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Edmonton Chamber of Commerce 2010 Federal Budget Position

Executive Summary:

As the global recessionary cycle continues finding a bottom, Canada remains affected and persists in finding a balance between stimulating the economy and paying down the growing debt.

Although times have some what improved since last year, Edmonton and Northern Alberta (engines for growth with national impact) are still feeling the effects of difficulties accessing capital, reduced commodity prices, and overall reluctance to committing to spending in many sectors of the economy.

Given this background, the Edmonton Chamber of Commerce believes it is incumbent on all Members of Parliament in Canada, regardless of political affiliation, to work together to restore Canada's economic health and enhance Canada's long-term competitiveness, while promptly getting Canada out of a deficit state.

It is imperative that in such a volatile time as this the Government of Canada continues pressing forward with announced commitments, while monitoring and adjusting its fiscal plan to suit a changing economy. Above all, the Government of Canada needs to find a balance between stimulating our economy, improving access to capital and credit, mitigating the impact of decreased demand for Canada's tradable goods, while ensuring that any accumulated debt is properly managed.

At the same time, the Government of Canada must remain committed to fiscal discipline by ensuring value is derived from every dollar spent, and that stability and the best environment for business continue to exist.

Economic Stimulus and Debt Management

Over the last year the global recession and financial crisis in the banking system has impacted Canadian and world economies. The Government of Canada is still under pressure to implement measures to alleviate these recessionary effects, while ensuring that Canada doesn't fall into a structural deficit pattern.

Recognizing the need to take action to mitigate the recession, it is essential that the Government of Canada also keep an eye to the future. This means that in addition to all the steps outlined herein, the Government continue to set definite and attainable targets with respect to personal and corporate taxation levels, national debt reduction and spending levels.

Liquidity in Capital Markets

The Federal government must continue to take a leadership role with respect to increasing liquidity in our capital markets. Since September 2008, the Bank of Canada has taken several significant measures to improve liquidity to Canadian term lending markets. The Bank of Canada must remain committed to using all of the tools at its disposal to provide the increased liquidity that is necessary to create effective functioning financial markets.

Accelerate Spending on Infrastructure

The Edmonton Chamber of Commerce continues to support the making of strategic infrastructure investments that will both further stimulate the economy and create the necessary infrastructure to keep Canada internationally competitive in the long run.

There are already significant funds committed to this work from previous budgets, but actual projects are often still taking too long to work through to approval and implementation. The Government must work on its own processes, and then work with partners in all Provinces and Territories, to streamline the process now and get projects moving, dollars put to work, and work on the ground commenced.

In committing to such infrastructure spending, Budget 2010 should also include consideration of the development of Northern Canada, an area of significant strategic importance. The Chamber recommends increasing strategic infrastructure spending in Northern Canadian communities, as a long-term investment in Canada's economic future.

Corporate and Personal Tax Relief

The chamber encourages the government to stay the course with respect to announced tax relief for Canadians and Canadian business to maintain consumer confidence and support Canada's economy during this period of uncertainty. Specifically, the Edmonton Chamber applauds and supports the government's previous plans to reduce the general federal corporate income tax rate to 15 per cent by 2012, as this will further strengthen Canada's competitive position on the global stage.

Personal taxes should be reduced with tax reductions being essential to families earning \$25,000 to \$35,000 as their financial position is eroded through inflation and clawbacks of tax credits, and to families at the top tax brackets where it is essential that the Canadian tax burden be competitive with those in the United States.

The personal and corporate income tax systems must be reviewed with a view to reducing income taxes at all levels to ensure that income tax rates, brackets and general taxation measures do not create barriers to productivity and global competitiveness.

Assistance for Manufacturing and Processing

It is imperative that the government establish taxation and investment incentives to encourage growth in the manufacturing sector, especially those industries, such as

petrochemicals, that utilize Canadian commodities as raw materials to create value-added products.

History has shown that investment incentives including manufacturing and processing tax credits, manufacturing facilities investment tax credits and accelerated capital cost allowance have been successfully used in the past have been successful in generating the desired growth in these sectors. Specific to Northern Alberta, cancellation of virtually all planned projects in the oil sands demonstrates the need to reinstate the accelerated CCA for oil sands processing.

Fiscal Discipline

Critically Evaluate Spending

This is not the time for major cutbacks in government program or other spending as these measures will weaken a recovering economy. However, major stimulus initiatives and tax expenditures must be responsibly financed. In times of fiscal pressure and conflicting priorities, the Government must manage spending more effectively than has been accomplished over the past several years.

The chamber applauds the efforts of the new *Expenditure Management System* to identify opportunities to increase efficiency and effectiveness, focus on core roles and meet the priorities of Canadians. Through the implementation of this new system of expenditure review, \$386 million has been redirected to fund new initiatives within Budget 2008.

In addition to the *Expenditure Management System*, the government should explore the use of “sunset clauses” in both existing and new programmes to ensure that all spending is critically evaluated on a regular basis in the context of changing economic circumstances.

There are significant areas for immediate and ongoing improvement. Growth in spending has been largely unchecked and has borne no relation to either inflation or populations growth, and therefore moving forward, the Government should cap increases in annual operational and programme spending to a maximum of 3%, a reasonable estimate of increases justified by inflation and population growth.

Through these efforts, government can prudently and strategically reallocate spending to ensure that higher priority initiatives such as capital infrastructure, or corporate and tax savings, can be achieved while lower priority spending is reduced.

Conclusion

Over the next year, Canadian businesses will continue to face economic challenges as the economy finds its footing. It is imperative that all political parties work together on an economic strategy that will ensure business vitality during what we hope are the final stages of a global economic recession.

As a result, it is imperative that the Federal Government prepare a sound federal budget that focuses on continued stimulation of Canada's economy, demonstrates strong fiscal management, pays down our debt, while restoring Canada's economic health and enhancing Canada's long-term competitiveness. This means that in addition to all the steps outlined herein, the Government must continue to set definite and attainable targets with respect to personal and corporate taxation levels, national debt reduction and spending levels.

The Edmonton Chamber of Commerce therefore recommends that the Government of Canada:

- Move to eliminate deficit financing as soon as possible and avoid structural deficits;
- Continue working with the banking community on improving liquidity in Canadian capital markets;
- Work with Provincial and Territorial governments to streamline approval processes for capital investment and accelerate strategic spending on community and national infrastructure especially in Northern Canada and in key transportation systems;
- Accelerate the process of providing personal and corporate tax relief and at the same time avoid and/or remove any claw backs of tax credits that would erode the financial advantages gained through tax relief;
- Restore the 4 per cent manufacturing and processing tax credit and expand it to include oil and gas expansion processing;
- Restore the 7 per cent manufacturing facilities investment tax credit;
- Continue the Accelerated Capital Cost Allowances for oil sands operations and expand that to include bitumen processing;
- Continue to critically evaluate all spending within the terms of the Expenditure Management System and re-evaluate the opportunities for efficiencies and reinvest key savings in programs and capital projects which provide an economic stimulus;
- Cap increases in annual operational and program spending to a maximum of 3 per cent, justified by inflation and population growth;
- Explore the use of "sunset clauses" in both existing and new programmes to ensure that all spending is critically evaluated on an ongoing basis; and
- Revisit integration on eligible dividends so that the combined federal corporate and personal income tax rates on eligible dividends are comparable to tax rates applicable where income is earned directly.