

Overview

Today Alberta Finance Minister Travis Toews and former Saskatchewan Finance Minister Janice MacKinnon addressed media questions regarding Dr. MacKinnon's analysis of Alberta Government spending. The report primarily looked at spending for health care, advanced education and K-12 education. The report indicated that these three programs were singled out because they comprise 70% of the government's total operational spending, with spending on health taking up most of it.

Analysis

The government's main messages were clearly designed for the general public. Minister Toews emphasized that Alberta has a "Spending Problem", noting that Alberta spends \$10.4 billion more per capita per year than the average of British Columbia, Ontario and Quebec.

He also talked about Alberta's debt and debt servicing costs, messaging that will resonate with the United Conservative Party base. The smaller than predicted deficit did not rate a mention – perhaps due to the updated forecasting conducted by the panel to account for changes in resource pricing, economic indicators like projected GDP growth, and policy decisions made by the Alberta government including the reduction in the corporate income tax rate, elimination of the carbon tax, and the planned divestiture of Crude-by-Rail contracts.

The panel notes that this updated scenario forecasts revenue reductions of \$1.7 billion in FY 2019/20 when compared to the predictions made in the Q3 update.

The revised revenue forecasts become even less rosy for 2020/21 and onwards, showing a revenue discrepancy of almost \$25 billion over the next four years, when compared with the Q3 update.

He further cited analysis showing spending for health care, advanced education and K-12 was significantly higher in Alberta than the rest of Canada's largest provinces – British Columbia, Ontario, and Quebec, but without better outcomes. This was reiterated by Dr. MacKinnon.

Measuring up Alberta against Canada's other largest provinces is a good proxy to establish a comparative benchmark for program spending efficiency. These provinces benefit from population clustering – think the lower mainland and interior in British Columbia and the golden horseshoe and southwestern regions in Ontario. Alberta too has population clustering with more than two-thirds of the province's 4.3 million residents living in the Calgary-Edmonton corridor, but has yet to deliver the same program



efficiencies. This means the government needs to look at where it is an outlier in provincial spending relative to its peers.

The numbers for Advanced Education and K-12 Education were out of kilter with other provinces but it was the massive healthcare file that was singled out for special mention by both Minister Toews and Dr. MacKinnon.

This led to a discussion about “transformational change” in the delivery of services.

Healthcare unions, the Alberta Medical Association, Alberta Health Services and rural hospitals should all take note. The Government’s messaging also very clearly left the door open for more publicly funded but privately delivered health care. It also seems very likely that the cap on tuition for post-secondary institutions will soon be lifted. The viability of some post-secondary institutions was also called into question.

Overall, this report sets the stage for a tough budget, likely to come in the last part of October after the federal election. Ministers Toews, Shandro, Nicolaides, Copping, and LaGrange, along with Premier Kenney will be key players.

Key Takeaways

- The MacKinnon report is not, as some will allege, political cover for spending reductions. It is a blueprint for a transformation of how government approaches public service delivery
- This is the start of a major communications offensive
- All ministers and government MLAs will be expected to be out delivering the message that Alberta spends too much, isn’t getting value for money and is paying too much in debt servicing charges
- This messaging will be used to attack the opposition NDP
- The GoA seems to be setting the stage for a major fight with healthcare unions over contracts and more privately delivered but publicly funded services.
- It is likely that all areas of government will be expected to hold the line on spending and propose more cost-effective ways to deliver services

What to Watch For

- Reaction from unions and the opposition
- Reaction from business groups
- Alberta polling

