

May 16, 2007

Submission to the Royalty Review Committee

Good morning.

I am thankful of the opportunity to provide my input into the evaluation and hopefully changes to Alberta's royalty system. There is no doubt that time for change is long overdue.

The resources of Alberta are owned by Albertans and by future generation of Albertans. It is the responsibility of our government to look after these resources and provide for their development in a responsible manner. As such, the government is a trustee for the people of Alberta.

Unfortunately, something has gone wrong. Today, as we look around Alberta, we see uncontrolled growth, housing prices going through the roof, rents going into orbit, an infrastructure that is falling apart, and I won't even bring up our medical system. The list goes on and on.

And are Albertans benefiting from this development? Some people are getting incredibly rich and companies are making record profits. But is the average Albertan being advantaged? I would say no. We are building a house of cards. Our housing development is creating monster cities, without sustainability and without adequate infrastructure. People cannot afford housing. And if the interest rates take a sudden increase or if the economy takes a sudden downturn, where will we be? I do not want to belabor this point as I am sure you all read the news.

My recommendations will not focus on immediate need to amend the royalty program for oil sands development and to increase the current royalty system for conventional oil and gas. I will leave this obvious need for others to argue. I would like to only focus on four issues concerning royalties.

The first relates not so much to royalty rates but to the system of leasing development rights to oil and gas companies. At present, any land that is posted can be leased. It seems that there are no considerations as to what land is leased – is it a special place such as a lake, a wet land or a provincial park? Is it an undeveloped wilderness area which is the habitat for caribou and other endangered species? My recommendation is that the government, as steward for the things that are owned by Albertans and future generations, should cease accepting postings for these special places. Let's leave the decisions to develop or not develop these special places to our children. Let us establish areas where development is deferred for the future.

My second recommendation relates to the many Albertans that are being left behind; those that are not only not benefiting from the boom but are in fact being disadvantaged from it. These are such as the elderly who are living in extended care facilities. We have

all heard the horror stories of people spending all day in soiled diapers because of the inadequate facilities. Even to the extent that one lady went on a hunger strike to bring attention to her plight, only to die a short time later. These Albertans equally own their share of Albertas resources and they should be able to cash in as their time on earth is ending. Let them end their lives in dignity! As such, I recommend that an additional royalty increment of 1% be collected which would be given solely to disadvantaged Albertans. It is rightfully theirs.

My third recommendation is to have some flexibility in the royalty system such that it can be easily varied depending on the prevailing economic conditions. At times of windfall profits, the government, on behalf of Albertans, should have the ability to increase its share, in a fair manner. While corporations will bemoan the fact that they need certainty and stability, they should enjoy the fact that it is really a page from their book: extract what the market will bear. Oil companies seem to be able to do so with impunity as we watch the almost weekly increases in our gasoline prices. Perhaps it is time to turn the tables so that we get a realistic return and slow this ridiculous rate of development. I am not recommending that we raise the royalty rates just before the long weekend in May; we should not stoop that low! This would happen only when circumstances warranted it during times of windfall profits and uncontrolled growth. It is interesting to note that Imperial Oil and Shell Canada both increased their share value by 4 ½ times since 2000. Other oil companies have had similar increases. This seems to reflect what has happened to housing (and rental) prices in Calgary and Edmonton. Albertans, too, want certainty and stability.

My fourth recommendation is another incremental royalty. This increment would go directly into a new trust fund: A trust fund that is beyond the reach of government – both for the principle and the interest. There is no excuse for the depletion of the Heritage Trust Fund with its profits seemed to be used as an avenue to give corporations and the wealthy big tax breaks. Let's set up a real trust fund – one that grows for our future. Perhaps the money in this trust fund should invest in oil sands development so that Albertans can really own some of its resources, ...that they really own!

In conclusion I would like to say that in the past few months, there have been at least four public forums: oil sands development, climate change, this royalty review and later today, land use. There is a common thread running through these public forums: uncontrolled growth is having a drastic affect on Alberta. I am somewhat concerned that our Premier, even before hearing what Albertans want done with their resources, has stated that development will not slow down. I hope our government will reconsider its policies and will listen to Albertans.

Respectfully submitted

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