



Sunday » December
16 » 2007

Tories have held the reins too long

Nallai Nallainayagam

For The Calgary Herald

Wednesday, October 17, 2007

The response of some oil companies to the recommendations of the royalty panel was typical of corporations everywhere. When I read the veiled threats of taking their business somewhere else, I was reminded of my days at the ministry of finance in Sri Lanka.

Every prospective foreign investor in the country would demand a plethora of concessions, ranging from tax holidays for five years to duty-free importation of all items, to free land. Whenever we tried to persuade them to give up some of their demands, on the grounds the country might lose lots of money, the common threat was: "We will take our business to some other country." I never thought such a threat would be used in a developed country like Canada, but I suppose all corporations have the same mindset. I wish some public relations expert had advised EnCana and other oil companies to argue their case by placing the facts before the public, and not to combine it with threats. Threats are counterproductive and only end up strengthening the public's resolve to call for implementing the panel's recommendations in full.

I have spoken to a few people in the oil industry and they all advanced the argument that the cost in the oil and gas industry has increased substantially and that a hike in the royalty rates as recommended by the panel can make investment in the industry unattractive.

I have not studied the industry's cost structure, but I hope the panel paid careful attention to it. Nevertheless, the oil and gas companies cannot expect to operate as business as usual because our royalty rates are the lowest in the jurisdictions the panel studied, and some changes are required.

In a column I co-wrote with my colleague, Mike Fellows, for the Herald in 2005, we argued that our province was losing a substantial amount of money due to royalties not being increased: "The lack of growth in the Heritage Fund was mainly due to the reduced royalties collected by the Alberta government. In a recent study, the Parkland Institute found that the Alberta government gave up \$20 billion in the 1990s by changing its royalty rules. It found that the government collected an average of \$2.10 in royalties per barrel of oil between 1992 and 1997 as compared with \$4.67 per barrel collected by Loughheed from 1972 to 1985, in constant 1996 dollars. This resulted in a loss of \$4 billion per year during those five years. More importantly, Alaska collected 1.6 times more in royalties per barrel than Alberta during the same period while Norway collected 2.7 times more."

The recent auditor general's report supports the Parkland Institute's findings.

The auditor general also reveals that reports prepared by government officials in 2004 and 2005 recommended government consider increasing royalties for oil, natural gas and oilsands. These reports also stated royalties can be increased to raise at least an additional \$1 billion per year without discouraging investment or undermining economic growth.

Despite these reassurances, former premier Ralph Klein's administration deliberately left the royalties untouched. This administration introduced salary cuts for public servants, blew up hospitals and reduced funding for infrastructure and education in the name of balancing budgets and paying down the public debt. Albertans were asked to practise austerity while oil and gas companies enjoyed increased prosperity.

Imagine what Albertans could have enjoyed, had the Klein administration raised the royalties and collected more from the resources owned by them: more hospitals, schools (no leaky roofs) and better roads and affordable housing. Although the former premier said he had no plan, actually the plan was to give the oil and gas companies a free hand to exploit our resources and amass immense wealth. No doubt their investment created jobs and stimulated economic growth, but the true benefits of economic prosperity were not shared equitably.

I do not think we can assign blame to the oil companies or the Klein administration for the current state of affairs. We Albertans must accept the blame for electing the same party to power for more than 35 years. No wonder the Tories thought they were not accountable to anyone and that they could do anything and get away with it.

The functioning of a true and vibrant democracy requires that governments are held accountable and that they are changed from time to time to ensure they do not become arrogant or rudderless. We all know the famous saying: "Power corrupts and absolute power corrupts absolutely." I have heard a better one recently: "Governments are like underwear. If not changed from time to time, they start to stink." I hope Albertans will remember this when they head to the polls next time.

Nallai Nallainayagam teaches economics at Mount Royal College.

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