrats have a political reform agenda. Theirs leans heavily toward control of financing — especially a **ban on all corporate and union donations** to political parties.

The New Democrats also propose a variety of **direct financial benefits for individuals** — lower tuition fees for students, rent controls, continued natural gas rebates and (like the Liberals) adoption of public auto insurance. They can press such issues with the certainty that the government won't try to capture their policy space.

The wild card: Seniors policy seems likely to become a long-term battleground. Government decisions affect seniors in many ways: taxation, drug costs, continuing care, health care in general, housing, consumer protection.

Seniors will become a bigger proportion of the population over the next couple of decades.

The government looks at income forecasts and thinks future seniors will be able to pay for more services on their own, although that's a potentially misleading extrapolation of current trends. And seniors vote.

DATA bank ...

Alberta spends more on health ...

● Recent comparative statistics from Health Canada show Alberta spending relatively more on health than any other province, and much more than the national average.

The highest per-person spending numbers in 2008 were recorded in the three northern territories, which have separate issues owing to geography.

Among the 10 provinces, **Alberta led spending at \$5,730 per person.** That's despite Alberta having a relatively young population, which should help keep health costs down.

The next highest per-person spending numbers were: Manitoba, \$5,554.90; Nova Scotia, \$5,451.10; Newfoundland, \$5,394.80. The lowest spending rates were recorded in British Columbia (\$5,092.80 per person) and Quebec (\$4,652.60 per person.)

The Canadian average for per-person health spending in 2008 was \$5,170.

The province's April budget called for **three years of increases of less than 6% in health operating costs.** That implies some catching up with revenues, because the federal health transfer is scheduled to rise by 6% a year through 2013-14.

Oilpatch safety inspections increase ...

● The annual public safety report from the Energy Resources Conservation Board showed big improvements in 2008, but a continued concentration of problems in the pipeline industry.

The board reported **53 suspensions of pipelines last year**, with an average shutdown period of 43 days. Most common reasons for suspensions were ground disturbance and corrosion.

Just over 25% (53 in total) of the 200 inspections of pipeline operations yielded findings of "high-risk non-compliance" with regulations. High risk is defined as a contravention that has not been addressed or that can cause significant effects, such as a hydrogen sulphide release at an oil battery.

High-risk non-compliance was found in 7% of drilling rig inspections, 1.7% of service rig inspections, 1.8% of inspections at oil production facilities; 2.8% of inspections at gas production facilities; 9.5% of inspections after failures or hits on pipelines, and 0.4% of well site inspections.

However, fewer spills were reported last year. And the **pipeline failure rate remained at 2.1 per 1,000 kilometres of pipe**, the same as in 2007. Total ERCB field inspections also increased — to 18,667 in 2008 from 16,408 in 2007.

BUDGET REACTION

NEVER MIND THE DEFICIT, JUST KEEP OUR TAXES LOW

Albertans didn't care for the April 7 budget. But the government's budget polling found that distaste for the \$4.7-billion deficit and for other unwelcome news didn't have immediate political fallout.

It also found a significant lack of information.

Despite the usual intense media coverage, more than a third of the Albertans surveyed said they hadn't seen or heard anything about the budget.

About 60% weren't aware of the \$17-billion sustainability fund that the government is using to cover this year's and succeeding years' deficits.

The information comes from nightly tracking polls done by NRG Research Group on budget day and through the following week.

NRG took the people who said they knew something about the budget and found that 50% to 60% of that group said they had a negative reaction to it.

But about 70% of all participants said they thought the budget set the province "on the right track."

In particular, Albertans were happy with heavy infrastructure investment and with the continued commitment to low taxes.

What displeased them most? The deficit and what they saw as limits on health spending. But a little over a quarter of the total 2,656 people polled said they didn't know Alberta was running a deficit this year.

Naturally, the politicians have read the tea leaves.

Here's what they saw. Nothing about the government's plan made people quite as happy as the emphasis on keeping taxes low (ratings on this count topped 70%).

Albertans want what they've enjoyed for decades — a place that offers very good public services at the lowest tax rates in the country. No wonder that Finance Minister **Iris Evans** told an Edmonton Chamber of Commerce luncheon the day after her budget speech that she had never wished so hard for higher natural gas prices.

Conservative strategists could take comfort from one question. People were asked if they were satisfied or dissatisfied with the government. The share of "satisfied" in each night's polling ran between 46% and 56%; it was over 50% in all but two nights. That closely matched the government's 52.7% support in the last election.

Of less comfort: more than half the people polled said their opinion of the government's recent performance was unchanged. Anywhere from 24% to 37% on any given night said they were feeling worse about the government's performance; 4% to 13% said they were feeling better.

NOTE: The margin of error ranged from as high as 6.9% on any one night to 1.9%, depending on sample size. Results from a comparison check done on April 6 suggested that the budget speech bumped up awareness of the deficit and the sustainability fund by several percentage points.

LEGISLATURE ...

Legislature website: www.assembly.ab.ca

HERITAGE FUND IS REMADE, AND A BUDGET CRUNCH LOOMS

A few committees are continuing their work while the legislature is on summer break.

The **community services committee** meets June 22 to begin study of Bill 202, the private member's bill from **Art Johnston (PC—Calgary-Hays)** that would establish a municipal auditor general. It's still in second reading.

The **committee established to search for a new chief electoral officer** meets July 2 to continue its work. The timetable was initially going to stretch out when the government's Corporate Human Resources office said it wouldn't be able to help with the search.

That was going to create thousands of dollars in expense hiring a consultant, plus months of delay at a time when finding a new chief electoral officer is important (because of next year's work redrawing electoral boundaries). Then CHR decided it was able to do the work after all.

And the **Heritage Savings Trust Fund committee** met this week to review the fund's draft annual report.

Some newspapers printed major stories about the fact the fund lost \$3 billion last year. That was a bigger loss than initially reported several months ago. It brought the fund's market value down to about \$14 billion. The papers also reported on changes in the fund's investment policies. Insight noted both developments in our issues of March 20 and April 10, when the information first became public.

The committee heard that Jai Parihar, chief investment officer for Alberta Investment Management Corp., and for the Finance Department before AIMCo's formation last year, is retiring June 30 after 35 years of public service.

The corporation will probably take three to six months to find a replacement. **Leo de Bever**, AIMCo's chief executive, said he wants to ensure a good succession plan is in place because a number of retirements are coming up among senior staff (he is 61 himself).

He said the changing nature of AIMCo's investments — a shift toward real estate, private equity and other inflation-sensitive investments — will also dictate the type of person needed. "And a good CIO is not that easy to find."

Committee members worried about some of the costs of investment management. However, much of that expense is a hangover of contracts signed with external fund managers in the days before AIMCo's creation. The current plan is to try to reduce those costs by \$35 million with a shift toward internal investment managers.

Members also talked about arrangements for the annual public meeting on the fund this fall, and for a poll.

Alana DeLong (PC—Calgary-Bow) wanted to save \$17,000 by delaying the poll for a year. **Robin Campbell (PC—West Yellowhead)** said he'd rather spend money on a poll "versus spending a bunch of advertising on a public meeting that a lot of people aren't going to attend."

The poll and some ads for the meeting will likely both go ahead. MLAs voted to let staff spend \$50,000 on communication in the way they think most effective.

Doug Elniski (PC—Edmonton-Calder), last year's host MLA, said half the turnout in Calder consisted of people he had personally invited. Staff said they will concentrate on advertising the meeting to seniors, because research showed people aged 45 and over were more interested in the fund than younger voters.

SURPRISE BUDGET CONSULTATION

● Treasury Board Minister **Lloyd Snelgrove** has invited interest groups and public-sector unions to a highly unusual set of meetings on June 25. The short notice and the unprecedented nature of the talks suggests urgency.

Snelgrove will present a "high-level" budget outlook and hear ideas on how to deal with challenges. A \$2-billion budget "adjustment" now seems certain. Will it grow?

Groups scrambled to get presentations together after receiving invitation letters on June 17. They're all assuming they will hear bad news.

Measures big and small are being examined. Snelgrove has said some departments could share human resource staff. Alberta Health Services is already squeezing its budget. The school boards' \$403 million in accumulated operating surpluses may attract attention.

FALL LEGISLATION

● Bill 31, a lengthy rewrite of the rules of court in Alberta, is scheduled for passage. It was left aside during the final rush of bills through committee stage and third readings.

Jonathan Denis (PC—Calgary-Egmont), the bill's sponsor, said he was under time pressure. He said the bill doesn't have to be in place before the start of next year, and there's no opposition to any of its provisions.

At least one big new bill is expected — it will establish a law against distracted driving, including cellphone use but also including other forms of distraction.

SPRING SITTING REVIEW

● The spring sitting of the legislature began routinely on Feb. 10. By the time it finished on June 3, the government had pushed through the biggest and most controversial package of changes since the heady days of 1993-94.

Three explanations are possible: first, a lot of work had piled up; second, they saw controversies ahead and decided to overwhelm critics by pushing all the bills through together, without warning; third, they tried to get tough stuff out of the way well before the next election.

Many new laws will have big effects. Several created

friction with established interest groups. Cabinet ministers will be mending a lot of fences this summer and fall.

The affected parties include some (but not all) municipalities, teachers, school boards, some farm groups, some landowners and, increasingly, a variety of critics worried in general about "big government."

Some of these groups have seen good news as well. The most volatile may be the teachers. They tend to be politically active. Last year's five-year contract and pension deal vastly improved the government's relationship with them; Bill 44 may have reversed the gains.

UNDERGROUND POWER LINES: 'NO' IS NOT A POLITICAL OPTION

Power transmission lines are roiling street-level politics. Recent projects in southern Alberta have stirred up opposition. There's perhaps even bigger concern over a 500-kilovolt line that's supposed to run on 55- or 60-metre towers from generating plants west of Edmonton to the petrochemical region northeast of the city.

About 250 people attended an open house on the plans in St. Albert this week. Two days later, several hundred showed up in Sherwood Park at a meeting organized by Responsible Electricity Transmission for Albertans. (RETA opposes overhead lines and claims 2,500 members).

Local MLAs are paying close attention. Strathcona County council has set aside \$250,000 to fight overhead lines at the Alberta Utilities Commission.

Members of RETA met eight local MLAs this week and Energy Minister **Mel Knight** a day later. In tow were officials of Europacable, a lobby group for manufacturers of underground electrical cable in Europe.

The Alberta government has ordered studies of the prospect of buried lines (technically possible but much more expensive). It's also signalled that underground lines would be acceptable only for relatively short distances; that fits some of the European experience.

The most obvious message from the Sherwood Park meeting: people are highly emotional about the subject, highly motivated, and in no mood to listen to any argument that overhead lines do not cause cancer or are part of the tradeoff for economic growth.

Large-capacity power lines will almost certainly go underground in politically sensitive locations.

For practical purposes, the issue is cost. Look for this to come down to a question of whether the communities benefiting from underground lines should bear at least part of the extra cost involved in going underground. The smaller the number of people paying, the larger the bills.

In March, the utilities commission decided against ordering partial underground construction of a new line into Lethbridge. It said burying a line in that location would raise costs 7.5 times; but it said the transmission provider (AltaLink) could negotiate to have the city help pay for an underground line if that's what the city wanted.

Insight into Government

is published at least 40 times annually by

MSL Publishing Ltd.
11741 - 29 Avenue
Edmonton, AB T6J 3P3
Phone: 780.479.7084
Fax: 780.474.0277

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ISSN 0849-567T

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Insight Into Government
Publisher and editor: Mark Lisac

Founding publisher: Rich Vivone, 1986-2005

Talk in the Corridors

AUTO INSURANCE

MLAs have reason to smile ...

● The Auto Insurance Rate Board's annual hearings this week looked like a performers' audition — everyone involved had a few minutes of media time to show their stuff to the public.

The insurance industry got everyone into the mood by talking about a possible 40% rate increase. The industry backed off to 7.8% after the province's cap on minor injury awards was upheld in Alberta Court of Appeal. (The cap was initially set at \$4,000 but is adjusted yearly and now is at \$4,504. It applies only to pain and suffering; there's no cap on medical costs or economic losses.)

Injury lawyer **Mark McCourt** said the insurers are making big money and rates should go down \$100 a year.

The actuarial firm Oliver Wyman recommended a 3% rate cut — about \$20 a year. (The rates in question cover only the mandatory public liability portion of insurance.)

Board chair **Alf Savage** said the actuary's opinion will carry a lot of weight in next month's decision.

Another interested party must have watched proceedings with quiet relief. Nearly everything about this year's rate exercise is good news for the government.

The board's consumer representative said a survey found that 59% of Albertans agreed insurance rates were fair and reasonable, well up from the 46% of 2005 (even though average premiums are about 20% lower in Saskatchewan).

Fewer people are driving without insurance. Not all firms took up all of last year's allowed 5% increase.

The share of drivers in the facility pool dropped last year (8.8% of insured vehicles were on facility). Consumer complaints to the province's superintendent of insurance decreased last year.

The cap on minor injury claims now faces only a possible appeal to the Supreme Court of Canada.

Best of all, the province collects about \$90 million a year in taxes from the industry to cover health costs caused by vehicle accidents. The payment is built into insurance premiums so to most Albertans it doesn't look like a tax.

Add the probability of only a modest increase or even a slight cut in liability premiums, and from the government's point of view, what's not to like?

COMMUNICATIONS

Big Brother is bored ...

● After half a year of operation, the government website's "For the Record" page is something of a bust. It was started last fall as a forum where the government could

correct media "mistakes." Six months have produced only four items. One was merely an addition of some context on bird life in northern Alberta. Two others were more in the nature of argument than correction.

The media may not be as careless as the government had indicated. The government's effort may have been half-hearted; it apparently focused on the oilsands.

Strategy may also have shifted since last fall. The targets then were print and television. Premier **Ed Stelmach** has since said the biggest communications problem for the oilsands emerged on the Internet — in the social media.

Whatever the explanation, the initiative hasn't amounted to much.

BOOKS

How to get the job done ...

● **Arthur Kroeger** was born and grew up in east-central Alberta. He became a Rhodes scholar and went on to a long and distinguished career as a top civil servant in Ottawa.

In the early 1980s he was deputy minister of transport. One of his most difficult and important assignments was the arduous task of ending the Crownest Pass freight rate on export grain.

Kroeger died last year. His legacy includes the book *Retiring the Crow Rate*, which has just been published by University of Alberta Press.

It's a first-rate read and an essential inside look at how to manage a major policy initiative. It's also something of a tribute to **Jean-Luc Pepin**, the minister who took on the political side of the project. And it acknowledges the key role played by **Ted Turner**, the extremely capable former president of the Saskatchewan Wheat Pool.

Kroeger organized a complex subject, covered the many relevant points accurately and dispassionately (although not without some bite), and put it all in everyday language. It's surprisingly something of a page-turner.

POLLS

Two checks on conventional wisdom ...

● Two polls produced interesting results this month. Environics found public support rising in British Columbia for that province's carbon tax — opinion now is about evenly split. Insight remains unconvinced that support would remain strong if gasoline prices rose or if the tax became a major election issue again. Opinion on carbon taxes varies a lot according to circumstances.

And Ipsos Reid had a cold shower last week for enthusiasts of the new social networking tool Twitter (it allows instant messages of up to 140 words). The Ipsos study found 26% of Canadians aware of Twitter, and only 6% using it: "This only equates to 1.45% of the Internet population, or about 1% of the population as a whole."

However, the use of Twitter and Facebook in the mass election protests in Iran indicates their potential. So did last fall's decision by the Ontario government to scrap proposed restrictions on teenaged drivers after more than 100,000 of them joined a Facebook protest.