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Large surpluses mean taxes too high: Ralph-bucks rebates simply a sop to keep taxpayers from thinking too hard

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Byline: Lorne Gunter

Alberta isn't an oil-rich province anymore, at least not conventional crude oil. It's natural-gas-rich.

Each year, natural gas royalties bring in five or more times as much revenue to the provincial treasury as oil royalties. In 2005, the difference was \$8.2 billion from gas versus \$1.4 billion from crude.

So watching the price of crude will not give as good an indication of how much the provincial government has underestimated its surplus for the year as watching the price of natural gas will.

For the coming year, the Klein government is projecting a surplus of \$4.1 billion. But last year, thanks to skyrocketing commodity prices, it ended up with a surplus of \$7.4 billion even though it had projected one of only \$1 billion. And so far this year, commodity prices have been every bit as strong as last.

The price of natural gas is running about 25 per cent above forecast. Were that to continue throughout the year, the provincial surplus would end up nearer \$6 billion. Higher-than-expected oil prices would have an impact, too.

In the 2005-06 budget, the provincial government forecast an average price of \$50 US per barrel for the year, but the average is likely to be nearer \$60 to \$65. That will add \$1.2 billion to \$1.8 billion.

Then there are synthetic crude royalties and sales of Crown leases, income tax revenues and corporate taxes, all of which are likely to be higher than projected. It is hardly a stretch to think that \$4.1-billion surplus might end the year between \$8 billion and \$10 billion, barring yet another rash of unplanned spending such as we saw this past year (and the year before that and the year before that and ...).

So let's, as Albertans and taxpayers, be ready. Let's not be satisfied with a one-time resource rebate from the government; a sop to the slavering masses to distract us from the over-taxation inherent in such massive surpluses. Let's demand more permanent relief.

The problem with rebates such as the ones we all received this year -- the \$400 Ralph bucks -- is that they are given out at the whim of the government. Cabinet doesn't have to plan around them. If it has the excess funds and if it doesn't hear any vociferous special interest group clamouring too loudly for the cash, then it will magnanimously give ordinary Albertans another cheque.

However, if it sees another use of the funds that is more politically advantageous (for it, not us), then -- poof! -- no rebate.

Being politicians, the provincial Tories love it this way. It leaves them in total control of the money. Yet the money isn't the government's in the first place. It belongs to Albertans. How best to dole it out shouldn't be left to politicians' wisdom.

So, if too much money is collected each year, ways must be found either to collect less in the first place or to return the excess in a more permanent and predictable fashion.

Frankly, I much prefer the idea of collecting less. Whenever a government gets money in its hands, the temptation is to spend it. Besides, collecting excess revenues, then giving them back, is administratively far more costly than not collecting them to begin with.

However, if we are to have semi-regular resource rebates, they must follow a formula, so the timing and amount is not left to government impulse. For instance, rebates would be paid in years in which the surplus is over \$1.5 billion and would be a percentage -- say a quarter or a third -- of any amount over that.

That way, the rebate ceases to be a political football the government can throw our way whenever it chooses, or not. Still, to keep so much money from accumulating in the government's hands to begin with (where it could just as easily be spent as returned), we should demand the Klein government eliminate some of its nickel-and-dime taxes first.

Health-care premiums, the three-per-cent tax on insurance premiums, the hotel room tax and the nine-cent-a-litre gasoline tax; together these levies will bring in \$1.8 billion this year. What justification is there for them, really, other than giving the government more money it can choose how to dole out?

I have argued in the past that the health-care premium could be used to show Albertans how their health-care isn't "free." But since the government no longer makes any effort to show a connection between this tax and rising health spending, and since as of its most recent budget it has exempted more than a quarter of Albertans from paying premiums, the charges have outlived their purpose and should be eliminated.

Similarly with the surcharges on gasoline, insurance and tourism: The government doesn't need the money and these charges are economically counterproductive, so they should be eliminated. (Taking this revenue away from government, too, takes away its ability to capriciously reassign it as it wishes.)

I know Alberta already has the lowest taxes in the land. The point, though, is that when a government has large surpluses, its taxes are too high no matter how low its rates.

Lorne Gunter
Columnist/Editorial Writer,
National Post
Columnist, Edmonton Journal
Tele: (780) 916-0719
E-mail: lgunter@shaw.ca
Fax: (780) 481-4735
Address: 132 Quesnell Cres NW
Edmonton AB T5R 5P2