

**ALBERTA BUDGET UPDATE**

May 6, 2015

Alberta election results imply a new provincial budget is on the way

Yesterday's historic election results in Alberta that saw the New Democratic Party winning a landslide victory over the Conservative Party effectively kills the 2015 budget introduced by the outgoing government on March 26.

We expect newly-elect Alberta Premier Rachel Notley to table a new budget in the coming months. It is still early to piece together the contents of this budget; however, the NDP economic platform during the campaign gives us some clues as to what might be in store during the NDP's four-year term.

In the main, the platform proposes to:

- review the province's royalty regime (by establishing a 'Resource Owners' Rights Commission') – any excess royalty revenues arising from the royalty structure changes above the amounts collected under the current framework would be allocated to investments within Alberta's Heritage Fund;
- increase the corporate tax rate to 12% from 10%;
- ease off on advocating for TransCanada Corporations' Keystone XL pipeline and the Northern Gateway pipeline – the NDP remains supportive of the TransCanada Energy East pipeline and Kinder-Morgan's TransMountain line;
- end the Carbon Capture and Storage program and reinvest funds from FY15/16 towards public transit construction;
- introduce regulation for Alberta's electricity retail system; it would also phase out coal-fired electricity generation and expand investment in wind, solar and more industrial co-generation in the oil sands;
- move away from Alberta's flat 10% personal income tax rate (that prevailed prior to Budget 2015) for a more progressive personal income tax structure with the top 10% of income earners to face higher taxes – the rates would range from 12% (incomes of \$125K-\$150K) up to 15% (\$300K+);
- increase the railway fuel tax to make it in line with other provinces;
- roll back all of the fees that the outgoing Conservative government introduced in Budget 2015;
- leave the small business tax rate unchanged;
- refrain from introducing a provincial sales tax;
- increase in the minimum wage to \$15/hour by 2018 (currently it is the lowest in the country at \$10.20);
- introduce all-day kindergarten; move toward \$25/day child care.

The NDP's fiscal platform anticipates deficits of \$5.4 billion in FY15/16, \$4.3 billion in FY16/17 and \$1.2 billion in FY17/18, and aims to return to surplus (\$25 million) in FY18/19, a year later than planned in the March 2015 budget.

Robert Hogue
Senior Economist
(416) 974-6192
robert.hogue@rbc.com

Laura Cooper
Economist
(416) 974-8593
laura.cooper@rbc.com

Based on the information available during the election campaign—and keeping in mind that not all election promises usually are implemented as initially proposed—we would not expect the NDP taking office after 44 years of Conservative government in Alberta to be a complete game changer for both the provincial economy and the province’s fiscal affairs. The Province remains in a comparatively enviable fiscal position (no net debt) and the platform’s fiscal plan at worst would erode it only modestly. The outlook for the provincial economy is still positive over the medium to longer term, and above all, very sensitive to oil prices—which have surprised to the upside lately. In the near term, however, it is possible that business activity takes a pause while firms assess the policy outlook of the new provincial government. That being said, the upcoming throne speech and budget are likely to go some way in addressing any near-term uncertainty.

Any implications for economic growth from the change in government will be assessed when we will next review our provincial economic forecasts in June.

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

@Registered trademark of Royal Bank of Canada.
©Royal Bank of Canada.

