

Alberta budget unveils \$1.3-billion in cuts, elimination of 2,100 public sector jobs

By Justin Giovannetti

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Alberta's United Conservative government has unveiled a budget even tougher than the one it campaigned on, replacing a promised spending freeze with significant cuts to the public service and warnings of deeper austerity if new pipelines aren't built.

Premier Jason Kenney's first budget outlines \$1.3-billion in cuts and the elimination of more than 2,000 public-sector jobs as a necessary step to balancing the books in four years. The new austerity promises to inflame tensions with public unions and mayors in a province where years of economic stagnation has already caused rounds of layoffs and shrinking municipal budgets.

Alberta's Finance Minister warned Thursday that "boom times" are not coming back to the province any time soon.

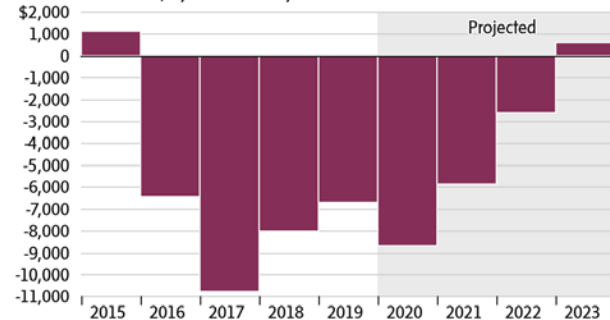
The budget is Alberta's toughest in terms of spending cuts in 25 years. Provincial governments have rarely cut their overall spending in recent decades, typically exercising restraint by holding back the growth rate in spending. Alberta has not reined in its spending in a quarter century. Mr. Kenney's proposed budget is almost unmatched in its ambition, promising to cut its operating spending annually for four years, resulting in a 2.8-per-cent cut over the coming years. The province says it can eliminate the province's \$8.7-billion deficit by 2022-2023.

To get there, the government will trim 2,100 public-sector positions – a 7.7-per-cent reduction – while reducing spending in some areas and keeping budgets for health, education and social services frozen for four years. Grants to municipalities will be cut by up to 50 per cent, worsening budget pressures in cities such as Calgary still grappling with a collapse in

property taxes due to empty office towers. A slew of tax credits for investors, digital startups and small breweries will also fall victim to cuts.

Alberta's deficits and surpluses

In millions of dollars; by end of fiscal year



THE GLOBE AND MAIL, SOURCE: ALBERTA TREASURY BOARD AND FINANCE

The province will also press ahead with a plan to reduce corporate taxes by a third over the next four years, as Mr. Kenney looks to ignite a recovery in Alberta after five years of economic malaise.

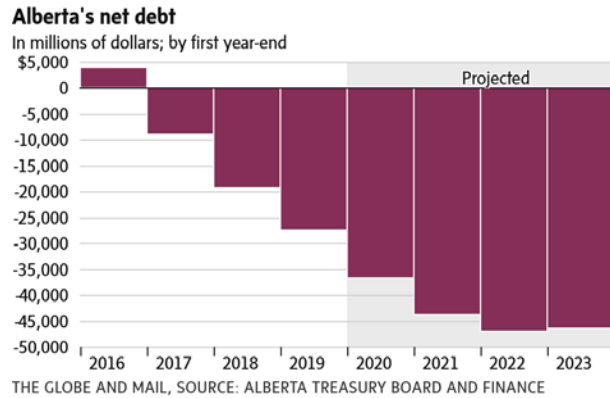
The budget reaches balance just before Mr. Kenney faces re-election in 2023 thanks to steadily increasing oil prices, growing bitumen royalties and the completion of three major pipeline expansions by 2024.

If any of those fail to happen, Finance Minister Travis Toews says he's ready to cut further.

"This is not a boom-times scenario, this is very cautious," he told reporters on Thursday before tabling the budget in the legislature in Edmonton. "This is a budget that actually reduces operating spending. ... It's been decades in this province since we've seen a budget reduce operating spending."

The budget expects operating expenses to fall to \$48.2-billion this year, down only slightly from the spending document tabled last year by Mr. Kenney's predecessor, NDP premier Rachel Notley.

The Kenney government's plan will result in the province facing similar debt levels to Ms. Notley's plan in government, with debt reaching \$93-billion in 2023 rather than \$97-billion.



New Democrat Sarah Hoffman, who was Ms. Notley's deputy premier, said that along with higher user fees on everything from car registration to museum visits, the budget hikes income taxes by ending the indexing of tax brackets to inflation.

"He definitely didn't campaign on increasing personal income taxes and that's one of the first things he did. We've had indexed income tax since 2001 and now that's gone," Ms. Hoffman said.

The budget contains no leeway for wage increases in the public service, a decision expected to lead to a showdown with the province's unions. The spending document warns that more layoffs will be required if the government is ordered to increase worker remuneration due to continuing labour arbitration.

Guy Smith, the president of the Alberta Union of Provincial Employees, said tens of thousands of public employees are ready for difficult negotiations over the next four years. "If what Jason Kenney and his government want is a war with public-sector workers, it's a war he's going to get," he said.

Anticipating a challenge from union leaders, Mr. Kenney said in a televised address to the province the night before the budget was tabled that protest would not alter his government's plans. "We are determined to deliver on that commitment to protect Alberta's finances, come what may. No number of protests or political attacks will push us off course," he said.

A plan by Ms. Notley's government to purchase rail cars and transport oil to customers in the United States will be shelved at a cost of \$1.5-billion. Mr. Toews said he expects the private sector will ship increasing amounts of oil by train as production ramps up in the coming years. The province expects the completion of the replacement of the Line 3 pipeline, as well as the expanded Trans Mountain and Keystone XL pipelines, will eventually reduce the need for oil by rail.

The province's plan to build infrastructure will be reduced from \$7-billion annually to about \$6.2-billion. The reduction means cancellations or delays to a number of large projects, including a new hospital in Edmonton. Provincial funding for new transit projects in Edmonton and Calgary will be spread out over a longer time period.