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CHAMBER OF COMMERCE

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Provincial budget hits the right balance in a booming economy, but 'red' flags remain

"After looking at the details, it's our view that Budget 2008 strikes the right balance for business in a booming economy," says Edmonton Chamber of Commerce Chair Patrick LaForge. "Population and economic growth means there are increased infrastructure needs and demand for services. On that front this budget delivers. But at the same time, Edmonton's business community has to be concerned about 'red' flags on the horizon."

The Chamber notes that the province deserves credit for introducing measures to diversify Alberta's economy and improve the business environment. The measures that are consistent with Edmonton Chamber priorities include:

- The introduction of an SR&ED Tax Credit, increasing the small business deduction threshold to $500,000, providing $100 million to establish the Alberta Enterprise Corporation and the creation of the Premier's Council for Economic Strategy can all facilitate Edmonton's economic diversification.
- The $50 million in funding to develop the Capital Region River Valley Park will enhance Edmonton's status as a world-class city and help attract a diverse young workforce.
- Matching federal tax measures on capital cost allowances, tax-free savings accounts and northern residents deduction will be particularly significant to the Chamber's northern partners. As will significant increases to infrastructure funding, including upgrades to Highway 63 and the North American Trade Corridor.
- Significant increases to municipal funding, along with the recent formation of the Capital Region Board, should contribute to a sound regional growth plan.

While the elimination of health-care premiums will be welcomed as the removal of a regressive tax, the Chamber notes that the current health-care model is not sustainable and is in need of reforms. With our rapid growth and demographics, the demand for health care will not diminish – a situation that may be exacerbated by the elimination of health-care premiums. The Chamber is concerned that with the removal of premiums, health care will be perceived as a free good in Alberta – and the demand for free goods tends to be unbridled.

Other related “red” flags include:

- Health-care expenditures have escalated to 36 per cent of all spending 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 health care’s more than $13 billion price tag.
- In the past, the province eliminated the debt at the expense of much-needed infrastructure. Are we repeating history by providing Albertans with savings at the expense of closing the infrastructure gap? Rather than reducing its capital spending by $1 billion next year, the province could be cutting operating expenditures and more aggressively fund capital needs.
- The province has identified four risk factors to the budget – oil prices, natural gas prices, the Canadian dollar and equity markets – but has failed to indentify a fifth: the consequences of higher environmental standards. Increased pressure for carbon taxation could drastically impact revenues in Alberta.

These red flags, combined with the potential for external shocks beyond the control of the provincial government, can only be mitigated with aggressive savings.

“Just because we have a surplus doesn’t mean we must spend it,” LaForge says. “The Chamber strongly believes the province must learn to 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 Edmonton Chamber of Commerce looks forward to working with the Government of Alberta in *"Creating the Best Environment for Business."*

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