

## Edmonton Chamber of Commerce 2009 Provincial Budget Position

### Background

The Edmonton Chamber of Commerce is pleased to present to the Provincial Government our recommendations and policy considerations with respect to the 2009 annual budget that we consider to be reflective of the unique challenges that face the Province of Alberta today. While Alberta's resource wealth and fiscal discipline have positioned it well, the province faces forthcoming challenges from the global financial crisis and a receding American economy.

Recently, commodity prices have declined on recession concerns and as a major trading nation and a net exporter of many commodities, weakening demand worldwide and, more specifically, in the United States, will hinder the external side of the Canadian economy. Additionally, profound risk aversion has taken hold among investors and lenders alike. While Canada's financial sector remains relatively sound, the hesitancy throughout the financial industry will impact Alberta Business, and the Alberta government must act swiftly and responsibly to ensure businesses are able to access credit for day-to-day operations. If necessary, the Government of Alberta should take measures to enhance the long-term funding capacity of provincial financial institutions and agencies.

The Province of Alberta must remain sensitive to these challenges and develop a vision for the future of all Albertans that restores and maintains the Alberta Advantage. It is the Chamber's position that Budget 2009 must mark the beginning of a well-defined plan for Alberta's future that addresses the challenges of economic uncertainties by remaining vigilant to fiscal responsibility, facilitating economic diversification, and strengthening the business environment of the Capital Region.

The Edmonton Chamber of Commerce notes the following key issues to be addressed in Budget 2009:

1. Fiscal Responsibility
  - a. Prudent Measures
  - b. Accurate budgeting
  - c. Financial sustainability of Health Care
2. Economic Diversification
  - a. Development of "Port Alberta"
  - b. Provincial Initiatives
  - c. Workforce
3. Capital Region
  - a. Great Northern City
  - b. Northern Relations
  - c. Regional infrastructure

## **Fiscal Responsibility**

### Prudent measures

The Province should continue to produce and adhere to three-year business plans to guide departmental spending and budget planning for all Ministries, but in addition to continuing with this practice should undertake serious reviews of government priorities as identified within the three-year business plans. In particular, the Chamber is concerned that spending on Health and Education programs, which currently consume a significant portion of the Province's budgetary commitment, is limiting the Province's ability to address infrastructure issues or social program costs.

The Province must also restrict "one-time spending" initiatives to fiscal and environmental emergencies and items that cannot be reasonably budgeted for or anticipated, and eliminate all other unbudgeted spending powers. Specifically, such restrictions should exist to curtail Ministerial powers to use "one-time spending" to build capital facilities, acquire other capital assets or to unnecessarily "grow" government departments.

The Edmonton Chamber of Commerce wants to ensure that government services lead the nation in terms of quality – not just spending levels. The government must critically re-examine program spending and assess program needs and public requests for services to determine how it can deliver the highest quality of service and provide the best return on investment possible.

The Edmonton Chamber of Commerce also recommends that the Alberta Government review the potential cost savings afforded the Province of Alberta from the coordination of the delivery of tax assessment, audit and collection services with the Canada Revenue Agency.

The province has identified four risk factors to the budget – oil prices, natural gas prices, and the Canadian dollar and equity markets – but has failed to identify a fifth: the consequences of higher environmental standards. Increased pressure for mechanisms of carbon taxation could drastically impact business revenues in Alberta. We recommend the provincial government study alternatives that will enhance environmental protection, without implementing a system that will transfer wealth to other jurisdictions and work to the detriment of Alberta business, specifically as it relates to northern industries.

To ensure that these industries, which are fundamental to Alberta's and Canada's economy, continue to thrive, it is also necessary to continue to maintain low corporate and personal income taxes. The strength of Alberta's business tax advantage depends on low corporate income tax rates, no capital tax, no general sales tax, no payroll tax, and the lowest gasoline tax among the provinces. This is cornerstone of the Alberta advantage and it must be maintained in order for business to continue to thrive.

### **Recommendations:**

- 1. Continue to produce and adhere to three-year business plans to guide departmental spending and budget planning for Provincial Ministries.**
- 2. Review government priorities as identified within the three-year business plans with key criteria for spending decisions that are clearly established.**

3. **Restrict “one-time spending” initiatives to fiscal and environmental emergencies and items that cannot be reasonably budgeted for or anticipated, and eliminate all other unbudgeted spending powers.**
4. **Study alternatives to mitigate any negative impacts to business resulting from future environmental legislation.**
5. **Maintain lowest levels of corporate and personal income taxes as a means to maintaining the Alberta Advantage. This includes consideration of a further reduction to the general corporate income tax rate and the small business tax rate.**
6. **Consider personal income tax rate and/or exemption threshold amendments as a means of maintaining the “Alberta Advantage” and improving our competitive position.**

#### Accurate Budgeting

The Edmonton Chamber consistently supports forward thinking, fiscally responsible and accurate budgets from the Government that offer certainty.

Overall levels of taxation within Alberta are among the lowest in Canada. However, with strong international competition, it is essential that the Alberta Government ensure that taxation does not, at any time, exceed the known and budgeted requirements of government spending.

Further, we are fully cognizant of the volatility of resource revenues and the potential impact that these revenue swings may have. However, because of the Royalty Review findings, it is incumbent upon the Government to ensure the budget process captures sufficient information – in particular more accurate royalty projections based on realistic market conditions. This would ensure that intended surplus positions are not created and that unintended surplus positions are kept to a minimum. Expenditures, and savings, should be planned as part of a balanced-budget approach. This avoids the uncertainty of making program or capital expenditure decisions based on a surplus calculation at the end of the year, or of a projected surplus at the beginning.

The chamber strongly believes the province should properly control spending and should be placing substantial royalty revenues – not only surpluses – into savings with the eventual goal of only using the interest on savings to fund spending. The chamber concurs with the Financial Investment and Planning Advisory Commission’s recommendation in their report on Alberta’s savings and investment strategy to the Government of Alberta to establish a target of saving \$100 billion in net financial assets in a renewed Alberta Heritage Fund by 2030.

#### **Recommendations:**

7. **Eliminate surplus budgeting. Expenditures, and savings, should be planned as part of a balanced-budget approach.**
8. **Save a minimum \$100 billion in revenues gained through the development of non-renewable resources in a renewed Alberta Heritage Fund by 2030 and then index the set savings amount to inflation and population growth measures, so that future generations can share in the natural bounty of the Province.**

#### Financial Sustainability of Health Care

Health-care expenditures have escalated to 36.4 per cent of all spending in Budget 2008 whereas income taxes account for only 32 per cent of government revenues. The forecasted \$12 billion in personal and corporate income taxes to be collected next year still won't cover the more than \$13 billion allocated for operating and capital health care budgets. The continual escalation of costs for provincial health care is unsustainable. Therefore, the chamber continues to encourage prudent reforms that would improve the fiscal sustainability of the health care system, without allocating additional costs to business by having them provide health benefits that were have continually been accounted for through the Alberta's public health system.

On May 15, 2008, the government of Alberta created one provincial governance board, the Alberta Health Services Board, which replaced Alberta's nine regional health authority boards, the Alberta Mental Health Board, Alberta Cancer Board and Alberta Alcohol and Drug Abuse Commission (AADAC). The chamber acknowledges the initiative the Alberta government has taken to implement this significant administrative reform. However, there needs to be more accountability and transparency to ensure that while these reforms are undertaken, valuable assets developed throughout Alberta's healthcare system and specifically in the Capital region are maintained.

- 9. Continue to assess prudent reforms that can be taken to improve the financial sustainability of the health care system, without undermining its successful components and ensuring costs are not transferred to businesses.**

## **Economic Diversification**

### Port Alberta

Port Alberta is a value-added trade and transportation strategy aimed at establishing an integrated transportation and distribution system that allows the Province of Alberta to build on its strategic and competitive advantages, and to compete successfully as a significant North American component of global supply chains. The goal of the initiative is to ensure that the Edmonton Capital Region develops as a major North American warehousing, distribution, and multi-modal hub that links road, rail and air assets throughout the region with marine ports on the west coast, enabling sustained economic development across diverse sectors in all regions of Alberta.

The goals of the Port Alberta strategy are consistent with the Government of Alberta's priority of building a stronger Alberta. For example, the province has placed a priority on developing a long-term strategy for technology commercialization and economic diversification, as well as enhancing Alberta's international presence and trade relations, especially with the United States. With linkages to government priorities, Port Alberta accomplishes both of these goals. It is therefore incumbent upon the province to support the Port Alberta initiative by investing strategically into infrastructure, with a focus on maximizing efficiency with respect to the movement of goods.

The Chamber acknowledges that both the Government of Canada and the Province of Alberta have committed funding to Port Alberta and recently the Legislative Assembly of Alberta passed a motion, which unanimously urged the Government to provide support to Port Alberta. However, the Government of Manitoba has taken a significant lead by advancing a similar inland port strategy with the adoption of legislation. Bill 47, *The Centreport Canada Act*, effectively establishes and empowers a Manitoba corporation "to facilitate the long-term development and operation" of an inland port.

To build on the Government of Alberta's support for the province's economic diversification, the chamber encourages the Government of Alberta to consider comparable legislation to advance the development of Port Alberta.

**Recommendation:**

- 10. Commit the necessary resources to the development of the "Port Alberta" initiative by investing in integrated infrastructure to support an enhanced integrated transportation strategy consistent with this vision.**
- 11. Consider establishing provincial legislation to create a inland port corporation that will guide the Port Alberta strategy.**

Provincial Initiatives

The Edmonton Chamber encourages provincial initiatives that serve to diversify Alberta's predominantly resource-based economy. With Budget 2008, the Government of Alberta implemented a diversification initiative with the establishment of the Alberta Enterprise Corporation. The corporation is the centre of the Alberta government's plan to diversify and sustain the provincial economy. Its mandate is to develop a locally managed venture capital industry specifically supporting knowledge-based companies in Alberta, while improving access to early stage venture capital. The corporation will manage a fund of \$100 million that was allocated through Budget 2008 to co-invest in a number of early stage capital funds focused on areas including information and communications technology, life sciences, green technology and nanotechnology. The government lauds this corporation as a pillar of Alberta's plan to attract global expertise and resources in order to bring technology to the market faster and more economically. The Alberta government's technology commercialization action plan also includes a science and research tax credit that has been continually advocated for by the Edmonton Chamber of Commerce as well as targeted new entrepreneurial supports and awareness programs that benefit value-added and technology-based businesses. The Edmonton Chamber supports the Alberta Enterprise Corporation providing resources to sound economic diversification strategies such as the Port Alberta initiative.

**Recommendation:**

- 12. Continue to invest and implement Alberta's technology commercialization action plan as a means to diversify Alberta's economy.**

Workforce Challenges

Despite global economic uncertainty, Alberta will continue to face labour challenges in the forthcoming years. The Chamber supports the measures that the Government of Alberta has introduced to address this critical issue, including proposals to increase the Nominee Program, reviewing the need to expand immigration Destination Sites and working to review provincial accreditation for immigrant workers. However, it is clear that more must be done to allow greater access to the immigrant workforce, and it must be done in an expedient manner while keeping standards high and working to increase immigration. The Chamber does not, in any way, support relaxing the rigid standards that have been developed to evaluate qualified immigrant candidates; however, it is clear that the red tape must be removed and that excessive layers of administration

required for processing these successful candidates must be streamlined to ensure faster access to foreign labour.

Accordingly, the Chamber believes that it is incumbent upon the Province of Alberta to ensure that the necessary resources are committed to continued cooperation with the Government of Canada and actions are taken to implement the new strategies to attract a skilled workforce. This is essential to finding solutions to labour challenges that the Province of Alberta is experiencing.

**Recommendation:**

**13. Develop incentives to attract a diversified young workforce with the knowledge and skills to capitalize on economic opportunities.**

**Capital Region**

Great Northern City

The 2008 budget allocated \$50 million in funding to develop the Capital Region River Valley Park, which will enhance Edmonton's status as a world-class city and serves as excellent example of a targeted investment. Additionally, the Alberta government has committed \$200 million toward the renovation of the Federal Building in Edmonton. This funding has been augmented with an additional \$156 million to construct a 650-stall underground parkade and to develop a new landscaped plaza between the Federal Building and Bowker Building, at the north end of the Legislature grounds. The chamber will look to the Government of Alberta to provide future targeted funding to support urban redevelopment and revitalization for the Great Northern City of Edmonton.

**Recommendation:**

**14. Provide future targeted funding to support urban redevelopment and revitalization initiatives within the Edmonton region while ensuring previous funding commitments are upheld.**

Northern Relations

The Edmonton Chamber of Commerce has continually supported a long-term vision of Edmonton's potential in the international marketplace through World Trade Centre Edmonton. Alberta's vast geography extends it into the Circumpolar Region of the world. As a founding partner in the Circumpolar Chambers of Commerce, the Edmonton Chamber's mission is to promote the economic potential through the north in the global marketplace. The North is becoming an increasingly prosperous draw for exploration, investment and development. As such, Northern Relations has been identified by the chamber's board as one of the Edmonton Chamber of Commerce's strategic priorities.

The priority calls for the creation of a business environment that facilitates the efficient and responsible development in the northern Canadian region that includes Northern Alberta, Yukon, Northwest Territories, Nunavut, Northern British Columbia and Northern Saskatchewan. The environment would support growth and quality of life within communities and working relationships within the northern region. It would ensure maximum, economic, cultural and social

benefit to both business enterprise and the people living in the North and it would position Edmonton as a central, long-term partner in the continuing sustainable development of the North.

Directly related to the implementation of the Royalty Rate Review recommendations, the Chamber recommends that the Government of Alberta commit a portion of the additional revenues generated by the implementation of the new Royalty Rate Regime to sustainable development and infrastructure in those Northern Alberta regions impacted by the costs associated with supporting the responsible development of Alberta's resources.

**Recommendation:**

**15. Target investments in Northern Alberta regions and streamline approval processes, such as environmental clearance for commercial and residential projects to facilitate the efficient and responsible development of the North.**

Regional Infrastructure

Proper, sustainable and reasonable capital spending by the Province remains critical for our province. The capital "infrastructure deficit" that developed, and the recent unprecedented growth in population as well as industrial and commercial activity, create challenges that require urgent attention and a long-term plan. The Alberta government has committed to investing approximately \$22.2 billion over the next three years to support infrastructure in the province and address the needs of a growing economy and population.

The 2008-11 Capital Plan, released as part of Budget 2008 is focused at achieving the goals established in the 20-Year Strategic Capital Plan. In this plan the requirement for new infrastructure is complemented by additional resources to maintain existing facilities.

In the context of the Capital Region, it is essential that regional infrastructure needs be met so that the region effectively functions as an economic force on a regional, national and international scale, and as a hub through which much northern and central Alberta development is carried on.

The province eliminated previous debts at the expense of much needed infrastructure and Alberta's municipalities paid a heavy price as part of the efforts to retire that outstanding provincial debt. Municipalities were disadvantaged during the course of the debt retirement program as they received less funding and had to provide programs previously delivered by the provincial government. The chamber acknowledges the Alberta government's recent support of municipal infrastructure programs such as the \$2 billion allocated for public transit investments. However, this funding allocation was not accompanied with an implementation strategy and projects for the Capital Region have yet to be identified.

**Recommendation:**

**16. Continue to work with municipalities to develop funding formula that improves revenue allocations throughout regions and provide communities with the capability to address growing infrastructure issues.**