



Public Works!

Alberta's public services work . . . for all of us

Alberta Federation of Labour

FEBRUARY 2010



Prepared by the Alberta Federation of Labour for the Join Together, Alberta campaign

Unite for public services.
Strengthen the **fabric**
of our communities.

Contents

Executive Summary	5
Health Care	7
Education	7
Infrastructure	7
Regulations in the Public Interest	8
Managing the Economy	8
Introduction	11
The Myths	11
The Truth	12
The Economic Case for Public Health Care	15
Education: Key to Our Future Prosperity	19
Infrastructure: Building Bridges to the Future	25
Regulations: Rules of the Road that Safeguard the Public Interest	29
Managing the Economy: Why We Need a Firm Hand on the Wheel	33
Conclusion	41

Alberta's public services are a vital part of the fabric of our province and its economy.

Our public services support all Albertans.

They help protect our families.

They strengthen our communities.

And they help drive private-sector success.

NOW, MORE THAN EVER, WE NEED TO SUPPORT OUR PUBLIC SERVICES.



Executive Summary

Whether it's the best of times or the worst of times, the public sector is vital to the health of Alberta's economy and society.

While many on the political right like to portray the public sector as a drain on the economy, nothing could be further from the truth. Our schools, hospitals and other public services are part of the fabric that holds our communities together: they provide support for individuals, families and businesses.

Even in a healthy economy, the private sector could not function without the support of the public sector, which includes federal, provincial and municipal governments, as well as public entities financed by government, such as school boards, hospitals, universities and the post office.

In an economy in recession or slowdown, the public sector can step up to protect all Albertans, including those working in the private sector, by using its financial muscle to bolster the economy against being severely damaged or falling into a true depression.

This report examines the vital role played by the public sector and how the economy, and all Albertans, would suffer if the public sector is not supported, or if it is faced with severe cutbacks.

We dispel the myths that the public sector is a drain on the economy; that true wealth is created only by the private sector; that public spending is out of control; and that government spending and regulation is “bad for business.”

For the past three decades, conservative politicians, right-wing think tanks and the market “fundamentalists” in media and business circles have criticized and demeaned the value of work done by public-sector employees. But the truth is that public-sector workers can hold their heads high in the knowledge that the work they do and the services they provide play a crucial role in knitting

“

Alberta is better positioned than almost any other jurisdiction in the world to ride out the recession without having to resort to panicky and ill-considered cuts. ”



our communities together, maintaining our quality of life and creating an environment in which the private sector can thrive.

An attack on the public sector is an attack on the whole economy and on the well-being of all Albertans. It weakens the very fabric that holds our communities together.

In a time of global economic crisis, renewed attacks on the public sector threaten to derail our economy even further — weakening important services and strangling or reversing early signs of recovery. Cuts in jobs and spending also fly in the face of actions being taken by governments of all political stripes all over the world to combat recession — and they are contrary to the advice of most economists.

Deep provincial budget cuts will also likely have the effect of making the crisis last longer and go deeper

in Alberta — and they might leave Alberta trailing behind other provinces when the recovery begins.

Instead of embarking on a counter-productive round of deep cuts as suggested by Premier Ed Stelmach, Alberta should take advantage of its debt-free status and its wealth and draw the \$44 billion it has in assets to invest in our economy and our future.

Alberta is better positioned than almost any other jurisdiction in the world to ride out the recession without having to resort to panicky and ill-considered cuts. We are also better positioned than most to make the kind of investments today that will pay dividends in the future. Given our natural advantages the question is this: *why are we heading the wrong way?*

Health Care

Alberta's health-care system has a workforce of about 90,000 and is the largest employer in the province. This, on its own, makes it a significant engine for our economy, creating wealth and consumer demand for the home, auto, retail and all other industries.

But its importance to the private sector is much greater than just being a major employer. A universal public health-care system provides a real competitive advantage to employers. It costs US\$1,380 less to make a vehicle in Canada than in the U.S. just because of our health-care system. That's one of the reasons why automakers have located manufacturing plants in Canada and why they have campaigned to protect our health-care system.

Our system is also more efficient than private health care in the U.S. In Canada, we spend about US\$3,895 per capita on health care, compared to US\$7,290 south of the border. Canada spends 11.9% of its Gross Domestic Product (GDP) on health, compared to 18% in the U.S.



Education

In an increasingly complex world, all employers need an educated workforce capable of retraining several times during their careers as new technologies change the way we work. The key factor in creating the workforce of the future is our education system.

The more educated the workers, the more productive they are — another boost to the bottom line of any corporations.

The World Economic Forum has ranked Canada ninth in the list of most competitive countries. Among those that beat us were Finland, Denmark, Germany and Sweden. Most of these countries spend a greater proportion of the GDP on education than Canada and value education highly enough that they charge no or low tuition fees.

Infrastructure

Alberta's private sector would be lost without publicly funded infrastructure. Whether it's the roads on which supplies and finished products are shipped, the mass-transit systems that get employees to the workplace, the supply of water or wastewater management, companies simply cannot function without a range of services that were created or are operated by the public sector.

Historically, governments have always played a role in creating the conditions for private-sector success. Where would the private sector be without the public-sector help in the past in developing railways, telecommunication systems, electricity supplies and the oil sands?

More recently, the Alberta government spent \$190 million to provide broadband Internet access to communities all over the province, creating business opportunities and high-tech employment and improving life in rural communities.

Regulation in the Public Interest

One of the core functions of any government is to protect the interests of its citizens. The rules and regulations created and enforced by governments do just that, whether it's ensuring workplace safety, the healthy supply of food or making our roads safe. If governments abandon this responsibility, no one else will step in to take care of the interests of citizens.

The rules imposed by government aren't a hindrance to the operation of the private sector. In fact, they create a level playing field in which all businesses can operate. They protect the property rights and patents on which businesses rely. They offer a way to resolve disputes. They drive innovation, by making businesses create safer products, or more environmentally sensitive ones — and that innovation can become a competitive edge over other businesses in other jurisdictions.

Canada's banking industry is a perfect example. Held up as the soundest banking system in the world by the World Economic Forum in 2008, it is being looked at as a role model for reforming the rules governing banks around the world.

Managing the Economy

Historically, Alberta has chosen not to try to manage the ups and downs of the economy, tending instead to spend during booms (when labour and material costs are high) and to cut spending during busts (when the economy needs stimulating and when materials and labour are cheap).

Instead of managing the economy to protect Albertans, this has the effect of making the negative effects of boom and bust even worse.

While the rest of the world understands the need to maintain or expand public-sector spending to protect the economy now, and to position it for greater success when the global situation recovers, the current Alberta government seems eager to revert to the old ways of “pro-cyclical” spending.

But with private-sector jobs still being shed across the province, cutting back on the public sector risks throwing our provincial economy into a tailspin, just as the rest of the world begins to pull out of the recession. The private and public sectors are both threads in the fabric that binds our communities together. With the private sector already weakened, it makes no sense to cut away at the public sector and weaken that fabric and endanger our communities even further.



PRIVATE

Instead of heading against the overwhelming opinions of political leaders and experts around the world, Alberta would be better served by investing in its future. For example, the government could use a mix of regulation and public ownership to create a multi-billion-dollar upgrading, refining and petrochemical complex, much in the same way the Loughheed government intervened aggressively to create a value-added petrochemical industry that had not previously existed in the province. This can be done in conjunction with tough environmental rules and support for the development of green technologies to reduce the environmental impacts involved.





True

False



Introduction

Some politicians and political commentators would have us believe that those who work in the public sector are a drain on the economy — or that the public sector is a drain down which taxpayer money is lost, never to be seen again.

For example, people like Alberta Premier Ed Stelmach and former Alberta Health Minister Ron Liepert have said that levels of public spending in Alberta are unsustainable. Former Finance Minister Iris Evans said that health care was like a “black hole” that swallows money. Most recently, newly appointed Finance Minister Ted Morton made headlines when he announced his intention to close down Alberta’s “all-you-can eat” public-spending “buffet.”

These are familiar messages: they have been forced to Albertans regularly since the early 90s when former Premier Ralph Klein used his “war on the deficit” to rebrand the Alberta Progressive Conservative party (as a party that was decidedly more conservative and much less progressive).

As a political strategy, attacks on the public sector and public spending have clearly been successful.

It has allowed conservative politicians to appear tough (by erecting a straw man that they can then attack) and to appear wise (by offering sound-bite solutions to complex problems).

However, like many other strategies developed for short-term political gain, the “endless budget cuts” strategy is built on a series of myths. These myths need to be identified and de-bunked before we can have a mature, balanced and rational discussion about public services in Alberta.

The Myths

- The private sector creates wealth, the public sector only spends it.
- Public services are a luxury. They’re great to have if we can afford them, but we can do without them if the economy starts to slow down.

- Government rules and red tape are a drag on business. Our economy would be stronger if government would get off the backs of business.
- Government is already too big and spending is out of control.
- In tough times, we all have to tighten our belts. If the private sector is cutting back, so should the public sector.
- Employment in the private sector is more “noble” or “legitimate” because private-sector workers pay for themselves, whereas public-sector workers are little more than “parasites” on the “real” economy.
- Government spending is neither out of control nor a waste. It pays for services and infrastructure that make our economy more robust and competitive. It is “recycled” back to the private sector in the form of consumer spending by public-sector workers — hundreds of thousands of them in the case of Alberta. Public-sector spending and wages are important pillars of our economy.
- Some of Alberta’s most important economic sectors have suffered significant job losses — most notably oil and gas, construction and manufacturing. Employment in the public sector, on the other hand, has remained stable. The last thing we need is to slash jobs and wages in the only sector keeping Alberta families and communities afloat. Cuts will make the recession deeper and more painful.
- Given the important role that public services play in creating a vibrant economy and a humane society, public-sector workers should hold their heads high in the knowledge that the work they do is just as important as the work done by people in the private sector. Taxpayers should be rest assured that their dollars are being put to good use — educating our kids; providing health care; and laying the foundations for a stronger, more diverse and sustainable economy.

The Truth

- It’s a myth that only the private sector creates wealth. Through investment in education, research and development, health care and infrastructure, the public sector creates the tools that the private sector needs to succeed.
- Public services aren’t luxuries, they’re necessities. An advanced, modern economy cannot function without a strong and well-funded public sector providing employees, vital resources and a marketplace for the private sector. The public sector is the glue that holds the economy together and the grease that keeps it moving.
- Government regulation is not an impediment to business success. In fact, thoughtful, even-handed regulation in the public interest helps to create an environment essential to business success. The current recession was sparked by a collapse in the deregulated financial sector, showing the dangers of pushing governments too far off to the sidelines. Regulations also protect the public from the failures of an unfettered market — and protecting the public is one of the core functions of government.

Only in Alberta, it seems, is the neo-liberal alarm still being raised. But, this time, there is a difference. This time, these simplistic and flawed arguments have been blown apart by the global economic meltdown. Leaders around the world — including the federal Conservatives in Canada and former President George W. Bush in the U.S. — have recognized that governments must act to tackle the crisis by increasing public spending to save our



“
**Public-sector workers
should hold their heads
high in the knowledge
that the work they do is
just as important as the
work done by people in
the private sector.**”

economy and our communities. They have realized, albeit after the fact, that cutting back on government regulations in the financial services sector is to blame for many of the problems we face.

This renewed attack on the public sector in Alberta threatens to throw the Alberta economy into a tailspin just as the rest of the world slowly begins to recover. It threatens private-sector jobs and undermines our future prosperity.

All this while Alberta is in a better financial position to combat the problems than almost any jurisdiction in the world. We are debt free. We have assets of \$44 billion. Billions of dollars have been set aside in rainy day funds like the Sustainability

Fund — so short-term revenue shortfalls will not lead to long-term debt. In fact, investments in social infrastructure such as health care and education and in hard infrastructure such as roads and construction will pay off when the global economy rebounds. Because of the lower costs that come with a recession, this is a great time to get “bang for our buck” and invest in infrastructure and services which, in turn, will improve our competitiveness and our quality of life.



The Economic Case for Public Health Care

Perhaps the best way to examine the importance of our public health-care system to our economy, and to the private sector, is to envision how things would work without it. The plain truth is that our economy would be sickly at best, if not terminally ill, without the support provided by all those who work in the public health-care system.

More than one in 10 Canadians are employed in health care, making it the third-largest sector of the national economy. About 90,000 Albertans work for Alberta Health Services. In 2009, it was ranked as the largest employer in the province by Alberta Venture magazine.

The wages earned by these health-care workers and the amount they spend on services and products is a significant contributor to the size and health of our economy. The trickle-down effect of wages earned by these workers flows to all other sectors of the economy — retail, housing, cars, etc.

The publicly funded health sector can, by virtue of its size alone, be accurately described as an engine for our economy and a vital supplier of consumers of goods and services offered by the private sector.

However, our health-care system offers much more to the private sector than simply purchasing power. Publicly funded access to health care is a powerful competitive advantage to private industries. Employers would be hit hard in the bottom line if they had to provide comparable private health insurance for their employees or had to pay employees more to get their own insurance.

To illustrate this, consider some numbers gathered by the Alberta Federation of Labour from the construction industry in Canada and the U.S.

Construction companies in northern Alberta pay ironworkers \$1.50 per hour for extended health benefits. In Saskatchewan they pay \$1.60 per hour and in Manitoba it's \$1.70.

“
The portion of health-care dollars spent on administration in Canada is far lower than in the U.S., partly because the public system does not have to generate profits or massive salaries for executives.”

But in the U.S., the amount they pay for health benefits can be nearly three-quarters what they pay for wages. In Phoenix, construction employers pay ironworkers \$7.15 (Cdn.) for health benefits. In San Francisco it's \$7.38 per hour. In Minneapolis it's \$7.29 per hour and in Buffalo, N.Y., it's \$10.89 per hour.

In the auto sector, a large number of high-paying jobs have come to Canada, partly because public health insurance saved millions of dollars for manufacturers.

According to a 2006 report in the medical journal *The Lancet*, automakers in the U.S. pay about US\$1,500 in insurance premiums to private health insurance companies for every vehicle they build. Canadian health-care costs, largely in the form of corporate taxes, amount to about US\$120.

That means automakers save US\$1,380 for every vehicle made in Canada, compared to vehicles made in the U.S. GM, Chrysler and Ford have campaigned to protect Canada's health-care system. Manufacturers have cited the health-care advantage as one of the reasons for expanding production in Canada.

Clearly, companies here derive a significant competitive advantage from having employees covered by the public system, compared to the private insurance system in the U.S.

Let's not forget why our health-care system offers such savings for private-sector companies — because it is run so efficiently.

In 2007, the latest year for which data is available, among 26 countries with similar accounting systems in the Organization for Economic Co-operation and Development (OECD), per capita spending on health care remained highest in the United States (US\$7,290). The U.S. was followed by Norway (US\$4,763), Switzerland (US\$4,417) and



Luxembourg (US\$4,162). At about US\$3,895 per capita, health-care spending in Canada was similar to six other OECD countries, including the Netherlands, Austria, France and Germany.

The Canadian Institute for Health Information says health-care costs are going up, but after adjusting for inflation and population growth, it was expected to increase by 2.5% in 2009, a lower rate than in previous years. Health care is expected to jump to 11.9% of Canada's Gross Domestic Product in 2009, up from an estimated 10.8% a year ago, but is still significantly lower than the 18% figure in the U.S.

Despite this much higher level of spending, the U.S. system left more than 40 million citizens without insurance and millions more with inadequate insurance. The portion of health-care dollars spent on administration in Canada is far lower than in the U.S., partly because the public system does not have to generate profits or massive salaries for executives, or find money for advertising and for dealing with medical malpractice lawsuits.

So, the efficiency of our public-sector health system and our public-sector health workers means that our system is cheaper and, because it is paid for by the state, it reduces the cost of operating a

business here, providing a significant competitive advantage while operating in a global economy. When choosing where to locate a new business venture, or where to invest, it makes good business sense for people to look to Canada and Alberta.

But the benefits do not end there. Publicly funded health care means happier, healthier employees — and, more importantly to private companies, it means more productive employees.

According to Statistics Canada, 85% of Canadians were very or somewhat satisfied with the health-care services they received in 2005. In Alberta, the figure was close to the national average at 84%. OECD figures show that despite spending less than in the U.S., our citizens live longer (about 2.5 years) and we have lower infant and child-mortality rates.

Clearly, a publicly funded health-care system is a great investment, both for the citizens and for the private sector.



Education: Key to our Future Prosperity

We live in an increasingly complex and competitive global economy, one where old industries die and new ones are born as the result of increased human knowledge and the development of new technologies.

Whether employed in IT (Information Technology), or in more established sectors such as energy, agriculture or manufacturing, today's workers face a lifetime of learning new skills to keep up with the rapid pace of change.

For the Alberta economy to succeed — and for businesses operating here to prosper — we need a workforce of intelligent and educated citizens, ones who are capable of retraining several times during their careers as industries grow and change. The more educated the workforce, the greater the human capital we will have to build our economy.

The key factor in preparing people for success in this new economy is our public education system.

Most economists agree that education directly promotes growth in the economy in two ways.

First, it creates more highly educated individuals who become scientists, inventors, analysts and technicians — the kind of people who develop and use new technologies and processes.

The more people who complete secondary education and go on to colleges and universities, the more people there are who can create the building blocks of a successful 21st-century economy. Indeed, Canada's most successful and innovative research and development companies have sprung from the fertile grounds of Canada's publicly funded universities.

Examples of the long-term economic value of investments in our public educational institutions can be found right here in Alberta. University Technologies Inc. (UTI) was launched in 1989 to commercialize technologies developed at the

University of Calgary. Since then, it has developed or assisted 50 spin-off companies, including WiLan, Oncolytics Biotech Inc., IntelliViews Technologies Inc. and, most recently, Circle Cardiovascular Imaging and InCline Design.

“
The more educated the workforce, the greater the human capital we will have to build our economy.”

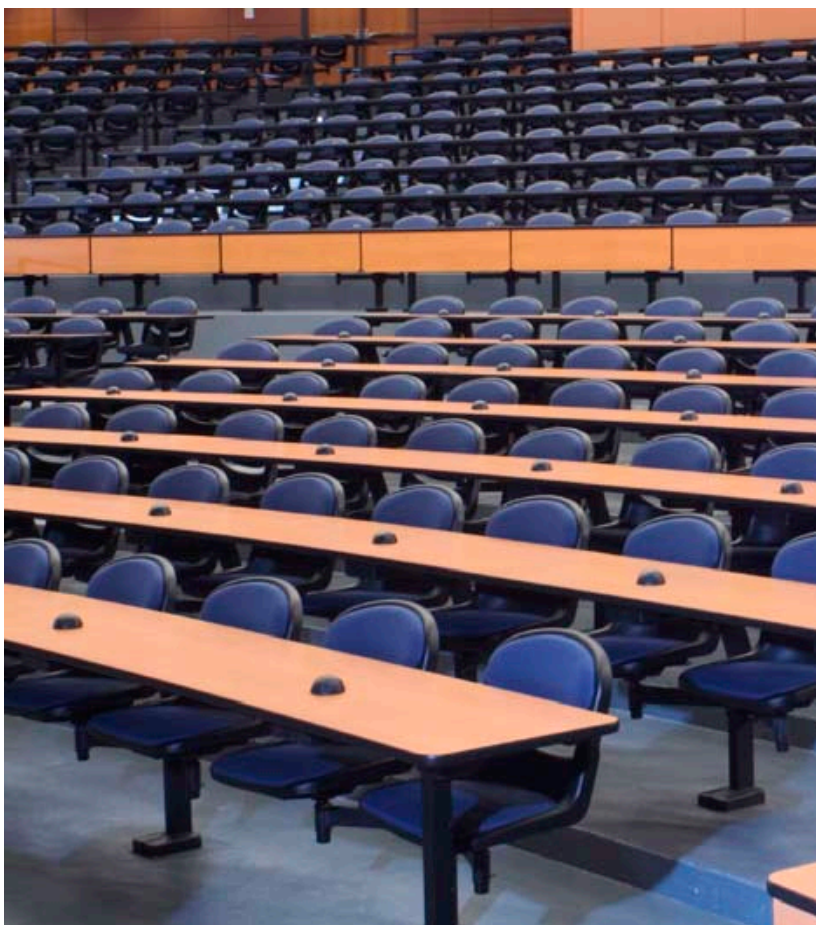
In its 2009 annual report, UTI Interim President and CEO Dr. Kevin Casement and Interim Board Chair Dr. Rose Goldstein say: “We have worked with hundreds of researchers and innovators since our inception, earned more than \$48 million in gross licensing and royalty revenues, raised millions of dollars for technology development, returned more than \$24 million to researchers and inventors, executed more than 500 deals, and issued more than 650 patents.”

According to its 2007–2008 annual report, the University of Alberta (U of A) says research led to the creation of four spin-off companies that year, one more than in each of the previous two years.

“Start-up companies enable the university to share knowledge with the community and attract top-calibre researchers and inventors interested in collaborating on leading-edge discoveries. These technology-transfer activities contribute millions of dollars to the municipal, provincial and national economies,” says the report.

The granting of licences to use technology also has an impact on the economy and is an important resource for the private sector. The University of Alberta granted 32 licences or options to use technology in 2007–2008, 29 in 2006–2007 and 20 in 2005–2006.

The second way in which education promotes economic growth is to develop citizens and workers who have the ability to learn. Our schools provide the skills required to understand and digest new information — to undertake the lifelong learning that has become a part of our lives. The higher the education a person has, the more likely it is that he or she can absorb new information, acquire new skills and familiarize themselves with new technologies.



To demonstrate the importance of education, consider the birth and growth of computer-related industries in the last 30 years. It would not have been possible without schools teaching us how to use computers and new applications.

As well as providing the intelligent, educated and trainable workforce that is the lifeblood of our economy, our publicly educated employees are also more productive and, therefore, a significant boost to the bottom line of any corporation or institution for which they work. Also, with a higher level of education and higher productivity, people will earn more and are much less likely to be unemployed and in need of social assistance. The more they earn, the more they spend on goods produced by industry, thus driving the economy to even greater heights.



A study done for the Rand Corporation estimated that 21% of the growth in output in the United States from 1940–1980 was the result of an increase in average schooling levels. Of course, top-quality education doesn't only provide benefits to employers — individuals benefit as well. According to a report in 2008 from the Association of Canadian Community Colleges (ACCC), the average earnings of a worker with a one or two-year post-secondary certificate are 35% higher than someone without a high-school diploma and 12% more than someone with a high-school diploma. Those with a two to three-year college diploma will earn 54% more than someone without a high-school diploma and 29% more than someone with a high-school diploma.

ACCC, which represents 150 community colleges and institutes, estimates that for every dollar spent by provinces and territories on post-secondary education, there will be a cumulative return of \$33 over the next 30 years in the form of higher earnings and reduced social costs (higher levels of education mean a lower likelihood that people will need Employment Insurance or other forms of social assistance, lower likelihood of being involved in crime and will be healthier, and so be less of a strain on the health-care system). As a result, the ACCC concludes that investment by provinces and territories will be recovered in less than nine years in the form of higher tax receipts generated by those higher earnings and by reduced spending.

Similar benefits for the private sector are to be found in the use of apprenticeship programs. In a 2009 report, the Canadian Apprenticeship Forum said that for every dollar spent on apprenticeship training, an employer receives a benefit, on average, of \$1.47. Analysis over the four-year apprenticeship indicates a net benefit ranging



“
For every dollar spent by
provinces and territories
on post-secondary
education, there will be a
cumulative return of \$33
over the next 30 years
in the form of higher
earnings and reduced
social costs.”

from \$39,524 (cook) to \$245,264 (heavy-duty equipment mechanic.) In other words, the revenue generated by an apprentice far exceeds the total training costs. Additional benefits included having employees who are a better fit with the organization and a reduced risk of suffering from shortages of skilled labour.

The World Economic Forum, in its Global Competitiveness Report for 2009–2010, ranked Canada ninth in the list of most competitive countries. Ahead of us were countries including Finland, Denmark, Germany and Sweden — nations that value education so highly that they charge no or low university tuition fees.

As a percentage of GDP, Denmark, Iceland, Sweden, Norway and Finland have higher levels of public spending on education than Canada. According to the OECD, Canada spends less than the average of 4.8% of GDP on schools, colleges and universities. The figures indicate that investment in education pays off in competitiveness.

Education creates the opposite of a vicious cycle — a profitable spiral that continues to improve the life of the individual, the business and the community.

So, the question we need to ask is: *What kind of community, what kind of province, what kind of country do we wish to live in?*

Do we wish to live in a place where education is valued and supported, where we are poised to create and enjoy the high-paying jobs of the future and where businesses will want to operate?

Or do we wish to attack and devalue our education system and, therefore, undermine our economy and deprive the private sector of the educated workforce it needs to succeed?



Infrastructure: Building Bridges to the Future

Alberta's private sector would be stranded, literally, without publicly funded infrastructure, including roads, rail links, ports, airports, water and wastewater management.

No business can function without a means of getting its product to market and without a means of getting raw materials and workers to the jobsite.

As an example, consider Alberta's coal industry. While environmental concerns may make this an unpopular sector with some, it does serve to illustrate the importance on infrastructure to the private sector. This province is the largest producer of coal in Canada — half of the nation's coal is produced here and 70% of the country's reserves are here. Alberta's reserves are estimated at 2.6 billion tonnes and about 800 million tonnes are thought to be recoverable.

Indeed, in 2008, 37.9 million tonnes of coal was produced in Alberta and much of that was sent to Ontario, British Columbia, Japan, South Korea, Brazil and Western Europe.

Much of Alberta's coal is used to generate electricity (more than half of the province's electricity comes from coal) and is the fuel for other industries, particularly for the manufacturing of iron, steel and cement. If the roads, railways and ports fall into disrepair, the resulting effect on the supply of coal would seriously damage many other industries.

The Alberta government has argued that the loss of the province's coal industry would cause a loss of millions or billions of dollars in revenue and lead to significant job losses. While the government may see environmental pressures as the greatest threat to the coal sector, crumbling infrastructure could also kill King Coal. If our roads become clogged, due to increasing traffic or a lack of investment, the private sector suffers from longer shipping times and decreased productivity.

In its 2009 budget, the Alberta government recognized the importance of our roads by saying it would invest \$1.8 billion in the provincial highway network, including \$641 million for the continued construction of the Calgary and Edmonton ring roads and \$545 million for construction of “other key strategic economic trade corridors.”

The transportation infrastructure that is such a vital component of Alberta’s coal industry is just as important to every other industry that needs to get products into the hands of consumers, whether it’s beef, pork and wheat being sent to dinner tables all over the world, or lumber being sent to build homes in the United States.

That infrastructure also fulfills another role — getting employees to the workplace all over the province. Whether you drive, take the bus, catch the LRT or even walk, you are travelling on publicly funded infrastructure. If a company in the private sector wants to be competitive, it needs to have employees who can get to work quickly and safely, without getting stuck in traffic. Municipally funded mass-transit systems are often cited as being one of the most important elements needed to build the communities that will offer quality of life and attract the best employers for generations to come.

Infrastructure is more than transportation, however. Innovative investments in other areas can provide a competitive edge for the private sector, while improving the quality of life for Albertans. In 2001, the Alberta government announced it would spend about \$190 million to help create the Alberta SuperNet, bringing high-speed broadband Internet connections to most of the province. The private sector was not up to the task of doing the work without government assistance.

This investment in high-technology infrastructure connected 429 communities in urban and rural areas. It consists of more than 13,000 kilometres

of fibre-optic cables and 2,000 kilometres of wireless links. At the time, Innovation and Science Minister Victor Doerkson said: “I am confident Alberta SuperNet will continue to spur on Alberta’s high-tech economy five, 10 and 15 years down the road. Once again, Alberta has established itself as a world leader in the new global economy.”

“
Whether it’s roads, bridges, ports, sewers, water and wastewater treatment, electricity or technology, investments in public infrastructure build stronger and healthier communities.”

He was right. Before the network was built, there were seven Internet service providers operating outside of Calgary and Edmonton. There are now 81 service providers. Not only do these service providers now have access to a much bigger market and can offer their services to rural Albertans over this high-speed, high-tech highway, but those users all over the province have the opportunity to compete in the global economy.

Before the SuperNet, if someone in rural Alberta had a great e-commerce idea, he or she would have had to move to a larger centre or pay high-speed rates so much more costly than in an urban centre as to make it hard for the business to compete.



Workers who need to upgrade their skills to become better, more productive employees can now learn in virtual classrooms from experts all over the world. If lifelong learning is becoming a cornerstone of success in the global knowledge economy, access to e-learning all over the province gives Albertans an edge over the competition.

Historically, this has often been the role of government. Where would Alberta be without the public sector's support in the past in developing railways, telephone systems and electricity generation and transmission?

So, whether it's roads, bridges, ports, sewers, water and wastewater treatment, electricity or technology, investments in public infrastructure build stronger and healthier communities. They make our economy more sustainable and enhance business productivity. Statistics Canada has estimated that every dollar invested in public infrastructure provides an average of 17 cents in cost savings for private businesses, without factoring in the broader social returns or the environmental benefits.

effect, br
ation fro
legislation
laws.
lēgis lā
legislati
ing la
legisl

Regulations: Rules of the Road that Safeguard the Public Interest

While government regulations are often portrayed as red tape, or an unnecessary hindrance to the private sector, the reality is that they provide essential protections for the public, workers and business.

The main function of government regulations is to protect the public interest. Protecting its citizens is one of the core functions of government. If governments abandon this responsibility, no one else will take over and do what is best for our people and our communities.

However, the same regulations that look after the wider public interest also help businesses to become more innovative, more productive and more successful. Rules can lead to greater profit, not less. Rules can also create a stable, predictable environment in which businesses can operate.

Businesses need to know they are competing on a level playing field with their rivals. They rely on effective and standardized weights and measures and on the knowledge that contracts are reliable

and that property rights and patents are protected. If there are disputes, they need to know that there is a mechanism, such as the court system, where those disputes can be settled.

Government regulations also ensure that workplaces are kept as safe as possible, so people can go to work every day confident that standards are being maintained to keep them from harm.

All of this is dependent on rules laid down by governments and enforced by people in the public sector.

Perhaps the best and most recent example of the ability of regulations to benefit the private sector is in Canada's banking industry. The federal government has jurisdiction over banks, while provinces are responsible for regulating credit unions, securities dealers and mutual funds.

A Financial Sector Stability Assessment undertaken by the International Monetary Fund (IMF) in 2000 indicated that “the regulatory and supervisory structure in Canada is well developed, complies with the major international principles and standards, and is a source of international best practice in a number of areas.”

The IMF further noted that “Canada’s emphasis on a consolidated, risk-centered approach to supervision has put the supervisory and regulatory authorities in a good position to address the challenges faced in recent years with financial institutions embarking on new and highly complex activities.”

The soundness of the Canadian banking industry has been demonstrated many times over the past several years, says the Department of Finance. Canadian banks absorbed the debt difficulties of the less developed countries in the early 1980s, the decline in real estate values a decade later, and the Asian crisis in the late 1990s without experiencing any systemic problems.

A 2008 World Economic Forum report ranked the Canadian banking system as the soundest in the world. The U.S. was ranked 40th. There have been

no bank failures in Canada since the early 1990s and no Canadian banks have sought government bailouts in the wake of the global economic crisis of 2008, which threw banks into chaos all over the world. In fact, weakening regulations or poor enforcement in the financial sectors of other countries has been blamed for creating many of the problems that led to the worldwide recession.

An IMF working paper in July 2009 said one of the reasons Canadian banks proved more resilient was a number of regulations in the Canadian market that reduced banks’ incentives to take excessive risks.

Indeed, Canada, and its banking system, has been held up as a model for reforming the global financial sector in a bid to prevent future problems.

However, it might have been a very different story if four of the five major banks in Canada had been granted their wishes in the late 1990s. Those banks asked to be allowed to merge into two larger institutions and pressured the federal government to eliminate the 10% cap on foreign ownership. They also urged the federal government to eliminate the regulatory barriers that Canada had (wisely) erected to stop the sale of risky sub-prime

“
It was regulation that saved our banks, a fact that is being recognized by other countries now.
”



mortgages (the same kind of mortgages that were at the heart of the U.S. financial meltdown). Fortunately for Canadians and the Canadian economy, their pleas were rejected.

The exposure to risk caused by deregulation and greater foreign ownership when the global economic crisis struck in 2008 would have made failure a greater possibility here. The size of merged banks would also have made failure a much bigger problem. Canada would have almost certainly been forced to follow the path trod by other countries and choose between massive bailouts and allowing the mega banks to collapse, with the resulting devastation on our economy.

It was regulation that saved our banks, a fact that is being recognized by other countries now.

The drafting and enforcing of regulations play a role in all industrial sectors. Products have to meet safety standards, for example. While some might see making manufacturers jump through hoops to make their goods safe as a problem, in the long run it has the effect of increasing consumer confidence, thereby creating a better marketplace.

Consumer confidence might be shaken by headlines reporting that 20 people died as a result of an outbreak of listeriosis blamed on food from a Canadian meat plant, but imagine the scenario if food-safety inspections, carried out by the public sector, were dropped and the ability to recall products quickly was lost. Outbreaks like the one at Maple Leaf Foods in 2008 would be more frequent and more dangerous. Trying to build confidence in your food products in that environment would be almost impossible.

Tougher rules on farming methods might have prevented the mad-cow crisis that nearly destroyed Alberta's beef industry. While it is too

late for that now, tougher inspections since mad-cow disease was discovered here is helping to rebuild that industry.

Tough safety rules force manufacturers to make better products, which makes them more competitive when doing business globally.

Enforcing tough environmental standards can have the same effect. In the 1990s, economist Michael Porter described what became known as the Porter hypothesis. This says that the enforcing strict environmental regulations can make organizations more efficient, encourage innovation and help to improve competitiveness. The rules help companies discover and introduce new processes, products or technologies and the money they save more than compensates for the cost of complying with the regulations.

In Finland, laws introduced to control pollution, combined with government support for research and development, forced the pulp and paper industry to become more efficient. Finnish companies have now become world leaders — thanks in large part to tough regulation.

On the flip side, weakening regulations, or failing to inspect and enforce regulations, often leads to problems. In Walkerton, Ontario, seven people died and 2,300 became ill after the water supply was contaminated with E. coli in 2000. In his report on the incident, Justice Dennis O'Connor said cutbacks at the Ontario Environment Ministry contributed to the tragedy, by making it less capable of identifying and dealing with the problems at the water utility.

While cutting regulations or enforcement may reduce costs for businesses in the short term, in the long term it makes our businesses followers rather than leaders.



Managing the Economy: Why We Need a Firm Hand on the Wheel

For too long, Albertans have been victims of the boom-and-bust economic cycle because successive provincial governments have failed to do their job — manage the economy.

Government and the public sector has a role, or even an obligation, to protect the interests of its citizens, whether it is from the ravages of an economy in recession or from an economy experiencing runaway, uncontrolled growth.

Despite the overwhelming opinions of economists and governments around the world — including conservative governments — that the current recession requires public-sector spending to act as a stimulus to the economy, Premier Ed Stelmach is determined to do the opposite.

In his television address to Albertans on October 14, 2009, the premier focused his message on “tightening belts” and pay freezes in the public sector. While he acknowledged the need to invest in public infrastructure to combat the recession

and prepare Alberta for a return to a growing economy, he ignored the clear evidence that investing in social infrastructure, such as education and health care, creates more jobs more quickly than in any other area.

According to Alberta Economic Multipliers 2005, published by the provincial government’s Finance and Enterprise department, for every million dollars invested in educational services, nearly 25 jobs (defined as years of person employment) are generated directly and indirectly. A further 30 jobs are created as a spinoff.

In health care and social assistance, one million dollars creates about 12 direct and indirect jobs and induces a further 16. That’s a better return than investment in construction, which creates a



“
He ignored the clear
evidence that investing
in social infrastructure,
such as education and
health care, creates more
jobs more quickly than in
any other area.”

total of about 15 direct, indirect and induced jobs, and in oil and gas construction, which creates a total of about five jobs.

Conversely, reducing investment in education, health care and social services will lead to a similar numbers of jobs disappearing.

Most economists agree that spending on social infrastructure, including health care and education, brings an immediate boost to an economy in recession. Cutting spending in these areas, of course, has the opposite effect, making the downturn worse.

The Conference Board of Canada recently gave the following advice to federal and provincial governments: “Avoid mention of belt-tightening, which sends the wrong signal at a time when economic stimulus is needed.”

Even the leading businesspeople are speaking out against cuts to public spending during the recession. For example, Thomas d’Aquino of the Canadian Council of Chief Executives said: “The gravity of Canada’s economic situation justifies a substantial increase in public spending even if this leads to temporary deficits.”

Most governments around the world — including Canada’s federal Conservatives — have adopted an approach to the challenge opposite to Alberta’s and have worked hard to increase or at least maintain levels of public-sector spending in order to stimulate their economies and keep money in the pockets of citizens. They have chosen to strengthen the fabric of their communities while Alberta looks to cut away at that fabric.

Finance Ministers from the G20 recently said that the stimulus measures those countries had taken so far had helped to arrest the global economic decline and agreed that more action was needed. Even leaders on the right of the political spec-

trum, including Prime Minister Stephen Harper and former U.S. President George W. Bush, have acknowledged the need for governments to act to counter the recession.

It is only in Alberta that there is talk of heading in the other direction, against the advice of economists, business leaders and politicians of all stripes. Economic indicators reveal that for most of the past year the public sector has been one of the only engines in the Alberta economy. Public-sector spending has been essential to stabilizing the economy and more is needed to steer us through to recovery.

Total employment in Canada expanded slightly in August, and then more significantly (by more than 30,000 jobs) in September. This growth has been entirely due to increased employment in the public sector, including activities such as education and health.

Alberta’s unemployment rate continues to rise. It reached 7.5% in October 2009, an increase of 0.4% on the previous month. The number employed in the province fell by 14,900 in that month.

But, instead of supporting the public sector, Premier Stelmach wants to cut spending on public services and thereby deepen and lengthen the recession.

When the global economy recovers, the rest of the world will be better poised to take advantage of growth, while Alberta will have weakened its competitiveness with attacks on the public sector.

Rather than choosing to manage the ups and downs of the economy, the Alberta government has had a tendency towards pro-cyclical spending. Historically, the government has cut spending when the economy was in a downturn and spent at the height of the boom. This has exacerbated the ups and downs of our already volatile boom-and-bust economy. It has also meant that the

province entered this recession still facing infrastructure deficits left over from the Klein years.

Premier Stelmach is simply making the same mistakes, but in even more dangerous times. The way out of this recession, and the way to prepare Alberta to cash in on future growth, is to support spending on social infrastructure, including education and health, that will preserve existing jobs and create new jobs in both the public and private sector — and to boost hard infrastructure spending in areas that will create jobs to take up the slack until the private sector has recovered.

As a result of the recession, all but one of the eight major bitumen upgraders planned for the Industrial Heartland area northeast of Edmonton have been cancelled or postponed indefinitely. The Industrial Heartland Association (composed of local leaders from business and government) estimated that those eight upgraders would have generated more than 22,000 construction jobs and 12,000 direct permanent jobs, as well as significant economic spinoffs.

Meanwhile, energy companies are proceeding with plans to build or expand at least 10 refineries in the U.S. with the combined capacity to upgrade and refine 2.8 million barrels per day of bitumen from the Alberta oil sands. By the time the economy recovers, the energy industry will have all the bitumen-refining facilities it needs south of the border and those jobs will be lost to Albertans forever.

However, the provincial government can act quickly to manage the economy, and to create long-term jobs, by stepping in with infrastructure spending to create its own upgrading industry here at home.

The government should use a mix of regulation and public ownership to jump-start the creation of a multi-billion-dollar upgrading, refining and

petrochemical complex in the Industrial Heartland area, much in the same way the Lougheed government intervened aggressively to create a value-added petrochemical industry that had not previously existed in the province, and the way previous provincial governments strived to help create the oil-sands industry. (See ‘The Public Sector and Alberta’s Oilpatch’ on Page 38) This can be done in conjunction with tough environmental rules and support for the development of green technologies to reduce the environmental impacts involved.

“
Without even having to touch long-term savings in the Heritage Fund, the province has the resources pay for stimulus measures.”

Taking a more purposeful approach to managing the provincial economy wouldn’t only be good for Alberta economically: it would also be politically popular. A recent poll, conducted by Environics Research for the Alberta Federation of Labour, indicates that Albertans would support a more aggressive role for government in the oil sands. The poll showed that 77% feel it’s very important to keep oil-sands processing and refining jobs in the province. Only 22% said development decisions should be left to energy companies, with 72% saying the public, through government, should set the priorities.

Alberta is in a good position to fund an aggressive stimulus program. The province is debt free. It has been accumulating multi-billion-dollar budget surpluses over the last decade and has assets of more than \$40 billion, even after market losses, including the Sustainability Fund of about \$14 billion. Without even having to touch long-term savings in the Heritage Fund, the province has the resources pay for stimulus measures.

THE PUBLIC SECTOR AND ALBERTA'S OILPATCH

The development of Alberta's oil sands, and the recent success enjoyed by companies including Suncor and Syncrude, would have been impossible without the involvement of the Alberta government.

In the 1920s, chemist Dr. Karl Clark was working for the provincially funded Alberta Research Council when he developed the process — still in use today — that used hot water to separate oil from the sands. In the following decades, research continued to be funded by the province through the Alberta Oil Sands Technology and Research Authority and the Alberta Energy Research Institute.

Indeed, the provincial government says it and private industry have each invested more than \$1 billion in oil sands research.

Paul Chastko, in his book *Developing Alberta's Oil Sands*, from Karl Clark to Kyoto, says:

"The work of the Research Council encouraged the development of commercial enterprises and applications. ... The close, and at times direct, partnership between both levels of government and business typified traditional government/business relationships of the period in Canada. The state's interest in the development of the oil sands was twofold. First, it conformed to the longstanding policy of directing and aiding western economic development. Second, because of the country's lack of a significant domestic industry, the oil sands represented an opportunity to address the energy issue (finding an alternative supply of oil to costly imports)."

Because of the technological challenges involved in mining projects on such a large scale and in developing processes to separate the oil and sands, even large multinational corporations were unwilling or unable to risk the huge amounts of capital required to begin operations.

Both the federal and provincial governments realized the value and importance of developing the oil sands, to secure energy supplies for the nation and to develop the economy, so both played roles in creating the environment in which corporations would be able to raise the massive funds necessary to launch projects.

This was no easy task. In the early days, the oil sands were seen as a rival to conventional oil companies in markets where there were often already ample supplies. Government policies had to carefully balance the needs of maintaining production of conventional oil with the need for developing an oil sands industry that would be vital to the province and the country in the long term.

When setting policies wasn't enough, governments would step in and invest in oil sands companies directly to spur development. For example, just before the end of the Second World War, the province was approached by developer Lloyd Champion to help become a partner in a project after he had failed to raise funds in the private sector.

"The proposal represented a crossroads for the Alberta provincial government of Ernest Manning," says Chastko. "On the one hand, his right-wing Social Credit government believed there was little role for government in the private sector and suspiciously eyed attempts to enlarge government's role. ... On the other hand, Manning realized that if government did not join forces with Champion, the oil sands might continue to sit undeveloped for the foreseeable future.

"As Manning and his cabinet searched for answers, it seemed clear that there was little alternative. The province would direct the oil sands effort and serve as a catalyst for industry."

So, even the right-wing Socreds, who believed in minimizing government involvement in the private sector, realized that there are times when the government can and must step in for the good of the economy.

The Alberta government rode to the rescue again in 1975, when the Syncrude oil sands project hit trouble. With projected costs for the proposed Syncrude plant more than doubling to \$2.3 billion from \$1 billion, and with one of the major partners withdrawing, the project appeared to be doomed. Alberta convened a meeting and invited other governments to step in. The federal government took a 15% stake, Alberta 10% and Ontario 5%, saving the project.

The Alberta government was also involved in the oilpatch outside of the oil sands. In 1973, it founded the Alberta Energy Company (AEC). Alberta initially held a 50% stake in AEC, and gradually reduced its holdings until 1993, when it got rid of its remaining 36%. Through AEC and through direct government investment and regulation, the government created a multi-billion-dollar petrochemical industry in the province that would not have existed without aggressive and purposeful government intervention. That industry still contributes billions to the province's GDP every year and employs thousands of Albertans.

“Through AEC and through direct government investment and regulation, the government created a multi-billion-dollar petrochemical industry in the province”

Recession

2 - 22

Recovery

20 - 23



Conclusion

Alberta's public sector is the one of the cornerstones of our economy.

This province's public sector provides world-class services, is extremely efficient and offers great value for taxpayers. As well as fulfilling a vital array of functions for our citizens and our communities, the public sector creates the environment in which the private sector can succeed.

The public sector has a particularly important role to play during difficult financial times and should be used by wise governments to soften the ravages of recession and pave the way for future wealth. Cuts in public sector spending or jobs will devastate our economy in the short and long term and must be avoided. It is time, instead, to strengthen the fabric of our communities and invest in a brighter future, by protecting our public sector and our vital public services.

