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## Edmonton Chamber of Commerce 2009 Federal Budget Position

### Executive Summary:

The global recessionary cycle, exacerbated by turmoil in the financial markets that has impacted on access to capital or credit, continues to severely harm the economies of the developed world. Canada is affected by this much more than was initially understood, and in ways that were not anticipated. Edmonton and Northern Alberta, engines for growth with national impact, are feeling the effects of difficulties accessing capital, drastically reduced commodity prices, and overall reluctance to commit to spending in all 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 implement a fiscal plan that will stimulate our economy, encourage a freer access to capital and credit, and mitigate the impact of decreased demand for Canada's tradable goods.

At the same time, the Government of Canada must remain committed to fiscal discipline and ensure value is derived from every dollar spent, and that stability and the best environment for business exists during this period of global economic uncertainty.

### **Background - Economic Stimulus Recommendations**

#### *Liquidity in Capital Markets*

The Federal government must continue to take a leadership role with respect to restoring 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 supports the making of strategic infrastructure investments that will both 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 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 the meantime, funds should be directed to “shovel ready” projects identified by municipalities.

In committing to such infrastructure spending, Budget 2009 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 at all levels of income, with tax reductions being essential to families earning between \$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.

### *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.

## **Background - Fiscal Discipline**

### *Critically Evaluate Spending*

This is not the time for major cutbacks in government programme or other spending. 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 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**

Canadian businesses will face significant economic challenges in the coming year and all political parties must work together on an economic strategy that will ensure business vitality during a global economic recession. As a result, it is imperative that the Federal Government prepare a sound federal budget that focuses on stimulating the economy, demonstrates strong fiscal management, and minimizes the political uncertainty. 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:**

- Work with the banking community to identify and implement changes that would improve liquidity in Canadian capital markets.
- Working with Provincial and Territorial governments, 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.
- Restore the 7 per cent manufacturing facilities investment tax credit.
- Reinstatement of the accelerated capital cost allowances for all large manufacturing and processing investments including oil sands operations; and
- Address the reformation of the personal and corporate income tax systems to ensure that income tax rates, brackets and general measures do not create barriers to productivity and global competitiveness.
- 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 programme spending to a maximum of 3%, a reasonable estimate of increases 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
- Recognizing the pressure to take action to mitigate the recession, it is essential that the Government of Canada keep an eye to the future. 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.