

# Alberta Report Card

A review of Alberta's performance and recommendations prepared for the Conference on Alberta's Future

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February 3, 2010



APPLYING THE PRINCIPLES AND TOOLS OF DEMOCRACY TO SHAPE A POSITIVE AND INSPIRING FUTURE FOR ALBERTA

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## **Wanted: A Fresh Alberta Vision**

**Preston Manning – President & CEO, Manning Centre for Building Democracy**

**Published February 3, 2010 in the Calgary Herald**

What is your vision of Alberta's future? If you could write the next chapter of the Alberta Story, what would it look like?

This will be a key subject at a Conference on Alberta's Future planned for February 5-6 in Edmonton. Organized in part by the Manning Centre for Building Democracy, the purpose will be to generate ideas and proposals for shaping a more positive and inspirational future for Alberta. (For details and to offer your ideas, visit the website at [www.albertasfuture.ca](http://www.albertasfuture.ca).)

To stimulate our thinking on a future vision of Alberta, consider some of the big ideas that have inspired Alberta voters and politicians in the past.

Consider, for example, the vision of F.W.G. Haultain, a lawyer from Lethbridge and the last Premier of the old Northwest Territory. Haultain envisioned Alberta as part of one big Western province with powers equal to those of the founding provinces of Canada, including control over natural resources and education.

Haultain's vision was never fully realized. The West did achieve provincehood, but as three provinces (one of which was Alberta) and with the federal government dictating the educational system and retaining control over resources.

But it was a Big Idea, a political and constitutional vision of the West, that inspired a whole generation of Alberta politicians to build a province from a territory and work towards that equality which the province had been denied at birth.

I re-tell the story of Haultain to raise the question, "What is an equivalent idea or goal – of that magnitude and significance – that could inspire the current generation of Alberta electors and politicians going forward?"

Or consider further the vision of Henry Wise Wood and the United Farmers of Alberta who governed the province from 1921 to 1935 – a vision of Alberta as an advanced agrarian society. Wood extracted the values that came from a close relationship between the people and the land and applied them to every aspect of Alberta life – to town life as well as farm life, to transportation, to democratic governance, and to constitutional equality.

These values included the rugged independence of the pioneer and rancher, the egalitarianism of the frontier, the spirit of cooperation which led neighbour to support neighbour in times of need, the mistrust of monopoly or concentrations of power of any kind, and fairness. These same values inspired the Wheat Pool movement and the Farmers' Cooperatives, the fights with the grain and rail monopolies, the enfranchisement of women, freight rate and transportation reforms, and the continued demand for constitutional equality in the form of provincial control over natural resources.

It was a vision rooted in the dominant economic activity of the time, agriculture, that inspired a whole generation of Alberta electors and politicians to work for economic, democratic, and constitutional reforms which expressed those values. And I recount the story of Henry Wise Wood and the UFA to again ask the question, "What is an equivalent idea or goal that would similarly inspire the current generation of Alberta electors and politicians?"

Space does not permit me to tell the full story of later visions that served as the chapter heads of Alberta's history. The Monetary Reform vision offered by William Aberhart as Albertans desperately searched for hope in the midst of the Great Depression. The Making Up for Lost Time vision that inspired my father's administration after Leduc to make major investments in the highways, schools, hospitals, and seniors' homes that should have been built in the 30s and 40s but couldn't be because of the Depression and the War.

Then of course there was the Modernization and Economic Diversification vision that inspired the early years of the Lougheed administration, to be interrupted by the War with Ottawa chapter (engendered by the NEP), and followed by the Budget-Balancing Alberta Advantage chapter under Premier Klein. Lastly, there was The West Wants In chapter that came out of Alberta on the federal scene, inspiring the Reform Party and the crusade for Alberta-type budget-balancing in Ottawa, and eventually placing a Calgary MP in 24 Sussex Drive.

I list these chapter headings – and the Alberta visions they represent – to encourage all of us who love this province to think long and hard about, "What should be the inspirational heading on the next chapter of the Alberta story?" Stay tuned for the results of the Conference on Alberta's Future, February 5-6, in Edmonton.

## Democratic Seeds Sprouting in Alberta

Nicholas Gafuik – Managing Director, Manning Centre for Building Democracy

Published February 1, 2010 in the Calgary Herald

Andre Siegfried, a French political scientist who studied Canada, had a rather dour view of Canadian political leaders. A century ago, he wrote that Canadian leaders, “seem to stand in fear of great movements of public opinion and seek to lull them rather than encourage them and bring them to fruition.” On the surface, Alberta’s long periods of one-party government coupled with recent low levels of democratic engagement seem to confirm Siegfried’s view.

An outside observer might think that Albertans are almost indifferent to what goes on in the legislature. He might say that active democracy scarcely exists in Alberta. But he would be mistaken, just as someone who looks upon an empty field in springtime would be mistaken if he were to say there is no life in the field, unaware of the seeds planted beneath the surface.

Sprouts have again emerged, and Albertans have been asking some big questions.

I caught a glimpse of these sprouting seeds on a recent visit to Fort McMurray. Preston Manning was in town to deliver a speech at Keyano College, and I had the opportunity to tag along. When time came for questions and comments from the audience, it wasn’t the economy, energy or the environment that came up. Most wanted to talk about how to improve our political discourse and democratic participation. I heard the argument that without intelligent debate and thoughtful participation, Alberta would be ill-equipped to face the big questions of our time.

Increasing numbers of Albertans are asking questions:

Are we living up to our full potential as a province? What is our vision for the next chapter of Alberta’s story?

Now that we seem to be emerging from this economic downturn, what is the state of our public finances, services, and infrastructure? How well have we saved and invested our resource revenues?

How well prepared is Alberta for the economy of the future? How do we properly harness science, technology and innovation?

What reforms are necessary to guarantee high-quality, accessible, and cost-effective health care for Albertans? How do we improve our education system to prepare young people with the knowledge and skills they need to reach their full potential?

Alberta is no longer the poor underdog of Confederation. What positive role do we envision for ourselves on the national stage, a role worthy of our growing economic, demographic and political strength?

How do we encourage our fellow Albertans to be fully engaged in public life and the policy decisions affecting our future? How do we encourage fellow Albertans to be civically engaged citizens who volunteer, donate to charity, vote and are otherwise active participants in our communities?

On each of these questions, Albertans are looking for vigorous discussion and meaningful decisions. This then will be the topic of a Conference on Alberta's Future planned for February 5-6 in Edmonton. Organized in part by the Manning Centre for Building Democracy, the purpose of the conference will be to generate ideas, proposals, and plans for shaping a more positive and inspirational future for Alberta. I encourage you to visit the website ([www.albertasfuture.ca](http://www.albertasfuture.ca)) and offer your ideas for the future of Alberta.

This conference is about ideas, not politics. But this conference is only the beginning. When Albertans aren't getting the answers or information they need and want, they need to demand better.

This will be the challenge for Alberta's political leaders; how to respond to the questions and aspirations of Albertans and demonstrate that they have the will and capability to carry the province forward.

The way to defeat an insurgency is to win over the people and make the enemy irrelevant. The challenge for the Progressive Conservative government and for Premier Ed Stelmach is to do just that by responding to Albertans and reinvigorating the party and government. On the other hand, the challenge facing Danielle Smith and the Wildrose Alliance Party will be to mature from protest movement to a prepared government in waiting.

And ultimately the question for all our current and aspiring political leaders is: will you stand in fear of great movements of public opinion or will you encourage them and bring them to fruition? Whoever can encourage the current movement of public opinion and bring it to fruition is likely to carry the judgment of those sprouting seeds in Fort McMurray and across Alberta.

## Why Fiscal Responsibility in Alberta Matters: The Future of the West

Mark Milke – Director of Research, Frontier Centre for Public Policy

**Has the Alberta adequately managed, controlled, and optimized public spending? Has Alberta saved a sufficient portion of non-renewable resource revenue and invested it in such a way as to provide for future economic growth and prosperity?**

*This shower of riches sent Alaska into a frenzy of public spending, particularly on capital projects... By 1976 the state had spent most of the initial lease money, and Alaskans were aghast they had frittered away so much in so short a time. Fears of uncontrolled legislative spending had been confirmed, and Alaskans sought ways to protect their natural resource revenues for future generations.*

*- Jonathan Anderson. The Alaska Permanent Fund: Politics and Trust. Public Budgeting & Finance / Summer 2002: 68*

In his *History of the Peloponnesian War*, the Greek historian Thucydides recounts an encounter between the naval empire, Athens, and an occasional ally of the Spartans, Melos—though not then taking sides in the conflict between Athens and Sparta. The Melians, who live on an isolated island far from their past ally, are confronted by Athenian commanders who arrive on Melos and demand an end to Melian neutrality and that the Melians must join Athens. The Melians refuse and instead trust in justice, and hope. The Athenians reply that, “your strongest arguments depend upon hope and the future, and your actual resources are too scanty.”

The Athenians, of course, were referring to military resources, but the point still holds: Resources matter and in the case of Alberta, she must slowly build up one set of resources, in this case fiscal assets, to replace another set of assets, natural and non-renewable ones such as oil and gas, that will inevitably decline either in actual fact, or in desirability and thus in value. If one waits until the last moment, one will find, like the Melians, that your options are few and all undesirable.

That by way of introduction to the topic I’ve been asked to very briefly address the following questions: **First, has Alberta adequately managed, controlled, and optimized public spending? Second, has Alberta saved a sufficient portion of non-renewable resource revenue and invested it in such a way as to provide for future economic growth and prosperity?**

**The short answer to both questions is no, at least not recently, and for this I must grant it a D.**

The justification for this grade and the math is fairly simple. After Alberta's decline into deficits in the 1980s, the crawl out of them by the mid-1990s, and then the determined payback of provincial debt, the provincial government found itself in a mostly enviable position in the middle of the last decade: no debt, high natural resource prices and thus gushing tax revenues ranging from royalties to business to income tax, the result of which allowed it to continue to spend faster and higher than inflation plus population growth would justify.

At the same time, the provincial government made a few deposits into the Alberta Heritage Savings and Trust fund, the fund begun by Premier Lougheed in the 1970s. The deposits were not large relative to the resource revenues that had accrued to the province, but they were a step in the right direction. And the province has avoided an F here because it did, to its credit, put some money away in other funds, such as the sustainability fund. But unlike Alaska and especially Norway, which time does not permit me to get into here, Alberta has not yet taken a sustainable course as it concerns the transition from a non-renewable resource in terms of savings funds in the manner as has Alaska and Norway.

Moreover in the present, the province is once again stalled on controlling its spending and in thus building up the Heritage Fund. The former is of course, intimately connected to the latter. And both are important to do. One day, the oil and gas will run out or be unwanted by a world in which someone has perfected ways to produce and use alternative energy cheaper and more effectively than non-renewable energy. Then, Alberta will be unable to spend, even at reasonable levels, and the current level of taxes will not cover the province's expenses. Thus, saving for the future, i.e., putting away money in the Heritage Fund, is in my view, crucial.

The numbers are easy enough to throw out to back up what I've just noted:

- On spending, in real per capita terms, Alberta *program* spending jumped from \$7,443 at the turn of the millennium (the 2000 fiscal year) to an estimated \$10,771 by the end of the 2009 budget year.<sup>1</sup> That's about a 44% increase in real per capita program spending, in other words—after inflation and population growth is accounted for. (And I haven't even compared 2009 spending to the lowest per capita year in recent memory—1997 when real per capita spending was \$6,499.)
- On the Heritage Fund, as of the last quarterly update, it stood at just \$13.8 billion.<sup>1</sup> That's not much more than the \$12.7 billion that existed in the fund in 1987, when

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<sup>1</sup> Even if one wants to add in approximately \$13.2-billion from the Sustainability Fund into the mix—which is anyway about to be drawn down quickly due to the multi-billion dollars deficits, Alberta is nowhere near where she could be had more regular deposits been made over the decades. In addition, the Sustainability Fund is not meant to be a permanent replacement for energy revenues. The Heritage Fund is akin to a savings account or RRSP; the Sustainability Fund is more akin to a chequing account, and has in fact been used in such a manner.

Alberta found herself in fiscal trouble the last time, and deposits and inflation-proofing of the fund stopped but transfers out continued. So we've made little progress in 22 years. In contrast, the Alaska Permanent Fund, created in the same year as the Heritage Fund in 1976, has \$36.1 billion (C\$), or about \$52,601 per person. Alberta's Heritage Fund is worth just \$3,726.<sup>ii</sup>

#### Fund Comparisons

	Alberta Heritage Savings Trust Fund	Alaska Permanent Fund
Total value (In \$ Cdn)	<b>\$13.8 billion</b>	<b>CDN \$36.1 billion</b> (U.S. \$35.2 billion)
Per capita (In \$ Cdn)	<b>\$3,726</b>	<b>\$52,601</b>
Inflation-proofing required?	<b>Arbitrary</b>	<b>Yes</b>
Fund has constitutional status?	<b>No</b>	<b>Yes</b>
Legislative requirement for annual resource revenue deposits?	<b>No</b>	<b>Yes</b> <b>(25 per cent)</b>
Year created/ first year in which resource revenue deposited	1976/ 1976	1976/ 1977

#### ***So what is to be done on the fiscal front?***

Balance the budget. The purpose of getting the budget in balance is not just to get the budget in balance. It is, in my mind, three-fold:

First, to prevent deficits from becoming permanent and thus swallowing up ever-more tax dollars in interest on an ever-growing debt that constricts governments and their populations in their future choices be it on spending or on the private use of their money, i.e., the potential for reasonable tax levels. Those who think deficits and debts are not a problem learned nothing from the 1990s in Canada, and are about to see another painful lesson in overspending and debt play out worldwide in Greece, the United Kingdom, Spain, Japan, the United States and elsewhere. But that's the first purpose of reined-in spending: to allow for future choices.

The second purpose is to let the necessity of budget tightening provoke reforms which can also deliver programs more effectively. No one wants to see less effective health care, or more homeless people, or inferior education. So let's learn from other jurisdictions.

The third is so Alberta can lead Canada back in the direction of historic Canadian values—which in my view is the most important reason.

On the first and second purposes—avoiding permanent deficits and reforming services to be more effective, briefly, here are few modest proposals to rein in spending:

- **Modest Proposal A: Consider provincial spending from an eagle’s eye perspective and then ask how other jurisdictions might spend more effectively.**
  - On health care, let money follow the patient as happens in Sweden;
  - On education, let money follow the student as happens in the Netherlands where 70% of students attend independent primary and secondary schools and where funding follows the child regardless;
  - On public housing for lower-income folk, follow the same principle: don’t have government build or buy housing for Alberta’s most vulnerable—subsidize directly (as already happens but can happen more) by applying vouchers to private rentals. One paper produced by the Frontier Centre estimated that if Manitoba sold all its public housing instead of upgrading it, and thus also not paying for management of the properties and other associated costs, that 21,000 more Manitobans could receive a housing subsidy.
  
- **Modest Proposal B: Imitate New Zealand on transparency and accountability measurements for municipalities**

In New Zealand, the legislation that applies to local government mandates that cities engage in competitive tendering between in-house and private contractors, and that measurable results be set and reported upon publicly for all manner of city services. Internal city departments are thus run as business “units” where the chief responsibility is to obtain the best quality service at the most appropriate price—regardless of whether a supplier of a service is private or public. Alberta might as well mandate this in its Municipal Government Act. This will have a two-fold benefit: it will help cities perform better; in the future, it will cut down on the amounts of transfers to municipalities from the province.

- **Modest Proposal C: When the budget is in balance, legislate that at least 30 per cent of resource revenues be deposited into the Alberta Heritage and Savings Trust Fund every year.**<sup>iii</sup>

It is important to allow future generations of Albertans to share in Alberta’s luck to have resources that have provided a decent standard of living for over half a century. As Premier Peter Lougheed said in 1976 in the provincial legislature:

Are we prepared as a province to put aside substantial sums of current revenues from the sale of non-replaceable crude oil production for the sake of our children and for our grandchildren and not make it available for current revenue needs; to use it for that day...when some of the wells may have gone dry?

## ***Why it matters: So Alberta can lead the West and Canada back to historic Canadian values***

As for the third purpose of getting Alberta's fiscal balance right—so this province can lead and be part of a Western attempt to renew Canada in the direction of its historic values, Alberta must regain her fiscal footing because as a charter member of the club of common sense. That is, a province that values wealth creation; a province that doesn't see the environment and the economy as naturally opposed; a province that allows a certain role for government but always understands that it must necessarily be limited because human beings are flawed and not everything can be organized by a bureaucracy, especially not from the top; and finally, a province that values freedom of commerce, action, speech, a strong, prosperous Alberta along with British Columbia, Saskatchewan – and one day perhaps Manitoba, can contribute to a re-fashioning of Canada in a way that is positive, that respects entrepreneurs. To get there requires much more in the way of Western wealth and Western population. That's another example of the reality taught by the ancient Greeks, from the Athenians: to effect change, you need resources—and in this case I refer to population and the greater number of seats larger populations would then have in Parliament vis-à-vis the rest of the country.

In other words, I want Alberta's—and I would argue, much of Western Canada's values— to influence the rest of Canada and not the other way around. And to be historically accurate, this would not be a re-fashioning of Canadian values, it would be a *restoration* of some classic Canadian approaches and values.

When, before Confederation, both the Liberals and Conservatives attempted to renew reciprocity—free trade—with the United States, and did so even after the Americans opted out after 1866, they were demonstrating a British classic liberal view of the benefits of free trade, one strongly held within Canada, that consumers should not be held captive to monopolies.

When, in 1878, a federal Liberal Finance Minister, Sir Richard Cartwright described taxation this way:

All taxation is a loss *per se*. It is the sacred duty of the government to take only from the people what is necessary to the proper discharge of the public service; and that taxation in any other mode, is simply in one shape or another, legalized robbery.<sup>iv</sup>

...he was expressing a British, classic liberal view of the role of government—necessary, but limited.

On his 1894 campaign swing through Winnipeg, Liberal Opposition leader Wilfred Laurier (soon-to-be prime minister in 1896) attacked the protectionist policies of the

Conservative government and emphasized freedom, he was in fact reflecting some widely held values.

The good Saxon word, freedom; freedom in every sense of the term, freedom of speech, freedom of action, freedom in religious life and civil life and last but not least, freedom in commercial life.<sup>v</sup>

When, in the early 20th century, leading politicians warned against having tax rates above that of the United States, they were also expressing Canadian values. As historian Irwin Gillespie has written, our Confederation-era politicians assumed a policy of taxes lower than the U.S. as crucial to filling the country with immigrants and with investment, as both were the natural conditions necessary for prosperity:

Dominion governments feared losing potential immigrants, as well as those immigrants who were newly settled in Canada, to the United States. Thus the principle applied to numerous tax rate changes was that they should not exceed the tax levels in the United States. Competition for those mobile human resources, not to mention the capital with which these immigrants (be they farmers or businessmen) arrived, was fierce. Consequently, all Dominion governments were determined to keep tax rates low.<sup>vi</sup>

Today, to express a preference for low or moderate tax levels, free trade, opposition to subsidies, freedom of speech, or economic freedom, is often labelled as conservative, “Albertan” or even worse (!)—“American”!

Nonsense. Whatever the labels, such values—prudence, moderation, paying one’s bills, self-reliance necessary and limited government which focuses on a few key areas—“good government” in other words—these are all historic Canadian values and approaches. So too is the notion of individuals, families and communities caring for one another voluntarily, or creating organizations that can benefit many people as it concerns commerce. The co-operatives which grew up across the Prairies are examples of this latter value: Prairie folk didn’t wait until Ottawa organized matters for them.

Whether the image of the individualistic and independent cowboy on his horse, or the communal but voluntary spirit of those who joined together to build a local hockey rink in a small Prairie town—such ethics still exist in pockets around Canada, in the southern interior of B.C. where I am from, here in Alberta, and elsewhere. They ought to be cherished national values once again as they are a remedy to overweening governments that prod, poke and interfere too often on many matters and thus injure what Sir Wilfrid Laurier referenced: freedom in speech, action, religious life and civil life and commercial life

Thus, the point of prudent, smart policy in 2010 in Alberta is— to be frank, so that Alberta and the rest of Western Canada can grow economically, can attract many more

people and thus tilt the economic, demographic, and political centre of gravity of the country westward. Assuming the West can retain her values that would allow us to point the rest of Canada in a sensible –and historic Canadian - direction.

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<sup>i</sup> Alberta Finance. 2008. Alberta program spending. Real historical summary as of September 2008 (2009 estimated by Alberta Finance.).

<sup>ii</sup> For those interested in more detail: In 1976, as a result of an initiative by then Alberta Premier Peter Lougheed, the Alberta Heritage Savings Trust Fund Act was created, given royal assent, and initially tasked with three objectives: to save for the future; to strengthen or diversify the economy; to improve the quality of life of Albertans. Initial deposits in the Alberta Heritage Savings Trust Fund (AHSTF) occurred in the 1976-77 fiscal year and came from two sources: Thirty per cent of the non-renewable resource revenue received by the Government of Alberta from April 1, 1976 to March 31, 1977: \$620 million; A special contribution of \$1.5 billion of cash and other financial assets was transferred from Alberta's General Revenue Fund to the Heritage Fund on August 30, 1976. Initially, 30 per cent of the province's oil and gas revenues were deposited into the Alberta's Trust Fund (while statutory deposits into Alaska's Permanent Fund were then allocated at half that percentage or less). Alberta's allocation was gradually scaled back and deposits ended completely in 1987 after the price of oil collapsed in 1986. It was re-started briefly in the middle of this past decade but deposits again ceased in the last budget year as did inflation protection. By way of comparison: The state of Alaska created the Alaska Permanent Fund in 1976 and first deposited resource revenues one year later. The state government is constitutionally obligated to deposit 25 per cent of all natural resource revenues into the Fund; Alaska created its trust fund after much previous natural resource wealth was spent mostly on capital projects; The principal in the Alaska Permanent Fund is constitutionally protected and cannot be withdrawn by the state legislature or used for other purposes than that noted in the applicable constitutional amendment. Alberta has no such constitutional protection of fund principal.

<sup>iii</sup> For a complete look at my recommendations on the Heritage Fund, see Milke, Mark. 2006. Saving for the Future Alberta Advantage, from CGA-Alberta and Alberta Chambers of Commerce. <http://www.abchamber.ca/Portals/0/ACCResources/Vision2020/PhaseIII.pdf> and an updated 2008 version, Restoring Peter Lougheed's Vision, available from the Frontier Centre for Public Policy at <http://www.fcpp.org/publication.php/2468>.

<sup>iv</sup> See Chapter 13 of Milke, Mark, 2006. A Nation of Serfs: How Canada's Political Culture Corrupts Canadian Values, Toronto: Wiley & Sons.

<sup>v</sup> Ibid.

<sup>vi</sup> Ibid.

## **Balanced Economic Growth**

**Michael Percy – Dean, School of Business at the University of Alberta**

**Have the policies and actions of the Alberta Government adequately mitigated swings between booms and busts?**

**Have these policies and actions facilitated the efficient and responsible development of Alberta’s energy resources, including the transition to a greater emphasis on renewable resources?**

**Do the policies and actions of the Government of Alberta adequately harness Science, Technology and Innovation to provincial objectives such as economic growth and quality services?**

## Environmental Conservation

Marlo Raynolds – Executive Director, Pembina Institute

### Have Government of Alberta policies and actions adequately protected and conserved Alberta’s magnificent physical environment?

Albertans care about our environment. In an extensive poll completed by Ipsos Reid in 2009, 82% of Albertans “strongly agreed” (53%) or “agreed” (29%) to the statement “Protecting the natural environment is important to my health.”<sup>2</sup>

Development of Alberta’s resources, specifically the oil sands, has drawn significant national and international attention on Alberta’s environmental performance. For Alberta to prosper in the long term we must avoid leaving costly environmental legacies for future taxpayers; we must continue to retain and attract hardworking people by ensuring we have clean water, clean air and wilderness areas; we must do our fair share of reducing greenhouse gas emissions; and we must demonstrate to the world that we can develop our resources at a pace and scale within the environmental carrying capacity. In short, Alberta’s long-term prosperity demands environmental security.

To establish a grade for Alberta’s environmental performance, we need to look at the multiple aspects of “environmental performance” – air, land, water, waste and greenhouse gas emissions. The table below describes the criteria used to grade Alberta’s environmental performance. It is important to note that these evaluation criteria are in no way a comprehensive set, but provide a directional indication of how we are doing.

Issue Area	Grading Criteria
<b>Water Protection</b>	How well are we protecting watersheds? Are we adequately pricing water to drive conservation? How efficient are we in the use of water – i.e. “water productivity”? To what extent are we protecting instream flows for ecological goods and services? How do we compare to other jurisdictions?
<b>Land Use</b>	How well are we protecting wildlife habitat? How well are we reclaiming land areas that have been disturbed by development? How do we compare to other jurisdictions?
<b>Solid Waste Management</b>	How well are we reducing our waste production? How well are we recycling materials? How well are we managing waste in landfills? How do we compare to other jurisdictions?

<sup>2</sup> Poll: “Provincial Polling on Environmental Education and Market Based Instruments”. Completed by Ipsos Reid Public Affairs for the Alberta Council for Environmental Education. Survey completed Jan 12-21, 2009 of 801 Albertans. Margin of error is +/- 3.5% 19 times out of 20.

<b>Air Quality</b>	How well are we monitoring air quality in Alberta? How well are we minimizing air pollution and implementing reduction frameworks? How well are we addressing cumulative impacts? How do we compare to other jurisdictions?
<b>Greenhouse Gas Emissions</b>	Do we have target in line with our fair share in the need to reduce GHG emissions? To what extent are we implementing a plan to significantly reduce GHG emissions? How do we compare to other jurisdictions?

Here are our observations on our environmental performance:

<b>Issue</b>	<b>Observations</b>	<b>Letter Grade</b>
<b>Water protection</b>	<p>Currently, water pricing is inadequate in Alberta. In the south existing water resources are over allocated. The Government has recognized the need for source water protection, but has no provincial strategy in place. Alberta's water allocation system provides virtually no protection for instream flows.</p> <p>In urban centres wastewater, though it meets all relevant guidelines, still represents a net loading of water quality parameters to the receiving water body (Bow River, North Saskatchewan and Oldman Rivers). Examples would be nutrients, which may be relatively low in concentration but large in total volume because flow rates can be so high.</p>	D
<b>Land Use</b>	<p>Land use in Alberta is still significantly weighing economic growth over ecological integrity. In Southern Alberta more than 10 species are at risk including, grizzly bears, the swift fox and northern leopard frog. In northern Alberta the Little Smokey Caribou herd is on the verge of extinction. Across the province land reclamation and landscape fragmentation are threatening the overall resilience of Alberta's ecosystems.</p> <p>Alberta's Land Use Framework, which is comparable to Ontario's Lands for Life Planning and B.C.'s Land and Resource Management Planning, is seeking to ameliorate the state of Alberta's footprint. The outcome of the Land Use Framework process will determine Alberta's grade here.</p>	Incomplete

<b>Solid Waste Management</b>	If we exclude the management of sewage waste and toxic wastes (e.g. hazardous materials and oilfield wastes) Alberta scores very well in its management of consumer solid waste. Our “Too Good to Waste” strategy is a user pay product stewardship approach that is successfully keeping recyclable materials from filling landfills. Our beverage container recycling rates are high and we score very well in benchmarking against other provinces.	B+
<b>Air Quality</b>	We have a real mixed record in managing air pollution. On one hand we have done very well in multi-stakeholder processes for developing air policy and have made much progress in implementing pollution reduction frameworks such as flaring and venting. On the other hand we have failed to develop and implement a comprehensive air monitoring and reporting system to really understand the quality of our air. We have also not advanced in evaluating and addressing cumulative impacts to air quality.	C
<b>Greenhouse Gas Emissions</b>	Alberta produces more GHG emissions than any other province in Canada. Our current target is to actually further grow emissions out to 2020, not reduce absolute emissions. We have an insufficient price on carbon emissions that covers a very small portion of the economy, compared to British Columbia’s economy wide price on pollution. We have invested significantly (\$2B) in carbon capture and storage (CCS) but it is questionable if this public investment has been made in an optimal way to reduce emissions. Our action plan calls for efforts on energy efficiency and renewable energy, but so far nothing meaningful has been implemented in this area.	F
<b>Overall Grade</b>		D

Our overall grade on environmental protection is inadequate. We must and can do better.

The most important observation of Alberta’s environmental performance is the size of the opportunity we have to improve. Alberta has the people and resources to do much better on environmental performance. We have shown in the area of waste

management that we can be innovative and lead. The reward for Alberta is significant – we would gain a significantly larger “license to develop” from our own habitants and internationally; we would likely diversify our engineering and business skills; we would have healthier and cleaner municipalities to live in; and we would leave our kids with at least the same opportunity we have had to live and recreate in beautiful places.

The majority of Albertans believe we can protect our environment while having a strong economy with 45% strongly agreeing and 34% agreeing with the statement: *“It is possible to have a strong economy in Alberta while protecting the environment”*. We also see our government as playing an important role in protecting the environment with 38% strongly agreeing and 28% agreeing with the statement: *“More government action is needed to solve the environmental problems facing Alberta”*.

With some focus and hard work we could be the “most environmentally improved jurisdiction” within a 4-5 year time period. This would mean taking some serious action through:

- Using market forces to drive environmental innovation by adequately pricing pollution and recognizing the full value of non-polluting economic development;
- Using forward looking standards and regulations that set a level playing for technologies to compete to develop resources while staying within clearly defined limits on cumulative environmental impact;
- Revamping our approvals process to reward significant investment in reducing environmental impacts;
- Empowering our municipalities, small and large, to make transformational changes in how we provide ourselves with shelter, mobility, water, waste management, etc.; and
- Enhancing the governance of natural resources in Alberta to enable multi-level decision-making, capacity building and user-based management.

The priority areas for Alberta in taking real environmental action are:

- Cumulative local and regional impacts of developing the oil sands;
- Reducing greenhouse gas emissions from the electricity production sector;
- Adequately protecting Alberta’s watersheds and most important wildlife areas; and
- Urban developed that is world class from an environmental performance perspective.

## Democratic Participation

Peter McCormick – Professor of Political Science, University of Lethbridge

**Are Albertans adequately engaged Albertans in public life and policy decisions affecting their future, and achieved adequate standards of participation, representation, and accountability?**

This is the great challenge for all democracies in the twenty-first century, and not one that most of them are doing a particularly good job of, but Alberta would still rank low on any account. Part of the problem is that in a condition of one-party dominance, where elections are basically a referendum on the party and/or leader in power, they cannot serve to illuminate, let alone to resolve, those issues on which there is legitimate disagreement on how to proceed and on which there is some division within the Alberta community.

From time to time, the government has occasion to send out committees to listen to presentations and arguments from the general public -- rather a hit-and-miss affair both for when, and how often, they do it, and for who shows up, but still sometimes a useful exercise; but generally, public hearings have degenerated into a battleground for interest groups rather than for any sort of discussion.

If there is a topic that should be up for public debate in Alberta, it is the pace of development of the oilsands; but the closest we have come to a serious public discussion was when the new post-shuffle energy minister said on Thursday that we would have to reconsider our "flat out full speed" development strategy, and then took it back on Friday, saying it would be business as usual. So much for debate and discussion. Overall, I would give Alberta "F" slightly qualified by the "not entirely their fault" consideration.

## Health

Nadeem Esmail – Senior Fellow, The Fraser Institute

### Has Alberta implemented the healthcare reforms necessary to give Albertans the highest quality and most cost effective health care in the country?

Albertans value their universal access health care system. Unfortunately, when it comes to health care, Alberta finds itself in a difficult position. From the taxpayer's perspective, the health care system is remarkably expensive, costing much more than other universal access health care systems both in Canada and throughout the developed world. At the same time, from the patient's perspective the health care system is remarkably poor, offering relatively poor access to medical professionals and medical technologies. The facts show clearly that Alberta needs to reform the health care system in order to deliver on the promise of efficiently providing universal access to high quality care in a time frame that provides comfort and peace of mind.

#### *Assigning a Grade*

The performance of Alberta's health care system must be graded across the two key dimensions of cost and quality (encompassing both access and health care outcomes). It is important from the outset however to not consider either in isolation but to focus instead on value for money spent. A successful health care system is one that delivers a high quality of health care services cost-effectively or at reasonable cost.

With respect to cost, Alberta's taxpayers are footing a large bill. Among Canada's provinces, Alberta maintains the nation's most expensive public health care program on an age- and sex-adjusted basis (CIHI, 2009a). Internationally, Canada maintains the developed world's second most expensive universal access health care system on an age-adjusted basis (Esmail and Walker, 2008).

Put simply, Alberta's health care system ranks among the most expensive in the developed world.

This high level of taxpayer expenditure is straining public finances, and can be expected (in the absence of reform) to exert a larger strain on future taxpayers. In 2008, the Canadian Institute for Health Information expects provincial health expenditures to have consumed 37 percent of provincial program expenditures (CIHI, 2009a). Nationally, there exists an unfunded liability (the shortfall between the future stream of funding for health care and our future health care obligations) of \$364 billion. Put simply, this means governments in Canada have promised to provide health care to Canadians that current tax rates leave unfunded (Palacios and Esmail, 2009).

On the other side of the ledger, access to health care in Alberta is remarkably poor.

Compared to other provinces, wait times for health care are worse than the national average but better than in some of the worst performing provinces (Esmail, 2009). That national average however is remarkably poor when compared with wait times in other nations. Importantly, wait times for medically necessary care are longer in Canada than they are in a number of other developed nations (see, for example, Schoen et al., 2008) while some developed nations<sup>3</sup> manage to deliver universal access to health care services without queues for treatment (Esmail, 2004).

Alberta's medical technology and physician inventories are similarly poor. With respect to physicians, Alberta has a physician to population ratio that is slightly better than the national average (CIHI, 2009b). For medical technologies, Alberta is in some cases above the national average and in other cases below, with an overall performance that doesn't stand out meaningfully from those of other provinces (Esmail and Wrona, 2009). Canada as a whole however lags well behind other nations both in the number of physicians per 1,000 population and in the availability of modern and advanced medical technologies (Esmail and Walker, 2008; Esmail and Wrona, 2009).

The quality picture improves a great deal when looking at health care outcomes. Among the provinces, Alberta performs better than the national average on several measures of health care outcomes (CIHI, 2010). Canada as a whole also performs better than a number of developed nations across several measures of outcomes from the health care process, though Canada still lags behind Australia, Japan, Sweden, Iceland, Switzerland, and France (Esmail and Walker, 2008).

In all, Alberta's health care system can be said to be a very expensive health care system that is remarkably difficult to access but that produces satisfactory outcomes from the health care process. In some ways, Alberta's performance is inferior to those of other provinces, as Alberta manages to purchase the same health care in access terms or slightly better health care in health care outcomes terms but for a much higher price. Internationally, Alberta's relative standing is quite poor in terms of delivering Albertans value for their health care dollars.

When it comes to assigning a final grade, it is difficult to consider Alberta's health care system anything but a failure. The government does not directly control health care outcomes, which are the result of a complex process that is affected a great deal by the quality and commitment of medical professionals. On the other hand, the government does have a direct influence over the number of medical professionals and investments in medical technologies, both of which have been shown to be positively related to better health outcomes (Esmail, 2006; Esmail and Wrona, 2008), and has control over

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<sup>3</sup> Austria, Belgium, France, Germany, Japan, Luxembourg, and Switzerland.

the amount of taxpayer funds that will be allocated to health care. And in these areas, the Alberta government spends much more and gets much less than other governments in the developed world.

**Final Grade: F**

### ***Where to from here?***

The goal of any health care reform in Alberta should be to improve access to health care services without negatively affecting health care outcomes and without increasing the cost of the health care system. In other words, Alberta's government needs to reform health care so that they can purchase more and better health care services for the same outlay. Fortunately, other developed nations already manage to do so and can provide a guiding light for health care reform in this province.

As noted above, several nations manage to outperform Canada on measures of outcomes from the health care process, and several nations manage to deliver universal access to health care without queues for treatment. Three nations manage to do both without spending more on health care than Canada: France, Switzerland, and Japan. Looking deeper, both Switzerland and Japan also manage to outperform Canada in inventories of medical technologies.

Thus, we can use Switzerland and Japan as guides for health care reform in Alberta. Switzerland is perhaps the high-cost guide, as health care expenditures there (age-adjusted share of GDP) are the same as they are in Canada while access to health care and outcomes from the health care process are better. Japan is perhaps the low-cost guide, as Japan maintains one of the developed world's least expensive universal-access health care systems while still outperforming high-spending Canada in measures of access and in measures of health care outcomes.

Notably, both nations employ a similar approach to health care policy based on personal responsibility and private competition. That approach is distinct from Alberta's monopolistic, government-centered policy approach.

Both Japan and Switzerland require patients to share in the cost of health care services they consume. The reasoning is straightforward: people spend their own money more wisely than they spend someone else's. According to research and international evidence, when patients are responsible for some of the cost of their care, they use fewer resources (making more available for other patients and saving money overall), and end up no worse off in terms of health outcomes (Esmail and Walker, 2008).

Both nations also allow private providers to competitively deliver publicly insured health care services. Again, research and international evidence show that the competitive private provision of services is more cost-efficient and produces higher quality care than

the monopolistic public provision of services we rely on in Alberta (Esmail and Walker, 2008). Moving to activity-based funding as part of opening up the marketplace to private providers will further ensure that competition in the hospital sector efficiently delivers a greater quality and quantity of services relative to what is provided in Alberta today (Esmail, 2007).

Finally, both Switzerland and Japan allow individuals to seek medical care privately whenever they wish to do so. Indeed, no developed nation whose health care system outperforms Canada's in either health care outcomes or in access to health care services manages that superior performance without allowing a private parallel health care sector to co-exist with the public insurance scheme (Esmail and Walker, 2008). It is vital to realize that shackling patients to a monopolistic health care system as the government of Alberta does results in a more expensive and lower standard of care than would be available otherwise.

Alberta's health care system is failing Albertans. Fortunately, a fix can readily be found in the approaches of the world's top performing universal access health care systems. It is well time we followed their lead.

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## Education

Peter Cowley – Director of School Performance Studies, The Fraser Institute

**How can Alberta provide the highest quality and most cost-effective education system in the country, providing an adequate foundation for the knowledge economy of the future?**

### ***Why is this issue important for Alberta?***

A healthy democratic state depends upon an educated populace capable of critical thought by the application of which it understands the means by which societies can best protect individual liberty and the general well-being of their citizens. Only if a majority of its citizens are committed to active participation in the democratic process will such a society survive and prosper.

Further, in an increasingly globalized economy in which nations of varied levels of development are more able to compete in international markets and in which international capital and human resources are increasingly mobile, it is more important than ever that individuals be highly educated and skilled in order to take advantage of opportunities wherever they may be found. Similarly, if jurisdictions are to attract and encourage investment and entrepreneurial activity thereby generating economic growth, they should possess a highly capable and productive workforce.

Finally, a well-educated populace each member of which has had the opportunity to pursue the development of his or her skills and knowledge in a wide variety of fields will likely be one of diverse artistic, sporting, and cultural expression that enlivens and enhances the very quality of life of all its citizens.

Thus, it is of great importance that, if Alberta is to continue its economic development and to further improve the quality of life of all its citizens, its government establish and maintain an environment in which the education sector--from early childhood education to post-graduate studies--be one of continuous innovation and improvement always striving to better serve the diverse educational needs and wants of its citizens.

### ***Key criteria used in grading***

- Assessments of learning

National and international assessments of learning indicate that the Alberta system is providing effective teaching relative to other jurisdictions. In the most recent Programme for International Student Assessment (PISA 2006) testing of fifteen-year-olds, only Finland of the 57 participating countries performed significantly better than

Alberta in science; Finland and Korea bested the province in reading; and Chinese Taipei, Finland, Hong Kong, and Korea scored significantly higher in mathematics. Alberta students achieved similar strong results relative to other countries on the 2007 TIMSS assessment of grade 4 students in science and mathematics and the 2006 PIRLS assessment of reading in the same grade.

On the Pan Canadian Assessment Program (PCAP 2007) testing thirteen-year-olds, Alberta did not perform quite so well. Among the provinces and territories, in reading, Alberta students ranked third performing below the Canadian average. Alberta also ranked third in mathematics, but its score was not significantly different than that of Canada as a whole. Finally, in science, Alberta ranked first, performing above the Canadian average.

- Graduation rate

On this criterion of educational efficiency—getting students through their elementary and secondary schooling in about the normal time—Statistics Canada reports that Alberta ranked last among the provinces, achieving a very low 65% graduation rate in 2006/2007. While graduation rates are not a good indicator of teaching effectiveness, they do signal the extent to which school systems successfully compete with alternative activities in which students who have reached the school-leaving age may participate. Since certifications such as a high school graduation diploma are also important signals to post-secondary education providers as well as to prospective employers, its low graduation rate should be of considerable concern to Alberta's education system officials.

- School choice

Alberta ranked first in the Fraser Institute's Canadian Education Freedom Index due to its legislation enabling home schooling and providing limited funding to home-schooling families; enabling charter schools; and enabling unfunded and funded private schools. However, of a total possible score on the Index of 100%, Alberta's average overall score was just 64%.

- Total costs per student enrolled in public schools

This efficiency measure identifies school systems that have found ways to produce good results at lower cost. Alberta spending on public education per student is roughly equal to the Canadian average and not significantly different than equivalent amounts spent in Ontario, British Columbia and Quebec.

### ***Alberta's Grade***

While learning results in core competencies are generally good, low graduation rates indicate that the current system may be doing a poor job in engaging students to the extent that they will forego lucrative employment in order to complete their secondary school studies on time. School choice can be considerably improved to produce greater

opportunity to meet the needs of students with different personal and family characteristics, motivations, and interests.

**Grade: B**

### ***What's next?***

In order that Albertans get the full benefit of a vibrant, innovative, world-leading education sector that truly makes improvement Job 1, it should look to more fully harness the entrepreneurial power of the private sector rather than limit its policy change to continued tinkering with the current government-led, government-run system.

Evidence from analysis of PISA results concludes that even when students' personal and family characteristics are taken into account, students in Canadian private schools perform, on average, at a higher level than do their public school counterparts on the PISA assessments.

But, with appropriate incentives, the private sector could do much better yet. The potential for improvement of any education system that can be gained by encouraging the establishment and growth of the private education sector is examined in some detail in an article titled, "Why BC's Children Need For-profit Schools" in the August 2004 edition of the Fraser Institute's magazine, Forum.

And the private sector is on the move in education. Around the world—particularly in South American and India—private school chains are providing better education to hundreds of thousands of students from families in all walks of life. Many of these school chains offer programs that are relevant to the Albertan educational environment. The liberalization of private school regulation would make Alberta a more attractive jurisdiction into which these successful school chains might expand. The Fraser Institute web site, [schoolchains.org](http://schoolchains.org) offers a continually expanding inventory of successful school chains.

The expansion of private schooling through the liberalization of the considerable impediments to their establishment and the unnecessary restrictions on their operations is a risk-free way of encouraging improvement in all parts of the education sector as a result of the increased competition for market share that would inevitably result. Indeed, if families decide to forego the new private education providers and remain with the public schools, the only loss would be to the private providers themselves. If, however, the private sector operators succeed in attracting more students, competitive pressure will encourage public schools to react by improving instruction, expanding program offerings, and/or providing more innovative services.

The provincial government need only review and revise the policy and regulations related to private school operators in ways that would encourage private investment in education delivery and then let it be known that Alberta is ready to move boldly into the 21<sup>st</sup> century by establishing the most competitive, innovative, and robust K-12 education system in the world. The crown is there for the taking and Alberta is well-positioned to accede to the throne.

## Leadership on the National Stage

Monte Solberg – Former Federal Minister

**Is Alberta a recognized leader on the national stage, adequately protecting Alberta's provincial interests while contributing positively to the advancement of national interests?**

Before answering that question let's explore how people and provinces get to be leaders.

Leadership is always an inside-out affair. That is leadership begins with learning and mastering the government of one's self, followed by leading those around us before finally having either the skills or the credibility to presume to lead others in the wider world.

Leadership is not about positions or titles. People will take their cue from people they trust, without regard for position, on the basis of their character and competence.

These points are central to understanding why Alberta struggles to lead on the national stage. In this case, honesty isn't the issue. It is generally agreed that Premier Stelmach is a person of character. The far bigger concerns regarding Premier Stelmach and his government are their deftness in handling particular and important files, both in developing appropriate policy, and then secondly being able to effectively communicate those policy fixes.

That said, Alberta's other conservative oriented party, the Wildrose Alliance, has yet to lay out specific and costed policies in key areas. As of yet the Alliance cannot fully make the claim to be leading the way with big ideas.

Early in their mandate the government hiked the royalties charged to Alberta's oil and gas producers. Many producers responded by quickly moved their drilling programs to lower royalty rate jurisdictions like Saskatchewan and northwestern B.C. As the impact of the changes spread from the companies themselves to their employees and suppliers, the public also came to question the wisdom of the changes.

To their credit the government has since responded by amending these changes with some success. Still Alberta's national reputation as a friendly home to energy investment has been damaged. Meanwhile provinces like Saskatchewan have moved aggressively, in word and deed, to welcome new oil and gas investment. With the Competiveness Review soon to report, more changes may be on the way to Alberta's royalty regime.

Still on the energy front there is no question that the government's Bill 50 raised the ire of at least a large minority if not a majority of Albertans. As a consultant who represented the company chiefly opposed to Bill 50 I wish to acknowledge my interest in the matter. Still, being as objective as I can be, it's fair to say that the need for the power lines proposed in Bill 50 continues to be hotly debated. What is much less controversial is that most people believe that the government erred by not permitting the Alberta Utilities Commission to play its traditional role of determining the need for these lines in the first place.

On environmental issues Alberta has taken some important steps to bolster its record but its reputation nationally and internationally is that it is a laggard, especially with regard to issues around the oil sands. These perceptions, even when they are not based in reality, remain a real threat to Alberta's future prosperity. Clearly the Alberta government must find a more effective strategy to address Alberta's image on environmental issues especially in the United States, our only international market for heavy oil.

On healthcare the government deserves credit for recognizing that healthcare needs to be reformed to address the twin challenges of financial sustainability and the timely access to services for all Albertans. That said the elimination of healthcare premiums has severed a tie that had the effect of reminding Albertans that healthcare is not a free good, while eliminating an important and dependable source of funding for healthcare. The consolidation of health regions will drive significant cost savings, but more must be done to ensure sensitivity to the unique health needs of individual communities. According to recent polls healthcare is now the number one concern of Albertans.

Between the economic downturn, a very large increase in government spending, and technological innovation that adversely affects Alberta's natural gas producers Alberta may post our largest deficit ever in the 09/10 fiscal year.

Because the Alberta government is under fire at home for its handling of energy, environment, healthcare and fiscal policy it clearly doesn't yet have the credibility to lead on these issues on the national stage. That said, the Premier recently shuffled his cabinet, and new Ministers are now in place at Finance, Health and Energy.

The new Finance Minister Ted Morton wasted no time in signaling that Alberta is about to enter a new era of restraint, and the Premier has committed to rebalancing Alberta's books within the next three years. This is a welcome example of clear communication that needs to be acted upon in the Budget to make Alberta a national leader in fiscal prudence.

But it's not all bad news. On the positive side Alberta has been a leader on two important files that have been largely overlooked.

Under the Trade, Investment and Labour Mobility Agreement (TILMA), Alberta and British Columbia deserve tremendous credit for leading Canada in establishing a common market within Canada for goods, services and labour. Premier Stelmach has built on the foundation established by Premier Klein, with the promise of more expansion in the future.

One area where Alberta continues to lead Canada is in education. Over the years Alberta has been an innovator in support of standardized testing, charter schools and private school funding. This has resulted in some of the best student outcomes not only in Canada but amongst all industrialized nations. On the post secondary front Alberta leads Canada in integrating the curriculums of colleges and technical schools with our universities, while pushing the universities to reduce overlap in the degrees they offer. Alberta's leadership in education is critical to attracting investment and spurring innovation in, and diversification of, the Alberta economy.

While Alberta is a leader in these areas, it's also true that we could increase its national influence by doing a better job of explaining Alberta's Education Advantage. The issues of a national securities regulator and equalization have received some attention lately as significant national issues but again Alberta has yet to propose innovative ideas that would advance Alberta and Canadian interests.

With the important exceptions of education policy and its work on TILMA Alberta cannot credibly claim to lead on the files most important to Albertans and Canadians. Unfortunately at this point Alberta probably merits a failing grade for leadership on the national stage. That said the cabinet shuffle, which promoted several fiscal conservatives, was a strong message to the core supporters of the Alberta P.C. Party and to all Albertans. Should they perform well the Alberta government still has a chance to establish itself as a national leader.

While the Wildrose Alliance has so far been the chief political beneficiary of Alberta's perceived underachievement, it's not clear that they have entirely sealed the deal with their new supporters. With a few exceptions most of the Alliance policy positions at this point are appealing, but broad principles. It is still an open question whether the Alliance, even with their very talented leader, can create policy that credibly and effectively addresses the issues of the day while still being affordable in this era of big deficits.

Finally neither party has fully captured the public concern about Alberta's future, and channelled it into a movement for positive change. Until this happens Alberta's national aspirations will not be fully realized.