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COMMENTARY ON CANADIAN POLITICAL ISSUES

TUESDAY, OCTOBER 2, 2007

Alberta Auditor General finds 6 billion shortfall in revenues over 3 years

These results simply confirm the cosy relationship between the Klein government and the energy firms. This siphoning away from the public purse into private profit probably ensures a pipeline full of donations come election time.

October 2, 2007

Watchdog IDs \$6B shortfall Taxpayers shortchanged by up to \$2B in energy revenues annually over past 3 years: auditor general
By JEREMY LOOME, LEGISLATURE BUREAU

Fred. J. Dunn, Alberta's auditor general, discusses his annual report for 2006-07 during a press conference at his offices on 109 Street yesterday. (Tim Smith, Special to Sun Media)

Albertans were shortchanged by as much as \$2 billion annually over the last three years because the government failed to act on its own energy department's royalty recommendations, the auditor general has reported.

That's despite both former premier Ralph Klein and former energy minister Greg Melchin claiming at the time that studies showed Alberta's share was fair.

In fact, it was anything but. In a scathing annual report, auditor general Fred Dunn said a 2004 internal department review identified changes to the royalty and energy revenue structures that could net taxpayers another \$1-2 billion annually from royalties.

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Instead, burdened by an administration that lacked transparency and accountability, it chose to do nothing, Dunn said. And it did nothing to publicize the fact that it was holding onto reports that would have made that decision questionable, he said.

"The principles of transparency and accountability, I believe, were not followed," he said. "The department should demonstrate its stewardship of Alberta's royalty regime and provide analysis to support that stewardship, and that is not happening."

Dunn said department staff worked hard to continually evaluate oil royalties and revenue. But at every turn, their work was undermined by senior management's lack of well-defined goals for oil royalty targets and lack of interest in making Alberta competitive. "Were they frustrated?" said Dunn. "I would expect so."

That's despite both former energy minister Greg Melchin and former premier Ralph Klein saying publicly that the government's studies showed Alberta was getting "a very generous" return, as Klein claimed on June 12, 2006.

On the contrary, said Dunn, the province knew it was far below the norm. "They had a lot of very good reports. We didn't create these numbers, we just picked them out of the reports," he said. "Those numbers were available and could have been made public much sooner. There was a reluctance to share it, yes."

Melchin said yesterday he stands by his decisions, despite the majority of experts having claimed both at the time and presently that Albertans were being shortchanged.

"I was in receipt of that information. I was also in receipt of many other documents, and you have to make sure you look at all of the information available," he said. "I think when you realize that you've got something that's going well, one can always look at the model and extrapolate a number. But we also have to look at what made us successful and you don't lightly change those things."

"I stand by that as the best judgment at the time for Albertans."

But experts don't. Without commenting on whether the government should raise rates, Dunn did say he has yet to see an explanation of why Albertans should receive far less "economic rent" for their

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resources than elsewhere, backing up the work of the independent royalty review panel. He also slammed senior department managers for hampering his investigation.

The revelation had the opposition immediately calling for an election due to the "deliberate deceit" of a government that is "trapped in its own fatigue, its own rot, its own decay," said Liberal Leader Kevin Taft.

"The people of Alberta should be furious with what the auditor general has uncovered today. They should run this government out of office. I think it's time Ed Stelmach did the courageous thing, brought this scandal-ridden government to an end and called an election."

Stelmach wouldn't comment on the auditor's findings yesterday, preferring to focus on his government's review of the independent panel report. But he did say he has complete confidence in Melchin, who is now seniors minister.

NDP leader Brian Mason said the premier "should apologize to Albertans," because he was in the Conservative inner circle at the time of the decisions. "It wasn't like they weren't told," he said. "It wasn't like they didn't know."

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I am a retired philosophy prof. living in the boondocks with my filipina wife.

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