National

PROVINCE FEARS 60,000 JOBS WILL BE LOST

Alberta stands to lose from proposed GST

By The Canadian Press

Federal studies show Alberta would be the only province whose revenues would suffer under the proposed goods and services sales tax, a federal Finance Department official says.

But the official, who asked not to be identified, told the Toronto Globe and Mail on Thursday that the negative effect on Alberta "is not a big cost either."

Alberta Treasurer Dick Johnston said the tax will drain "millions of dollars" from the provincial economy and treasury.

The loss in income and corporate tax revenue and in lost investment could force the province to raise taxes or cut programs, he said.

Johnson also said 60,000 jobs will be lost in Alberta in the first three years of the proposed tax.

Jobs will be lost largely in the province's construction and service sectors, he said.

Johnson spoke Thursday to a meeting in Edmonton of the Urban Development Institute and could not be reached for comment on the Globe and Mail report that only Alberta would suffer under the tax.

Finance Minister Michael Wilson said Wednesday studies show the effects on nine of the 10 provinces would be "neutral to positive."

"There is one that is. . .slightly on the negative side," said Wilson although he wouldn't identify the province.

"I am not going to give specific numbers until I have discussed this with the province."

Alberta has been the most vociferous critic of the nine-per-cent tax, which is scheduled to take effect January 1, 1991. The tax would replace the 13.5-per-cent federal sales tax applied to most manufactured goods.

The provinces stand to gain "a couple of hundred million extra dollars" if, as expected, they impose their sales taxes on retail prices that include the new tax, said the Finance Department official.

Alberta, the only province without its own sales tax, wouldn't share in these gains.

In Ottawa, two independent economists said the provinces are greatly exaggerating the loss of government revenue from the proposed federal sales tax.

Provincial finance ministers "should be blasted for spouting numbers off the top of their heads without backing them up," said Tom Wilson, an economist with the University of Toronto's Institute for Policy Analysis.

"There is no credibility there."

The finance ministers said this week it will cost their provinces "billions of dollars" when the tax goes into effect in 1991. But after a meeting in Montreal they refused to release studies to back up their claims although several gave reporters selective numbers.

Wilson charged the provinces are playing politics and setting taxpayers up for a provincial tax grab.

University of Toronto economists presented an economic-impact study of the sales tax to the Commons finance committee last month. Although they did not study the provinces specifically, the economists calculate lost revenue to provincial coffers would be no more than $1.5 billion.

This figure includes provincial revenue losses from the middle-income tax cut; a reduction in retail sales-tax revenues from the replacement of the 13.5-per-cent manufacturers' sales tax and other sales-tax related expenses the provinces would incur.

"Clearly what the provinces are truly worried about are the potentially negative economic effects of the GST, such a higher inflation or slower economic growth," said Peter Dungan, the other economist involved in the analysis.

"But until we see their studies we can't really assess their claims properly."

Alberta will be one of the four provinces hardest hit by the tax, he said.

A detailed analysis has been made on the impact the tax will have on each province and the country as a whole. It will be presented to a first ministers' meeting in Ottawa on Nov. 9.

Huge gas deal gets green light

EDMONTON (CP) — After more than a decade the ball started rolling again Thursday for the largest energy project ever envisioned in Canada.

The National Energy Board in Ottawa gave conditional approval to an application by three oil companies to export huge quantities of Western Arctic natural gas to the U.S.

The export licence still needs federal cabinet approval but the board decision lifts a 12-year freeze on major northern development recommended by former B.C. Supreme Court justice Thomas Berger in 1977.

It means the 2,300-kilometre Mackenzie Valley pipeline proposal, hotly debated in Canada during the 1970s, could become a reality.

In Thursday's landmark decision, the energy board said Esso Resources Canada, Shell Canada and Gulf Canada Resources will be allowed to export 9.2 trillion cubic feet of natural gas from the Mackenzie Delta and Beaufort Sea.

The $10.9-billion proposed megaproject represents about 90 per cent of the companies' proven reserves in the region. The export is to take place over 20 years, beginning no later than Oct. 31, 2000.

The board decision does not include approval for a pipeline. Separate hearings have yet to be held on that issue.

And among the conditions the board attached to the licence is that Canadian gas companies must be given a chance to bid for the gas on similar terms given to U.S. customers.

But it still represents a major victory for the oil companies and clears the first hurdle. Company spokesmen said Thursday they now can go after long-term deals with U.S. buyers and proceed to the next stage, getting a pipeline approved.

The companies said in a joint statement they "regard the associated conditions to ensure Canadians have access to gas supplies as reasonable and fair."

The board concluded that the companies have "sufficient gas supply to meet their proposed export requirements."

When Berger criss-crossed the North to hear what natives had to say about the Mackenzie Valley pipeline proposal in the early 1970s, northerners were completely opposed to the development.

But last spring, when the energy board held hearings in the Arctic community of Inuvik, about 2,000 kilometres northwest of Edmonton, attitudes changed. Most northerners not only wanted development, many wanted it as soon as possible.

One major native group with a finalized land claim, the Inuvialuit — Inuit of the Western Arctic — told the energy board they supported the export licence application.

The Dene and Metis — the major hold-outs last spring — stressed they were not against development but asked the board to delay the export licence until they could finalize their joint land-claim negotiations with Ottawa.

But the board rejected the request, saying "it was not convinced that approval of these proposed exports would prejudice the settlement of those claims."

RED INK FLOWING FASTER

OTTAWA (CP) — The red ink has been flowing faster than last year, but Finance Minister Michael Wilson said Thursday that his April budget will eventually stem the deficit tide.

"We are still looking at a budget that's on track for 1989-90," Wilson told reporters.

In the first five months of the fiscal year, Ottawa's deficit rose to $11.1 billion, from $9.1 billion in the corresponding period a year earlier, the Finance Department reported in its August financial statement.

If this continued, Ottawa's deficit for the full year would be far over Wilson's projection of $30.5 billion.

Wilson, who wants to cut the deficit in half by 1993-94, said last year's deficit looked better early on because of technical changes in the way businesses collected the federal sales tax on manufactured goods.

He also said many of the tax increases in his April 26 budget took effect only this summer, and $2.5 billion in spending cuts won't slice into the deficit until the beginning of 1990.

From the beginning of April until the end of August, Ottawa collected $43 billion in taxes and other revenues, up from $40.2 billion in the first part of 1988-89.

However, the government shelled out $54.2 billion on programs and interest on the federal public debt from April through August, compared with $49.3 billion a year earlier.

Savings bonds selling well

TORONTO (CP) — Sales of Canada Savings Bonds were off to a good start Thursday, but financial institutions are not expecting a repeat of the 1987 boom that had to be cut in mid-campaign.

"We're pleasantly surprised" at the results from the first day of CSB sales, said Gordon Gibson, vice-president with investment dealer Levesque Beaubien Geoffrion Inc. in Montreal.

"It seems we're getting a little more (volume) than usual."

Peter O'Rourke, vice-president at Richardson Greenshields of Canada Ltd., reported similar results.

Richardson expects total CSB sales to be $12 billion to $15 billion this year, about the same as forecast by the Royal Bank of Canada.

The slump in stock market prices during the last week is likely to bolster CSB sales, but nothing like the rush in 1987 that was triggered by a market crunch.

In the 1987 sales campaign, investors large and small flocked to CSBs until federal Finance Minister Michael Wilson stepped in to halt sales after just one week. Sales that year totalled $17.4 billion.

The 1989 bonds pay 10.5 per cent interest in their first year, a rate set by the Bank of Canada last Friday, just hours before the stock market plummeted in New York and Toronto.

The bonds, guaranteed by the government of Canada, are easily cashed any time.