

March 20, 2006

Province needs to make long-term savings commitment – Former premier backs report

EDMONTON – The Alberta Chambers of Commerce and the Certified General Accountants Association of Alberta released a report today that called on the provincial government to make a firm commitment to maintain the Alberta Advantage by establishing a long-term savings plan.

The report, which is the third in the Alberta Vision 2020 series, was reviewed by former premier Peter Lougheed, whose legacy includes the establishment of the Alberta Heritage Savings Trust Fund (AHSTF) 30 years ago. Mr. Lougheed also provided the foreword for the report. “The Alberta Chambers of Commerce and Certified General Accountants Association of Alberta have made a very important contribution to the public debate as to Alberta’s choices and options in responding to increasing natural resources revenues from oil and natural gas,” wrote the former premier.

“While many have stated that saving a percentage of surpluses for the future is critical, what’s unique with our approach is instead we’re saying we need to save 30-40 per cent of the natural resource revenues,” said Ken Kobly, CEO of the Alberta Chambers of Commerce. “And this commitment has to be for the long term, so even if the decision makers change at election cycles, we know that our Province will maintain the Alberta Advantage for its citizens,” he added.

“Our government is currently in the fortunate position of generating enormous amounts of revenue from our province’s non-renewable resources. But our obligation to meet the needs of future generations also continues to grow,” said John Carpenter, Executive Director and CEO of CGA Alberta. “This phase of our Vision 2020 research partnership is all about turning surplus revenue today into savings for tomorrow.”

The report outlines that measures such as the Fiscal Responsibility Act (FRA) are not strong enough, as the cap can be lifted and additional resource revenue can be allocated to spending. In addition, several other funds allow the Province to spend natural resource revenues beyond the annual \$4.75 billion “cap” contained in the FRA.

The report also compares the Alberta Heritage Savings Trust fund to other natural resource abundant jurisdictions that have a similar trust fund, namely Norway and Alaska.

Saving for the future Alberta Advantage, authored by Mark Milke, makes the following key recommendations to the Government of Alberta:

- Alberta's annual per capita spending should not exceed population growth and inflation.
- The province should deposit between 30 per cent and 40 per cent of all non-renewable resource revenues in the Heritage Fund annually.
- The province should consider transfers of additional resource revenue into the Heritage Fund (beyond the recommended percentages) in the manner of the state of Alaska.
- The province should not issue dividend cheques in the short to medium-term. While the 2006 dividend cheques were popular, such payouts place the dividend "cart" before the principal "horse."

All 83 Members of the Legislative Assembly (MLAs) have been provided with a copy of the report.

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The full report is available at www.albertavision2020.ca.

A backgrounder outlining previous phases of the Alberta Vision 2020 research series is attached.

In September 2004, the Alberta Chambers of Commerce (ACC) and the Certified General Accountants Association of Alberta (CGA Alberta) launched the first report under the Alberta Vision 2020 multi-year research series.

Vision 2020 is a broad-based, research project aimed at understanding Alberta's and Canada's social and economic policy options. To gain better insight on what those options might look like, the reports identify the trends that will form the foundation for the Province's future. By identifying the trends the organizations are in a better position to provide policy recommendations to the government, to help plan beyond the current political cycles.

Other reports that have been launched under the Alberta Vision 2020 banner include:

Phase I – Demographic impacts on Alberta's provincial budget fiscal projections through 2026
September 16, 2004 in Edmonton

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| <p>Focusing on the risks We are on a growth track for population, GDP and government size. What are the risks as we plan for the future?</p> <ul style="list-style-type: none"> • Aging population, • Rural to urban migration, • Increasing health and education costs, • Declining resource royalties, and, • The risk of spending future surpluses. | <p>To provide a clear vision for Alberta What are the recommendations to government in phase one?</p> <ul style="list-style-type: none"> • Health care reform is necessary. • Mitigate effects of drops in resource revenues by capping total spending. • Save all or a significant portion of surpluses. • Make public long-term projections of fiscal balance using range of reasonable scenarios. |
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Phase II – Population and fiscal stresses in Alberta municipalities
September 15, 2005 in Edmonton

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| <p>Focusing on the risks Municipalities at-risk fall into two categories:</p> <ul style="list-style-type: none"> • Negative population growth areas, where declining economic activity and population outflows are contributing to fiscal challenges. • High population growth areas, where population growth (more than twice the provincial average from 1995-2003) is outpacing infrastructure financing, management, and delivery. | <p>To provide a clear vision for Alberta What are the recommendations to government in phase two?</p> <ul style="list-style-type: none"> • No new revenue generating tools are needed, simply a reallocation of current revenue. • Reduce municipal spending obligations by taking on additional fiscal responsibility at the provincial level. • Allow municipalities greater flexibility in capital finance to encourage more effective use of borrowing powers. • Reform and increase transfers from the provincial government. |
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Phase III – Saving for the future Alberta Advantage (March 20, 2006 in Calgary)

All Alberta Vision 2020 research is available at www.albertavision2020.ca.