



POSITIONING FOR PROSPERITY

Considerations for Developing the 2016 – 2017 Federal Budget.

On behalf of the Alberta Chambers of Commerce (ACC) federation, we respectfully submit recommendations to the Government of Canada as it develops the 2016/2017 Federal Budget. These recommendations reflect the priorities and concerns of the ACC and the 128 community chambers of our federation who represent over 24,000 businesses in the Province of Alberta.

The ACC is unique in Canada in that every community chamber in Alberta is a member of the provincial federation as well as the Canadian Chamber of Commerce.

A vibrant and healthy business community is essential to the long term prosperity of all Canadians. With this relationship in mind, the 2016/2017 Federal Budget should provide the leadership the business community needs to remain resilient, optimistic, and enabled to pursue opportunity in the long term, even as we deal with the realities of lower economic growth today. The vision for this budget should aim to ensure Canada is consistently valued, internally and externally, as a globally leading environment to do business.

As the Government considers its policies to position Canada for long term prosperity, the ACC presents the following recommendations for consideration. These priorities support responsible national economic development, focusing on four strategic policy areas:

1. Strengthen Canada's fiscal competitiveness and tax environment;
2. Reduce barriers to trade and investment in competitive strengths;
3. Strengthen labour market development with the view to attract and retain global talent;
4. Adopt a proactive approach in policy design and implementation.

Strengthen Canada's fiscal competitiveness and tax environment

Even as it makes strategic investments in infrastructure, it is imperative the Government apply the highest level of discipline to both its capital and operational expenditure plans in order to return Canada to a net-positive fiscal balance as soon as possible. A position of fiscal balance enables a greater range of policy measures to ease pressures that restrict economic growth like tax reduction and, by reducing debt requirements, allows more government revenues to be applied to delivery of necessary government services.

A second opportunity for fiscal leadership would be to immediately tackle the efficacy of the Tax Code, with the view to modernizing the tax system in order to reduce the compliance burden the tax system currently imposes. This will reduce costs for both business and government (and individuals as well), and thereby increase business productivity, attract investment and enable better retirement and succession planning for small business owners and others. A fully modern tax system would support government strategic interests and policies, and could serve as a forward thinking global benchmark.

A fully modern tax system could well achieve positive implications for the Canadian brand. It would ensure the hard work of Canadians today fully benefit future generations while easing the impending structural issues associated with the financial security of our aging population. This is an easy policy win, with benefits for individual Canadians and businesses now and in the long term.

To position Canada globally as a fiscal leader with an attractive tax environment, the ACC recommends:

1. Annually target for balanced (or conditions permitting, surplus) budgets, subject to recessionary conditions indicating a requirement for deficit spending to stimulated economic activity;
2. Confine program spending to core areas of federal responsibility and limit growth in program spending to a maximum of national population growth plus inflation;
3. Undertake a comprehensive review of the Government of Canada fiscal structure, including in particular all taxing statutes to identify and ensure implementation of simplified tax legislation and decrease compliance costs. The review should include a comprehensive review of all aspects of taxation relating to determination of tax characters, timing and calculations, including in particular examination of the hundreds of exemptions, deductions, rebates, deferrals, and/or credits that are part of the federal tax system to determine which ones are inefficient or wasteful and can be eliminated. Going forward, the Government should include provisions for regular reviews and updating in order to ensure the resulting simplified system remaining flexible.

Reduce Barriers to Trade and Investment in Competitive Strengths

Continued investment in and coordination of infrastructure is fully supported by Alberta's business community. Of particular relevance for all Canadians at this time is the building, expansion or repurposing of pipelines and port facilities to ensure robust tidewater access for primary exports. This is a critical piece of a successful economic development platform that will support long term prosperity for all Canadians.

In his letter introducing the National Energy Board's recent release of *Canada's Energy Future 2016: Energy Supply and Demand Production to 2040*, Chair and CEO C. Peter Watson notes that:

"... the development of future energy infrastructure directly impacts export prices, future production growth and the overall Canadian economy. While Canada has no influence on global commodity prices, it does have control over the ability to access new markets for our exports and receive the full value in the global market place, whatever future global prices may be."

Currently, special interests are impeding critical pieces of infrastructure getting built that move these products to tidewater. These interest run contrary to our current and future national interests, and ignore the realities of our economy and market access:

- The United States are transitioning from an importer to exporter of energy;
- 77% of Canadian exports are to the United States; and
- 33% of those exports are non-renewable energy resources

The tools are available for federal legislators to overcome the obstacles resulting in land locked export products and barriers to investment. The federal government must take a decisive leadership role on implementing systemic change with the goal of creating the tools, mechanisms and dashboard to create a coordinated national platform to facilitate responsible economic development in the long term interests of all Canadians. This includes adopting, and promoting, the fact that Alberta's contribution to national levels of prosperity is a strategic strength shared by all Canadians.

Other critical infrastructure is also required in order to make all transportation and logistics across Canada more efficient and effective. A national transportation and logistics plan supporting inter-provincial trade and commerce would demonstrate both leadership and commitment. One example raised through our federation is the development of a national transportation/utility corridor in order to simplify processes related to the development of such infrastructure.

The government should look at appropriate and effective fiscal measures that support capital investment. A great example of this is the use of accelerated capital cost allowance (ACCA) to incent investment on the basis that investors are able to recover their risk capital earlier in the process as a result of a deferral of some of the tax burden on the revenue that is generated as a result of the investment. The use of ACCA for the manufacturing industry is a good example of such federal support, and this approach should be applied across all sectors to attract investment.

An ACCA previously existed for conventional oil and gas, as well as oil sands production, but was phased out in 2007, on the purported basis that the risk in these areas was no longer relevant. This is simply wrong, as demonstrated by the current investment climate. Given current market conditions, reintroducing an ACCA for oil and gas projects, as well as processing and value-add petrochemical spin offs, could stimulate investment and position Canada's energy sector to again drive economic growth and generate jobs.

Financial markets also play a strong role in attracting investment and Alberta's unique securities regulation has been a primary enabler of Alberta's, and subsequently Canada's, economic growth. By following the guidance laid out by the Supreme Court with respect to provincial jurisdiction and securities regulation, getting federal support back on track for the robust national passport system would support appropriate and consistent national policies, while ensuring provinces like Alberta can address the needs of their capital markets and unique circumstances for economic development.

To support economic development that leverages regional opportunities and strengths in the interest of all Canadian's shared prosperity, the ACC recommends:

1. Facilitate the development of new market access for Canada's energy resources and value added products, by supporting development of energy transportation infrastructure, including pipelines and, where it makes sense rail, as well as ports;
2. Develop a national transportation/utility corridor plan linking all urban centres and regions in Canada, and support a comprehensive transportation and utility system;

3. Reinstate the accelerated capital cost allowance for oil sands and other energy related projects and extend the allowance to include resource processing investment, including integrated upgraders, merchant upgraders and petrochemical industrial products;
4. Work with the province and territories to continue with the next phase of the Passport Agreement, build on securities passport improvements that have already been made by participating provinces and territories, and move towards national harmonization by way of a well designed, well monitored, nation wide passport system for securities regulation that includes all provinces and territories.

Strengthen Labour Market Development and Talent Attraction and Retention

For those in search of opportunity and prosperity, Canada is an attractive destination for many around the world. These include the high skilled and those looking to start and grow a business. Currently, there are significant barriers to securing the opportunities associated with foreign talent and the contributions they can make to all Canadian's long term prosperity.

The Canadian Chamber of Commerce's recent report *Immigration for a Competitive Canada: Why Highly Skilled International Talent is at Risk* outlines these barriers and the path forward for ensuring Canada remains a destination of choice for foreign talent and an environment where businesses can look outward for talent to help them grow and innovate.

To enable talent to be a competitive strength in securing long term prosperity the ACC recommends:

1. Realign resources to invest in growing a talented population;
2. Consider the 20 recommendations set forth by the Canadian Chambers of Commerce report '*Immigration for a Competitive Canada: Why Highly Skilled International Talent is at Risk*' as critical to the terms of reference for establishing a proactive and streamlined economic immigration process.

Adopt a Proactive Approach to Policy Design and Implementation

The ACC calls on the federal government to be mindful of the layering effects of government policy that impedes rather than enhances business resilience, innovation and growth. Businesses are currently suffering from the incremental layering effects of public policy arising from different levels of government.

These effects cannot be viewed in isolation as policy makers seek to improve Canada's environmental performance or diversify the economy. This holds true for all major policy initiatives. When combined with the impacts of low global commodity prices and slowing economic growth, constricted access to talent and capital, and a tax environment that undermines investment attraction and productivity,

compounding costs to do business can be deadly to businesses already struggling to adjust to lower economic activity.

These risks are particularly relevant for small and medium-sized businesses (SME's). The ACC federation represents 24 000 businesses, nearly ninety-five per cent of whom are SME's. As such, the ACC recommends that the federal government conduct thorough consultation of regional business communities and sensitivity analysis' before implementing broad policy changes.

To support business' ability to proactively engage as partners in new public policy the ACC recommends:

1. Evaluate all proposed new policies applying a cost to business calculation, and where appropriate implement those policies in a staged manner, allowing businesses to adapt operations in advance in order to meet the desired outcomes in the most efficient manner;
2. Focus on outcome-based policies, with flexibility for businesses to choose how best to meet these outcomes;
3. Implement new environmental policy only after completing a cost-benefit analysis of the economic and distortive impacts of the proposed changes, taking into account the increased costs already in place in regions across Canada with similar policy;
4. Reinvest all new revenues from climate policy into applied research and development grants, renewable electricity incentives, education and awareness initiatives, energy efficiency rebates and significant tax relief, all of which must be made accessible to individuals and businesses.

Summary

By demonstrating decisive leadership and taking action on strategic opportunities, the Government of Canada can exploit opportunities building on a strong economic development strategy. The 2016/2017 Federal Budget can provide resources and direction to act on these strategic opportunities with a common vision. Engaging the business community as meaningful partners in pursuit of long term prosperity for Canadian's will further strengthen the results we can collectively achieve.

The full policies and reports outlining these strategic opportunities can be viewed via the below links.

Alberta Chambers of Commerce References

- [*Market Access for Alberta Based Energy Products*](#)
- [*Climate Change Policy for Alberta*](#)
- [*Securities Regulation*](#)

Canadian Chambers of Commerce References

- [*Federal Fiscal Policy*](#)
- [*Applying the Accelerated Capital Cost Allowance for Oil Sands, Upgrading and Petrochemical Industries*](#)
- [*Immigration for a Competitive Canada: Why Highly Skilled International Talent is at Risk*](#)
- [*Preparing for Canada's Growth by Securing Transportation/Utility Corridors*](#)