

The Alberta Independence Interview

[Editor's Note: In February, Roughneck Magazine was invited to interview an Alberta of some repute. It was a journalist's dream. The subject was Albertan independence, focussing on mechanics of two aspects of independence, and the answers wouldn't be political. The interviewee would be blunt. Given the subject matter and the position and candour of the insider, the identity of this person is withheld. With permission, the answers have been edited for grammar, with minor changes to phrasing, to protect this person's identity.]

1. You're open to talk about the mechanics of Alberta's independence, and that's where I'd like to focus but, just as an introduction, how likely do you think Alberta's independence is?

The political answer is that independence is up to the people; if they want it, they'll push for it. But I think it's highly likely in the next 10 years. I remember when Czechoslovakia split up in '91 or '92, and the leadership there thought independence was inevitable if support for it held at 15 per cent. And it did. And at the height of independence sentiment in 1992 support was still only 36 per cent. Well, support for Alberta independence has been five points over the 15 per cent threshold consistently for years now. The latest Angus Reid poll, done February 2019, has Albertan support for independence at 50 per cent. That's way beyond tipping point.

Remember that it's not just popular will that delivers independence, it's the

ability to get things done across both entities; democratic cooperation, that breaks down as cohesion breaks down. So, by the time independence support crested at 36 per cent in what's now the Czech Republic, the practical functioning of government across the two entities, of Czech and Slovak, had already, culturally, been badly undermined. The actual separation was then just formalizing what was already happening in Czechoslovakian government.

Popular support for independence is already well above critical mass, and the cultural divide that drives it is already well established and well known. Now it's just a question of time.

2. The cultural divide, witnessed in Parliamentary dysfunction, seems to be getting worse under Trudeau.

You say worse, but if the goal is getting Canada out of Alberta, then Trudeau's been a good thing for us. But yes, the divide is bigger now than even four years ago. All the reasons that spurred the Western Canada Concept, and then the Reform Party of Canada, and the infamous Firewall letter, and on it goes. It's just that now we've got a Federal Government actively trying to impoverish Alberta. I mean, it's not subtle anymore.

There were a lot of us in the system then, as now, who held our noses in dealing with Canada. In the last few years, some are quietly positioning new options, but now it's not 'hold your nose and give it,' so much as 'hold your nose and prep to take it back.' That's a recent change.

Politicians have repeatedly claimed that Albertan independence would be a disaster - Bernier recently called it a disaster. There's the idea out there that separation is risky and difficult. Is that fair, or does it reflect ulterior motives in Canada?

Well, that's just it, the ones calling for panic are the ones whose positions are at risk. For Alberta, separation isn't complicated, it's not difficult. Sure, it'll take time to sort out, a lot of work for the bureaucrats. But it's volume of work, not risk. It's staying within Canada that's risky. If what we've endured under Trudeau in the last few years, with no hint of help from eastern Canada, no support at all, and this is just the start of it so there's no let-up coming -that's what we're in for forever with Canada. Getting rid of that is work, yes, but it lowers our risk and boosts our opportunity.

Financial

3. Canada would expect Alberta to absorb some portion of Canadian debt at independence. What's fair?

What's fair is paying Alberta's share of what Alberta's responsible for. Should we pay for all the largesse lavished on east-

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ern Canada? I don't think so. We voted against all that. We shouldn't pay the costs of the cartels, or the subsidies to eastern industry, outfits like Bombardier, Power Corp., SNC -- we didn't authorize any of that, we fought hard against it, so there isn't any basis for us paying for it. These things are what Canada wanted, they're what Canada's responsible for; they'll be paid by Canada.

Let's remember that because of our population, relative to eastern Canada, Alberta has never been able to overrule Canada in any legislation. We've never had our way, so to speak. In this, there's nothing that we've received that we're both responsible for and have benefitted disproportionately at the expense of eastern Canada.

Federal debt is now about \$161.0 billion. If we say that Alberta was responsible for, say, 15 per cent of the debt incurred by eastern Canada -- an amount that's arguably generous already -- then Alberta's share of Federal debt is \$10.7 billion. [Ed.: \$161.0 B /4.3 million (AB population) = \$71.6B, times 15% = \$10.7B]

There are other ways to calculate it, like arguing a zero Alberta portion due to offsetting factors -- such as the incredible NEP damage in the 1980's for instance. Likewise, it could also be argued that while Albertans themselves were demonstrably opposed to most eastern spending schemes, their representatives were complicit in some of them. Alberta's responsibility for Federal debt could go over 17 per cent or even 20 per cent of nominal per capita share. [Ed.: being \$10.7 B at 15%, \$12.2B at 17%, and \$14.3B at 20%]. But that's still only about three grand per head, even at the top end of the range. [Ed.: being per capita \$2,497.30 at 15%, \$2,830.27 at 17%, and \$3,329.73 at 20%].

Inflation adjustment would be negligible, around a quarter billion, assuming an average rate of about two and a half per cent per year since 1984. Regardless of where in the range the debt allocation figure lands, the balance will be workable. Indeed, it will be a big reduction in Alberta's debt burden.

4. Federal debt figures don't include outstanding federal balances owing to provincial governments. Throughout the year, there are usually significant balances owing back and forth, in areas like federal contribution to specific projects, or provincial contribution to federal initiatives. Equalization balances are also excluded from federal debt figures. What would be the most likely calculation in these areas?

The largest of these items is the equalization balance. Under Canadian rule, the most productive provinces have had their wealth confiscated for redistribution to less productive provinces. As with federal debt, Alberta hasn't been able to stop these confiscations. Frankly, we couldn't stop them if every Albertan MP voted to do so. In this, these sums have not been democratically reallocated; they have been coercively confiscated. That's a pretty big difference at law.

As a starting point, Alberta is entitled to the difference between the sums taken by Canada and the value received from Canada in return. On average, since 1984, Alberta has lost a net \$14.0 B per year in equalization payments. During boom years, the loss has been as high as \$22.0 B per year. The total non-inflation adjusted equalization debt owed by eastern Canada to Alberta in 2019 is \$490.0 B. As with federal debt, the inflation adjustment is notable but not unwieldy, at about \$12.0 B [Ed.:

being \$11.86 B at 2.42% inflation]. The total owed to Alberta is about \$502.0 B [Ed.: \$501,858,000,000].

Keep in mind that, as with federal debt, Alberta had no say in how our equalization money was being spent by eastern Canada. It could be argued that Alberta cannot be held accountable for spending decisions made with respect to Alberta's equalization money, when those decisions were made in defiance of Alberta's demonstrated political will. That's a tighter case to make, but in the heat of independence negotiations, you can count on it being made. Obviously, that kind of calculation would increase further the amount owing to Alberta.

The other items, the various contributions by the federal government to Alberta or vice versa for various projects, would likely be a wash, and would vary year-to-year, making specific calculations difficult. We should assume that some clearing of balances will be needful between the parties at negotiation but, as noted in the figures above, the net would be dramatically in Alberta's favour.

5. In "Alberta's favour" is relative politically. When considering both the federal debt negotiation and the equalization balance negotiation, where would Alberta be at the end of negotiation?

We will be owed approximately \$490.0 B at independence [Ed.: \$490.0 B equalization balance + \$12.0 B inflation adjustment, less \$12.0 B Alberta share of federal debt = \$490.0 B recoverable].

6. Would independent Alberta have its own currency and, if so, would it be vulnerable to hyperinflation?

Yes, Alberta would have its own currency. To say otherwise is to

assume Alberta would willingly cede control of monetary policy to a foreign country. Canada, after losing Alberta, would be financially unstable and, while we could hard peg to the US dollar, that prospect is politically challenging, and I think it's unlikely.

We could also just dollarize directly; that is, use USD as the currency. This is done more than you know. Zimbabwe is a *de facto* USD economy, as is Ecuador, and El Salvador. Not that Alberta would have the standing of El Salvador, but as a backstop we could dollarize even as a transition to independence -- to insulate from CAD instability. It's possible, workable as a transition step but, again, it's unlikely given the political situation and the fact that Alberta is quite capable of managing its own currency.

As to hyperinflation, there's been talk about an Albertan currency being atypically susceptible to hyperinflation due to energy dominance in our national economy. Much of this talk comes from Canada, with an obvious interest in preventing an Albertan currency. When considering other energy-dominant economies, the hyperinflation argument falls flat. The UAE for instance, has had an average inflation rate of about three per cent for the last decade. Saudi Arabia's inflation rate has been about 3.5 per cent for 10 years now. Kuwait has also enjoyed about three per cent inflation in the decade, and they achieved that in a war zone. In 2019, Kuwaiti inflation is 0.2 per cent. That's not hyperinflation. That's inflation to brag about. And Alberta's energy sector comprises 26 per cent of the economy [Ed.: in 2013], whereas in the UAE or Saudi Arabia or in Kuwait the sector is more dominant than in Alberta. Energy in Kuwait contributes 37 per cent to GDP (gross domestic product).

The supposed inevitability of hyper-

inflation of an Albertan currency is nonsense, floated about by people who should know better, and often do, and so they're just scare mongering. It has no basis in reality.

7. Given the size of Canada's debt to Alberta, what is the likelihood of repayment?

It's basically zero chance. Canada can't break even right now and that with \$14.0 B of Alberta's money every year. Getting Alberta's money back after independence means that Canada would have to cut its annual spending by \$14.0 B just to balance, then cut another \$10.0 B to \$20.0 B from the budget to pay its debts to Alberta. That's not only unrealistic, it would be revolutionary in some places, especially Quebec. They'll think it rough enough that they can't take from us what they want but telling Quebecers that they must pay back what they've already taken, I mean, you'd have riots. Actual riots. No chance.

8. So, the Canadian debt to Alberta is just a notional debt?

No, no. We can get our money back, just not in capital transfers. It'd likely be a land-for-debt-relief deal. We zero Canada's debt to Alberta, they cede most of British Columbia to Alberta. We call it even.

9. What do you say to the objection that's sure to be made, that Canada wouldn't even consider a land-for-debt-relief agreement?

That's true. Canada won't like it, won't want to accept it, and won't even consider it. But at independence they won't have much choice. Look, Canada is largely lit by Alberta's natural gas. We transport the stuff in pipelines all the way to Quebec before the lines turn

south into the US [Ed.: *TransCanada mainline and others*]. That's leverage. They know if negotiations go sour, we can turn out the lights. Worse, when we turn out the lights, they go out in New York too -- that's where Alberta's natural gas ends up. So, the US has incentive to push Canada to clear its debt to Alberta. And they would be. In practice, nobody needs to actually turn the lights out. It's the power to do so and the prospect of Alberta doing it that incentivizes repayment. That's leverage.

And it goes on. At independence, the Canadian budget will be over \$20.0 B in deficit and its debt will be north of \$620.0 B. Canada has no way to pay that and the markets know it. At independence, the real crisis is at the federal Treasury, with an almost immediate crashing Canadian dollar. Think of all the corporate debts denominated in C\$. Think of the massive wealth evaporating by the billion and that by the hour! No, Canada will badly need stability, and they'll need to reach it within weeks. That's leverage, right? That's our position. We come to the table with all the cards. Canada comes cap-in-hand.

On the day after independence, Alberta's doing fine. It's Canada in crisis. We've got Canada cornered. In this crisis, we can drive a deal that they'd never accept now. We can get them to repay all they've taken from us, every stolen cent, in a land deal that clears their debt and gives Alberta open access to the Pacific.

10. How would Albertan independence affect BC?

Well, the land-for-debt-relief deal would absorb most of BC into Alberta. The remnant of BC would be Vancouver Island plus the old GVRD [Ed.: *Lower Mainland*] as far as Hope. This

has been evaluated in some detail, quietly. The borders would be around the Hope Slide area in the south, the Coquihalla Pass and Britannia Beach on the north side, and the Okeover Arm at Lund on the west side, with the border extending up Johnston Strait. The Canadian portion of BC would be like Monaco or Kalingrad or the Vatican City; separated from the rest of Canada but possessing the population and economic base, and connection to Asia-Pacific, to be viable as its own provincial or territorial jurisdiction.

One should note that the ceded portion of BC won't miss the remnant much. With only a few pockets, the rest of BC tends to resent the dominance of Victoria/Vancouver. That most of BC is an afterthought to the part of BC that runs everything is a big issue. The sky-high taxes, the stifling regulation, the needlessly lowered standards of living -- I mean, all of this would go. BC would be freed with Alberta. Let's be clear here -- I think BC is an economic powerhouse just waiting to happen. That can't happen with the socialists running the place. But carving off the most leftist parts, letting them run their own little fiefdom without bothering the rest of us, and letting the rest of BC prosper; well, that's win-win for BC and Alberta.

11. Alberta has run budget surpluses from 1995 - 2008, then a series of deficits since then. What happens to Alberta's provincial debt at independence?

If the provincial government does nothing to change the structure of Alberta's debt -- that is, to redenominate debt in, say, USD at the rollover of each tranche, then if the Canadian dollar goes into freefall when the markets react to Ottawa's inability to balance

anything without Alberta, then our debt becomes easy to pay back. A hyperinflating C\$, when the rest of Alberta is either on USD as an interim, or otherwise on an Albertan currency, has the effect of reducing the actual debt. Now, I'm not advocating this, because the Albertan debt is owed largely to Albertans. But to the question, the domestic debt does become a non-issue if our government does nothing to hedge against a falling C\$.

That said, the government of Alberta has already thought it through and isn't without plans to deal with it. We may dollarize to USD as an interim step anyway, so the actual debt won't be affected much.

The current thinking is that about a year after independence, once markets have calmed and Canada's got itself sorted, that Alberta could monetize the provincial debt. That is, as all government debt is taken on behalf of the people, it is within the right of government to allow the citizens to repay their portion of provincial debt at their leisure. So, they can pay it off right away if they wanted to, or they could just float a boat, pay interest, and roll it over as the government does now on their behalf. Either way, it becomes their choice. On taxes, we'd ensure reductions equivalent to interest on that debt, so from a taxpayer perspective there is no increase in their costs.

12. Provincial debt is just over \$2,000 right now, per capita. That's not a freak show. We can do this.

One more thing -- right now there are only five nations on earth with zero debt and only three countries with no debt. Within a year of independence, Alberta would join that exclusive club of incredibly wealthy countries. We'd be the only

debt free country in the Americas. That's a massive advantage. You thought the Klein era Alberta Advantage was a big deal? An independent Alberta would be the envy of the Earth.

Aboriginal Relations

13. On Aboriginal relations, Canada is funding the reserve system right now but that would obviously change with independence. How would Alberta handle the Aboriginal file on its own?

The present system is unsustainable. It's expensive and divisive. It makes an entire racial group dependent on hand-outs from other racial groups. It allocates rights and responsibilities based on race. We can't continue legitimizing the notion of a preferred race of people. It's the 21st century ... we've got to fix this. There's general agreement that we need to move from race-based policy to racial equality, it's the specifics of how to get there that not all of us agree with.

14. The status of natives in Canada is established at law, but even if Canadian law no longer applies in an independent Alberta, isn't the province still bound by treaties?

You could say the same thing about US law before the civil war. At law, blacks could be owned by whites as slaves. The purchase of a black person as a slave was a legal contract, signed by the auctioneer who sold the slave -- I mean, it was a legal contract, established by legislation and recognized by the Courts. But slavery was also barbaric, inhuman. It was the product even then of a bygone age. It took a civil war to end slavery, but the comparative for Alberta is that all slave ownership contracts were nullified by federal legislation, starting with the Emancipation Proclamation.

We are not required to perpetuate

the sins of history. Racism is obsolete, and I'm being charitable in terms. The idea that Alberta would be required to cement racial privilege is nonsensical. No, we would do our own Emancipation Proclamation, and we'd ensure that Indigenous Peoples previously relegated to reserves are assisted through the transition to full and equal citizenship.

15. Those enjoying privilege in the current system aren't likely to give it up willingly. How do you see the transition happening?

The mechanics of transition is where there's disagreement. I think in general, we're looking at a multi-year transition, with roughly equal increments, year-by-year, so that by the end there is no difference in treatment or rights between the races.

Reserve lands will have to be apportioned to Aboriginal members, within the transition terms. Each person will own their own land. No more communal ownership as a reserve. There will need to be preclusions on sale of First Nations lands for a set period, to ensure that the transition doesn't result in a short-term bump in prosperity followed by long-term poverty. Instead of old reserves, there'll be new municipalities.

Some reserves are on valuable lands -- those adjacent to major cities, for instance. Other reserves are on economically marginal land. Apportioning directly to band members would make some Aboriginals incredibly wealthy and others incredibly poor. To solve this, some form of pooling is needed.

Personally, I favour apportionment on a 70 per cent reserve land allocation to band members, with 30 per cent of reserve land pooled in a trust, with the trust owned by each Albertan Aboriginal with equity allocated based on aver-

age income in the previous years. But there are other ways of apportionment. The key is that race-based land ownership is dismantled in such a way as to ensure viability of remote communities and equal treatment of all Indigenous Peoples through the process.

Other privilege areas, such as race quotas, special rights for certain races, special courts and special legal treatment for some races -- that will all come to an end. Obviously, the Department of Indian Affairs will be not duplicated in an independent Alberta. We wouldn't tolerate a Department of White People or special doorways for "coloureds." This one bugs me. It's high time we buried bigotry. Independence is an opportunity to do just that.

16. Canada and much of the international community would regard equality as harmful, and the status quo as honourable. Wouldn't Alberta get push-back on ending privilege?

Canada couldn't afford its reserve system after Alberta's independence. Where would the money come from? With tightened budgets, with everyone out east screaming about their missing subsidies, how much sympathy do you think racial privilege will get? Look, right now in an immigrant heavy city like Toronto there's not much toleration for special race rights for Aboriginals. Special race rights were once commonly accepted, but immigration has changed the math. The fact is that most immigrants in Canada come from places with genuine hardship, oppression. They know what unfairness looks like. They've lived it. And from that experience, they know that special status for First Nations isn't fair on everyone else, and it's not fair on Aboriginals either, in that it raises generations of angry, resentful people.

After independence, for financial reasons, and buttressed by unsympathetic immigrant communities, Canada will be doing the same unwind of race-based Bantustans as we'll be.

17. Your comments suggest, the detail in them, suggests that in, say, certain groups of influence there has been more than casual consideration of independence. Can you comment on the extent of discussions taking place on the inside?

No, sorry. That's more than I'll say. Every government has contingency plans, every corporation, every enterprise, if they're any good at what they're doing they'll know what's just ahead of the horizon, and they'll have contingency plans in place for everything. That's what it takes to position Alberta to ride something out, to recover from something or, in this case, to position us for a future that's a lot brighter, freer, more prosperous and more just than anything we've had under Canadian control.

18. Is independence inevitable?

No. Albertans are solidly democratic. If Albertans want to let Canada stay in Alberta, then that's it, there's no independence. On the other hand, if things keep going as they are, if our energy is still landlocked in a few years' time, then it's a lot more likely that Albertans will be pushing harder for independence. Canadians won't have much of a say either, it'll be about getting their country out of our country, and it could happen a lot faster than you think.

19. What would you say to Canadians upset at the prospect of an independent Alberta?

Welcome to the revolution. ☺