2020
Policies

The policies in this book were approved by the Board of Directors of the Alberta Chambers of Commerce at the 2020 AGM. Policies approved by the board remain a part of the policy book for three years.

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Provincial Policy

Advanced Education

Creating an Effective Workforce for the Changing Economy

Issue

Alberta is a prosperous province, with a strong entrepreneurial spirit, and a skilled and energetic workforce. At the same time, Albertans - like many Canadians - are struggling with transitions between learning and work, which is resulting in social and economic implications. If Alberta is to remain competitive with the rest of Canada, it must adapt to and address the coming labour market disruptions.

Background

Skills gaps can be costly. A 2016 study estimated that unmet skills needs are costing British Columbia up to $7.9 billion in foregone GDP and over $1.8 billion in tax revenues each year (Kachulis and McKean, 2018). While Alberta's economic outlook is favorable with a low unemployment rate and projected continued economic growth, meeting the demand for skilled workers in the province is essential for ensuring long-term prosperity. Data shows that as of 2019, there were 52,890 (or 2.6%) vacant jobs in Alberta – a figure that does not approach pre-recession levels, but is on an upward trend (Statistics Canada, 2018). Projections developed by the Centre for Spatial Economics confirm, Alberta's labour shortage is likely to grow to about 49,000 by 2025, with in-demand occupations requiring a variety of skill types and levels (Government of Alberta, 2015).

These projections should cause some alarm for policymakers, as they reflect a range of emerging concerns from changing patterns of education and training, labour shortages, post-secondary completion rates, and the continued importance of education and employment information and services.

The Information and Communication Technology Council estimated that in 2020, there will be 200,000 communications and information technology jobs that will need to be filled in Canada (Information and Communication Technology Council, 2015). Certainly, with technology evolving, there is a need to introduce supports and training to fill the kinds of jobs that will be necessary to accommodate the changing digital landscape. Post-secondary institutions should be focused around introducing courses that produce people who can fill voids in software engineering, data science, coding and programming (Kalra, 2016).The Information and Communications Technology Council has viewed these types of programs as essential to addressing the labour shortage and diversity problems in the ICT workforce (Information and Communications Technology Council, 2015). Similarly, the Canadian Council of Academies' Expert Panel of STEM Skills for the Future concluded that the development of "strong foundations in STEM literacy (enabled by effective teachers, research-based pedagogical methods, and engaging instruction and curricular materials)" is essential to preventing future labour supply bottlenecks (Government of Canada, 2018).

With this in mind, it is imperative to create supports for those undergoing career transitions. Innovations in artificial intelligence and robotics have the potential to improve quality of life,

increase productivity, and create new jobs, but they may also render some jobs and tasks obsolete, creating a shift in the skills that organizations need to remain competitive (Mullin and Lamb, 2018). The effects of artificial intelligence will be felt across all sectors: it is predicted that driverless cars, for example, could disrupt over 33 industries (Mullin and Lamb, 2018). Results from a survey from the Development Bank of Canada in 2017 indicate that over a quarter of employers in Canada have already altered the way they operate because of the digital economy. (D'Souza and Williams, 2017)

In addition to assisting with decision-making and customer service, artificial intelligence will play a role in automating repetitive tasks. In Alberta's case, the C.D. Howe Institute estimates that 45.8% of employment in the province is possibly automatable, and 33.8% is highly susceptible to automation. This is slightly above the Canadian average (Wyonch, 2018). With this in mind, many will have to undergo training, ranging from minimal to significant (Wyonch, 2018). Certainly, for Alberta to remain a leader and position themselves in a way that is responsive to the evolving economy, they must introduce measures to ease the transition to an automated future.

The framework for Alberta's workforce development program is strong. Between 2006 and 2018, the Government of Alberta pursued a workforce development strategy called Building and Educating Tomorrow's Workforce (BETW). This strategy was aimed at bringing together several ministries and stakeholders around the common objective of improving Alberta's labour force skills. Another intended outcome of this policy was to provide underrepresented groups with the skills and training opportunities they would need to succeed. Unfortunately, this program expired in 2016 and the government did not release a new strategy to replace it.

As of November 2018, the Auditor General's report indicated that the role of a long-term workforce development strategy is to pursue long-term results alongside immediate needs. "To focus on the things it identifies as most important to the future sustainability of Alberta's labour force, but not necessarily the most urgent right now" (Alberta Auditor General, 2018). Currently, four ministries (Labour, Community and Social Services, Advanced Education and Indigenous Relations) share the responsibility for workforce development (Alberta Auditor General, 2018). While these ministries collaborate to provide programs and services that span the continuum of training required moving forward, no unified long-term vision exists to balance and address the short-term needs with preparing the workforce to also respond to emerging trends.

Recognizing that the bedrock of a strong social and economic foundation is reliant on a vibrant workforce…

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Through incentives and initiatives, encourage employers to invest more and become more involved in providing training opportunities to their current staff;

2. Promote increased and diversified enrollment in post-secondary tech education programs in Alberta by providing subsidies for micro-credential training;

3. Develop and invest in the essential skills of tomorrow, such as sustained support and investments in STEM education and trades training both within post-secondary and also through career transition programming;

4. Position the delivery of career development services to ensure a seamless, coordinated system that provides effective transition within the high school system and the workplace, for all Albertans;

5. Partner with interested stakeholders to create career development and market information resources and training for target audience; and

6. Continue to track outcomes associated with these programs and initiatives in a transparent manner to allow for continual adjustments when necessary.

Agriculture and Forestry

Grown-in-Canada Label: Marketing Alberta's Agri-Food Industry

Issue

The agriculture industry significantly contributes to Alberta's economy and enhancing the strength of the sector is an important priority. It is particularly important for Alberta's agri-food industry to market their products in a way that reflects the link between 'Grown-in-Canada' product and a supply chain, environment, standard, and identity that is uniquely and 100% Canadian.

Background

Country of Origin (COO) labelling is regulated by the Government of Canada and labelling standards must comply with the World Trade Organization Technical Barriers to Trade Rules[1] and Codex standards which serves to prevent protectionist agendas and technical barriers to trade. Within this regulatory framework, it is particularly important for Alberta's agri-food industry to champion a voluntary 'Made in Canada' brand in order to increase value and to provide a marketing link between grown-in-Canada product and the strong Canadian standards for food safety and environmental stewardship.

COO labelling is viewed as a critical mechanism to help ensure consumers can correctly connect with products, enable producers to adapt production to meet consumer demands and expectations and promote social or political economic objectives (e.g. health outcomes, growth in desirable sectors, increased exports).[2] Informing consumers of the origin of food products via labelling is motivated by the recognition that geography is often correlated with a product's overall quality, or, in the stronger case, geography may even be a determinant of a product's ultimate realized quality.[3]

'Canada's Economic Strategy Tables' on Agri-food reports that Canada has the opportunity to be "recognized as the most trusted, competitive and reliable supplier of safe, sustainable, high-quality agri-food products and an innovator in value-added products to feed the dynamic global consumer" but requires a unified campaign focused on marketing the agri-food industry both domestically and internationally.[4] The agri-food industry also includes value-added agriculture and agri-food processing which are often forgotten as a vital part of the industry. With the agri-food industry target set to increase by over 27% to $225 billion dollars in 2025[5], all sectors must be given the opportunity to reach their full potential through a unified COO brand.

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[1] https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm
[2] Consumers' Preferences for Geographical Origin Labels: Evidence from the Canadian Olive Oil Market
[3] (Barham, 2003; Josling, 2006). In consumers preference
[4] Canada's Economic Strategy Table: Agri-food': 2 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf
[5] Canada's Economic Strategy Table: Agri-food': 3 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf

There is robust support from all levels of the supply chain for a unified 'Grown in Canada Brand'. In a report by MNP on consumer demands for a Canadian Label, over 90 per cent of Canadian consumers felt Canadian-grown product should be easily identifiable in stores and 95 per cent of consumers would prefer to buy Canadian-grown product that is competitively priced. Similarly, in a report from the Next Agriculture Policy Framework (NAPF), there is also strong support from the agri-food industry in Alberta to enhance public perceptions about the quality, safety, and sustainability of the agriculture sector. Industry indicated that a priority for the NAPF should be to enable market access and develop market opportunities to foster growth.[6] Given the importance of market development to the agri-food industry and the key priority set forth by the NAPF of "expanding domestic and international markets to seize key opportunities and address emerging needs" and "improving the growth of the value-added agriculture and agri-food processing sector"[7], marketing the agri-food industry should be a priority for the Government of Alberta.

There are currently opportunities for marketing the agri-food industry. The Government of Canada is preparing a five year, multi-million-dollar advertising campaign to better connect Canadians with their food.[8] This includes between $1.5 million - $4 million dollars to refresh branding and developing ways to increase product of Canada stickers.

Given the size of the agriculture industry in Alberta, the provincial government should be partnering to promote locally grown and processed agriculture products to position the Alberta agriculture industry as a leading force in Canada. The NAPF also includes the AgriMarketing program, a federal-only program, which provides funding for market development and promotion activities.[9] In 2019, the Federal government unveiled the 'Canada Brand' which includes a suite of tools including graphics, images and messaging that can help you brand your products and leverage consumers' positive perceptions of Canada. However, the qualifications for the brand include even more lax qualifications than "Made in Canada" and "Product of Canada" labels.[10] While this is a step in the right direction, products that are 'grown in Canada' signify a supply chain, environment, standard, and identity that is uniquely and 100% Canadian.

The Alberta government has a responsibility to market Alberta's agriculture, particularly when there is a very clear mandate from the agriculture industry in Alberta to promote locally grown, sourced, and produced food and demand for easily identified Canadian products. However, while there are various opportunities for marketing the agri-food industry, there is no distinct, recognizable, and unified brand. Products with a regulated COO can command between 21% - 39% higher price premiums compared with non-regulated regional labels. [11] This serves to reinforce the importance of a distinct, recognizable, and unified 'Grown in Canada Brand'.

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[6] Next Agricultural Policy Framework: What We Heard Report – 2 https://cap.alberta.ca/CAP/download/AGUCMINT-4795873

[7] Calgary Statement http://www.agr.gc.ca/eng/about-our-department/public-opinion-research-and-consultations/consulting-on-the-next-agricultural-policy-framework/calgary-statement-towards-the-next-policy-framework/?id=1468864509649

[8] https://globalnews.ca/news/6435463/buy-canadian-promotional-campaign/

[9] NAPF report https://www.ourcommons.ca/Content/Committee/421/AGRI/Reports/RP8717216/agrirp05/agrirp05-e.pdf

[10] https://marquecanadabrand.agr.gc.ca/intro/index-eng.html

[11] A Meta-Analysis of Geographical Indication Food Valuation Studies - 214

Therefore, because of the prominence of the agri-food industry in Alberta, Alberta is uniquely positioned to take the lead on creating a 'Grown in Canada brand' that reflects the safe, sustainable and high quality agri-food products.

Not only will an Alberta led 'Grown in Canada' brand advocate for a prominent industry in Alberta, it provides the opportunity to expand the domestic market, increase awareness among the public of the high standards in the agri-food industry, and signify products that are 100% Canadian.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with the Government of Canada to expand on "Canada Brand" to create a voluntary, "Grown-in-Canada" label that would identify with 100% Canadian-grown product that would include a single unified label, logo, image, and theme;

2. Ensure the Next Agricultural Policy Framework works to develop branding skills, knowledge and awareness of opportunities in the agri-food industry; and

3. Work with the Government of Canada to develop a unified public education strategy showcasing the agri-food industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food and value-added products.

Improving Risk Management for Agriculture Producers

Issue

Current risk management programs are not meeting the changing needs and requirements within agriculture and the lack of education and awareness around risk management strategies is limiting the growth and success of agriculture producers.

Background

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be. As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, both government and producers' groups have identified that improvements to agricultural risk management solutions and tools is needed. With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

Government's Role

A December 2019 news report from Food in Canada12 stated that federal, provincial, and territorial Ministers of Agriculture met face-to-face to initiate action on a number of key proposals to improve support to Canadian producers, following what has been a difficult year for many producers due to a series of impacts including bad weather, the CN work stoppage, and market access issues.

Ministers recognized that the risks facing producers have changed, particularly with respect to climate and international trade, and that current programs may need to evolve to meet their needs. To start to address these changing risks, Ministers made targeted improvements to the AgriStability program and Ministers asked officials to change the treatment of private insurance for the 2020 program year.

In addition, understanding that administrative burden is an issue for many, in particular for smaller producers, Ministers agreed to launch a pilot in select jurisdictions to make applying for support easier, by using tax return information to simplify the application process.

Ministers' engagement on key business risk management programs signaled a direct response to the changing risks faced by producers. The business risk management programs aim to provide producers with tools to ensure the viability of their operations and to manage risks largely

[12] Ministers outline improvements for AgriStability program, December 18, 2019: https://www.foodincanada.com/food-in-canada/ministers-outline-improvements-to-agristability-program-143373/

beyond their control. As a result, officials are to develop options to make the programs more effective, agile, timely, and equitable for producers. In particular, officials are to evaluate the impact of changes to the reference margin limit and changes to eligible expenses under AgriStability.

Out of recognition to support this vitally important sector in our economy, the provincial Government, through its business plans, prioritized the growth and sustainability of Alberta's Agriculture and Forest sectors, along with focusing on managing our resources responsibly13. Key objectives for the ministry include identification of strategic opportunities to create the environment for business success and delivering agricultural insurance products to give producers tools to reduce the economic impacts of risks beyond their control that threaten the viability of their farms. To gauge success of these key objectives, the government has committed to evaluate the number of value-added agriculture products developed and successfully introduced into the market, along with the percentage of eligible seeded acres for major crop categories insured under Production Insurance.

Under responsible resource management, the provincial government plans to assist primary producers and agri-processing companies to adopt environmental stewardship practices as part of improving sustainable resource management through research, policy, extension, programs and services while executing the Agriculture Financial Services Corporation's lending mandate to support the development and competitiveness of primary agriculture, agribusinesses and value-added agri-processors. The Government has also set the objective to deliver agriculture education, knowledge transfer, and training programs and services to build and strengthen rural community capacity. The Government will seek to evaluate the average percentage of improved environmentally sustainable agriculture practices adopted by producers and the total investment leveraged in rural businesses and agribusinesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services.

Federally, in the mandate letter of the Federal Minister of Agriculture and Agri-food14, there was specific guidance to work in collaboration with the provinces and territories to undertake a review of risk management programs, with a special focus on AgriStability in order to help producers manage environmental and business risks by providing faster and better adapted support, drawing from lessons from recent trade disputes and evidence-based research.

In order to meet objectives such as these, Government often turns to crown corporations to assist in delivering on its mandates. In Alberta, Agriculture Financial Services Corporation (AFSC) is used to support the competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors.

For over 80 years AFSC has provided Alberta's agricultural producers, agribusinesses and other small businesses with loans, crop insurance and farm income disaster assistance in order to assist producers in managing their risk with a mission to provide leading, innovative, client-focused

[13] Agriculture and Forestry Business Plan 2019–23: https://open.alberta.ca/dataset/87074796-5715-4a79-b3f6-e12e9a699c70/resource/9eb637e5-e9ae-4f13-9dda-212011bbf43e/download/agriculture-and-forestry.pdf
[14] Minister of Agriculture and Agri-Food Mandate Letter https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-agriculture-and-agri-food-mandate-letter

financial and risk-management solutions to grow agriculture in Alberta using a suite of programs and solutions15.

AgriStability is just one program in a suite of business risk management programs that governments offer to help producers manage significant risks and provides Canadian agricultural producers with an ongoing whole-farm risk management tool that provides protection against large declines that threaten the viability of their farm. Under the program, allowable income includes the proceeds from agricultural commodity sales and the proceeds from production insurance. Allowable expenses include commodity purchases, along with direct input costs incurred in the farming operation.

Producer Concerns

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be.

As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, there is much needed improvement required to agricultural risk management solutions and tools offered, as identified by both government and producer groups.

Current programs are limiting and don't allow for new opportunities such as the ability to expand intercropping. As there is a lack of insurance coverage for these opportunities, it prevents diversification through new cropping opportunities.

In addition, current programs often require specific fertility, seed treatment and irrigation levels, without taking into account the producers management practices. Modern farming practices and management systems often require lower inputs to produce a crop than more traditional practices. By having minimum input levels built into the program without consideration of the producers farming practices, it can mean higher costs, and restricts the producer's ability to follow best practice farming methodology.

Limiting in programs has also left collateral damage because liabilities were going up and the Government's concerns over costs resulted in significant impacts to producers.

In addition, there have been significant changes to weather patterns, incidences of drought, amount of moisture and extreme weather events, requiring a need to adjust with them, taking into consideration seasonality and length of time draught happens, along with overall impacts of rain and whether there are benefits or negative implications as a result16. While clients may choose one, two or three weather stations to best represent conditions on their farm, and within proximity of their land base, weather station information may be subject to change and weather systems are also changing. Therefore, more emphasis should be placed on the use of various

[15] Agriculture Financial Services Corporation website: https://afsc.ca/about-afsc/
[16] Agriculture Adaptation to Climate Change in Alberta Focus Group Results, 2005: https://www.canadianfga.ca/wp-content/uploads/2013/12/AAFRDAdaptationfinalreport.pdf

technology tools to assess crops and pastureland to increase accuracy in the assessment and assist producers in addressing weather events.

Since AgriStability is a margin-based program that provides whole farm protection17, there are also limits to this. Under the Canadian Agriculture Program, there have been improvements to the Margin Limit with it being adjusted now to ensure a more equitable level of support for participants impacted by the limit. However, participants are subject to limiting of at least 70 per cent of their calculated Olympic Average Reference Margin, known as the Adjusted Reference Margin Limit. The reference margin limit impacts about one third of participants to varying degrees. The reference margin used to calculate benefits (the applied reference margin) is the lower of the Olympic and the average adjusted expenses for the same three picked years as the Olympic. Therefore, if a producer's average adjusted expense for those three years was $200,000, the applied reference margin (used for calculating benefits) would be $200,000, which may only actually end up being 40% of their Olympic average. This type of example may seem extreme, but we have seen situations where limiting has impacted producers by a substantial amount.

Another limit is livestock price insurance. Currently, there are few truly effective risk management instruments that allow Western Canadian livestock producers to manage their risk. Cattle and hog producers in western Canada face volatile market prices and the Western Livestock Price Insurance Program is designed to be market driven to reflect the risks a producer in Western Canada faces when selling livestock. Livestock producers are typically 'price takers', with prices varying greatly year to year, due to many factors impacting the market. Having a tool available to help protect against the unknowns of the market and associated price volatility can assist a producer with being more profitable18. While the current program helps with the risk at the time of selling, there is currently no program to help protect the producer against the unknowns of the market at the time of purchase. A reverse of the current program, allowing producers to lock in a ceiling price at the time of purchase, would go a long way to help alleviate the impacts of market volatility throughout the livestock ownership period.

Within perennial crop insurance, AFSC provides a suite of insurance programs to provide a production guarantee for hay crops based on average historical yields and the coverage option selected and coverage for pasture based on conditions in the area, determined by an indicator of production loss, such as precipitation or satellite imagery. This coverage is not directly related to losses to insured fields, which results in inconsistency between annual crop insurance and perennial crop insurance programs.

There is also concern over claims processing, timelines for claims, adequate and educated staff resources for processing claims and the often long window of time from application to reimbursement, which often has an impact on financial yearend timelines for producers

Another impact affecting availability of alternate risk management solutions is the application of a premium tax and fire prevention tax, which is applied by the provincial government on private agriculture risk management insurance products, exempting provincial agriculture insurance and

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[17] AgriStability program: https://afsc.ca/income-stabilization/agristability/

[18] Western Livestock Price Insurance Program Handbook: https://afsc.ca/wp-nfs/wp-content/uploads/2020/01/WLPIP-Handbook-2019.pdf

AgriStability programs. This tax treatment is inequitable and creates an unfair playing field and disincentive for producers to obtain the best risk management solutions available to them.

With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Consult with industry and stakeholder organizations to determine improvements and solutions for all agriculture risk management options;

2. Create greater simplicity in risk management programs and ensure equitable coverage across all producer types;

3. Provide education tools for the creation of risk management strategies through toolkits, workshops, webinars and online sessions;

4. Provide education on the cost of production per acre by providing a cost of production toolkit to producers;

5. Provide transparency in risk management solutions and budgets, disclosing how much is made available for claims;

6. Provide more flexibility and options in risk management solutions to allow for new cropping and diversification opportunities;

7. Remove requirements that force specific treatment plans that may not be needed, assessing outcomes based on results of the producer's implementation plans;

8. Utilize various technology methods to assess crops and pastureland in a more localized method in order to create greater accuracy in assessments;

9. Remove 'limiting' on AgriStability program or increase the reference margin up to 85% for all crops and cattle;

10. Provide livestock producers with an insurance tool similar to the Western Livestock Price Insurance Program to lock in a ceiling price when purchasing livestock;

11. Re-evaluate pasture and perennial programs to create equity in the crop insurance programs available;

12. Provide better response time in assessments, claims and processing through service level agreements, ensuring adequate staffing levels and contracting third party adjusters and verifiers to assist where needed;

13. In order to minimize year end impacts resulting from payments at the end of a fiscal year, take into consideration financial requirements of producers and year end timelines when processing payments, providing the option to defer insurance claims and AgriStability payments to the next fiscal year; and

14. Remove the premium tax on private insurance to create a level playing field in risk management options.

The Application Process and Farmer Involvement in the Wetland Policy

Issue

People value wetlands for their significance and the functions they provide. Some of these functions include flood control, improvement of downstream water quality, biodiversity and recreational benefits. While the wetland policy has been in place for over 25 years, in its current form, the application process is burdensome for farmers. This has implications not only for our agriculture sector, but also the other sectors which rely on agriculture for production.

Background

Alberta has enjoyed economic prosperity; however, this has created challenges and responsibilities regarding the environment, social and economic needs of Albertans. In 1993, it was recognized that the cumulative effect of rapid population and economic growth were placing considerable pressure on Alberta's landscapes. In response to this, the Alberta Wetland Policy was initiated to manage areas in wetlands to "sustain the social, economic and environmental benefits that wetlands provide now and, in the future," (Alberta Water Resource Commission, 1993). While Alberta was one of the first provinces to adopt a wetland policy, a mechanism to fully adopt this policy was not developed until 1999 with the introduction of the Water Act, which created a legislative requirement to obtain a permit to conduct activities that negatively impact wetlands.

Despite these changes, a loss of wetlands has continued, prompting the Government of Alberta in 2013 to issue a new policy that shifts the focus of wetland protection from preservation to a focus on ecological function and replacement. Consistent with the previous policy, avoidance is the preferred action; where this is not possible, "the goal is to minimize impacts on cumulative wetland value over regional scales by enforcing replacement of wetland values within the same region" (Alberta Environment Parks, 2016). Replacement can take the form of restoring previously removed or degraded wetlands, constructing new wetlands, or contributing funds to help preserve, restore or change wetland functions through educational outreach or research that advances wetland science (Alberta Environment Parks, 2016). "Replacement is based on the value of the removed wetland relative to those other regional wetlands, with policy targets requiring (1) a 1:1 area-for-ratio wetlands with low level functions and up to a 8:1 area-for-area ratio for wetlands with high level functions, and (2) a total ratio of 3:1 for all wetlands in the settled area of Alberta" (Sarran and Creed, 2016). This policy has been in effect since June 2015.

The new wetland policy requires the simultaneous development of rapid assessment tools to (1) provide estimates of wetland functions and values at broad regional scales for planning purposes and (2) provide site-based assessments for regulatory approval. The Government of Alberta commissioned the Alberta Wetland Relative Value Evaluation Tool-Estimator to determine off-site estimates of relative value for all wetlands in the settled area of Alberta. These guidelines estimate how farmland is to be assessed in specific terms, resulting in agriculture use value. This

aspect of the policy has been cited as an example of governmental overreach in the wetlands application process and a barrier to growth.

Farmers know and understand the ecological cycle of their land, which invariably involve a flux in precipitation and understand the difference between temporary standing water and an actual wetland. Despite this, they are not able to make this determination anymore and must wait to have it independently verified. This is a major issue as it causes prolonged delays with seeding, which is a critical time for farmers. Delays jeopardize the growing season and the viability of their harvest in any given year, as they must wait for a declaration that the land is not in fact a wetland. This regulation is inefficient, and the negative outcome for farmers is greatly disproportionate to the outcomes the regulation is trying to achieve.

To improve the efficiency of the application processes within our agriculture industry, the Lethbridge Chamber of Commerce recommends that the government decrease their involvement in applications processes that the market and alternative regulatory institutions are designed to control. The government should be prepared to take on a role as a supporter, and facilitate communication between industry and regulatory bodies, instead of increasing the regulatory burden on farmers by overregulating an issue that farmers are in a better position to evaluate and respond to.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Make changes to the wetland assessment to account for farmers knowledge of their land so seeding is not delayed, while still being effective environmental stewards of the wetlands.

Economic Development, Trade and Tourism

Special Economic Zones

Issue

There are emerging industrial development regions in Alberta that if transformed into Special Economic Zones (SEZ) would create environments conducive to business and industry success where governments otherwise face great difficulties doing so.

Background

SEZs are defined as geographically delineated areas subject to differentiated regulation and administration for the purpose of attracting foreign direct investment in economic activity that may not be otherwise achieved. Characteristics of an SEZ are:

- *a special regulatory regime:* zones normally operate under more liberal economic laws than those that typically prevail, regarding issues such as labour, land use, and foreign investment

- *public services*: zones are normally serviced with efficient customs, fast-track registration and licensing, often through "one-stop-shop" services

- *infrastructure*: zones have much better and more reliable infrastructure such as roads, power, and water, compared to the domestic economic environment

- *fiscal incentives:* the zone's investors, particularly its anchor investors, often enjoy capital freedoms and certain levels of tax incentives and subsidies

Direct benefits include employment generation, foreign direct investment, government revenue, and export growth. Indirect benefits include skills upgrading, technology transfer & adoption, export diversification, enhancing trade for domestic firms, cluster facilitation, and urban and regional development. However, SEZs are only successful when all levels of government coordinate in the structuring of regulations and policies that support the zone itself.

Examples of SEZs in North America, are:

<u>CentrePort Canada - Winnipeg, Manitoba</u>

Programs support businesses who are active importers of goods from countries that Canada does not have a free trade agreement with or of goods from countries where these products do not move duty or tariff-free. Industry Sectors: E-Commerce, Agribusiness & Food Processing, Advanced Manufacturing, Energy & Mines, Biomedical.

Foreign Trade Zone Program:

- Duty Deferral – duties are waived up-front or rebated later
- Sales tax relief – exemption from federal goods and services tax (GST)
- Customs bonded warehouse – sales tax and duty-free storage/distribution facilities

The Foreign trade zone program helps companies determine which program suits their business needs and facilitates fast-tracked approval:

- assistance with negotiating incentives
- fast-tracked land development approvals
- access to skilled, abundant labour with competitive wages
- training support & training incentives
- immigration recruitment programs to match industry needs
- government-funded employee health care costs
- strong manufacturing and R & D tax credits
- data processing tax credits
- no inventory taxes

Global Transportation Hub – Regina, Saskatchewan

Located about five kilometers west of Regina and minutes from the Regina International Airport, the Global Transportation Hub (GTH) offers efficient rail and road infrastructure adjacent to the CP Rail mainline and between two major highway systems. Industry Sectors: transportation and logistics, warehousing and distribution, as well as light processing and manufacturing.

Foreign Trade Zone Status:

- Duty Deferral - duties are waived up-front or rebated later
- Sales Tax Relief - exemption from federal and provincial sales tax
- Exporters of processing services - relieves participants of obligation to pay federal and provincial sales tax on imports belonging to non-residents
- Export Distribution Centre - imported goods processed to add limited value before exporting exempt from federal and provincial taxes
- Customs Bonded Warehouse - sales tax and duty-free storage/distribution facilities

Texas Enterprise Zone Program

A state sales and use tax refund program designed to encourage private investment and job creation in economically distressed areas of the state.

Texas communities must nominate companies in their jurisdiction to receive an Enterprise Zone Designation to be eligible to receive state sales and use tax refunds on qualified expenditures by submitting an application on the company's behalf.

- Must operate in an industry that is expected to provide high economic impact to the Texas region in which it is considering locating; it should be a target industry for the state or an ancillary or support industry.
- Should promote highly skilled, high wage jobs.
- Must plan to create new positions that will be filled by local residents in addition to the transferred employees.
- Must be in the decision-making process to relocate or expand their operations in Texas during the application process.

Louisiana Opportunity Zones

Federal capital gains tax incentive program is designed to drive long-term investments to low-income communities. The new law provides a federal tax incentive for investors to re-invest their capital gains into Opportunity Funds. There are three primary advantages to rolling over a capital gain into an Opportunity Fund:

1. Defer – the payment of your capital gains until Dec 31, 2026
2. Reduce – the tax you owe by up to 15% after 7 years
3. Pay Zero – tax on gains earned from the Opportunity Fund

There are 150 census tracts in Louisiana that are qualified opportunity zones.

Alberta Opportunity for SEZs should be in regions that are assessed as strategic economic growth opportunities for the province. These may include Alberta's Industrial Heartland, Joffre, Medicine Hat, Grande Prairie and Fort McMurray. A pilot project may be introduced to demonstrate the operational and investment benefits of a specific region over a time period to best determine whether the government should expand its policies across Alberta.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with industry to create a provincial Special Economic Zones strategy to incent diversification of Alberta's economy and attract investment through a coordinated approach with all levels of government;

2. Work with industry and stakeholders to research and develop studies that evaluate and articulate the assets of each specialized economic zone; and

3. Work with industry to create an assessment of where Special Economic Zones should be implemented and create test pilot Special Economic Zone(s) in one or more of the following suggested areas: Alberta's Industrial Heartland, Joffre, Medicine Hat, Grande Prairie and/or Fort McMurray.

Education

Highlighting the Importance of Ag Education

Issue

With greater attention around food sustainability and the environmental footprint of agriculture, there is a need to raise awareness and provide fact-based education focused on where our food comes from, recognizing the sustainability of agribusiness and its vitally important role in our economy as a natural resource.

Background

Greater awareness around food sustainability and the environmental footprint of agriculture has become progressively more important. As a result, there is an ever-increasing need to provide more fact-based education in order to bridge the information gap between agriculture producers and consumers. This type of education starts at even the most basic level, providing an opportunity to educate our youth in order to ensure that the next generation is educated and informed about where food comes from and the importance of agriculture to our economy and the future sustainability of our food locally, provincially, nationally and internationally.

The 2016 Census of Agriculture found less than 1% of Canadians are farm operators, yet all Canadians participate in the agri-food sector when they go grocery shopping and make food choices[19]. Yet, farmers and ranchers feel increasingly under attack because of the public scrutiny and misinformation around the industry. The disconnect between the producers who grow the food we eat and consumers is widening due to urbanization[20], growing misperceptions and a lack of factual information around this vitally important industry.

To emphasize the importance of our agribusiness industry, based on 2017 annual estimates, 75,100 Albertans were employed in agri-food industries, representing 3.3 per cent of the total provincial workforce with Alberta having one of the world's most productive agricultural economies and a total farm area of 50.3 million acres.[21] Despite the decline in farms since 2011 in our province, Alberta continues to rank second, behind Ontario and had the highest number of cattle ranching in the country, representing one third of Canada's beef cattle ranching farms. In addition, Alberta has seen increases in wheat farms, oilseed and grain farms in addition to other grains.[22]

In 2018, Alberta's real gross domestic product for agri-food industries totaled $8.5 billion, increasing from $5.5 billion in 2011[23]. In 2018, Alberta agri-food exports remained strong at

[19] Canadian Agriculture at a Glance, Statistics Canada: https://www150.statcan.gc.ca/n1/pub/96-325-x/96-325-x2019001-eng.htm
[20] Demand for Convenience, Government of Alberta: https://open.alberta.ca/dataset/b5d936eb-2127-424e-b1b8-818c486d12aa/resource/5d7a504d-ab10-4f1c-843c-79801cf0d412/download/af-consumer-corner-54-demand-for-convenience-2019-11.pdf
[21] Highlights of the Alberta Economy, 2019: https://investalberta.ca/media/1080313/highlights-of-the-alberta-economy-2019-march-2019.pdf
[22] Census of Agriculture Provincial Profiles, Government of Alberta: https://open.alberta.ca/dataset/8b3e6f0a-5faf-4873-a224-c7446029adcc/resource/e049ffdd-1bbe-4c25-a677-965291dc0633/download/alberta-farm-types-report.pdf
[23] Agriculture Statistics Factsheets, Government of Alberta: https://open.alberta.ca/publications/1929-4263

$11.6 billion, exceeding the 2017 record by 3.2 per cent[24] and exporting to nearly 140 countries. Even though this industry plays a critical role in our eco-system, there is no requirement to educate our youth or public about the facts and information around the role the industry plays in our economy, or to provide education around the sustainability of our agri-food sector.

The Government of Alberta has identified that teaching students where their food comes from and how it is produced is increasingly important as urban students become more disconnected from their rural neighbours[25]. In recognizing this need, there have been various efforts to develop resources and plans to integrate agriculture into the curriculum, including Alberta Agriculture Lesson plans[26], various education resources and programs[27], as well as funding for agriculture education and literacy[28]. There have also been not for profit and private organizations who have taken a leadership role in Agriculture Education, including Agriculture for Life[29] and the Classroom Agriculture Program[30], as well as Nutrients for Life[31], 4-H[32] and programs such as Journey 2050[33] and Farmers 2050[34].

The challenge becomes linking the resources to our educators and our public. While there are a number of resources pertaining to agriculture that already exist, there are also a number of barriers and challenges presented as to why this is not being taught through our education curriculum.

Consultations have identified that not only do teachers need to be equipped with the outcome connections and resources; they also need to be trained and knowledgeable in the subject matter. If they feel unequipped, these optional courses are not a priority. Educators must also see the value in the resources that will accelerate or deepen their learning, helping their students to learn faster or accelerate their understanding of the curriculum. If this correlation is not made, the information won't be integrated.

A barrier to experiential learning opportunities can be correlated to timetables, as there isn't enough time within Junior High and High schools to do community classrooms or similar learning experiences, as teachers have a prescribed number of minutes they need in each course area. In elementary, because that time is with a single person, they can build in that flexible time to provide various educational opportunities. However, the more teachers you have, the less flex time there is to deliver outcomes through non-traditional learning environments.

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[24] 2018 Agri-Food Exports, Alberta Highlights, Government of Alberta: https://open.alberta.ca/dataset/d2476e36-1e8c-43fb-a4b2-15bd09c13773/resource/764d36d5-4f2a-4535-b317-9dc1f8228792/download/exp-19-1.pdf
[25] Alberta Agriculture Education Resources: https://www.alberta.ca/agricultural-education-resources.aspx
[26] Alberta Agriculture Education Lesson Plans https://www.alberta.ca/agricultural-education-lesson-plans.aspx
[27] Alberta Education Programs: https://www.alberta.ca/agricultural-education-programs.aspx
[28] Canadian Agricultural Partnership for Agriculture Education and Literacy: https://cap.alberta.ca/CAP/Programs/category/Agricultural%20Education%20and%20Literacy
[29] Agriculture for Life: http://agricultureforlife.ca/5490-2/
[30] Classroom Agriculture Program: https://classroomagriculture.com/Portal/Project/classroomagricultureprogram/pages/home.html
[31] Nutrients for Life: https://www.nutrientsforlife.ca/
[32] 4-H Canada: https://4-h-canada.ca/programs
[33] Journey 2050: http://www.journey2050.com/
[34] Farmers 2050: https://www.farmers2050.com/

While immersive experiences such as on-farm education or community gardens can be beneficial, the opportunities are often dismissed due to the cost prohibition, and while there are ways to address these costs, there are also opportunities, to deliver programming and curriculum in ways that don't have additional associated costs to ensure there is integration of agriculture education regardless of costs.

There is also a concern amongst educators that additional education, such as agriculture education, may take educators away from their primary course curriculum. However, this again can be addressed by tying the information into learning outcomes and agriculture course curriculum being integrated into the various subject matters. There is importance in relaying the correlation to our local economy and the connections to science, math and social studies in addition to using it as a tool to teach STEM curriculum. When you look at science, technology, engineering and mathematics, agriculture has various components that tie into each of these subject matters.

Ultimately optional courses are not mandatory and so very few teachers will use the resources available if it's not their primary field of interest, nor will students take the optional courses if they don't already have a producer connection or an interest in agriculture already.

We also know that we need a greater emphasis on agriculture, as everyone who eats play a role in agriculture, even as an end consumer. We also know that many conversations have also highlighted the looming skills and labour crisis in Canada's agriculture and food industry. Therefore, in order for Canada to remain competitive, and to lead the way globally, we need to ensure that the next generation's best and brightest minds are knowledgeable about agri-food. By educating our students with current fact-based information, we can further educate the public by embedding this into our everyday conversations at school and at home.

The most effective way to deliver agriculture education will be to embed it within the course curriculum, equipping educators with the materials, resources and knowledge to effectively deliver on the outcomes required and provide a better understanding of the importance of the information and how it fits within the curriculum and into our overall eco-system.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Require agriculture education to be incorporated into existing course curriculum with outcomes connected to grade levels;

2. Integrate agriculture in the classroom through entrepreneurial programming;

3. Integrate experiential learning opportunity options such as on-farm learning, community gardens and community classrooms;

4. Integrate fact-based agriculture education tools and resources through learnalberta.ca; and

5. Facilitate agriculture education learning opportunities, resources and connections for educators through teacher's conventions and professional development training options in order to provide the tools, resources and training needed for effective program delivery.

Energy

Enhancing Alberta’s Natural Gas System

Issue

Serious challenges persist within Alberta's natural gas system which negatively impacts natural gas supply chain reliability, industry operations, and investor confidence. These challenges can and should be addressed to better manage the current system demand and industry operations and to further position Alberta as an industrial investment location of choice. With an abundance of natural resources, developing world-class infrastructure would provide investor confidence in the competitive advantage Alberta has for attracting new investment.

Background

Natural gas is an important economic driver in Alberta, with approximately 65% of Canadian natural gas being produced within Alberta. [1] According to the Government of Alberta, "83% of natural gas consumed in Alberta is used by the industrial, electrical generation, transportation and other sectors. Natural gas is also an important raw material for the province’s oil sands and electric power-generation industries." [2] Natural gas is also the main raw input for hydrogen production, a key material used for producing transportation fuels, hydrogen peroxide, nickel, cobalt, ethane, and propane for Alberta, Canada, and the world.

Natural gas is supplied by federally regulated monopolies, similar to rail transportation. Currently, there are no quality specifications for natural gas at the delivery point for consumers in Alberta and this can adversely impact downstream users. Quality excursions have been experienced in Alberta and such events can have significant downstream impacts on industrial facilities and subsequently on consumer markets. Low-quality natural gas can cause production delays, damage to facilities, and quality impacts on derivative products of natural gas.

Another significant cause of concern is firm supply reliability. Natural gas customers pay a premium for "firm supply", which by definition means this supply will not be interrupted, however; Alberta companies have experienced interruptions in firm supply and continue to see risk to firm capacity supply reliability. Firm supply interruptions are the fault of the natural gas provider, typically due to a system failure. For example, a provider will experience a compressor failure, and it will be discovered a single component failure in the system results in supply interruptions. Why aren't there built-in system redundancies? Additionally, extreme cold ambient temperatures should not be a factor in firm capacity supply reliability as these temperatures are custom for Alberta to experience annually.

Maintenance coordination is also a challenge as it is not happening appropriately between natural gas providers and receivers to minimize the effects of supply interruptions. There are regular occurrences when natural gas supplier maintenance activities are scheduled during periods of high system demand. Implications of both issues include operational concerns, downtime-related costs, and decreased confidence in the supplier, supply chain and potential investors.

There are also serious concerns for timelines to secure natural gas volumes in Alberta (for existing or new facilities). Currently, firm supply is available with a 4+ year lead time, while new

facilities can be built within a two- to three-year window. This misalignment of natural gas infrastructure expansion (or new build) and project development timelines will discourage new investment in Alberta.

The Alberta Chambers of Commerce recommends the Government of Alberta work with natural gas suppliers and infrastructure suppliers and, where applicable, the federal government to:

1. Set quality standards for natural gas specifically at the delivery point and create provisions for losses related to the delivery of off-spec natural gas;

2. Ensure timely development of new, and expansion of existing, natural gas supply infrastructure to support growing natural gas demand, attract new projects, and secure further investment in Alberta; and

3. Streamline regulation and approval process for critical infrastructure builds, such as pipelines.

Investment Attraction for Industrial Zones

Issue

Alberta regulations are lagging in making renewable energy and clean technology feasible for consumers. Specifically, the Province's micro-generation regulations restrict Alberta businesses from aggregating sites owned by customers, in turn restricting their ability to generate and distribute any excess energy directly to other buildings or compound residence (district energy). Adapting provincial regulations to promote self-generation with clean technology and district energy sources is an important climate change strategy for Alberta, and an opportunity to reduce costs and improve competitiveness for Alberta business.

Background

Rising demand for electricity in Alberta
Locally and globally, there is an increasing need for electricity, due to a growing demand for air conditioning, electric heating, and electrified transportation, for example. Growing electricity demand will result in higher delivery and electricity prices: infrastructure upgrades will be necessary and generation will need to be constructed, resulting in costs being passed on to consumers.

While carbon-based fuels will likely remain an important part of our energy system for decades, whole economies throughout the world are embracing clean technologies and renewable energy. Alberta has an opportunity to better utilize our fossil fuels by improving the way we use our existing energy sources while transitioning to future models. One of these opportunities is through district energy systems; however, current Alberta regulations hamper district energy systems, despite their proven economic and environmental benefits.

What is district energy
District energy systems use a central energy plant to provide efficient heating, cooling, hot water, and power to a group of buildings. Modern (climate-resilient and low-carbon) district energy systems are one of the least-cost and most efficient solutions in reducing emissions and primary energy demand.[35] These systems use alternative energy sources, such as wood waste, sewer heat or waste heat, captured from other processes. Typically, district energy is almost fully consumed by the consumers within that compound, building or subdivision; any excess electricity is sold to the grid.

Benefits
Whether these systems are incorporated into an existing development or installed as part of new construction, district energy systems are widely used around the world, and have a number of benefits that support communities and business.

More cost effective. Because a district energy system serves many customers from one location, these systems have **lower operations and maintenance costs than buildings with** in-building heating systems. Buildings connected to district energy systems also have lower capital costs and

[35] https://www.districtenergy.org/topics/district-energy-cities

smaller footprints as they require less space (i.e. fewer infrastructure requirements for metering, boiler rooms, etc.) and, as such, do not have additional associated costs such as insurance, maintenance, upgrade, etc. This is particularly beneficial for office towers, commercial buildings, condos, municipal entities, institutions, etc.

Reduced carbon footprint. District energy systems use alternative energy sources and have greater efficiency, producing fewer greenhouse gas emissions than what is produced by fossil fuel-based systems.

Viable, reliable and readily available technology. District energy systems are proven technologies and are already in place in other parts of Canada and around the world.[36]

Reliable access to energy. Increasingly, consumers are experiencing interruptions on the grid due to external risks such as electricity brownouts or blackouts from ice, snow and windstorms, floods and fires. Using low carbon technologies like district energy systems provide an opportunity to add to Albertan's energy security.[37]

Barriers in Alberta

Current regulations in Alberta do not allow a property owner to install generation and sell electricity to the occupants of buildings, compounds or subdivisions. The energy must be sold to the grid through electric distribution system-connected generation (DCG), and then bought back to customers at market rates. In addition, while building owners have the option of installing micro-generation, they cannot produce more than what they can consume through their own metering points.

Alberta regulations for small, medium and large business have misaligned incentives for self-generation options. 1). Bulk metering for landlords of commercial CRUs, commercial office towers, apartments or large condominium residence is not allowed; 2). There is no incentive for developers of these facilities to install, partner or adapt district energy sources; 3). Micro-generation regulations are restrictive on aggregating sites owned by customers and the distribution of energy is limited at this time; and, 4). Utilities will not allow for building owners to manage the costs of energy for their facilities as rates do not allow such a transaction.

In 2017, the Alberta Utilities Commission submitted the Alberta Electric Distribution System-Connected Generation Inquiry, discussing the role of district energy sources. The inquiry identified the need for regulatory change to accommodate growth in this sector in Alberta.[38]

Conclusion

As part of the Alberta government's climate change plan, the government has set a target of 30 percent of electrical energy produced in Alberta to be generated from renewable sources by 2030. Progressive Alberta policies and strategies in Alberta that promote self-generation with clean technology, such as district energy sources, support an affordable, flexible, reliable and

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[36] http://www.auc.ab.ca/regulatory_documents/Consultations/DistributionGenerationReport.pdf

[37] YouTube ATCO Microgen - Renewables https://www.bing.com/videos/search?q=youtube+atco+microgen-renewables&view=detail&mid=8200969BCACD8C2BCEE18200969BCACD8C2BCEE1&FORM=VIRE

[38] http://www.auc.ab.ca/regulatory_documents/Consultations/DistributionGenerationReport.pdf

environmentally responsible alternative to energy delivery for Alberta consumers. In turn, such an approach creates an environment of resiliency and competitiveness for Alberta businesses and communities.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement a light and medium industrial, commercial and residential regulatory framework that allows customers to install district energy sources for the sharing of electricity and heat between tenants and neighboring buildings.

Progressive Regulations to Promote Clean Technology and District Energy

Issue

Alberta regulations are lagging in making renewable energy and clean technology feasible for consumers. Specifically, the Province's micro-generation regulations restrict Alberta businesses from aggregating sites owned by customers, in turn restricting their ability to generate and distribute any excess energy directly to other buildings or compound residence (district energy). Adapting provincial regulations to promote self-generation with clean technology and district energy sources is an important climate change strategy for Alberta, and an opportunity to reduce costs and improve competitiveness for Alberta business.

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Rising demand for electricity in Alberta

Locally and globally, there is an increasing need for electricity, due to a growing demand for air conditioning, electric heating, and electrified transportation, for example. Growing electricity demand will result in higher delivery and electricity prices: infrastructure upgrades will be necessary and generation will need to be constructed, resulting in costs being passed on to consumers.

While carbon-based fuels will likely remain an important part of our energy system for decades, whole economies throughout the world are embracing clean technologies and renewable energy. Alberta has an opportunity to better utilize our fossil fuels by improving the way we use our existing energy sources while transitioning to future models. One of these opportunities is through district energy systems; however, current Alberta regulations hamper district energy systems, despite their proven economic and environmental benefits.

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[39] https://www.districtenergy.org/topics/district-energy-cities

More cost effective. Because a district energy system serves many customers from one location, these systems have **lower operations and maintenance costs than buildings with** in-building heating systems. Buildings connected to district energy systems also have lower capital costs and **smaller footprints** as they require less space (i.e. fewer infrastructure requirements for metering, boiler rooms, etc.) and, as such, do not have additional associated costs such as insurance, maintenance, upgrade, etc. This is particularly beneficial for office towers, commercial buildings, condos, municipal entities, institutions, etc.

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Reliable access to energy. Increasingly, consumers are experiencing interruptions on the grid due to external risks such as electricity brownouts or blackouts from ice, snow and windstorms, floods and fires. Using low carbon technologies like district energy systems provide an opportunity to add to Albertan's energy security.[41]

Barriers in Alberta

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As part of the Alberta government's climate change plan, the government has set a target of 30

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[40] http://www.auc.ab.ca/regulatory_documents/Consultations/DistributionGenerationReport.pdf

[41] YouTube ATCO Microgen - Renewables https://www.bing.com/videos/search?q=youtube+atco+microgen-renewables&view=detail&mid=8200969BCACD8C2BCEE18200969BCACD8C2BCEE1&FORM=VIRE

[42] http://www.auc.ab.ca/regulatory_documents/Consultations/DistributionGenerationReport.pdf

percent of electrical energy produced in Alberta to be generated from renewable sources by 2030. Progressive Alberta policies and strategies in Alberta that promote self-generation with clean technology, such as district energy sources, support an affordable, flexible, reliable and environmentally responsible alternative to energy delivery for Alberta consumers. In turn, such an approach creates an environment of resiliency and competitiveness for Alberta businesses and communities.

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Environment and Parks

Striking a Balance Between a Healthy Economy and Low Carbon Emissions

Issue

Government needs to strike a balance between achieving its emission reduction goals and preserving the competitiveness of the economy using pragmatic, flexible and innovative solutions.

Background

On May 30, 2019, the United Conservative Party repealed the Climate Leadership Plan and with it the Carbon Levy adopted by the previous NDP government. However, many climate change efforts remain in place to achieve the reduction of greenhouse gas emissions (GHG) including: ending pollution from coal-generated electricity by 2030; incentives to create innovative and new ways to reduce emissions; capping oil sands emissions to 100 megatonnes per year; and reducing methane emissions by 45% by 2025.

We recognize that Alberta's emissions are challenging to reduce for three primary reasons. First, our population and economic growth rates, as well as our incomes, have grown faster than other provinces, and emissions tend to be correlated with population, income and wealth. Second, our large, anchor industries are emissions-intensive and consist of long-lived assets (oil sands plants, gas plants, chemical production, refineries, etc.) which can improve performance over time, but not as rapidly as other sectors with shorter asset lives[43]. According to Canada's Ecofiscal Commission, 18% of Alberta's economy would qualify, under internationally recognized standards, as being both emissions-intensive and trade-exposed (compared to 2% in B.C. and Ontario and 1% in Quebec)[44]. Finally, our choice of fuels for electricity generation drives emissions.

The Technology Innovation and Emissions Reduction (TIER) program replaced the Carbon Competitiveness Incentive Regulation (CCIR) for large industrial emitters on January 1, 2020 and meets the federal benchmarks of $30 per tonne on emissions and is set to increase to $40 per tonne in 2021 and $50 per tonne in 2022.

Since Alberta's economy is particularly sensitive, there is concern that unduly aggressive actions taken to reduce emissions in Alberta may not lead to real emissions reductions. Instead investment may just shift to other jurisdictions without stringent GHG policies, negatively affecting Alberta's economy and not ultimately impacting global greenhouse gas emissions due to carbon leakage. Ensuring that our economy and small businesses remain vital and competitive is imperative as small businesses makes up 95% of all businesses in the province and are responsible for 35% of all private sector employment in the province. Government needs to strike a balance between achieving its emissions goals and preserving the competitiveness of a "vital lynchpin" of the economy[45].

[43] Climate Leadership Report to the Minister: https://www.alberta.ca/documents/climate/climate-leadership-report-to- minister.pdf

[44] https://ecofiscal.ca/reports/provincial-carbon-pricing-competitiveness-pressures

[45] http://www.albertacanada.com/files/albertacanada/SP_EH-SmallBusProile.pdf

There are many businesses, industries and municipalities that are looking to reduce their carbon footprint by converting to natural gas as an alternate energy source. While still a source of GHG emissions, in comparison with other fuel sources natural gas is less carbon intensive, relatively clean-burning, abundant, safe, reliable and efficient. Burning natural gas gives off much fewer toxic emissions than coal or oil and for the same amount of energy produced; gas emits 30% less carbon dioxide when burned than oil, and as much as 45% less than coal[46]. Despite this known benefit, natural gas still has significant carbon pricing applied.

An additional consideration should be measuring the total net contribution of GHG and rewarding those companies and industries who aim to mitigate their output. For example, the greenhouse industry, while consuming large amounts of natural gas, also grows plants that absorb carbon dioxide from the atmosphere. Compound the carbon absorption with innovations like green carbon capture and the environmental impact in the form of GHG is very low. Taking the final net carbon footprint as a benchmark will serve the dual purpose of keeping industries competitive and innovative while also promoting tangible and measurable emissions reductions.

Earmarking a portion of the funds collected through the TIER program to create educational tools that highlight the high ethical, environmental and sustainable standards of the natural resource sector in Alberta will lay the groundwork for the education of Albertans. The goal of any climate policy is to change behavior and drive businesses and consumers to make choices that support low or zero carbon products. The provincial government must allow for the most effective way to encourage these new patterns of behaviour. Government should continue to provide incentives through tax credits to emerging alternative energy innovations which may provide wider spread and supportable long-term cooperation towards a low carbon economy. Alberta could also pursue cooperation of the federal government to provide carbon credits to the natural gas industry when exporting products displacing higher carbon fuel sources, as well as negotiate tariffs or import taxes on oil and gas products in future international trade agreements to both promote and protect our homegrown industries.

Incentives enable businesses to mitigate the threat of climate change with a focus on new emerging industries and opportunities to innovate. Climate change can offer an opportunity to harness Alberta's expertise and availability of technical workers and concentrate on emerging prospects such as artificial intelligence (AI) and cleantech. The expected economic gain of over $1 trillion dollars, Canada wide, in climate change innovation should be headquartered in Alberta as part of modernization, growth and expansion to ensure that Alberta is ahead of the curve.

Flexibility to allow businesses to use innovative market driven solutions to fill the gaps between conventional and renewable forms of energy must be encouraged. Offering equal tax incentives between emerging technologies and those alternative energy sources already established, like solar and wind, will ensure that the government is not dictating "winners and losers". Alternatives and solutions must be driven by consumers and businesses and not dictated by government to ensure the best overall result. For example, the UK offers an accelerated depreciation allowance for energy efficiency equipment and technology, so that companies can replace old, energy consuming equipment with better models, which allows them to cut their operational costs.

The balance between preserving the economy while converting to low carbon emissions

[46] http://naturalgas.org/environment/naturalgas/

requires policies that are effective while also politically palatable. If policies and programs are applied ineffectively or seem to be incomplete and unduly punitive their chances of being successful and leading the charge to change behaviour will be unsustainable. There are numerous opportunities available that Alberta must seize in order to demonstrate its adaptability, resiliency and reinforce its long-held tradition of being pioneers in spirit and action. Capitalizing on the opportunities that arise from adapting to a low emissions economy is a path to economic sustainability which Alberta is uniquely positioned to undertake.

Climate change is not possible in a single political cycle and needs buy in from society and government as a whole. Any policy implemented needs to be meaningful, pragmatic, sensible and flexible in order to achieve the final goal of emissions reductions and environmental preservation.

Additionally, when measuring the success of any climate change effort all costs (direct and indirect) need to be considered so that the real impact on business and the economy can be assessed and policy adjusted to strike the balance between a healthy economy and reduction of emissions.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Ensure carbon policies maintain competitiveness with neighbouring or like jurisdictions in Canada and the United States that have similar investment interests;

2. Communicate the goals and the timelines of climate policies and amendments or modification plans if the goals and timelines are not met;

3. Ensure there is cost neutrality within the business sector and that revenue from carbon pricing is available and cycled back to the business community through other tax incentives and capital cost allowances;

4. Provide pathways for market driven solutions through tax incentives to all emerging technologies for carbon reductions to allow consumers and businesses the freedom to drive the choices towards preferred lower carbon options;

5. Only implement a levy on natural gas when a less carbon intensive and cost-effective solution is available;

6. Implement options to measure net carbon impact and only apply levies to the net amount, taking into account the measures used to mitigate the total carbon footprint, including absorption of carbon dioxide and technologies such as green carbon capture;

7. Allocate a portion of levies collected for the purpose of creating and providing educational programming tools related to natural resource development including both energy and agriculture;

8. Measure both the direct and indirect cost impacts of climate policies;

9. Work with the federal government to provide carbon credits to the natural gas industry when exporting products that are intended to displace higher carbon fuel sources; and

10. Work with the federal government to negotiate a carbon tariff or carbon import tax levied on oil and gas products into all future international trade agreements.

Finance

Encouraging Film and Television Production in Alberta through Expansion of the Film and Television Tax Credit

Issue

Alberta is a burgeoning destination for filming, however, despite recent changes, the tax credit system to encourage production is not optimally structured.

Background

Beginning in 2017, the Alberta government had a granting program in place to incentivise film production across the province. Early in 2020, that program was replaced with a $97 million tax credit program known as the Film and Television Tax Credit (FTTC), targeted at medium to large size productions. This allows for a 22% or 30% tax credit up to $10 million per production. The complete amount designated by the government of Alberta is to be distributed to different projects over the course of three years.

In general, the case for encouraging film production in our region is a straightforward one. As seen in jurisdictions like Ontario and British Columbia, government investment in the film and television industry consistently results in returns on that investment. In fact, a 2018 study of the film industry in Ontario found that municipal and provincial governments received a return of $1.20 for every $1 spent on a tax credit. That same study found that there is a consistent positive correlation between the development or enhancement of a tax credit and the volume of production in that jurisdiction.

We can see evidence of the economic benefits of film production in our own backyard. The television show Heartland is the longest running TV drama in Canadian history, having just been renewed for a 14th season. The measured impact of that show alone is over $350 million. Other productions, Tin Star and Let Him Go, have spent more than $45.5 million in direct spend and labour in the 6 Albertan municipalities they've filmed. Furthermore, when Ghostbusters was filming, it was the cause of in 14,627 hotel room bookings, resulting in $4.35 million in accommodation revenue.

Whether looking at our Alberta municipalities, or at our other provincial counterparts, there's no question about positive economic outcomes of film and television production on a region. Currently, industry production volume is highest in Ontario and BC, with Alberta coming in 4th after Quebec, slightly ahead of Manitoba. Comparatively, Alberta had $256 million invested in TV and film production in the 2018/2019 year – far outpaced by BC at $3.4 billion and Ontario at $3.2 billion. Uncoincidentally, these provinces both have much more robust incentivization programs and see much higher economic returns as a result.

Analysis

The eligibility requirements of the tax credit are clearly intended to support local businesses. In order to be eligible to receive the 30% tax credit, a production must:

- Be at least 50% owned by Alberta shareholders
- Have at least one Alberta producer
- Spend at least 60% of the total production costs in Alberta or at least 70% of the total production salary or wages on Alberta-based individuals
- All productions applying for the tax credit (at the rate of 22% or 30% must have total production costs of $499,999 or more)

Additionally, costs eligible for the tax credit mandate that items must be purchased directly from an Alberta business, with salary and wage costs being eligible if they are spent on Alberta based individuals. Alberta already has an exceptionally desirable landscape for film and television production, coupled with a diverse and capable base of labour and other resources. These added incentives will provide a further push for productions to take place in Alberta with the eligibility requirements ensuring that local business reap the rewards of local production.

The challenge that the three-year program delivery and program spending cap presents is a limitation on when and how many productions can take place. Streaming companies had been looking to increase the amount of original film and television content they were releasing before the stay at home order, and that increase has since skyrocketed with the rise in consumption resulting. Limiting the amount of available tax credits will not encourage productions to wait until the following year when they may be eligible – it will drive them to take their production elsewhere.

The economy of Alberta has been struggling for years, facing economic recession, blockages in getting our resources to tide water, and now a global pandemic. Delaying and limiting any potential injection of investment – especially one that diversifies revenue and employment sources – into our provincial economy would be a mistake.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Immediately makes available the complete $97 million currently designated to be utilized over the next three years; and
2. Increases the available tax credit to meet production requests so productions aren't turned away.

Provincial Insurance Premiums Tax: A Barrier to Investment and Responsible Decisions

Issue

Provincial insurance premiums taxes are a growing barrier to business growth and put Alberta enterprises at a competitive disadvantage relative to other regions in Canada.

Background

Market research conducted by the Alberta Chambers of Commerce (ACC) network indicates the provincial insurance premiums tax (IPT) is a major barrier to business growth. According to a recent survey, 69 per cent of more than 1000 respondents cited this tax as a barrier to business growth – more than any other provincial or municipal costs ACC surveyed. Only 3 per cent indicating this tax benefited their growth, signaling it provided the lowest value proposition as a cost for doing business in Alberta.[47]

Alberta's IPT rates were increased by one per cent in each taxable category in 2015, bringing Alberta's IPT rates above the average for taxes levied on insurance consumers across Canada:

Insurance coverage	IPT rates average	Alberta IPT rates
Life, Accident, and Sickness	2.84 %	3 %
Property and Casualty	3.53 %	4 %

Taxing Albertans and businesses for seeking (or providing) the protections afforded through these types of insurance coverage is counterintuitive. According to the C.D. Howe Institute, one percentage point in the provincial IPT rate leads to a 10 per cent decrease in the number of life insurance contracts sold. Reduced insurance coverage for natural disasters [and pandemics such as COVID-19], or relief of the financial burden of illness and disability, may also increase cost pressures on future provincial budgets.[48]

IPT rates also have negative implications for the provincial economy and economic growth. The insurance market has recently been going through a correction, resulting in higher premium costs for business. When premiums increase, the cost levied to consumers through IPT also increases, layering compounding the additional costs on Alberta businesses and making them less competitive.

For many years in Canada, insurance premium taxes were collected from insurers as an alternative to taxing their profits. This is no longer the case as all Canadian governments tax the corporate income of insurance companies in addition to premium taxes and other taxes and levies. Additional costs should not be layered onto business for purchasing insurance coverage

[47] Alberta Perspectives: Red Tape and Business Supports, December 2019
[48] Piling On – How Provincial Taxation of Insurance Premiums Costs Consumers, 2018

which benefits workers and the public, nor should government be enriched as a result of premium increases.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Immediately remove the provincial insurance premiums tax on life, accident and sickness insurance;

2. Ensure that Alberta insurance premiums tax rates on property and casualty applicable to Canadian-controlled private corporations does not exceed the lowest tax rates in other Canadian provinces or territories; and

3. Index property and casualty insurance premium tax rates to the rate of premium increases so that increases in premiums do not inflate the burden of tax collected on those premiums.

Reinstate the Alberta Investment Tax Credit

Issue

The development of the "non-traditional" sectors of Alberta's economy has traditionally been a significant challenge for entrepreneurs who have chosen to bring their business concepts to market in Alberta. The most significant challenge for emerging businesses has largely been access to capital to support business sustainability in the developmental years of an emerging venture. The introduction of the Alberta Investment Tax Credit (**AITC**) provided an opportunity to attract non-government investment at a nominal cost to the provincial purse. A reinstatement of this tax credit would simply place Alberta entrepreneurs on a similar footing with competing jurisdictions with a nominal cost to the fiscal purse.

Background

The AITC was introduced on January 1, 2017, as a component of the *Investing in a Diversified Economy Act*, which had a stated objective of boosting investment in Alberta's small and medium sized businesses, drive innovation, diversify the economy and create new jobs[49] outside of the traditionally dominant oil and gas industry and broader resource sector. The introduction of the legislation in 2017 was effectively retroactively applied to April of 2016 and was largely modeled after legislation that has been in place in other competing provinces for several years.[50]

The operation of the AITC program was relatively straightforward as it provided eligible individual and corporate **investors** in emerging corporations substantially engaged in "eligible business activities"[51] (which includes research, development and commercialization of proprietary technologies) with a 30% non-refundable tax credit to be applied against Alberta income tax payable by the individual or corporation. The credit was structured in a manner that would allow for unused credits to be carried forward up to 5 years by the individual or corporate investor.

In August of 2019, the current government of Alberta announced that the AITC would be phased out beginning effective October 24, 2019 with no additional funding being provided after March 30, 2020 and no approvals being provided for applications submitted subsequent to October 24, 2019.[52] This sudden reversal of an established policy presented significant challenges for companies in the process of qualifying for the credit or as a start-up entity had budgeted for investment capital that was contingent on the investor(s) accessing the preferential tax credit.

In response to the objections voiced by industry at the loss of the AITC, the government pointed to the overall incentivization of business growth in Alberta represented by the "Job Creation Tax

[49] "The Alberta Investor Tax Credit" by Rhea Solis – Miller Thomson, April 2017, *Securities Practice Notes*, p.1

[50] Refer to the B.C. Investment Tax Credit Program, the Manitoba Small Business Venture Capital Tax Credit, the New Brunswick Small Business Investor Tax Credit and the Ontario Innovation Tax Credit.

[51] "Alberta Investor Tax Credit Program" Guidelines by Alberta Treasury Board and Finance, January 2019, pp.10-11

[52] Alberta Treasury Board & Finance, "Alberta Investor Tax Credit (AITC)", 2019, https://www.alberta.ca/alberta-investor-tax-credit.aspx (accessed February 10, 2020).

Cut" which implements sees the general corporate income tax rate reduced from the pre-July 1, 2019 rate of 12% to 8% by January 1, 2022. While this proposed reduction in the general corporate income tax rate is laudable, with the overall objective of creating in excess of 50,000 jobs over the projected period, this cut does very little to stimulate capital investment in burgeoning non-traditional sectors of the economy. This tax cut is applicable only to taxable income that is **not** subject to the small business rate (taxable income in excess of $500,000) which is representative of a particular subset of the Alberta economy that generally excludes start-up entities in emerging non-traditional sectors of the economy. In most instances, start-up companies require a number of years to reach levels of profitability that would allow them to access the reduced levels of corporate tax rates at the general rate level. What is desperately needed by these corporations is start-up and venture capital that is lacking in Alberta and has been largely the domain of venture capitalists or angel investors.

While the government continues to be cost-conscious with respect to program evaluation and spending decisions, we believe that the relative cost-benefit of the program warrants the reinstatement of the non-refundable tax credit. The total tax expenditure relative to the program for 2019 was a mere $12.7 million[53] which represents approximately 17% of the total government expenditure commitment to investment attraction and less than 1% of the aggregate cost of the Job Creation Tax Cut. With the potential for the AITC to create up to 4,400 new jobs over three years and contribute up to $500 million to Alberta's GDP[54], the program appears to be relatively cost-efficient with the potential to provide full cost recovery with the additional corporate tax revenue generated by the start-up entities created under the program.

In addition to the Job Creation Tax Cut as an alternative, the government has also suggested that the AITC program was overly cumbersome in design and implementation with the qualification process delaying a significant number of applications by potential eligible corporations for several months. With the commitment of the current government to the reduction and potential elimination of red tape the Alberta Chambers of Commerce believes that a redesign of the qualification and approval process for eligible participants as well as venture capital participants could lead to a streamlined and effective means of restoring a positive investment flow to non-traditional start-ups in Alberta.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with subject matter experts to effectively design a streamlined application and approval process with respect to renewed Alberta Investment Tax Credit program;
2. Reinstate the Alberta Investor Tax Credit program with the requisite changes necessary to streamline the implementation and administration of the program; and
3. Commit to re-evaluating the program at the end of the program term with the option to extend the program on a periodic basis.

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[53] Alberta Treasury Board & Finance, *Budget 2019-2020 – Income Tax Annex,* p.157

[54] "The Alberta Investor Tax Credit" by Rhea Solis – Miller Thomson, April 2017, *Securities Practice Notes*, p.1

Supporting Alberta's craft liquor industry with fair AGLC markups for small producers

Issue

The current Alberta Gaming and Liquor Commission (AGLC), Markup Rate regime provides access for Alberta's craft breweries to the Connect Logistics Services alcohol distribution system at a reduced rate. Alberta's Craft Distillers and Wineries/Meaderies are not extended this support, putting small scale industry at a competitive disadvantage.

Background

The craft distillery business represents an exciting area of growth throughout North America. The lure of diversifying local economies has led many jurisdictions to create distillery friendly regulations and tax relief to attract entrepreneurs. This has led to the establishment of over 700 new North American craft distilleries in the past decade, including 60 in Canada[55]. Alberta is home to nearly 30 producers. The past fifteen years has also seen rise to a cottage fruit wine and mead industry that is ready to expand its horizons.

Alberta seems particularly well positioned to embrace these enterprises. Alberta's past and present remain intertwined with our incredible agricultural sector. As a world class provider of wheat, barley and rye, and home to flourishing berry crops, Alberta produces some of the worlds' finest ingredients for spirits and fruit wines. With Albertans' natural entrepreneurialism and this agricultural base, the craft liquor industry is on a path to success.

Unfortunately, there remain regulatory obstacles hindering this success. AGLC operates the provincial alcohol warehousing and distribution system through a company called Connect Logistics Services Ltd. This centralised system is a monopoly on alcohol distribution, and charges all manufactures a markup rate per litre on its products. The rates vary according to the category of alcohol. Currently, the categories are:

1. Spirits
2. Refreshment Beverages
3. Wine and Sake
4. Fruit Wine and Mead
5. Beer

Within each category there are varying levels of markup, roughly in relation to the percentage of alcohol, or in relation to the distribution method. This is where the inequitable playing field for craft distillers, wineries, and meaderies are revealed.

[55] Alberta Craft Distillers Association White Paper 2015 https://d6235f42-8bbb-49c4-82b7-db9d8ea51ed6.filesusr.com/ugd/32504c_7f7781c099ca495185ee6c9fce5a5620.pdf

Craft spirit distillers, wine and mead producers must pay the full markup rate for their products. This markup adds from $10.36 to $18.33 per litre sold for distillers and from $3.91 to $6.56 for fruit wineries[56]. This is a standard rate applied to all spirits and wines, whether produced by major international corporations or by small local small businesses. Craft distillers, wine and mead producers can access a lower rate, but only if the product is sold from their manufacturing site or at artisan markets.

Clearly, no business can grow if it essentially excludes itself from the distribution system, but it is just as clear that small business cannot compete against the powerful and wealthy global alcohol companies. The high per liter fees represent a minor inconvenience to multibillion-dollar corporations, who dominate advertising and retail space. For small scale businesses, adding such costs to their products cuts straight to their bottom line.

Considering the potential employment and economic activity that craft distilleries, wineries, and meaderies represent to local economies and as a market for Alberta agricultural products, the province has a keen interest in seeing this industry grow. Fortunately, rectifying the distribution cost difficulties for Albertan producers is as simple as providing a level playing field for all Alberta entrepreneurs.

The Markup Rate fees are based upon alcohol percentage and distribution method. For craft distillers, wineries, and meaderies, the only relief is by attempting to sell their products without distributing through the Connect Logistics Services Ltd. But Alberta craft beer brewers have a path to the store shelves. Craft breweries can qualify for a significantly reduced markup rate within the Connect distribution system provided the company's total sales do not exceed a predefined limit (400 000 hectolitres). This clause has allowed Alberta to become home to several successful craft brewing companies.

Some craft alcohol producers manufacture and distribute their products in the same facility with production facilities and a retail space within the same building. They are in essence acting as both a manufacturer and a licensee. When moving product, either on paper or physically, from production to retail a craft distiller is considered a licensee that is buying their own product and is required to send payment to AGLC for the whole sale price. This payment is capital that is then unavailable to the manufacturer. When the AGLC receives this payment, they will then deduct a deposit fee, recycling fee, markup and GST.[57] Once they have collected these deductions the difference is then sent back to the manufacturer, which can take weeks. The solution for this is simple. Allow producers who both manufacture and sell their product in the same building to calculate the deductions required by AGLC and remit only this portion instead of the entire wholesale price. This is especially important for craft distillers who are in the start-up phase of their business where access to capital and having cash flow available is imperative. It will also enable them to move their product more freely from production floor to retail space, allowing them to meet the demand for their product without impeding their cash flow.

Craft alcohol is an industry in its infancy with incredible potential. But the North American and European industry is pushing ahead of Alberta, assisted by regulatory and tax revisions. As

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[56] https://aglc.ca/liquor/about-liquor-alberta/liquor-markup-rate-schedule

[57] AGLC Liquor Manufacturer Handbook, section 5.4, Self-Distribution (Non-consignment) Payment https://aglc.ca/sites/aglc.ca/files/2020-04/20-03-27_LM_Handbook.pdf

jurisdictions nurture their craft industry, Alberta risks being outcompeted by brands with a decade of growth. Reducing markups for small scale producers can give small businesses a chance to compete. This support in accessing the market will strengthen the businesses and positively affect provincial revenues, as new well-paying jobs are added to economy. As with any new industry, craft alcohol faces many hurdles in its road to success, but government policy shouldn't be one of them. A fair and equal rate for small producers, regardless of type of alcohol, is overdue. To give our distillers, wineries and meaderies a chance to compete in the corporate dominated alcohol industry, Alberta must give them the competitive support they need by extending the small volume reduced rates to spirit distillers, wineries and meaderies.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. AGLC and Connect Logistics implement a markup rate per litre reduction for small scale distilleries, wineries, and meaderies;

2. AGLC and the Alberta Craft Distillers Association, and the Alberta Cottage Wineries and Meaderies Association open a dialogue to establish the appropriate definition of a small-scale producer;

3. AGLC and the Alberta Craft Distillers Association, and the Alberta Cottage Wineries and Meaderies Association open a dialogue to establish the appropriate markup rate for small scale producers; and

4. Allow liquor manufacturers who produce and sell product from the same facility to calculate AGLC deductions including deposit fee (if applicable), recycling fee (if applicable), markup, and GST and only remit this portion from the wholesale price.

Health

Access to Physicians Supports Rural Economic Development

Issue

Business growth in rural communities is directly impacted by access to physician care.

Background

The ability of rural residents to access health care provided by rural physicians is of great importance to Alberta's economic recovery and long-term prosperity in the province. With the growing concern of physicians leaving rural communities, residents of rural communities are at risk of losing much more than local medical care; reduced access to physician care also impacts businesses' ability to attract skilled workers and grow which, in turn, impacts the vitality and sustainability of rural communities.[58][59][60]

Economic Development

Physician shortages negatively impact the business community's ability to recruit and retain employees; people want and need accessible health care for their families. Employers in underserviced areas report lost productivity and increased absenteeism because employees need to invest their time––and by extension, their employers' time––accessing out-of-town health facilities and physician care.[61][62] The increased costs of staff recruitment and lower productivity due to inadequate access to medical care can be a significant factor in location decisions for business. This may influence companies to locate in other areas, negatively impacting Alberta and Canada's competitiveness in the world economy.

Studies show rural physicians' economic contributions to a community can be as important as their medical contributions. Physicians employ people and maintain brick-and-mortar locations, both of which use local services and contribute to local taxes. Travel required to access healthcare services and physicians outside of a local community impacts the local economy in

[58] Investing in rural Healthcare: An Economic Stimulus for Canada https://www.ourcommons.ca/Content/Committee/421/FINA/Brief/BR10006555/br-external/CollegeOfFamilyPhysiciansOfCanada-e.pdf
[59] Physicians Offices in Canada: Assessing Their Economic Footprint https://www.cma.ca/sites/default/files/pdf/health-advocacy/activity/physicians_%20offices_canada_economic_footprint_2017_e.pdf
[60] CMA Brief: Small Business Perspectives of Physician Medical Practices in Canada https://policybase.cma.ca/documents/Briefpdf/BR2016-05.pdf
[61] The Economic Cost of Wait Times in Canada https://www.cimca.ca/i/m/TheCentreForSpatialEconomics-Jun06.pdf
[62] CMA Position Statement: Ensuring Equitable Access to Care: Strategies for Governments, Health System Planners, and the Medical Profession https://www.cma.ca/sites/default/files/2018-11/PD14-04-e.pdf

another way––while individuals seek medical attention elsewhere, they are also spending their money outside of their community.[63]

Sustainable healthcare

The business case for maintaining physicians in rural communities extends to the broader healthcare system. Rural physicians typically carry a greater practice burden than their urban colleagues.[64] They have greater population-to-physician ratios, broader scopes of practice, and less support than a typical urban practice. These added costs affect the overhead costs that they incur. For this reason, rural physicians are affected more than their urban counterparts by physician shortage and government funding.

Rural physician training in rural areas: A proven model

Research, including that of the Canadian Medical Association, and experience in other provinces, such as Ontario and British Columbia, indicates that medical education in rural areas is an effective model for addressing the rural physician shortage. Programs such as those developed by the Alberta Rural Physician Action Plan are not only alleviating the overall shortage of family physicians in their provinces but are targeting both the physician needs and community needs in rural areas.[65]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Recognize the economic and social impact physicians have on SMEs and communities when negotiating with physicians; and
2. Create healthcare infrastructure that adequately supports the attraction and retention of physicians in rural Alberta communities to ensure an adequate level of physicians in rural communities.

[63] Want to see the economic impact of a doctor? Visit a small town. https://www.ama-assn.org/practice-management/economics/want-see-economic-impact-doctor-visit-small-town

[64] Review of Family Medicine Within Rural and Remote Canada: Education, Practice, and Policy https://portal.cfpc.ca/resourcesdocs/uploadedFiles/Publications/News_Releases/News_Items/ARFM_BackgroundPaper_Eng_WEB_FINAL.pdf

[65] The Economic Impact of Canada's Faculties of Medicine and Health Science Partners https://www.longwoods.com/articles/images/Economic_Impact_Study_Report_FINAL_EN.pd

Infrastructure

Preparing for Alberta's Growth by Securing Transportation and Utility Corridors

Issue

Establishing transportation and utility corridors reduce land-use conflicts and support effective growth management of communities and the related infrastructure.

Background

By 2046, Alberta's population of 4.3 million is expected to swell to 6.6 million. More residents will generate larger volumes of traffic, boost demand for utility services, and increase the likelihood of inter-municipal land-use conflicts. This is especially noteworthy in the Edmonton-Calgary corridor, as the projected population by 2046 shows 8 in 10 Albertans are expected to live within this region.1

The Alberta Chambers of Commerce believes the province can help pre-empt impending growth issues by acquiring a radiating network of transportation/utility corridors (TUCs) that can serve a multitude of purposes, now and in the future.

TUCs are vital for long-term planning between communities. They provide guaranteed corridors for transmission lines, pipelines, regional municipal utilities, telecommunications, and transportation. A network of TUCs will also reduce land-use conflicts, improve integration of communities, and encourage the development of Special Economic Zones for Alberta.

A proactive TUC strategy to link all of Alberta's urban centres and regions will not only help the Alberta government plan for future growth, but it will also provide the opportunity to develop a world-class provincial network of highways, rail lines, and transit systems designed to ensure the safe and efficient movement of goods and people.

Creating an integrated plan to secure these critical TUC corridors is a fundamental step to proactive provincial planning and doing so quickly will save significant funds. The time is right to act as the cost of acquiring TUCs throughout Alberta may become prohibitive and cause our province to forgo the opportunity that exists to shape our province's future in such a visionary fashion.

At a national level, there are corridor opportunities that could greatly enhance the economic position of Alberta & Canada's broader economy. In 2016 the Canadian Senate's Standing Committee on Banking, Trade and Commerce released a study on the University of Calgary's proposal for a corridor that would connect Canada's north. The Canadian Northern Corridor is currently in conceptual form as researchers study the feasibility of "a network of multi-modal rights-of-way across middle and northern Canada" that "could address Canada's unique geographic, political, legal and economic challenges to trade and infrastructure development"[2]. In December 2019, the Minister of Transport was given a mandate to "work with the Minister of Infrastructure and Communities to invest in Canada's trade corridors to increase global market

access for Canadian goods”[3]. The Alberta Chamber believes that Canada has a unique and vital opportunity for a national unity project.

The Alberta Chamber believes the Alberta government can provide strong leadership by acquiring all of the provincial corridors needed for the future, and by working with the federal government to invest in national corridors to secure a strong quality of life for Albertan’s into the future.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Continue to develop a province-wide transportation/utility corridor plan that will serve to integrate all urban centres and regions in Alberta;
2. Implement this proactive plan by securing transportation/utility corridor rights of way throughout Alberta with the potential for inter-urban rapid transit, freight networks, telecommunications, regional municipal utilities, transmission lines, pipelines, and the development of a comprehensive transportation system; and
3. Work with the federal government to progress nation-wide connection projects, for example, the Northern Corridor proposal.

Labour and Immigration

Addressing the Impacts of Cannabis Legalization on Workplace Safety

Issue

The use of cannabis for recreational purposes became legal across Canada on October 17, 2018 under the *Cannabis Act*. Cannabis edibles, topicals, and extracts became legal on October 17, 2019.

Background

Cannabis is a substance with complicated effects on the body, and legal substances like alcohol do not provide useful comparisons. Testing for alcohol impairment is straightforward—the quantity of alcohol in the bloodstream is a reliable indication of how intoxicated an individual is at the moment of testing. Tetrahydrocannabinol, or THC for short, is the primary psychoactive component of cannabis and can remain in the blood stream of users for days or weeks after the intoxicating effects have worn off.

The limits of testing technology have significant impacts on Canadian workplaces. A breathalyzer can reliably prove current alcohol impairment, but existing cannabis testing techniques cannot. There is no "breathalyzer" equivalent for cannabis, which would provide a clear indication of current intoxication and impairment. A major step in innovation is needed—we recommend accelerated research and development regarding legal impairment limits and roadside testing protocols.

Current Jurisprudence

While the legalization of recreational cannabis is a relatively recent development, Canadians have had legal access to medicinal cannabis for 20 years. As a result, employers are well versed in balancing their duty to protect worker health and safety under applicable occupational health and safety legislation with the duty to accommodate under applicable human rights legislation. This balancing act becomes even more relevant when an employee occupies a safety-sensitive position. The legal framework on workplace impairment policies is shaped by case law, namely *Everitt v. Homewood Health*, *IBEW Local 1620 v. Lower Churchill Transmission Construction Employers Association*, and *Stewart v. Elk Valley Coal Corp*.

In *Everitt v Homewood Health Inc*, the complainant, Brad Everitt, alleged that the respondent discriminated against him when it refused to register him in the Rapid Site Access Program (RSAP), a voluntary program that provides pre-qualification to workers for access to safety-sensitive workplaces.[66] In Everitt's situation, he had been a heavy recreational cannabis user for about 25 years and had used cannabis for medical purposes for more than ten of those years to manage pain related to arthritis. He applied to participate in the RSAP administered by Homewood and failed the pre-enrolment test when his test results measured 1,200 nanograms per milliliter for THC when the permissible threshold level was 50 nanograms per milliliter. As a

[66] https://www.canlii.org/en/ab/abhrc/doc/2019/2019ahrc36/2019ahrc36.html

result, Homewood did not permit Everitt to participate in the RSAP. He was still eligible to be dispatched to safety-sensitive worksites but would need to go through the standard pre-access testing protocol. He filed a human rights complaint that he had been denied a service customarily available to the public on the basis of a disability. Ultimately, Everitt's complaint was dismissed because Everitt posed an unacceptable safety risk and Homewood could not have accommodated him without incurring undue hardship.

In the 2018 arbitration decision *IBEW Local 1620 v. Lower Churchill Transmission Construction Employers Association*, the grievor, Scott Tizzard, failed a pre-employment drug and alcohol screening test due to a medical cannabis authorization to treat chronic pain arising from Crohn's disease and osteoarthritis.[67] Tizzard disclosed his medical cannabis use before the testing and to the sample collection technician at the time of testing. The union subsequently grieved when the employer ultimately refused to hire Tizzard for the position, alleging the employer failed to accommodate Tizzard's disability contrary to both the collective agreement and human rights legislation. The arbitration found that there was a lack of reliable resources to allow an employer to accurately, effectively, and practically measure impairment and that the inability to manage risk of harm due to residual impairment in the performance of safety-sensitive duties arising from medical cannabis use created hazard and undue hardship. The arbitration also found that the employer carried out the necessary assessment of accommodation possibilities on the basis of Tizzard's disability; Tizzard's disability required cannabis to effectively treat and there were no non-safety-sensitive positions available. The grievance was therefore dismissed. In its judicial review application, the union argued that the arbitration decision was unreasonable, but the Court disagreed and dismissed the union's application.

In *Stewart v. Elk Valley Coal Corp*, the appellant, Ian Stewart, filed a complaint claiming that his employer discriminated against him on the basis of a physical disability after he was involved in an accident and was subsequently terminated after failing a drug test.[68] He admitted to having a crack cocaine addiction after the incident. The workplace policy required that employees disclose any dependency or addiction issues *before* a significant drug-related incident occurred; and if they did, employees would be offered treatment without fear of discipline or reprisal. The policy also stated that employees who did not disclose dependency or addiction issues in accordance with the policy, or sought assistance *after* an accident occurred, could be terminated from their employment if involved in an incident and testing positive for drugs. Stewart attended a training session with respect to the policy and confirmed in writing that he had received and understood the policy. The Supreme Court upheld earlier decisions that an employee was not wrongfully terminated due to his drug addiction but rather terminated due to his breach of a workplace drug policy. The Court relied on the fact that Stewart had the capacity to comply with the company policy.

These cases demonstrate the importance of a workplace drug and alcohol policy that is reasonable, clearly sets out expectations to employees, and is consistently enforced. The Edmonton Chamber strongly encourages adoption of workplace drug and alcohol policies.

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[67] https://www.canlii.org/en/nl/nlla/doc/2017/2017canlii59779/2017canlii59779.html?resultIndex=1
[68] https://www.canlii.org/en/ca/scc/doc/2017/2017scc30/2017scc30.html

The Alberta Chambers of Commerce recommends the Government of Alberta and Canada:

1. Create a standard testing protocol to detect cannabis intoxication and impairment, with legal limits for both traffic safety and workplace safety;

2. Require the adoption of workplace drug and alcohol policies in safety-sensitive workplaces and encourage the adoption of workplace drug and alcohol policies in all workplaces; and

3. Ensure the appropriate agencies are sufficiently staffed and resourced by increasing the funding allocated to Health Canada and the Alberta Ministry of Health for the purposes of coordinating, improving, expanding, and extending the reach of public education campaigns and awareness activities which communicate facts about the health and safety effects, risks, and harms associated with cannabis use in an effort to support Canadians in making informed choices.

Measuring the Effects of Increased Minimum Wages in Alberta

Issue

In recent years, discussions around the minimum wage, and its increase have been at the center of Canadian current affairs. As anticipated, the Government of Alberta announced a new $13.00 minimum wage for youth as of June 26, 2019. Of particular importance, these new rules consider a "youth differential" or a lower wage for youth workers. The rationale behind cutting the minimum wage for youth workers is that it should help open up more opportunities for young people.

Background

On June 26, 2019 with the release of the Employment Standards (Minimum Wage) Amendment Regulation, the Government of Alberta introduced a new $13 per hour "job creation wage" for students.

The new piece of legislation applies to youth working no more than 28 per week when school is in session. It was announced that employers will be able to lower the wages of students currently making at least $15/hour—even if they were hired prior to the regulation taking effect—unless the student is in a collective agreement with a fixed wage. In these cases, the wage in the collective agreement still applies. If employers choose to lower the wage of a student employee, they must notify the employee in advance of the first pay period when the lower wage would take effect.

Students who exceed 28 hours in one week will still be paid the general minimum wage of $15 per hour as this rule only applies while they are attending school. During breaks in the educational year – summer vacation, Christmas/winter holiday, and spring break – students are to be paid $13 per hour for all hours worked.

The youth minimum wage only applies to students enrolled in an educational institution and does not apply to youth who are out of school.

This idea of a "youth differential" or a lower wage for student workers is one that has been raised often by employers. This concept was once a common component of the minimum wage rates in Canada and Alberta had a lower rate for workers under 18, until 1998, when the legislation was repealed. Over 60 per cent of current minimum wage workers in Canada are young people between the ages of 15 and 24 and past research has shown that this group is the most vulnerable in terms of reduced employment opportunities resulting from an elevated minimum wage.; as wage costs increase, evidence indicates employers will often choose to hire fewer younger workers or rely more heavily on more experienced workers.

Findings from The Alberta Chamber of Commerce Alberta Perspectives survey in July of 2019 echo this. The survey found that one-third of businesses surveyed said the previous increases in

minimum wage had hurt their profitability and a quarter (25%) indicated their growth. One quarter also noted that they had to reduce staff hours and 16% said they had to lay off staff.

This data further reinforces findings by the Canadian Federation of Independent Business that increases to minimum wage forces (business owners) to look for ways to absorb the cost by reducing hours, scaling back training opportunities and cutting jobs. As well, empirical studies, such as that by Godin and Veldhuis (2009) have long found that the even a 10% minimum wage increase will reduce employment from 3-6%.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Continue to monitor Alberta minimum wage; and

2. Collaborate with business to conduct and publicly release the results of a thorough employment and economic impact analysis for any future proposed minimum wage increases.

Provide a Pathway to Permanent Residency for Entrepreneurial Immigrants

Issue

Alberta is unable to attract or retain immigrant entrepreneurs because there is no pathway to permanent residency.

Background

Immigration plays an invaluable role in our province and is essential to our economic growth. It offsets aging demographics and helps employers fill gaps in their workforce, bringing new skills, ideas, and talents to our province. Immigration is essential to manage the rapidly shifting economy. Alberta has a robust and largely effective immigration system unless you are an immigrant entrepreneur wishing to invest in a business in the province.

Until 2014, the Canadian Immigrant Investor Program did provide an avenue for wealthy immigrants wishing to get Canadian Citizenship. Unfortunately, the program was characterized as a way for the wealthy to “buy” their way into Canada without providing much economic benefit to the country. While termination of the program certainly ended abuse of the federal immigration system, it also ended any legitimate avenues that resulted in measurable benefits to Canada, and to Alberta.

The current federal permanent residency programs for immigrant entrepreneurs are very specific, excluding the vast majority of potential immigrants. The Start-up Visa program is available to those with an innovative business idea that has received support from a designated organization, such as venture capital fund or angel investor. The self-employment program is available to farmers, artists, and athletes only. This leaves limited avenues for immigrant entrepreneurs to pursue.

On an annual basis, the Alberta Immigrant Nominee Program (AINP) helps thousands of immigrants obtain permanent residency, filling gaps in our workforce and providing significant benefit to Alberta employers. Those nominated have proven their mettle and make positive contributions to their communities, our province, and our country. Eligible occupations vary from chief executives to housekeeping staff, but fails to include entrepreneurs.

With no avenue to permanent residency available in Alberta, immigrant entrepreneurs are establishing their businesses in other provinces. Apart from Newfoundland and Labrador and Alberta, all other provinces actively court and provide pathways to residency for entrepreneurial immigrants with varying requirements:

- British Columbia: $600,000 net worth and demonstrated business or management experience.[69]
- Saskatchewan: $500,000 net worth, 3 years' experience, and a willingness to invest either $300 thousand in Regina or Saskatoon or $200 thousand in any other community.[70]
- Quebec: $300 thousand net worth, and minimum $100 thousand investment worth 25% of the capital equity, 2 years' experience.[71]
- Ontario: $1,500,000 net worth in the GTA, $800,000 net worth outside of the GTA, 3 years' experience, create at least 2 full-time jobs.[72]
- Manitoba: $350,000 net worth, and 3 years' experience.[73]

Immigrant entrepreneur programs can be designed to add incentive for entrepreneurs choosing to locate outside of major urban centres or invest in underrepresented industries that will promote economic diversification. Regardless of the details they share a common thread of creating a pathway for immigrant entrepreneurs to obtain permanent residency.

With proper oversight and investment requirements, an Alberta Immigrant Entrepreneur Nominee Program would diversify and grow the economy and create jobs for Albertans.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement a pathway to permanent residency for immigrant entrepreneurs.

[69] "(B.C.) Entrepreneur Immigration – Program Requirements," https://www.welcomebc.ca/Immigrate-to-B-C/BC-PNP-Entrepreneur-Immigration/Program-Requirements
[70] "Saskatchewan immigrant nominee program entrepreneurs," https://www.saskatchewan.ca/residents/moving-to-saskatchewan/immigrating-to-saskatchewan/saskatchewan-immigrant-nominee-program/applicants-entrepreneursOI_PNPENTREPRENEUR.html
[71] "Entrepreneur Program," https://www.immigration-quebec.gouv.qc.ca/en/immigrate-settle/businesspeople/applying-business-immigrant/three-programs/entrepreneurs.html
[72] "Ontario Immigrant Nominee Program: Entrepreneur," http://www.ontarioimmigration.ca/en/pnp/OI_PNPENTREPRENEUR.html
[73] "MPNP for Business," http://www.gov.mb.ca/jec/invest/pnp-b/e_intro.html

Municipal Affairs

Clarity Required in Joint Use Agreements

Issue

Municipalities are now required to operate and maintain utility infrastructure on any private property which provides service to more than one parcel within a development versus entering into joint use agreements with developers.

Background

On August 1, 2019, the Alberta Court of Appeal issued a decision which requires municipalities to operate and maintain privately owned utility infrastructure on private property which provides service to more than one parcel within a development. Many municipalities have utilized joint use agreements effectively in a number of scenarios and developments in the past. Concerns are now arising that this decision has eliminated opportunity to use these types of agreements, resulting in significant impacts on municipalities and private industry throughout Alberta. This will likely result in municipalities and private development experiencing increased costs for operation and maintenance of utility infrastructure, with more stringent conditions on subdivisions, which will ultimately increase costs for taxpayers and property owners. This decision has the potential to impose a chilling impact on development, which is why municipalities and private development must be able to utilize joint-use agreements to manage privately owned infrastructure that services more than one parcel of land.

As a result of the Alberta Court of Appeal decision on August 1, 2019 [Citation: Condo Corporation No. 0410106 v Medicine Hat (City), 2019 ABCA 294]74 an enduring precedent has been established, requiring municipalities to take responsibility for the operation and maintenance of privately-owned water, sewer and storm infrastructure located on multiple parcels that service more than one parcel (i.e. shared infrastructure) previously considered the responsibility of a private owner. This decision affects all Alberta municipalities resulting in significant financial and administrative impacts.

The decision was based on a specific example whereby a condo community comprised of five adjoining parcels of land, each registered under separate titles with four parcels registered as Condominium Corporations. Four of the five parcels (one parcel is currently undeveloped) share some water, sewer and storm infrastructure. However, joint servicing agreements did not exist amongst the various Condominium Corporations. Shared services, such as found in the five-parcel development, is not uncommon in Alberta municipalities and has been a long-standing interpretation of allowance through the Municipal Government Act. In this instance, the applicant Condominium Corporations applied to the Court to require the City to operate and maintain the privately-owned water, sewer and storm infrastructure that was on privately owned lands. At the Court of Queen's Bench, the court held the City was not responsible for private infrastructure, but the decision was overturned by the Alberta Court of Appeal. As a result, the City has been directed to operate and maintain those privately-owned parts of the water, sanitary and storm infrastructure that service more than one parcel. As the Appeal Court decision is an interpretation of the duty to provide a utility service under the Municipal

[74] Citation: Condo Corporation No. 0410106 v Medicine Hat (City), 2019 ABCA 294
https://www.canlii.org/en/ab/abca/doc/2019/2019abca294/2019abca294.html

Government Act, the decision has implications beyond this one development, to other existing and future developments in all municipalities in Alberta75.

MGA Chapter M-26 does state that the Government of Alberta recognizes that Alberta's municipalities have varying interests and capacity levels that require flexible approaches to support local, intermunicipal and regional needs.76

Going on to state in 37(1) The owner of a parcel of land is responsible for the construction, maintenance and repair of a service connection of a municipal public utility located above, on or underneath the parcel. (2) If the municipality is not satisfied with the construction, maintenance or repair of the service connection, the municipality may require the owner of the parcel of land to do something in accordance with its instructions with respect to the construction, maintenance or repair of the system or works by a specified time

Restoration and costs

Within 39(1) After the municipality has constructed, maintained or repaired the service connection located above, on or underneath a parcel of land under section 37 or 38, the municipality must restore any land entered on as soon as practicable. (2) The municipality's costs relating to the construction, maintenance or repair under section 37 or 38 and restoration costs under this section are an amount owing to the municipality by the owner of the parcel.

References such as these within MGA Chapter M-26 give pause to why this decision was overturned in the court of appeal with the decision now resulting in new standards of interpretation being implemented.

Many municipalities have utilized joint use agreements effectively in a number of scenarios and developments in the past. Concerns are now arising that this decision has eliminated or significantly minimized the opportunity to use these types of agreements.

While the decision dealt with water, sewer and storm water, it likely applies to all municipal public utilities servicing more than one parcel and impacts whether municipalities agree to permit joint use agreements.

This decision will have significant impacts on municipalities and private industry throughout Alberta and is likely to result in municipalities and private development experiencing increased costs for operation and maintenance of utility infrastructure. Municipalities will start imposing more stringent conditions on subdivisions, ultimately driving up costs for taxpayers and property owners and resulting in a chilling impact on development.

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[75] AUMA 2019 Extraordinary Resolution https://auma.ca/sites/default/files/Events/Convention2019/2019_resolution_-_responsibility_for_utility_infrastructure_on_private_property_-_city_of_medicine_hat.pdf

[76] Municipal Government Act Chapter M-26 https://www.canlii.org/en/ab/laws/stat/rsa-2000-c-m-26/latest/rsa-2000-c-m-26.html

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Modify the Municipal Government Act to clarify that a municipality should not be responsible for the repair and maintenance of a portion of a "public utility" unless it is an owner of that portion of the "public utility" and to provide transitional provisions to address existing situations where infrastructure crosses parcel boundaries; and

2. Restore the ability for industry to utilize joint-use agreements to manage privately-owned infrastructure that services more than one parcel of land by clarifying the long-standing common interpretation of the Municipal Government Act that municipalities have no obligations of operation and maintenance for privately-owned portions of utility infrastructure, provided that construction of all infrastructure meets current codes, regulations and safety standards.

Predictable, Fair and Transparent Market Value Assessments

Issue

Non- residential property assessment values have often fluctuated, resulting in sudden, unexpected and significant increases of tax liabilities for some property owners. While changes are not uncommon, the lack of transparency, fairness, and predictability of non-residential property assessments impacts the ability of business to operate with a clear understanding of the value of their property and the expenses it incurs.

Background

The *Municipal Government Act (MGA)* requires all properties to be assessed by the municipal assessor and prepared using mass appraisal methodology, to reflect the market value of the property[77]. Assessment notices for non-residential properties are then sent to taxpayers who have the ability to file a complaint heard by composite review board panels (CARBs) if the taxpayer feels the assessed value on the notice does not reflect the market value of the property.

Market value is the price a property might reasonably be expected to sell for, if sold by a willing seller to a willing buyer, after appropriate time and exposure in an open market.[78] There are three approaches to determine the market value assessment of a property: the sales comparison approach which examines sale price of similar properties; the cost approach which is used for unique or new properties and reflects estimated replacement cost for the asset; and the income approach which evaluates properties based on their earning potential. The accuracy and reliability of an income approach analysis will depend on the availability of market data and the degree of comparability of the subject to other properties.

As per the Municipal Affairs Detailed Assessment Audit Manual, the assessor is expected to apply the appropriate valuation approach based on the availability of market information and property type. Although factors such as location and municipality size affect markets, assessors must value similar properties in the same manner (not necessarily to the same amount). However, over 5 properties in the same stratification are required with at least 15 properties being ideal for adequate market comparisons.[79]

For properties evaluated using the income approach, it is expected that appropriate income and expense data is collected and maintained, leading to development of a valuation model. Without

[77] Section 5 and 6 of the *Matters Relations to Assessment Regulation (MRAT)*
[78] MGA 284 (1): http://www.qp.alberta.ca/documents/acts/m26.pdf
[79] Municipal Affairs Detailed Assessment Audit Manual – pg. 8 https://open.alberta.ca/dataset/08608017-884d-49f4-b3ee-9ba23d907299/resource/5e715f84-616f-4b96-b0de-3062863bd9b5/download/2016-detailed-assessment-audit-manual-august-2016.pdf

the appropriate data, assessors are to time-adjust older sales followed by examining other municipalities for supporting information.[80]

If the data used to develop metrics[81] is not reflective of the market, then the assessment values of properties will be inaccurate and can cause gross variation of assessment values year over year. This lack of predictability can have a damaging impact on business and property owners who expect their assessment value to be reflective of the property's market value. To maintain a predictable and fair assessment system, when a miscalculation due to an error in data, calculations or assumptions has been identified under section 305(1) of the MGA, corrections should be applied consistently and to other similar properties.

Because the accuracy of an assessment value depends on accurate data, rates used in the assessment process should be determined by utilizing local knowledge, expertise and consultation. The results should be checked by an industry expert prior to the assessment roll being finalized to flag any irregularities and ensure that assessment values used resulted in a reflection of market value.

Similarly, providing an advance consultation period can prevent or potentially realize discrepancies before the assessment roll is finalized and subsequently reduce the number of complaints needing to be arbitrated through CARB. A comparison between Edmonton and Calgary suggested that savings as a result of a non-residential advance consultation process and a focus on pre-trial negotiation could be approximately $2 million dollars per year of Calgary's review board budget.[82] While not every municipality would see such large savings, providing steps which promote fairness and cooperation in the assessment process will also create fiscal responsibility. Advance consultation also provides business the ability to potentially resolve any disputes early rather than waiting for the arbitration process, thus giving a reasonable period of time to prepare for changes in expenses.

Additionally, subjective metrics such as visual appeal, and interior finish are often used to calculate rates such as rental income quality and are not based on a standard set of guidelines. Without clear criteria for assessors to follow, subjectivity used to calculate certain metrics harms the fairness of the valuation process. Moreover, assessors are able to change the classifications within metrics without physically inspecting a property. Because of the subjective and unpredictable nature of rental income equality, there is value in creating detailed standards to establish the assessment process as one which is predictable and equitable for all involved.

While it is understood that each year's assessment is independent of the previous year and is not sufficient enough to draw a conclusion that an assessment is too high, it is reflective of the level of transparency and perceived trust that an assessment department has in its assessment process. The BC Assessment Authority provides free online access to assessment data, including previous years' assessments and comparable property assessments to increase transparency of

[80] Municipal Affairs Detailed Assessment Audit Manual – pg. 13

[81] These can include market rents, vacancy rates, expense ratios, capitalization rates, income quality, gross rent multipliers.

[82] An Independent Review Calgary's Non-Residential Property Assessment & Complaint Systems

the assessment process.[83] Making previous assessments available for non-residential commercial comparable listings indicates willingness for municipalities to work with the business community and increase transparency.

According to the Alberta Municipal Affair's Guide for the Exchange of Assessment Information, the purpose of Section 299 and 300 of the MGA is for a person to access the information used in calculating the prepared assessment value but municipalities are not required to "provide detailed information to defend the assessment."[84] The challenge remains that there is only a bare minimum requirement as to what municipalities are required to provide through section 299 or 300 requests for non-residential properties. In order to promote fairness and transparency, optimal (not minimal) information should be given for taxpayers' acceptance and understanding of their assessments, while still protecting privacy. Having thorough data in an assessment methodology report saves time of property owners and the assessment department when this information is readily available and easy to understand.

Additionally, the Government of Alberta should seek to make greater distinction of roles and responsibilities between the Province and municipalities to ensure consistent interpretations of policies and regulations. Role clarity encourages proactive governance, where key stakeholders are continuously engaged to identify and resolve issues; elevate operating, service and professional standards, and effectively monitor quality while promoting a predictable assessment system.

The assessment process must provide the government with a stable source of income while being administratively simple and efficient, subject to appropriate checks and balances, and transparent to all stakeholders. The government of Alberta should be committed to fostering a positive and predictable environment for businesses to operate and the ability to accurately predict expenses is vitally important to the sustainability and growth of any successful business. The aim should be to have a predictable, fair and transparent assessment process that will enable municipalities to create a level of confidence in the assessment system, lessen the negative affect on businesses and allow a reasonable period of time to prepare for changes in expenses.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Provide clarity and direction in the creation of methodology reports including recommended metrics used, data collected, and application of rates which are reflective of local market conditions;

2. Require municipalities to consult with local industry experts and stakeholders to gain market information and local expertise and knowledge;

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[83] Review of BC Assessment Authority: https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/services-policies-for-government/internal-corporate-services/internal-audits/bc-assessment-authority-review.pdf

[84] Guide for the Exchange of Assessment Information – pg. 3 : https://open.alberta.ca/dataset/b715d4e3-78ff-4cb5-8893-c6544d16156e/resource/9c3155ed-fe5d-47ad-a95e-94af6336bece/download/guide-for-the-exchange-of-assessment-information-market-value-properties.pdf

3. Provide specific criteria and guidelines for subjective metrics such as rental income quality and stratifications;

4. Require physical inspections of a property to determine accuracy of such metrics including changes to income quality classifications;

5. Require municipalities to flag irregularities and follow up with individualized consultation, education and information and applying corrections to the roll consistently for identified or similar properties with a 5% or greater error due to an error in data, calculations or incorrect assumptions;

6. Increase transparency in the assessment process by recommending municipalities provide advanced consultation and provide optimal information through a section 299 and 300 requests;

7. Recommend municipalities provide the provision of prior years' assessments on assessment notices;

8. Make greater distinction of roles and responsibilities between the Province and municipalities to ensure consistent interpretations of policies and regulations; and

9. Provide assessment departments with guidelines for best practice.

Transparent Utility Costs and Fees for Rate Payers

Issue

Market research conducted by the Alberta Chambers of Commerce (ACC) network indicates municipal franchise fees are a major barrier to business growth. According to a recent survey, 54 per cent of more than 1000 respondents cited these fees as a barrier to the growth of their business – more than any other direct municipal cost surveyed. Only five per cent indicated the fees provided a benefit to their growth, signaling the lowest value proposition as a cost for doing business in local communities.[85]

Background

The municipal "franchise fee", sometimes called "local access fees", is a rate rider charged to a utility service provider for exclusive rights to sell gas, electricity, water, or wastewater services within a municipality's boundaries. Utility service providers then add the cost of exclusive access to rate payers' bills as a franchise fee and collect these fees on the municipality's behalf. It is common practice for municipalities which own or receive direct dividends from a utility provider to still charge exclusive access fees to rate payers, though exclusivity would naturally have been granted to the providers.

Franchise fees limits for the sale of utilities services are set by the Alberta Utilities Commission, with fee caps currently set at 35 and 20 per cent for natural gas and electricity. However, under the current *Municipal Government Act*, municipalities can set fees rates at their discretion under the cap limits with minimal standards for transparently reporting fee revenues[86] or disclosing their fee rates – 41 per cent of ACC survey respondents indicated they were unsure or did not know if these fees impacted their business.

While a few municipalities have taken steps to improve transparency of rider fees charged rate payers, franchise fees are rising across the province and layering additional costs on business during a period of economic stagnation. Electricity costs are also increasing with the removal of the rate cap in 2019, compounding the burden of rider fees for this service. These trends have negative implications for Alberta's economy, considering less than one third of ACC survey respondents indicated they were likely to recommend investing or setting up a business in the municipality they operate.

The province can take a leadership role to restore investor confidence by improving cost accountability for utility rate payers and enable business growth by ensuring municipal rider fees are not making utility costs in the province uncompetitive compared to other jurisdictions.

[85] *Alberta Perspectives: Red Tape and Business Supports*, December 2019

[86] Some municipalities report the revenues received under Schedule D of the Municipal Affairs Financial Information Return (FIR) while others report this revenue on under "Sales and User Charges".

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Review municipal utility rate rider cap limits established through the Alberta Utilities Commission to ensure the upper limits on franchise fees are in fact, reasonable, and do not place Alberta businesses at a competitive disadvantage to other Canadian regions; and

2. Review and amend the *Municipal Government Act* to:

    (1) Mandate all municipalities to use public sector accounting standards for both budgeting and financial reporting, including a consistent location for reporting revenues collected from utility rider fees with a dedicated line item; and

    (2) Require greater transparency and disclosure of utility rider fees collected on behalf of municipalities.

Service Alberta

Modernization of Alberta Registry Agents

Issue

The Government of Alberta regulates the Alberta Registry Agents' (ARAs) Regulation by capping the fee amounts for most of the services they provide. In addition, Registry Agents are eager to develop a modernization plan to enhance services, including online registry services to Albertans in conjunction with Service Alberta and other stakeholders. The Government of Alberta should support these modernization efforts and review regulations to ensure Alberta Registry Agents can continue their vital work effectively.

Background

Virtually every municipality in Alberta has an Authorized Registry Agent, forming a network that collectively employs over 1500 Albertans. There are 206 Agents located in 150 Alberta Communities (32 or 21% are in large urban centers and 118 or 79% are in rural and small urban jurisdictions). Registries have become a vital part of Albertan communities in providing stable jobs, an important community link, and fundamental services.

In addition, Albertans value registry services and continue to take advantage of the ease of access offered by local registry agents. In survey findings, 74% of respondents have visited a registry agent in the last year. Furthermore, over 90% of respondents expressed the importance of having access to government services located in their communities and felt that it would have a negative impact on their communities if their local Registry Agent were to close.[87]

However, because of modern work and family schedules, Albertans also expect registry services to also be made available to them online. Although some registry services are already offered online, the ability to expand these services to reflect new technological requirements and a growing population has been severely restricted. Registry agents are aware of the need to modernize their industry to keep pace with the needs of their clients and are seeking support from the Government of Alberta to expand their level of service to reflect a modern, connected, and responsive industry.

In order for the registry agent network to position itself to serve the diverse needs of all Albertans, a model that offers financial stability with long-term assurance of sustainability is essential. No service charge model is in place for the registries similar to other regulated industries such as the bottle recycling industry. A static capped fee restricts registry agents from keeping pace with natural operational increases and limits the amount of capital that can be reinvested into businesses in order to expand and modernize their delivery models in a variety of settings.

A combination of rural, urban, online, and in-person delivery models offered by Registry Agents are needed to provide Albertans services for over 200 products on behalf of five government departments. In order to ensure that registry agents are equipped and can work effectively and efficiently, support of the government is crucial. A viable business model needs to be developed to guarantee the levels of service and access is not only maintained but also expanded to reflect the dynamic nature of the industry. Additionally, the Government of Alberta is still in direct competition with Registry Agents for some online services, like traffic fines

[87] A Public Opinion poll conducted on August 30, 2019.

Other organizations also see the value in a new fee model and the modernization of the industry to ensure the continuance of the high level of service which Albertans have come to expect from their Registry Agents. In 2016, the Alberta Urban Municipalities Association (AUMA) passed a resolution recognizing the "vital role and positive impact that ARAs have in Alberta communities" and recommended the Government of Alberta negotiate a new fee structure and protect ARAs revenue streams.[88]

The Government of Alberta has responded on January 1, 2020[89] by increasing capped fees on certain services for the first time in 14 years. However, these changes alone do not ensure both a sustainable business model and expansion of services for Registry agents, nor do they provide the support necessary to aid in the modernization of the Registry Agent Industry.

The Government of Alberta should recognize the vital role of Registry Agents in the delivery of essential government services to all Albertans, particularly their positive impact in rural Alberta communities, and work to strengthen their partnership with the Association of Alberta Registry Agents and local municipalities.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Support the modernization of the Registry Agent Industry;
2. Expand existing online services available to Albertans through Registry Agents; and
3. Ensure the long-term sustainability of rural Registry Agents, including a fair and equitable service charge model.

[88] https://auma.ca/advocacy-services/resolutions/resolutions-index/sustainable-support-local-registry-agents
[89] https://open.alberta.ca/dataset/4883fcbd-8a22-400f-80d0-89f590100a9b/resource/eb03b44e-3666-4ff6-a532-bc74c59dca54/download/sa-registry-agent-product-catalogue-2020-01.pdf

Transportation

Benefits of Twinning Highway 3

Issue

Twinning construction of the remaining (approximately) 220 kilometers of Alberta Highway 3 known as Crowsnest Pass Highway, has been a concern for nearly two decades due to not only safety and efficiency concerns, but also concerns related to stagnating the economic benefits and market access along this corridor. The main benefits that accrue from twinning Highway 3 include safety improvements, time savings for commercial and recreational travel, increased social and economic activities, tourism and agricultural needs.

Background

Alberta Provincial Highway 3 was designated as a core of the National Highway System in 1988, an interprovincial route connecting large population centers. Its entire length of 324 kilometers (201 miles) is a highway that transverses southern Alberta, connecting the Crowsnest Pass to the Trans-Canada Highway in Medicine Hat, and it serves as an alternative route to the Trans-Canada from Lower Mainland to the Canadian Prairies. It is also the last highway in Alberta recognized as a part of the national highway system that is not twinned.

Highway 3 in Alberta begins in the Canadian Rockies at Crowsnest Pass, parallel to the Canadian Pacific Railway and is part of Alberta's "Export Highway" - a name given to the southern portion of Alberta's north-south trade corridor, which is a segment of the CANMEX Corridor that stretches from Alaska to Mexico.

From Fort Macleod to Taber, it is a divided highway (approximately 104 kilometers) with a speed limit of 100-110 km/h through the rural area with the remaining route as an undivided two-lane highway (approximately 220 kilometers) with a speed limit of 100 km/h.

The idea of twinning Highway 3 has been previously discussed and the costs and benefits study have been conducted by the Van Horne Institute, at the University of Calgary under the direction of Dr. Frank J. Atkins in 2002 and 2004 (revised report). In an updated 2017 report, results of the cost-benefit analysis demonstrate that the net present value of Highway 3 twinning project over twenty years, using Alberta Transportation recommended real discount rate of 4%, exceed $2.3 billion dollars. However, equivalently in terms of benefit-cost ratio, the analysis shows that for each dollar spent on this project, there is $2.97 in benefits, which translates into the internal rate of return of 12.3%. Consequently, for a public infrastructure investment, these results, with a return of 3 to 1 are highly significant and demonstrate the worthiness of the twinning investment project.

It should be noted that the areas for construction are not all equal as there are approximately 25 kilometers from the B.C. border to the Crowsnest Pass area that are considered to be 'difficult' due to the mountainous terrain. Consequently, the costs of twinning (direct and maintenance) this part of the highway will be higher.

Summary of Analysis (In Millions of 2016 Dollars) Discount Rate: 4% over 20 years[90]

Project Benefits	
Travel Time Cost Savings	$1,292.72
Accident and Injury Cost Savings	$804.64
Vehicle Operating and Emission Cost Savings	$1,358.62
Tourism and Others	$94.41
Total Benefits	$3550.39
Projected Costs	
Direct Construction Costs	-$1,183.38
Maintenance and Repair costs	-$13.75
Total Cost	-$1,197.13
Net Present Value	$2,353.26
Benefit-Cost Ratio	2.97
Internal Rate of Return	12.3%

The Piikani Nation is the only remaining area of highway still in need of a Functional Planning Study and a request to initiate consultation has not yet been received by the Piikani Nation Council. A study will need to be completed to ensure that all sections of Highway 3 have been accounted for. The last section in the Piikani Nation is particularly important as economic development is a call to action of the Truth and Reconciliation Commission.

In 2017, the Functional Planning Study of the Twinning of Highway 3 was completed. The study was focused on creating a more expensive freeway system which has caused some delay in municipal agreements regarding by-passes and a more expensive projected cost. To remediate this issue, beginning the project with twinning Highway 3 between municipalities as a simple highway system would allow the project to move forward, particularly during stop-gap funding and allow businesses long-range planning for the possibility of a by-pass in the future. The long-range benefit of Highway 3 maintenance cost schedule can be reduced when actual paving is completed, reducing maintenance budget for a significant period.

Twinning Highway 3 is becoming increasingly important as Southern Alberta is expanding their economic contribution. Highway 3 is a critical pipeline for moving commodities from processors to markets of which traffic is only set to increase over the next few years. There are new businesses expected to open in the 2019/2020 year including: Lethbridge Cavendish Expansion, Purple Springs Fertilizer Plant, Lundbreck Mining, and Foremost Wind Turbine, among others,

[90] Source: based on author's calculations. The data was obtained from Alberta Transportation, Alberta Culture and Tourism, AMA, Alberta Treasury Board and Finance (Southern Alberta Region) and Environics Research/Economic Development Lethbridge
Tran, Kien C., Ph.D. Professor, Department of Economics University of Lethbridge (2017, April 22) *'Highway 3 Twinning Feasibility: A Cost Benefit Analysis'*

which will not only greatly increase the amount of trucking on Highway 3 but also depend on reliable transportation for the success of their business.[91]

The increase in traffic will also impact import and export through Southern Alberta and South-Eastern BC US border crossings which are already the 2nd and 3rd busiest in Canada. In 2018, export in the Lethbridge Region totaled over $1 billion dollars, $700 million of which were from the manufacturing sector that grew 15% in the last year [92] Also, the area between Lethbridge and Bow Island has 7 ready to move home and 4 Large Storage Container businesses that travel Highway 3. These businesses require special permits to transport within a specific time frame and speed restrictions which impact the already slower travel speed of 90 km/hour for traditional commercial trucks. Deliveries can be dangerous to both vehicles and transport truck teams and delays are costly to business owners

Additionally, Highway 1 will be undergoing renovations in late 2020-2021 with detours to Highway 3 expected to reach 20-25% of Highway 1 travel. Because of these factors, the Alberta Motor Transport Association has placed the twinning of Highway 3 as a top 5 priority.[93] Accordingly, the twinning of Highway 3 underscores the need for improvement of Southern Alberta Infrastructure to support a growing economy.

The current cost of the next stage of the project—engineering—is an estimated $800,000 per 10km of a total 220 km left to twin. However, cost of Southern Alberta farmland has increased 60% since the Highway 3 Twinning Feasibility studies were started in 2002 and continues to increase, stressing the importance of moving forward with the project sooner rather than later. Thus, a dedicated program for twinning Highway 3 allows the project to be placed in a carry-forward position with both flexibility for annual funding and forward momentum for the project to be undertaken in manageable and economically responsible sections.

The economic contribution of Southern Alberta is significant. Moving products to market is a provincial and national benefit, as is the importance of ensuring tourists and commuters can travel safely across the province. As such, a dedicated program to plan for funding to twin Highway 3 is becoming increasingly crucial. The style of program suggested will provide annual, fiscally flexible, planned funding to complete the steps needed to eventually twin Highway 3 and as a result will champion jobs and support the expanding economy of Southern Alberta and the province.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Create a dedicated program for twinning Highway 3 with an annual sustainable contribution;

2. Conduct a functional planning study to assess the viability and affordability of twinning Highway 3 in the Piikani Nation; and

[91] Economic Insights into Select Canadian Cities - Lethbridge
[92] Lethbridge Export Highlights 2018.
[93] AMTA Press Release - https://amta.ca/8455-2/

3. Begin the twinning of Highway 3 between municipalities as a highway rather than a freeway to allow for more cost flexibility.

Extension of Hours at the Port of Wildhorse

Issue

Alberta is Canada's second most robust provincial economy with the highest GDP per capita and an economy driven by its ability to export products and services. As a result, transportation and logistics plays a critical role in our economy, as it supports a variety of industries across the province. Yet, with one of the best transportation systems in Canada, we still have only one full-service commercial port of entry between Alberta and the U.S. There is a need for better access and hours at our border to facilitate efficient trade between Canada and the US.

Background

Canada and the U.S. enjoy one of the most prosperous relationships in the world, with a staggering volume of bilateral trade totaling $1.2 trillion in 2019[94] as well as close to 400,000 people crossing our shared borders each day.

In particular, Montana and Canada continue a profitable trading relationship with bilateral trade flows totaling $4.68 billion USD in 2018[95]. Moreover, Canada continues to be Montana's most important customer with total Montana exports to Canada at $680 million USD in 2018 while total Montana imports from Canada totaled $4 billion USD. From 2011-2015 Alberta's exports to Montana have averaged $2.52 billion annually with exports to Montana in 2015 totaling $2.02 billion. These exports consist of primarily oil and natural gas, fertilizers, food wastes and cereals[96].

While 75 percent of Alberta's exports to the U.S. were carried by pipeline, 11 percent was carried by truck, representing a value of $8.67 billion. Almost 78 percent of all exports to the U.S. were destined for the central, northeast and southeast parts of the country. In the same year, 42 percent or $7.54 billion worth of imports from the U.S. were carried by truck. Almost 76 percent of this total originated from the central, northeast and southeast U.S.

With the fewest number of highway/land border crossings within Canada, Alberta is also currently the only province bordering the U.S. to have one 24-hour border crossing, situated in Coutts, Alberta.

[94] https://www.international.gc.ca/economist-economiste/performance/monthly-mensuel.aspx?lang=eng
[95] https://www.tradecommissioner.gc.ca/tcs-sdc/united-states-of-america-etats-unis-amerique/business_fact_sheets-fiches_documentaires_affaires.aspx?lang=eng#montana
[96] http://open.alberta.ca/dataset/9269de23-6d7a-448e-867e-293b4b0568e1/resource/7bd5fe74-c023-4388-99e0-17bde9e5c6db/download/2016-Montana-Alberta-Relations-August-2016.pdf

	24-Hour Crossings	Total Crossings	Population (2019)
British Columbia	8	19	5,071,000
Alberta	1	6	4,371,000
Saskatchewan	2	12	1,178,000
Manitoba	3	16	1,373,100
Ontario	13	14	14,659,000
Quebec	21	30	8,522,000
New Brunswick	12	18	780,000

Wild Horse is a critical link in the Eastern Alberta/Eastern Montana trade corridor with ramifications that extend as far north as the Fort McMurray oil sands and as far south as tidewater in Mexico. However, it is also a principal choke point, a constraint on north-south traffic and trade, because of limited hours of service and a critical lack of facilities and infrastructure.

Presently, between May 15 and September 30, Wild Horse is open for travelers from 8:00AM to 9:00PM (13 hours/day). Between October 1 and May 14, the hours are 8:00AM to 5:00PM (9 hours/day). For commercial traffic the hours are 8:00AM to 5:00PM Monday to Friday, year-round.

In addition to the limited hours, another barrier to Wild Horse is also the lack of an Electronic Data Interchange (EDI), which facilitates the electronic transmission and interchange of cargo, release and accounting data issued by customs brokers. Wild Horse is set up as an automated port of entry but has not yet been activated in this mode. Fibre-optic cable service is also available at Wild Horse, which may or may not be in use.

Despite these setbacks, in 2012, Wild Horse was the third busiest border crossing in the region in terms of average annual daily traffic – behind Coutts/Sweetgrass and Raymond/Regway. It accounted for two- way daily traffic of 160 vehicles compared to Coutts/Sweetgrass at 1,790 vehicles and Raymond/Regway at 290 vehicles[97][27]. By 2019, personal vehicle traffic for the Port of Wild Horse has halved.[98] While all Albertan border crossings have decreased as a result of the economic downturn, the drastic downward trend may be a result of irregular hours and poor facilities.

A 2016 survey of commercial trucking companies showed that extending the operating hours at Wild Horse to 9:00PM year-round and increase infrastructure improvements would cause

[97] HDR, Impact of Canadian Economic Development on Northern Montana Highways – Phase II, prepared for the State of Montana Department of Transportation, October 2014. p. xvii
[98] https://explore.dot.gov/views/BorderCrossingData/Annual?:isGuestRedirectFromVizportal=y&:embed=y

carriers to divert traffic to Wild Horse at widely differing rates, ranging from five to 50 percent of current trips.[99] Based on the results of the survey, the cost benefit ratio would be in excess of 2.0 with over $1 million annual mileage savings.

A larger share of Alberta's commercial truck traffic with the U.S. would be more directly served by the Port of Wild Horse. Consequently, much of Alberta's commercial traffic moving to/from the central, southeast and northeast U.S. would achieve substantial cost savings by transiting at a de-constrained Wild Horse border crossing.

There have been designated funds by the Canadian government, with $440 million slated for border facility improvements at 77 ports-of-entry across the country, $114 million of which has been targeted to the prairie ports. The program includes the design of modular buildings of varying size for locations like Wild Horse, which will be installed over a period of years. The proposed Wild Horse improvements also include new staff housing, which will reduce the need for officers to commute quite as often from communities like Medicine Hat and will serve to keep the port open during inclement weather.

Supporting the need for improved levels of service at the Port of Wild Horse is the economic activity north and south of the border. The community-of-interest and shared commonalities between Alberta and Montana contribute significantly to the case for service improvements. Both jurisdictions are heavily invested in industries like agriculture, tourism and oil and gas, which foster cross-border trade in commodities, services and people. Additionally, there are two trade corridor initiatives that will help to

nurture the success of an upgraded Wild Horse port-of-entry through advocacy for enhanced economic development and improved transportation infrastructure in the regions north and south of the border including both the Eastern Alberta Trade Corridor and the Ports to Plains Trade Corridor.

Potential benefits of an improved Wild Horse port include reduced mileage costs for commercial truckers, enhanced economic development in the Eastern Alberta Trade corridor, more moderate traffic growth at Coutts-Sweetgrass, more effective utilization of staff and facilities at Wild Horse, and a shift of traffic away from the heavily used U.S. Highway 15/Alberta Highway 2 corridor to underutilized highways in eastern Alberta and eastern Montana, like Highways 41 and 232.

The expansion of the Wild Horse port to a 24-hour commercial port facility will increase connectivity of the regions by reducing travel time and uncertainty. It will lower costs for businesses in transportation- related sectors and to those who buy and sell goods and services from outside the region. We need to encourage the further development of north/south trade and remove delays, restrictions and limitations on crossing times and access. The congestion of truck exports and imports via the Coutts/Sweetgrass port could also be serviced by an upgrade to the Wild Horse port.

[99] http://www.palliseralberta.com/wp-content/uploads/Port-of-Wild-Horse-%E2%80%93-A-Business-Case-for-Service-Improvements-030817.pdf

Investment leads to trade, as companies' activities increasingly become part of the global value chain, necessitating not only clear and open investment rules, but also ensuring that goods and services produced in our region can be transported easily to market. To be part of this chain, Canada and the United States must not only be open to these cross-border opportunities, but must also ensure the goods and services produced have easy access to markets in both countries as well as internationally.

It is in the best interest of Alberta and Canada to expand trade linkages with the United States through transportation crossings and corridors that link Canada to the United States to facilitate a growing trading market. A continued effort is needed to eliminate the obstacles that continue to prevent the expansion of the Wild Horse facility and promote this as access to a north-south trade corridor.

The Alberta Chambers of Commerce recommends the Government of Alberta work with the Government of Canada to:

1. Extend the existing hours of the Wild Horse Border crossing to 13 hours, 365 days a year in an effort to work towards the creation of a second 24-hour commercial port in Alberta;
2. Make the Wild Horse Border Crossing an automated Port of Entry with full Electronic Data Interchange (EDI) equivalency;
3. Accelerate dialogue with U.S. counterparts to provide support for their initiatives and ensure that the hours and services at Wild Horse consistently match the U.S.; and,
4. Improve the structures and facilities on the Canadian port side to better serve present needs and eventually serve as the foundation of a full-service commercial port.

Further, the Alberta Chambers of Commerce recommends the Alberta government:

1. Evaluate needed upgrades to the highway corridors serving the port facility.

Investing in Market Access for Southern Alberta Business

Issue

Global commerce is increasingly reliant upon the ability for goods to reach local, regional and international markets. As such, it is imperative to consider the crucial role that transportation networks play in economic development. Current infrastructure in and around Southern Alberta requires serious upgrades and advancements to maintain and leverage a competitive edge in advancing business success in Southern Alberta.

Background

Recent refocusing of economic priorities within the province of Alberta, combined with a growing international demand for high-quality foods and agri-food products, has positioned Southern Alberta to be a global leader in the distribution of products to local, regional, and international markets. Moreover, the relative economic stability of the region, combined with low infrastructure and land costs, and the proximity for major producers and distributors to raw agricultural products, has cast an attractive light on Southern Alberta as a place to invest. The opportunity currently exists to leverage these advantages to help diversify and grow the Canadian economy by improving local transportation infrastructure.

Southern Alberta's agricultural heartland is a growing network hub for the export and import of large quantities of goods. Goods flow east and west through the region via Highway 3 and connect to Highway 1. Additionally, several major north-south corridors (Highways 6,2,62,4,889, 41 and Interstate 15) move goods through the region, particularly into the United States through the twenty-four-hour Coutts/Sweetgrass border crossing and the Wild Horse border crossing south of Medicine Hat. Furthermore, an extensive rail network (Canadian Pacific) exists, with lines moving goods both east/west and north/south.

Yet despite this considerable network, there is the distinct impression amongst the business community of Southern Alberta that clear opportunities will be missed by not investing now, at this crucial time in redirecting the Province's economy, in improving or expanding local transportation networks to encourage the growth of key industries. The development of this region as an agricultural, manufacturing, and alternative energy hub would be encouraged by the accelerated twinning of major highways that pass through the region (e.g. Highway 3), the development of an inland, intermodal port, which would open new possibilities for producers and industry stakeholders, and significant development to local airports, which would enable new opportunities for international and inter-regional trade and commerce.

These possibilities are real and are highlighted by several recent large investments in the region, including an expansion by Richardson Oilseed ($120 Million), Cavendish Farms ($350 Million), a new ethanol and biomass plant in Taber ($200 Million), and the new Windy Point Wind Farm ($150 Million). Southern Alberta is a growing region, with a population of approximately 272,017 people, with a continued steady increase. Moreover, the recent crash in commodity prices left Southern Alberta largely unaffected, due to the diversified nature of the local

economy. Stability, in uncertain economic times, encourage investment, and a commitment from public sources to expand local transportation networks could easily tip the scales for major stakeholders who may be considering this region as a viable option.

The Government of Alberta's 2020 Capital Plan has earmarked approximately $2.3 billion for roads and bridge networks[100] across the Province – with a clear lack of expenditure on these vital networks in Southern Alberta. Compounding this, five-year funding projections do not show distribution of funds to large-scale development in the region's road network. It is the Lethbridge Chamber of Commerce's view that this represents a critical oversight, which if corrected, would immensely aid the Government of Alberta's clearly stated mission to invest in the diversification of the provincial economy.

In short, Southern Alberta is well positioned to become a major agri-food, manufacturing, and alternative energy hub, and a global leader in the distribution of goods to local, regional and international markets. With access to major highway infrastructure, extensive rail infrastructure, and growth potential to localized airports, Southern Alberta is ready to become a leading economic force in a retooled and refocused economy.

The Alberta Chambers of Commerce recommends the Government of Canada:

Work with rail operators to ensure open and fair access to rail transportation, through the reduction in regulations affecting wider usages of rail as a preferred form of transportation for Canadian goods to:

National and international markets,

Shipping ports; and,

Transportation hubs.

Further, Alberta Chambers of Commerce recommends the Government of Alberta:

Expedite the twinning of Highway 3, considering the economic impact and growth-potential of opening up access to Highway 1 and national markets across Canada.

Aide in creating a plan for sustainable growth in local airports as a portion of local economic progression, with an eye to growing international and inter-regional opportunities

[100] Government of Alberta, *Fiscal Plan: Capital Plan,* p. 47, accessed April 6, 2020 at: https://www.alberta.ca/capital-plan.aspx

Road Signage to Promote Communities

Issue

Lack of foresight in placing road signage on highway infrastructure negatively impacts community commerce.

Background

In the early 1980s, a bypass was constructed on the highway around the town of Vegreville which has positively benefited the community through effective management of traffic. There was, however, lack of foresight to provide appropriate road signage that would encourage highway travellers to stop in Vegreville for services and shopping. This has had a negative effect on the business community, as traffic has been diverted from services and retailer locations off the highway.

Currently, the timelines and the number and level of approvals that are required in the application process to improve road signage is a barrier to attracting commercial activities in the community. This impedes the community's ability to benefit from tourism and support a strong services sector.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Decrease the steps required to obtain approvals for new road signage on highways; and
2. Refer the signage applications process to the appropriate Red Tape Reduction committee.

The Need to Invest in Truck Driver Training

Issue

The trucking industry continues to be chronically impacted by driver shortages (Canadian Trucking Alliance, 2016). Estimates from the Canadian Trucking Alliance (2016) suggest that by 2024, there will be a need for 34,000 truck drivers. Some of that demand will come from an expanding industry, while a significant percentage will be needed to replace a retiring workforce. It is essential that the trucking industry work alongside the government to ensure that they can leverage the skilled professionals that are necessary, while still being conscientious of public safety.

Background

The transportation industry - which includes trucking - is very important to the Canadian economy. Statistics show that trucks haul 90% of all consumer goods and food across Canada (Beck, 2014). They are also responsible for two-thirds of Canadian trade with the US, including more than 80 percent of all US exports to Canada (Beck, 2014). As well, data suggest that trucking in Canada is a $65 billion industry that employs over 260,000 drivers and somewhere in the order of 400,000 employees including dispatchers, office staff and managers (Beck, 2014).

In Alberta, The Gross Domestic Product for the Transportation, Storage and Transportation Equipment industries represent 6% of the total GDP (Government of Alberta, 2018). Transportation factors have been shown to rank above all other considerations when industries look to new locations for development. Indeed, a recent Fortune magazine which polled 1000 major companies about factors that would attract them to new locations found that access to trucking was the top factor, followed by access to markets and skilled labour (Korosec, 2018).

The trucking industry in the province pays over $350 million in different levels of taxes, permits and licensing fees (Northern Labour Market Information Clearinghouse, 2000). The industry creates business in warehousing, dispatchers, mechanics, truck and truck parts supply and other occupations (Northern Labour Market Information Clearinghouse, 2000). It is estimated that for every dollar of revenue earned by the for-hire trucking industry, $0.71 in GDP is generated by other industries (Northern Labour Market Information Clearinghouse, 2000). In Alberta, this equates to $1.6 billion annually (Northern Labour Market Information Clearinghouse, 2000).

Despite trucking being a growing industry, a stagnant supply of drivers has resulted in an estimated driver supply and demand gap projected at approximately 48,000 drivers by 2024 (Northern Labour Market Clearinghouse, 2000). Further, according to labour market information, the trucking industry had the highest vacancy rate among all Canadian industries, averaging 6.6 percent in 2018, or more than double the Canadian average (Northern Labour Market Clearinghouse, 2000). This shortage has been cited as less of a supply and demand of drivers and more of a shortage of qualified drivers. That is to say that recruiting employees with the right training experience is the main challenge.

In an effort to set a higher training standard and improve the safety and competency of truck drivers, the Government of Alberta introduced Mandatory Entry Level Training (MELT) for all

new commercial driving applicants in March 2019. This new program requires driver candidates to take a minimum of 121.5 hours of professional classroom and room instruction before becoming eligible to take the commercial driver's test (Government of Alberta, 2019). This program has been touted for adding a level of commitment by truckers to the industry and possibly reducing occupational attrition (Northern Labour Market Clearinghouse, 2000). Moreover, this has program has been credited for moving the industry towards a degree of professionalization. Certainly, when an individual feels they are in a professional occupation, they are more likely to remain in that occupation. That said, while MELT has been recognized for the latter, it has also been cited as possibly creating an additional barrier to entry for some candidates because of additional training costs and time required to attend a formalized training program (Northern Labour Market Clearinghouse, 2000).

Driver training is complicated by different regulations in each jurisdiction within Canada and the United States. Concerns continue to be raised over inconsistent levels of training and weakness in license testing for commercial drivers. The FMCSA Federal Motor Carrier Safety Administration in the U.S. is proposing harmonized regulations while Ontario is seeking mandatory entry level training for drivers.

This coupled with the National Occupational Classification (NOC) requirement adds to the deficit. The NOC is a federal organization responsible for classifying jobs based on requirements and duties and considers long haul trucking to be an unskilled profession (Government of Alberta, 2018). Because of this, the NOC requirement hinders the trucking industry from giving individuals the opportunity to qualify for funding and grants to support their training. Changing this classification would result in allowing the industry to access government programs but also change the stigma that is associated with trucking as an unskilled profession.

Currently, the Government of Alberta offers employment and workforce development programs such as Second Career and the Canada-Alberta Job Grants. These have been viewed as successful tools to bring people into the industry. Some employers have suggested that navigating and using employment programs as onerous and many of the smaller companies are unskilled, unaware or not interested in accessing training and development programs. Certainly, there is an inconsistent awareness and a limited uptake of employment programs, services and funding.

The Alberta Chambers of Commerce recommends the Government of Alberta and Government of Canada, in coordination with provincial and national trucking associations:

1. Create a minimum standard for accreditation of commercial driving programs based on the benchmarks created in Alberta;

2. Work with high schools to introduce students to professional truck driving at a much earlier age and provide them with opportunities to train for a professional driving career;

3. Change the National Occupation Classification Code (NOC) for the occupation of truck drivers and give individuals the opportunity to qualify for funding and grants to support their training; and

4. Better promote provincial programs, services and funding opportunities so that the industry is aware of and can leverage them.

Federal Policies

Agriculture (Federal)

Promote Agribusiness Growth Opportunities by Reducing Barriers to Interprovincial and International Trade

Issue

Current federal legislation does not allow for meat, poultry, eggs, dairy products, fruits and vegetables to cross provincial/territorial borders, or to be exported out of Canada unless these products are processed in a federally licensed facility. The new *Safe Food for Canadians Act* will expand this to include all foods shipped out of province/territory. The Canadian government claims that this is required to ensure that Canada fulfills its commitments under current world trade agreements.

Background

Currently, implementation of Canadian Food Inspection Agency (CFIA) regulations and licensing requirements is cost prohibitive to many small to mid-sized processors and constitute a major barrier to interprovincial and international trade. The processor's share of these costs is excessive when compared to costs incurred by their competitors for similar services in other jurisdictions, notably in the USA. This places Canadian processors at a disadvantage to many competitors.

SMEs advise that current CFIA food safety regulations are outdated and need to be revised to remove unnecessary regulations that lack adequate scientific validation of enhancing food safety outcomes while creating a significant impediment to business interests. There is also a need to minimize duplication of administration costs between provincial/territorial and federal regulators.

Facility construction requirements, along with steep inspection, licensing and testing fees all constitute major obstacles for processors that want to trade interprovincially or internationally. Unified provincial/territorial standards and regulations, with increased accessibility to federal licensing would be of significant financial benefit to small and medium sized processors that want to increase their business through interprovincial or international trade. Easy to implement, cost-competitive, and uniform food safety standards and regulations, for both interprovincial and export markets, are required, without compromising food safety standards.

With the current CFIA modernization in progress, it is important to the competitiveness of Canadian businesses to reduce barriers to trade and enhance business growth opportunities. This is especially important with the impending impact of the *Comprehensive Economic and Trade Agreement* (CETA).

Canadian processors trading interprovincially or internationally operate at a disadvantage to international competitors. For example, the United States Department of Agriculture Food Safety and Inspection Service (USDA FSIS) does not levy licensing and inspection fees on their

food processing plants (up to the first 40 hours per week[101].) As a comparison, the Province of Alberta charges $4 per hour for the first 7.25 hours per day[102]. CFIA inspection stations cost from $9,855 per year for one red meat station to $16,218 per year for a poultry station. If an abattoir is processing more than 25 cattle/hogs per hour or 28 birds per minute, they must purchase an additional table. There is also the requirement to pay for inspection fees and various tests for Listeria, Salmonella, and E. coli.

Before food products are imported into Canada, the CFIA conducts an initial inspection of the processing plant from which these products originated, and then conducts random inspections of the imported products. This same *oversight and outcome-based approach* should be applied to all interprovincial and international trade.

Interprovincial trade of agriculture and food products comprises a major portion of the Canadian agri-food business. "From 2000 to 2005, interprovincial exports of agricultural and food products were higher than Canada's agri-food exports to the United States. Interprovincial exports of agri-food products rose by 20% during this period, increasing from $21 billion to $25 billion in value. During this period, the value of agri-food exports to the United States was between $16 billion and $20 billion.[103]"

While the exact cost of interprovincial trade barriers caused by differing food regulations is not known, the Canadian Chamber of Commerce estimates that internal barriers to trade cost the Canadian economy up to $14 billion each year[104]. While much of this loss can be attributed to the limited potential customer base, there is also a 55% overlap of administrative and regulatory service between Canada and Alberta[105].

Despite numerous efforts to reduce interprovincial trade barriers such as the *Agreement on Internal Trade* (AIT) and regional trade agreements such as the *New West Partnership Trade Agreement* (NWPTA), the *Atlantic Procurement Agreement* (APA), the British Columbia – *Alberta Trade, Investment, and Labour Mobility Agreement* (TILMA), and the *Agreement on the Opening of Public Procurement for Ontario and Quebec* (AOPPOQ), the problems persist and are an obstacle to the growth and profitability of Canadian businesses.

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[101] United States Department of Agriculture. (2013). *Applying for a Grant: General Information. Retrieved from* http://www.fsis.usda.gov/wps/wcm/connect/01ede099-849e-4ed5-bb9b-f6759b0d5487/Grant_of_Inspection.pdf?MOD=AJPERES on Jan 3, 2014.

[102] Province of Alberta, *Meat Inspection Act 2009.* Web. 3 Jan 2014. http://www.qp.alberta.ca/1266.cfm?page=2009_116.cfm&leg_type=Regs&isbncln=9780779740383

[103] Aïcha L Coulibaly. "Does the Agreement on Internal Trade Do Enough to Liberalize Canada's Domestic Trade in Agri-food Products." *Library of Parliament.* 26 August 2010. Publication No. 2010-25E

[104] Canadian Chamber of Commerce. (2013). *Internal Barriers to Trade.* Retrieved from http://www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/internal-barriers-to-trade/ on Jan 8, 2014.

[105] Parsons, Graham. 1996. *The Distant Realities of Free Trade in Canada.* Calgary: Canada West Foundation.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Works collaboratively with provincial/territorial and federal inspection agencies to effect positive changes to food safety outcome inspections, enabling processors to compete more efficiently in both domestic and international markets:

> (1) To support a single industry outcome that can be implemented with consistency and cost-effectiveness across Canada by the provinces/territories, with each provincial/territorial regulator subject to Canadian Food Inspection Agency oversight;
>
> (2) The food safety regulations need to be reviewed for relevancy and modified/broadened if current criteria are unnecessarily restrictive and insensitive to sound business interests; and
>
> (3) The implementation must be consistent and cost-effective throughout the food distribution chain, <u>without compromising Canada's reputation for high food safety standards</u>; and

2. Reassess inspection and regulatory costs and how they are allocated, to enable processors to trade across provincial or national borders, without being at a competitive disadvantage.

Finance (Federal)

Amend the Equalization Formula to Incent Less Spending and More Saving

Issue

The current formula of Canada's equalization transfer program includes a number of disincentives that result in inefficient levels of taxation and government spending.

Background

The equalization transfer program was first introduced in 1957 and was designed to reduce the differences in revenue generating capacity across the provinces by compensating provinces with weaker tax bases or resource endowments.[106]

At present, the equalization formula works by calculating each province's ability to generate revenues on a per-capita basis with several exceptions that distort transfers such as under-reporting of revenues by crown corporations as well as excess government spending and employment.

Quebec, by far the largest recipient of equalization payments is home to crown corporation, Quebec Hydro. On average citizens of Quebec pay among the lowest electricity rates in North America that are far below comparable market rates. Exports by Quebec Hydro comprised nearly 30% of the utilities net profits in 2018 and are sold at a substantial premium to those paid by Quebec residents.[107] If Quebecers paid market rates for power their fiscal capacity would be calculated much higher than it is presently.

PEI is the largest per-capita beneficiary of equalization has two-thirds of its workforce in the public sector.[108] With a large portion of these jobs supported by transfer payments, there is little incentive for PEI to reduce the size and cost of its public service. Macroeconomic theory maintains that increases in government expenditure may result in crowding-out effects, displacing private sector spending.[109]

Another issue is that of natural resource revenue. Some provinces our rich in natural resources yet choose to disallow or discourage their extraction. An example of this would be Quebec with its vast energy reserves in the St. Lawrence Lowlands and other areas. Rather than allow for the development of these reserves, Quebec chose to ban fracking and instead imports massive quantities of natural gas from the United States.[110] This political decision is a self-imposed economic handicap greatly affecting Quebec's fiscal capacity - but unlike Alberta's decision to not charge a provincial or harmonized sales tax, is not reflected in the formula.

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[106] https://lop.parl.ca/sites/PublicWebsite/default/en_CA/ResearchPublications/200820E
[107] https://montrealgazette.com/business/hydro-quebec-poised-to-profit-from-u-s-thirst-for-green-energy
[108] https://www.fraserinstitute.org/sites/default/files/analysis-of-public-and-private-sector-employment-trends-in-canada.pdf
[109] ibid
[110] https://montrealgazette.com/opinion/opinion-quebec-is-making-a-mistake-on-fracking-and-natural-gas

Canada would be well served by having an equalization formula that incentivizes the provinces to be thrifty with their spending, save for a rainy day, and fully recognize their economic and financial potential.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Amend the equalization formula such that it equalizes for both fiscal capacity and government spending while also allowing provincial fiscal surpluses to be exempt from the transfer calculation.

Fiscal Stabilization Policy

Issue

Canada's federal Fiscal Stabilization Program (FSP) is intended to provide protection for provinces whose economies experience economic shocks unrelated to the province's policy actions. However, recent events have shown the program needs updates to meet its own design intents. When Alberta's revenues shrank by $8.8 billion in 2015–16, Alberta received only $250 million from the program due to the $60 per person cap set in 1987, which would be worth at least $133 per person today. To receive that comparatively small amount, Alberta needed to formally apply to the federal finance minister, which puts needless delays and politics between Albertans and financial relief.

Those challenges reveal deeper inadequacies in the 1980s-era program design to meet today's needs. The *focus* of the program on providing relief of particular downturns fails to consider prevention of predictable future costs. The *breadth* of the provincial economy considered by the program does not consider drops in resource revenue as meaningfully as it counts drops in other forms of revenue.

In order to restore and sustain business and skilled worker confidence in Alberta's economy, changes are required to how Alberta is protected by the FSP. In the short-term, FSP needs operational updates to how provinces access and benefit from the program. In the long-term, FSP requires structural changes to reflect and respond to dynamics of today's economy.

Background

Remove the Per-capita Limit

FSP compensates for year-over-year revenue declines due to economic downturns, not for declines due to provincial decisions to reduce taxes. Policy changes made by a province in the rate or in the structure of provincial taxes are factored out when measuring revenue declines. A decline in resource revenues is taken into account only if—and to the extent that—the annual decline exceeds 50 per cent. The maximum payment to a province that makes a claim for a given fiscal year is $60 per person. Provinces may also request an interest-free loan for any amounts in excess of the $60 per person limit, to be recovered over a five-year period. However, the decision of whether to provide such a loan is at the sole discretion of the Minister of Finance.[111]

An oil price crash brought WTI from US$27 per barrel[112] in 1985 to US$14 per barrel in 1986 (US$63 and US$33 per barrel respectively in 2019 dollars), resulting in a drop in Alberta's provincial Non-Renewable Resource Revenues (NRRR) from $4.44 billion in 1985/86, to $1.66 billion in 1986-87 (current dollars). The effects on the broader economy and the provincial budget were magnified, reducing total provincial revenues by 27.7% from $13.29 billion to $9.6 billion (current dollars).

[111] Department of Finance Canada. *Backgrounder: The Fiscal Stabilization Program*. https://www.fin.gc.ca/n16/data/16-027_1-eng.asp

[112] InflationData.com "Historic Crude Oil Prices". https://inflationdata.com/articles/inflation-adjusted-prices/historical-crude-oil-prices-table/

Alberta received an FSP payment of $419 million in 1986-87 ($171 in 1987 dollars for each of Alberta's 2.44 million persons; worth $892 million for the province or $364 per person in 2019 inflation-adjusted dollars). Thereafter, Ottawa imposed a cap of $60 per person in 1987 without inflation indexing.

Owing to an oil price decline from US$86 per barrel WTI in 2014 to US$42 in 2015, Alberta had an FSP claim in 2015-16 for $251 million by the current claim formula, which would be worth $1.6 billion ($1,650 per capita) if the per capita cap was removed, against an NRRR shortfall of $6.16 billion and an overall revenue shortfall of $6.86 billion. Further oil price decline, to US$36 per barrel in 2016, required Alberta to file another FSP claim for 2016-17, which would be valued at $634 million if uncapped, on modest NRRR growth of $316 million, but overall provincial revenue shortfall of $326 million ($77 per person).[113]

Other federal programs that help communities to address unexpected events and disasters[114] are not generally arbitrarily capped at per-capita limits.

Automate FSP Payments

Provinces currently need to apply for FSP payments within 18 months after a fiscal shock has occurred. The federal government has the option to punish provinces for reducing their own-source revenues, even when measures such as reducing corporate tax rates are prudent to stimulating local economies. Although there is a formula prescribed under the *Federal-Provincial Fiscal Arrangements Act*, the federal Minister can decide, for the purpose of calculating FSP payments, how much revenue a province has received from natural resources and other sources.

Ottawa's final determination of Alberta's FSP claims for the 2016-17 fiscal year was delayed until after the October 2019 federal election, to almost 11 financial quarters after the end of the 2016-17 fiscal year. Formula-based assistance from FSP should not depend on provincial or federal political priorities of the day. Time delays add to compounding costs for both governments due to the inability to plan programs and related cash flows, leading to avoidable provincial borrowing or program reductions. In the decades since FSP was established, accurate financial data have become available more quickly due to advances in information technology which allow provincial and federal governments to gather, share, and report financial data at least quarterly.

Prevent Need for Future Claims

The current FSP predominantly addresses symptoms of a fiscal shock, not its causes. Provinces can spend FSP payments in any ways that they prefer, including repaying loans required to operate programs during deficits, without a requirement to improve conditions that exposed the province to fiscal shock in the first place. The *focus* of FSP on providing *relief* from effects of particular shocks fails to consider *prevention* of predictable future shocks and their costs. In Alberta, there is broad consensus that diversifying our economy is necessary to reduce fiscal shocks resulting from volatile oil markets.

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[113] Bev Dahlby (2019). *Reforming the Federal Fiscal Stabilization Program.* University of Calgary School of Public Policy.

[114] Public Safety Canada. *Disaster Assistance Programs - List of all federal programs*. https://www.publicsafety.gc.ca/cnt/mrgnc-mngmnt/rcvr-dsstrs/dsstr-ssstnc-prgrms/dsstr-ssstnc-prgrms-ll-en.aspx

Federal policy has previously included investments to address and prevent downstream impacts from economic shocks that can be anticipated, including $3.5 billion Ontario auto bailouts in 2008-2010[115], $372 million Bombardier bailout in 2017[116], $1.6 billion energy industry bailout in 2018[117], and the $4.5 billion Trans Mountain Pipeline purchase[118] in 2019 plus billions more in construction costs.

In other areas where governments protect against unexpected events, governments: buy out floodplains to ensure that homes do not get re-flooded; invest in traffic control devices and upgrades to make highway intersections safer; and require developers to design and construct buildings that are resilient against extreme weather.

Treat Resource Revenues Fairly

The *breadth* of a provincial economy considered by FSP does not consider drops in resource revenue as meaningfully as it counts drops in other forms of revenue. The fiscal stabilization program is intended to protect all provinces, but it discriminates against resource-dependent provinces of Alberta, Saskatchewan, and Newfoundland and Labrador, while favouring manufacturing economies of Ontario and Quebec. A decline in resource revenues is taken into account only if—and to the extent that—the annual decline exceeds 50 per cent.

Provinces are exposed to different economic shocks than the federal government. The federal government can pool the fiscal risks that individual provincial governments face. Lack of insurance coverage for significant loss of natural resource revenues in one province harms all provinces by diminishing each province's future capacity to support the federal government and other provinces. It is important to share risk between natural resource provinces and the rest of Canada because those economies may act counter-cyclical to each other.

[115] Globe and Mail (April 7, 2015). "Canadian taxpayers lose $3.5-billion on 2009 bailout of auto firms" https://www.theglobeandmail.com/report-on-business/canadian-taxpayers-lose-35-billion-on-2009-bailout-of-auto-firms/article23828543/

[116] CBC (Feb. 7, 2017). "Federal government to give $372.5M in loans to Bombardier" https://www.cbc.ca/news/canada/montreal/bombardier-announcement-feds-1.3971263

[117] CBC (Nov. 18, 2019). "1 year on, most oil-and-gas bailout money has moved, federal government says" https://www.cbc.ca/news/canada/edmonton/oilsands-bailout-money-alberta-ottawa-1.5363218

[118] CBC (May 29. 2018). "Liberals to buy Trans Mountain pipeline for $4.5B to ensure expansion is built" https://www.cbc.ca/news/politics/liberals-trans-mountain-pipeline-kinder-morgan-1.4681911

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Remove the per capita cap from calculation of Fiscal Stabilization Program payments;

2. Provide an automatic and immediate upfront non-discretionary minimum portion of a province's total FSP payment under transparent and unambiguous terms, followed by remaining portions requiring ministerial discretion on a defined schedule so that managers of provincial programs can plan effectively; and

3. Revise FSP to ensure that it adequately insures resource-dependent provinces, when:

    The annual decline in a province's resource revenues exceeds 50 per cent:

        Maintaining the current policy of considering and compensating for 50 per cent of annual decline in resource revenues;

        Additionally, compensating for the remaining 50 per cent of a province's annual resource revenue decline by providing funds restricted to investments in a province's non-resource industrial sectors; and

    When the annual decline in a province's resource revenues does not exceed 50 per cent:

        Compensating for the entirety of a province's annual resource revenue decline by providing funds restricted to investments in a province's non-resource industrial sectors.

Further, the Alberta Chambers of Commerce recommends that the Alberta government:

1. Invest a significant portion of future FSP funds received toward policies that: enable Alberta to take proactive leadership to diversify Alberta's economy, build capacity of Alberta firms to scale up and scale out, attract export-oriented industries to Alberta, strengthen Alberta's assets and workforce, and increase all Albertans' quality of life.

Streamline Size of Government

Issue

There is a relationship between the size of government and economic growth. While government spending is needed, there are studies that have shown that when government grows beyond a certain size it can hinder economic growth and lead to lower living standards for citizens.

Background

There are a variety of methods that size of government is measured. One method is per person spending. Another is to compare government spending as a percentage of GDP, while also factoring in measures for tax expenditures and regulation[119]. These measures have shown that the size of our federal government has grown more in the 2018-19 fiscal year than ever in the history of Canada[120]—until the global COVID-19 pandemic of 2020.

While events such as wars and the introduction of federal social programs have seen the per person figure increase for obvious reasons, in the fiscal year of 2018-19, the federal government spent more money per person in program spending than ever before, including the Second World War and the more recent Great Recession. Adjusted for inflation, per person spending reached $8,869, more than the previous all-time high record, with no related historic event like a war or economic recession to account for such an elevated amount.[121] In September of 2020, the Parliamentary Budget Officer projected a budgetary deficit of $328.5 billion for 2020-21 fiscal year, including an estimated $225.9 billion in COVID-19 response measures. Relative to the size of the economy, the projected deficit amounts to 15.0 per cent of GDP—the largest budgetary deficit since the beginning of the series in 1966-67.[122]

Using the second measure of calculating size of government and 2018-19 figures, comparing government spending with the size of the economy, the share of the economy had risen by 14.6 percent which means that the government spends a little more than 40 per cent of GDP. When tax expenditures and price regulation is added to this calculation the size of government increases to an alarming 64 per cent of GDP.[123] Research shows that the optimal size of government is between 26 to 30 per cent of GDP after which economic growth rates decline.[124]

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[119] Macdonald-Laurier Institute – Estimating the True Size of Government in Canada: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[120] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[121] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[122] Parliamentary Budget Officer September 2020 Fiscal Outlook: https://www.pbodpb.gc.ca/web/default/files/Documents/Reports/RP-2021-027-S/RP-2021-027-S_en.pdf

[123] Macdonald Laurier Institute – Estimating the True Size of Government: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[124] Fraser Institute – Measuring Government in the 21st Century : https://www.fraserinstitute.org/sites/default/files/measuring-government-in-the-21st-century.pdf

While the growth of the size of government can at times seem inevitable, there is a solution in Canada's not so recent past. Canada has successfully navigated out of a position where size of government and its related spending had seriously impeded the growth of the economy and put Canadian's prosperity at risk. Steps to put Canada back on a road of fiscal sovereignty were taken by successive governments starting in the mid 80's and culminating in the Government of Canada initiating a Program Review in 1994 which was implemented over five years. This program review rejected the concept of across the board cuts and a view that a sizable deficit could be eliminated through increased productivity. Instead it focused on the roles and importance of government programs and services within the overall fiscal framework. The program review wasn't about "what to cut" but more about "what to preserve" in order to put the country on a footing that would allow it to prosper in the future while using methods of fiscal restraint.

The foundation for this review used a series of six questions when looking at the services and programs administered by the federal government.

1. Does the program or activity continue to serve a public interest?
2. Is there a legitimate and necessary role for government in this program area or activity?
3. Is the current role of the federal government appropriate or is the program a candidate for realignment with the provinces?
4. What activities or programs should, or could, be transferred in whole or in part to the private or voluntary sector?
5. If the program or activity continues, how could its efficiency be improved?
6. Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned?

The result of this ongoing process looped back on itself if the overall proposal did not generate significant savings.[125] In addition, this process ensured that the federal government used only the resources it needed in order to deliver on services that were strictly the purview of the government. As a result of this program review Canada's total government spending as a share of GDP fell from a peak of 53 percent in 1992 to 39 percent in 2007, and despite this more than one-quarter decline in the size of government, the economy grew, the job market expanded, and poverty rates fell dramatically.[126]

The rationale behind having a government that is scaled properly to deliver essential services is not just one borne from a budgetary standpoint. When a government functions efficiently and uses its resources to their maximum potential it could be argued that it is on a much better footing when the economy or market forces pose challenges. Ensuring that government has the ability to adapt, maneuver and respond is dependent on how its resources are allocated and the

[125] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study: https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf
[126] Fraser Institute – Proper Size of Government: https://www.fraserinstitute.org/article/proper-size-government

ability to absorb temporary budgetary increases if needed can help weather economic head winds.

This is not to be confused with across the board cuts and freezes that affect programs and services or by strictly asking departments and agencies to do more with less. What is needed is a repositioning of the role of government within the collective means of citizens[127] using the criteria above. An essential component of this course of action would be a comprehensive review of the regulatory environment, using the recommendations set forth by the Canadian Chamber of Commerce in the Regulate Smarter report, Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness[128]. The recommendations laid out in this report mirror the reasoning behind a comprehensive full program review. By modernizing Canada's regulatory systems and reducing duplication and misalignment within regulations, competitiveness and a well-functioning regulatory regime will ensure a government ready and able to meet the challenges and respond to opportunities that present themselves in a more integrated global economy. This would ensure that protective measures would be balanced with a regime that is navigable and preserves economic growth and competitiveness.

Another essential step in the road to streamlining government will require serious tax reform. Currently, our tax system is a culmination of a disjointed tax code that has been the product of successive governments making adjustments, additions and cuts based more on election promises rather than a clear vision or strategy. Recommendations set out by Canadian Chamber in its report 50 Years of Cutting and Pasting: Modernizing Canada's Tax System[129] stress the need for a comprehensive reform of our tax system. By using the same mindset set forth with a program review and regulatory reform, a modernized tax system would allow for competitiveness, simplicity, fairness and neutrality and support Canadians in their pursuit of prosperity.

However, the longer the process of streamlining government is delayed the harder it is to reset. External factors beyond the government's control can take precedence and make needed changes that much more difficult. An immediate first step is to aim for a federal budget that is balanced which will then set a solid foundation allowing for a re-visioning of size of government. Canada needs to ensure that it is set on a firm fiscal footing in order to allow for flexibility should market forces beyond its control create an economic downturn and stimulus spending is needed come to the aid of struggling Canadians. It is not only good fiscal policy but responsible governing to create a safe cushion for the country.

As in the past this exercise will be one that requires a long-term vision that spans government administrations and political parties. Good government is not a question of ideology, right or left,

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[127] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study: https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdfhttps://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf

[128] Canadian Chamber of Commerce - Death by 130,000 Cuts – Improving Canada's Regulatory Competitiveness: http://chamber.ca/media/blog/180703-in-discussion-death-by-130000-cuts/180620DeathBy130000Cuts.pdf

[129] Canadian Chamber of Commerce – 50 Years of Cutting and Pasting: Modernizing Canada's Tax System: http://www.chamber.ca/download.aspx?t=0&pid=fb9a4d42-d42e-e911-9d4c-005056a00b05

but rather a commitment to a government structure that is more accessible, navigable, competitive and streamlined so that all Canadians benefit and prosper.

The Alberta Chambers of Commerce recommends the Government of Alberta and Government of Canada:

1. Initiate a Program Review of all ministries based on a set of criteria that looks at what role is appropriate for the federal government and looks at possibilities to realign programs with provincial and private or voluntary sectors;

2. Commit to comprehensive regulatory reform based on cost-benefit analysis and a focus on economic competitiveness;

3. Commit to serious tax reform with an overarching vision and strategy focused on competitiveness, simplicity, fairness and neutrality;

4. Pursue a path to a balanced budget in order to ensure fiscal flexibility; and

5. Set and maintain a target of total government spending as a share of GDP at 26 to 30 per cent.

The Impact of the Mortgage Stress Test on Local Economies

Issue

The mortgage financial stress test was introduced by the Federal Government in late 2017, followed by an augmentation in 2018 to include all mortgages. The stress test, initially designed to address household debt, has had negative consequences for all of Canada. The test, which was imposed amid an already-slowing housing market has had a dramatic and negative effect that will continue the longer the policy remains in effect.

Background

The Stress-Test in Guideline B-20 is a new regulation that was created as a way of determining what homebuyers can afford under the in the event mortgage interest rates rise between mortgage origination and renewal. This means that mortgage borrowers must not only qualify for a rate that they negotiate as part of a mortgage, but also a "stressed" version of their mortgage. "This entails subjecting their mortgage to a higher rate without adjusting the household's financial situation. The borrower would still pay the rate they were preapproved for, they just need to qualify for a higher rate in order to lock it in."[24] It was intended that buyers don't overstretch their finances when dealing with financial hardship.[25] This regulation affects buyers who are intending to put a down deposit of at least 20 percent and buyers with default insured mortgages (i.e. anyone who makes a down payment of less than 20%) must qualify using either the Bank of Canada five-year benchmark rate or the rate offered by the lender (without adding the extra 2%) – whichever is higher. Ultimately, stress testing is about protecting the buyer, by ensuring that they can comfortably afford their monthly payment in case of interest rate increases.

The guideline failed to consider a few things about the 'borrower', as laid out by CIBC: "borrowers' income is likely to rise during the mortgage terms. Average personal income has risen by a cumulative 12.5% over the past five years—the stress test does not take that into account. Nor does B-20 allow for the fact that during the course of the mortgage term, equity position rises due to principal payments. Another shortcoming is that the stress test doesn't consider mortgage term and the decreasing borrower risk with longer terms selected. And finally, B-20 is in part behind the strong rise in alternative lending."[26]

More than a year later we can see that the regulation has caused many unintended consequences. Instead of removing risk from the housing market a great share of buyers has been driven to alternative lenders, this is a transfer from the regulated to the less regulated segment of the market. The Teranet Market Insights Report from October of 2018 found that, "20% of refinanced mortgage transactions (defined as mortgages registered on a property that did not involve a sale) during the second quarter of 2018 were sourced from private lenders…Turning to mortgages for properties with a sale, private lenders accounted for 6.8% of mortgage transactions in Q2 2018, up from 4.9% two years ago."[27] The regulation also does not

provide an exemption for those who are purely are trying to switch lenders to lower their interest burden or those who want to refinance to reduce their total debt burden.[28]

In many regards, this policy has failed as there is little evidence that the housing market has cooled down in areas of Canada, but more importantly in those areas of the Canadian Housing Market where pricing was out of control. As well, there has been a slowdown in construction that has resulted in job losses in not only the housing industry that has created a ripple effect into other connected industries.

According to a 2018 report by The Canadian Real Estate Association (CREA), one job is generated for every three home sale transactions however at the time the report was written, however at the time the report was written, national activity for home sales was on track to hit a five-year low. Some parts of the country are being hit especially hard such as Calgary which is on track for the fewest sales since 2000; Regina and Saskatoon which were on track for the fewest sales in 2006; and St. John's which was on track for the fewest sales since the 1990s.

One of the impacts we are seeing in Alberta is the compression of the housing market into a narrower price range. This will impact future sales and could make it more difficult for people to sell their homes in oversupplied price ranges.

Utilizing a National policy on mortgage qualification will have a more dramatic and negative effect on slow housing markets as opposed to that on heated markets. The reason for this is that slow, unhealthy markets are very sensitive to factors that affect the availability of capital, along with employment rates impact on borrowing capacity.

Canadian Imperial Bank of Commerce's Deputy Chief Economist, and member of the Economic Committee of the Canadian Chamber of Commerce, Benjamin Tal said he supports the principle of a stress test but believes it should be flexible and adjusted to account for interest rate moves and market conditions.

"It's not something that has to be set in stone. It should be more dynamic," he said. "You have to assess the damage to the housing market, whether that damage is too severe, and what other forces in the market are leading to slower growth.

In a later interview, he went on to say, "Is 200 basis points the right number? At the end of the day, there is no real science behind that number."

The Alberta Chambers of Commerce recommends that the Government of Alberta works with the Government of Canada to:

1. Remove the stress-test for those who are merely trying to switch lenders to lower their interest burden, with no increase in risk, refinancing to reduce their total debt burden;

2. Remove the stress-test for those who are acquiring a mortgage in the same price range as their original mortgage;

3. Review the "one-size-fits-all" nature of this policy and create more flexible benchmarks: The qualifying rate needs to be established utilizing criteria designed to account for real-time market conditions, regional/community risk assessments and to allow for regional adjustments as unique community risks arise;

4. Lower the 200-basis points to a 75-basis point stress test, which achieves an appropriate protection to consumers in the event that rates rise, while not unduly pricing too many consumers out of the marketplace;[29]

5. OSFI should unify requirements for uninsured mortgages with those of insured mortgages, and to work with the Bank of Canada and the Department of Finance by implementing an independent mechanism that would see the benchmark set at approximately 75-basis points higher than commonly available market rates; and[30]

6. Provide a 30-year amortization option for first-time homebuyers.

Human Resources and Skills Development (Federal)

Institute an Appeal Process for Labour Market Impact Assessments

Issue

Employers are reporting Labour Market Impact Assessments are being denied for unreasonable and inconsistent reasons. The current process lacks transparency and is leaving employers out thousands of dollars for denied applications.

Background

Labour shortage, skilled and otherwise, continues to be a significant challenge to many Canadian businesses. While attempts to remedy the shortage through skills training programs and immigration programs such as the Expression of Interest system are steps in the right direction, they don't address the immediate shortage facing employers. Thousands of jobs continue to go unfilled as Canadians are either unwilling or unable to fill these in demand occupations. As a result, Canadian productivity continues to languish far below its potential. The Temporary Foreign Workers Program (TFWP) is the short-term solution businesses need but suffers from poor administrative standards.

Having a smooth-functioning administrative process with clearly defined rules, regulations, along with predictable outcomes, administrative oversight, and an appeal and/or review process and are key components to the success and ongoing viability of government programs. It ensures applicants to the program receive the desired and deserved outcomes and helps to prevent potential abuses that could be made by applicants or administrators. This is especially important for the TFWP now that businesses are paying $1,000 per LMIA; a fee that is costing businesses thousands of dollars on top of many hours.

When reviewing Labour Market Impact Assessments (LMIA), it is necessary for the administrative decision-makers (ADMs) to utilize some level of discretion. Subject to numerous rulings under Canadian administrative body of law, discretionary decisions must be exercised via a standard of reasonableness and subject to procedural fairness.

"The Supreme Court of Canada in Southam [1997] considered the standard of reasonableness applies where a decision is a matter of law, a mix of fact and law or a discretionary decision, it is said that the decision is unreasonable where the decision is '*not supported by any reasons that can stand up to a somewhat probing examination.*'[1301]

In a more recent ruling on these standards [2019], the Supreme Court of Canada majority stressed:

[130] *Canada (Director of Investigation and Research) v. Southam Inc.*, [1997] 1 S.C.R. 748

"It is not enough for the outcome of a decision to be justifiable. Where reasons for a decision are required, the decision must also be justified, by way of those reasons, by the decision-maker to those to whom the decision applies."[131]

Discretionary decisions made by the administration should be relevant, reasonable, and consistent, with the process being free of any abuse. Unfortunately, this has not been the case with LMIAs. It is imperative to the overall success and economic well-being of Canadian businesses, that the ADMs of the TFWP be subject to the standards outlined under Canadian administrative law, and that decisions made be subject to review and appeal when necessary. Decisions subject to review are made with an increased level of consideration.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Institute an appeal process for denied Labour Market Impact Assessment applications;
2. Give clearly detailed explanations when Labour Market Impact Assessment applications are denied; and
3. Ensure that appeals are heard by independent and unbiased decision makers.

[131] *Canada (Citizenship and Immigration) v. Vavilov,* [2019] S.C.R 66