2021
Policies

The policies in this book have been approved by the Board of Directors of the Alberta Chambers of Commerce at the 2021 AGM. Policies approved by the board remain a part of the policy book for three years.

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Expediting Approval of Grazing Lease Applications

Issue

The length of time it takes Alberta Environment and Parks (AEP) to process assignments of ownership and renewals of grazing leases is excessively long.

Background

Alberta's grazing lease system has been in place since 1881. More than 8 million acres of Alberta Crown land is used for grazing, and there are approximately 5,700 grazing disposition holders in Alberta.[1] Leaseholders provide upwards of $70 million in value to the Province of Alberta for their role overseeing Crown land under grazing dispositions. Grazing cattle is vital to maintain ecosystem function and wildlife habitat, and '...carefully managed cattle grazing and traditional ranching practices on long-term grazing leases contribute to the ecological health of large tracts of the continent's finest remaining native grasslands. Good stewardship and proper grazing management have helped retain much of the existing healthy native and intact rangelands.[2]

Grazing leases provide livestock producers with an economic grazing opportunity that allows their business to be sustainable. Thus, grazing leases are fundamental to Alberta livestock producers and directly impact the Alberta beef industry. From the government's perspective, there is economic value to having grazing disposition holders steward Alberta Crown land and ensuring modern rangeland management practices are followed. Livestock producers enhance the value of these lands and increase productive use of these lands by addressing issues like weed control, fencing the lands, monitoring usage, maintaining and improving the ecosystem, maintaining fences and water supplies, providing fire suppression and control of grasslands, managing and monitoring recreational and commercial access, and paying taxes on the land.

Alberta's grazing leases are generally given for ten years terms and must be renewed by the grazing disposition holder once the term expires. For example, British Columbia has recently moved to a 25-year tenure on grazing leases, providing the leaseholder with greater stability and certainty that they will have the land to use for an extended period of time. It appears Alberta is one of the last provinces to have tenure for grazing leases under 20 years.

There are specific rules that apply when a grazing disposition holder wishes to renew their grazing lease or transfer it to a third party. These renewals and transfers of ownership are reviewed and land inspected by the local lease inspector, before being sent to Edmonton for final processing by AEP. There is currently a backlog of up to two to three years. Contrast this to the

[1] Alberta Grazing Leaseholders Association, Policy Brief - Crown Land Grazing Dispositions: Spring 2019: https://albertagrazinglease.ca/downloads/2019/Crown-Lands-Grazing-Brief-Spring-2019.pdf

[2] Alberta Grazing Leaseholder Value Estimates Report 2020: https://albertagrazinglease.ca/downloads/2020/SUMMARY-POINTS-Alberta-Grazing-Leaseholder-Value-Estimates.pdf

mere weeks it takes for Special Areas to process a similar type of transfer or renewal for grazing leases within their area.

AEP has stated that these delays are due to staffing shortages, lack of modern technology, and extensive due diligence to determine the lands' status in question. The ability of the grazing disposition holder to transfer/renew its lease and the buyer's ability to acquire the transferred lease must also be confirmed.

Around 2017, AEP commenced a pilot project to reduce the turnaround time to process grazing lease assignments. The plan involved the development and institution of updated forms and increasing AEP staff to handle the assignments. The new forms unloaded a significant portion of the work previously performed by government employees to the parties and their lawyers.

The pilot project was successful. During the pilot, the turnaround time was reduced significantly, in some cases down to 4 months. The pilot project suffered cutbacks: initially with a significant downsizing of the government employees in the team. Then in March 2020, the pilot project was wound down and the pre-existing process, together with its delays, returned.

While we commend the government on the progress they are currently making at clearing out the backlog of renewals, there is still a large backlog of transfers. These renewal and transfer processes need to be streamlined and short processing times maintained to provide security to the grazing disposition holders, their advisors and any transferees seeking to purchase a grazing lease.

When a buyer and seller are waiting for the transfer to be approved by AEP, the parties must determine how to handle the purchase funds involved in the transaction. The purchase funds are generally held in trust by a lawyer at a nominal interest rate, in which case the seller has no access to the funds to invest or pay down debt, use for retirement, or to pay out an estate. The buyer is equally unhappy because despite having had to put up the funds to purchase the lease and are likely paying interest on the funds, they cannot use the land, and they do not have certainty that they will be approved to hold the grazing lease.

As all livestock placed on lease land must be owned by the registered leaseholder, the new proposed leaseholders cannot use the leased land until AEP has approved the transfer. A separate application must be made to get approval to graze the land until the lease is finally approved or rejected, adding another layer of red tape. Furthermore, new leaseholders are generally hesitant to invest in range or infrastructure improvements to the subject lands when the transfer or renewal has not been completed out of fear that AEP may not approve their assignment.

Even though grazing lease renewals are generally approved in practice, if the lands were utilized according to the lease terms and deemed healthy, there is no legislative requirement for AEP to renew the grazing lease. AEP has the legislative ability to cancel or refuse any renewals. This creates uncertainty about whether the grazing lease will be renewed, mainly since the backlog in the system results in the grazing disposition holder operating on an expired lease while they await approval of the renewal.

The current length of time it takes to approve a lease renewal or a transfer impedes commerce and creates unnecessary risk to the parties involved. Furthermore, it creates uncertainty in the

livestock sector, inhibiting the ability to make long term plans and investments by livestock producers and can affect proper rangeland management. Invested capital is tied up in the transfer process, and returns on that investment (through the ability to graze) are not realized, significantly impacting business operations.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Streamline the approval process for grazing lease transfers and renewals to less than three months and ideally less than one month;
2. Establish a system wherein grazing disposition holders can track where their application is in the queue; and
3. Implement a grazing-lease option that is 25 years or longer in term.

Support Biotech in Agriculture

Issue

Advancements such as biotechnology and in particular Genetic Engineering have enabled farmers to provide a safe, reliable and economic source of food to Canadian consumers. This science has greatly increased crop yields, while dramatically decreasing the overall pesticide load associated with growing crops. It has also facilitated the widespread adoption of reduced or zero-tillage thereby significantly increased soil and water quality while reducing carbon dioxide emissions.

The message largely being transmitted by activist groups to the populace regarding Genetically Modified Organisms (GMO) is of mistrust and fear and not at all backed by the scientific reality. This poses a significant threat to the agriculture industry and as a result, global food security. In fact, GMO technology is an invaluable tool for the agriculture industry with a myriad of associated benefits such as GMO Insulin and treatment for hemophilia. Despite strict regulatory oversight and innumerable studies verifying the safety of GMO foods, public perception is very poor and damaging the value of our world class agriculture products.

Farmers, who represent less than 1% of Canadian population, have difficulty in making their voices heard in society.[1] Urbanites and those removed from agriculture have difficultly gaining accurate information regarding how their food is grown and sufficient insight as to the vast complexities and technology advancements associated with modern agriculture. This has created a disconnect between the reality vs perception of modern agriculture, especially when it comes to GMO crops.

Thus, it is important that The Chamber of Commerce recognize how vital biotechnology is to farmers, to agriculture, to agribusiness, to consumers and to the Canadian economy.

Background

Genetically Modified Organisms (GMOs) is the evolution and usage of modern science to combine desired traits in plants. For thousands of years ago farmers realized they could vastly increase their yields by combining and focusing on certain traits of organisms. Only the most productive livestock would be allowed to reproduce and only the seeds from the largest and most productive crops would be planted the following season. Thus, the food we eat today is the result of thousands of years of genetically engineering organisms through selective breeding. The recent evolution of the very useful Canola from the far less useful Rapeseed is a perfect example of the incredible benefit selective breeding can have on agriculture.[2]

GMOs have resulted in a massive leap forward in modern agriculture by creating species of plants that increase yields, increase water efficiency, reduce the need for pesticides, reduced fertilizer,

[1] Census of Agriculture, number of farm operators per farm by age, http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0040239&pattern=0040200..0040242&tabMode=dataTable&srchLan=-1&p1=1&p2=50

[2] McInnis, The Transformation of Rapeseed Into Canola: A Cinderella Story, Winning the Prairie Gamble: The Saskatchewan Story exhibit. 21 May 2004. Retrieved 21 January 2015. http://wdm.ca/skteacherguide/WDMResearch/CanolaResearchPaper.pdf

and even reduced tillage (a significant source of green house gas).[1] Not only will GMOs play a major role in feeding a growing population reliant on very few food exporters, but they will also play a major role in reducing the environmental impact of agriculture.

There have been innumerable studies done over the past 25 years documenting that biotechnology does not pose an unusual threat to human health and that GM foods are completely safe. The American Association for the Advancement of Science made their official statement on genetically modified foods:

> "The science is quite clear: crop improvements by the modern molecular techniques of biotechnology is safe … The World Health Organization, the American Medical Association, the U.S. National Academy of Sciences, the British Royal Society, and every other respected organization that has examined the evidence has come to the same conclusion: consuming foods containing ingredients derived from GM crops is no riskier than consuming the same foods containing ingredients from crop plants modified by conventional plant improvement techniques.[2]"

Today's Canadian GMO crops include corn, soybeans, sugar beets and canola, are of tremendous importance to the Canadian economy. Canola alone is now sown on over 20 million acres and provides a $19 Billion contribution to the Canadian economy[3]. Since the introduction of GMO Canola in 1995 (comprising 90%+ of cdn canola), yields have climbed from 21 bushels per acre to over 41.[4] Soil erosion has decreased 66%, greenhouse gas emissions have decreased by 26%, and fuel usage has been reduced by 31%.[5] Since the introduction of GMO corn in Ontario, yields have climbed 69% while herbicide and insecticide use has dramatically decreased.

Additionally, there are many Genetic Engineered traits that will greatly enhance food quality such as the Arctic Apple which is engineered to resist browning.[6] The newly approved Innate Potato resists bruising, reducing waste, and has reduced levels of asparagine, a compound that increases levels of the likely carcinogenic acrylamide.[7] Despite the plethora of benefits many businesses refuse to use GMO products because of the public's negative misconceptions. Canada has been a leader in the development and adoption of Genetic Engineering in agriculture resulting in her

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[1] Alberta Environmentally Sustainable Agriculture Council, Greenhouse Gas Emissions: Alberta's Cropping Industry, Number 5, November 2000. Retrieved 28 January 2015.

[2] "Statement by the AAAS Board of Directors on Labeling of Genetically Modified Foods." American Association for the Advancement of Science http://www.aaas.org/sites/default/files/AAAS_GM_statement.pdf Retrieved on 30 January 2015

[3] "Industry Overview." Canola Council. http://www.canolacouncil.org/markets-stats/industry-overview/ Retrieved on 27 January 2015.

[4] Beckie, Hugh et al (Autumn 2011) GM Canola: The Canadian Experience, Farm Policy Journal, Volume 8 Number 8, Autumn Quarter 2011. http://www.canolawatch.org/wp-content/uploads/2011/10/20110309_FPJ_Aut11_Beckie.et_.al_.pdf Retrieved 21 January 2015.

[5] Ibid.

[6] "Arctic Apple Benefits." Arctic Apples. http://www.arcticapples.com/about-arctic-apples/arctic-apple-benefits Retrieved 30 January 2015.

[7] "Acrylamide." American Cancer Society. http://www.cancer.org/cancer/cancercauses/othercarcinogens/athome/acrylamide Retrieved 27 January 2015.

having a leadership role in the use of this technology globally. This has enabled Canada to be one of six countries in the world capable of exporting food.

Food producers are continually stressed to keep up with demand from a growing population with a quickly rising middle class desiring more input intensive food. 75 years ago, 1 farmer only made enough to feed 19 people. In 2010 that number rose to 155 people and the reason is the massive leaps forward in technology.[1] It's imperative for the ongoing economic viability of the agriculture sector and the food security of our nation that genetically modified foods to be properly recognized as the safe and stable source of food that they are.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Encourage increased science-based communication and education of Genetic Engineering in agriculture;
2. Support Health Canada's stance that has declared GMO foods are safe for consumption; and
3. Continue to support scholarly, peer-reviewed, and government research of Genetic Engineering in agriculture.

[1] Prax, V. (2010, April 28). *American family farmers feed 155 people each- 2% Americans farm*. Retrieved from http://suite101.com/article/american-family-farmers-feeds-155-people-each-2-americans-farm-a231011

Education

Educate and Foster Entrepreneurship through MicroSociety

Issue

The *MicroSociety* program is underutilized, yet an incredibly effective learning tool that helps students develop invaluable skills resulting in higher student engagement and grades.

Background

MicroSociety create learning environments in grades K-12 allowing students to apply classroom knowledge to a real-world setting. The *MicroSociety* learning environment offers students authentic, hands-on learning through the creation and experience of dynamic miniature societies, reinforced by educators with classroom curricula. Schools include government, entrepreneurial hub, non-profits, and marketplaces all created and managed by students and facilitated by teachers.[1]

Students are the *MicroSociety* government, their bankers, police, store managers/owners, clerks, accountants. They pass laws on taxation, they borrow money to buy a business, they apply for jobs and they hire and fire others. They create and their own goods and services, contribute to community service projects (local charities), and are responsible for solving their own problems. They do job evaluations, bookkeeping and profit-loss graphing, followed by analysis.

Schools that have chosen to institute a *MicroSociety* program have seen significant improvements in attendance, student engagement, and the grades of participating students. Aspen Heights Elementary School in the City of Red Deer was struggling with a shrinking student population, along with poor attendance and student grades.

After initiating the program in 2009, Aspen Heights Grade Three Provincial Achievement tests went from 64% acceptable and 5% excellent in 2009-2010 to 92% acceptable and 16% excellent in 2011-2012. Discipline referrals to administration dropped from 55 in 2009-2010 to 14 in 2011-2012. The school also sees higher than average student and parent satisfaction and higher attendance. The percentage of parents, teachers and students who are satisfied that students model the characteristics of active citizenship was 96% at Aspen Heights compared to 80% average in the Red Deer School District and 82.5% provincially.[2]

Aspen Heights has been the recipient of a number of education awards including the Ken Spencer Award for Innovation in Teaching and Learning (2017) and the Alberta Emerald Foundation Award for Environmental Excellence (2017). Aspen Heights was able to replicate similar success stories seen across 251 schools in the United States. Despite the success of the program, there are only 3 schools in all of Alberta utilizing a *MicroSociety model*.

Alberta Education outlines several core competencies by *The Three E*'s; engaged thinkers, ethical citizens, and entrepreneurial spirits. Those core competencies include critical thinking,

[1] "MicroSociety," https://en.wikipedia.org/wiki/MicroSociety Wikipedia. 10 February 2018.
[2] "MicroSociety", Aspen Heights PowerPoint Presentation. February 23, 2018

problem solving, managing information, creativity and innovation, communication, collaboration, cultural and global citizenship, and personal growth and well-being. Students show strong development in the areas of mental health, resiliency, confidence, and financial literacy. Educators and parents have described the M*icroSociety* Program as being an excellent tool in helping students foster and develop these essential skills. Skills that are key to student's future success.[1]

In an analysis comparing 13 *MicroSociety* and 13 regular schools in Florida with similar demographics, the *MicroSociety* schools consistently and significantly outperformed in reading and math with the gap expanding over time.[2] Beyond exceeding standards at basic subjects, students also gain invaluable experience solving real world problems. "During Micro-Time, students often counter unanticipated and messy problems - settling a contractual dispute among students, figuring out how to turn around an unprofitable business, writing and then effectively enforcing legislation to reduce bullying - are dynamic dilemmas which provide opportunities for students to apply their school learning in authentic contexts.[3]"

While *MicroSociety* models come with some marginal training costs and involve a degree of complexity to initially set up and administer, they attract investment and involvement from the public sector and provides a significant net benefit through its ability to attract and retain students while exceeding curriculum requirements.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with *MicroSociety* to develop and distribute a training model and toolkit for schools that want to have a *MicroSociety*; and
2. Encourage Alberta school boards to create a *MicroSociety* in K to 8 schools across the province with the goal of at least 1 per district by 2025.[4]

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[1] "Red Deer school puts society under the microscope," https://www.teachers.ab.ca/Publications/ATA%20News/Volume%2049%202014-15/Number-5/Pages/Red-Deer-School.aspx Alberta Teachers Association. 10 February 2018.
[2] "Data from 13 MicroSociety and 13 Control schools," http://www.microsociety.org/outcomes-2/ David Kutzik and Associations (2005.)
[3] "Solving Real World Problems," http://www.microsociety.org/how-we-fit/ MicroSociety 12 February 2018.

Energy

Alberta's Opportunity in the Hydrogen Economy

Issue

Hydrogen's potential has been identified as an important part in the global transition to emissions-free fuel sources and a healthier planet. The right support and promotion will enable Alberta to become a leading blue hydrogen supplier serving the global market. This environment will allow R&D and production to thrive, and allow government to keep keeping regulations and public funding to a minimum.

Background

It is no secret that economic diversification has been on the minds of the Canadian and Alberta governments for some time. The harsh economic impacts of the global pandemic and recession creates many questions about how to rebuild stronger for the future. We know, and support, that our traditional energy sector will be required for years to come, while at the same time we know that we must broaden our economic base and work towards more sustainable energy solutions. Hydrogen, while considered for years, may just be a perfect fit for the times.

Hydrogen is the most abundant element in our universe, made of one proton and one electron. While hydrogen burns cleanly with zero carbon emissions, there are three types of hydrogen,[1] each defined by the carbon output resulting from its production. "Grey" hydrogen, currently the most common, is produced from natural gas and emits carbon. "Blue" hydrogen, still created from natural gas, reduces GHG concerns as the emitted carbon is stored underground in a process called Carbon Capture, Utilization and Sequestration (CCUS), or used for other purposes. The final type is "green" hydrogen, powered by electrolysis, and is truly "emissions-free" but faces cost-efficiency challenges. Alberta's Natural Gas Strategy,[2] that was released in Fall of 2020, has positioned Alberta to be a leading producer in blue hydrogen.

At the consumer level, hydrogen can be used to reduce emissions as a clean-burning transportation fuel, or for heating homes. In 2020, Canadian Utilities (a member of the ACTO group of companies) announced that around 5000 homes in Fort Saskatchewan, Alberta, would be heated with a natural gas-hydrogen blend starting in 2021, in the country's biggest hydrogen-blending initiative.[3] Hydrogen can also be used as an industrial feedstock in places like Alberta's Industrial Heartland.

At the national level, hydrogen will be an important ingredient in the move towards net-zero emissions targets. In Canada, the Transition Accelerator, a think-tank studying a hydrogen transition, views hydrogen as a part of Canada's net zero target, for instance, as a possible key input in an overhauled electricity grid.[4] The Federal government is supportive of hydrogen by

[1] https://www.cbc.ca/news/canada/calgary/alberta-hydrogen-home-heating-1.5657736
[2] https://www.alberta.ca/natural-gas-vision-and-strategy.aspx
[3] https://www.cbc.ca/news/canada/calgary/alberta-hydrogen-home-heating-1.5657736
[4] https://transitionaccelerator.ca/wp-content/uploads/2021/01/2021-01-24-Pathways-to-Net-Zero-v9-4.pdf

recently releasing its federal hydrogen strategy.[1] Canada joins a list of countries that are investing in hydrogen, including: Australia, Germany, South Korea, Saudi Arabia, and more.[2]

The hydrogen economy, however, is not without challenges. A key challenge lies in the finalization of commercial-level CCUS technology. ATCO, a major player in Alberta's hydrogen space, has stated that they still have to "crack the carbon capture nut on a commercial level" predicting they are still approximately 5-6 years away from "commercial hydrogen production".[3] However, Alberta is in a great position to meet this challenge. The Alberta Carbon Trunk Line (ACTL) is a large-scale CCUS pipeline that is already in place that begins in Alberta's Industrial Heartland and "captures industrial emissions and delivers the CO_2 to mature oil and gas reservoirs for use in enhanced oil recovery and permanent storage… ACTL is capable of transporting up to 14.6 million tonnes of CO_2 per year… equal to the impact of capturing the CO_2 from more than 3 million cars in Alberta."[4] Further to this, Alberta's recently released Natural Gas Strategy[5] has set a 2030 goal for "Large-scale hydrogen production with carbon capture, utilization and storage (CCUS) and deployment in various commercial applications across the provincial economy".

A Transition Accelerator report[6] notes that one of the greatest challenges with building out the hydrogen economy is "connecting hydrogen supply to demand". The report notes that the Alberta Industrial Heartland region is well positioned to reach demand with "the ability to produce a large amount of low-cost, blue hydrogen adjacent to corridors with substantial demand for the gas as a transportation or heating fuel". "With sufficient demand for hydrogen in the corridor, pipeline infrastructure can be justified, and the new energy system will become economically viable in the absence of ongoing public investment."

Beyond domestic industrial and commercial uses, Alberta has set a 2040 target to ensure "exports of clean hydrogen and hydrogen-derived products" can be delivered "to jurisdictions across Canada, North America, and globally".[7]

With its existing infrastructure, access to feedstock, and export market knowledge, Alberta holds a great opportunity in the hydrogen energy sector. With continued provincial and federal support for blue hydrogen, and with successful R&D in carbon capture technology, Alberta holds potential as a leader in the emerging Hydrogen economy.

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[1] https://www.nrcan.gc.ca/sites/www.nrcan.gc.ca/files/environment/hydrogen/NRCan_Hydrogen-Strategy-Canada-na-en-v3.pdf
[2] https://sponsored.bloomberg.com/immersive/hyundai/the-h2-economy
[3] https://edmontonjournal.com/news/politics/alberta-natural-gas-strategy
[4] https://actl.ca/
[5] https://www.alberta.ca/natural-gas-vision-and-strategy.aspx
[6] https://transitionaccelerator.ca/wp-content/uploads/2020/11/Building-a-Transition-Pathway-to-a-Vibrant-Hydrogen-Economy-in-the-Alberta-Industrial-Heartland-November-2020-5.pdf
[7] https://www.alberta.ca/natural-gas-vision-and-strategy.aspx

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Support blue hydrogen research and production in Alberta by working with stakeholders, such as the federal government and the energy industry in a manner consistent with the federal hydrogen strategy;
2. Work with industry to assist in research and infrastructure needs for Carbon Capture, Utilization and Storage to accommodate blue hydrogen energy;
3. Based on the results of a true market assessment of hydrogen energy viability, develop a plan that creates pathways for hydrogen to succeed on merit, with minimal use of regulation or policy; and
4. Work with the federal government to identify potential international markets to export hydrogen technology and product.

Including Nuclear in Alberta's Energy Mix

Issue

Small Modular Reactors are an attractive nuclear energy solution that can be clean sources to power remote northern communities, reduce emissions in industry, and reduce Alberta's energy grid dependence on fossil fuels.

Background

As the second-largest producer and fourth-largest exporter, Canada made up 13% of global production of uranium in 2019, a key ingredient in producing nuclear energy. Nuclear energy in Canada dates back to 1942 and Canada has even developed a renowned nuclear reactor technology, *CANDU*, that is used on Canadian soil and internationally. In 2018, approximately 15% Canada's electricity grid was sourced by nuclear power.[1,2] Nuclear is a clean energy supply that does not emit carbon and has great potential to be increased within in Canada's energy mix to work towards our ambitious net-zero targets.

Small Modular Reactors (SMRs) have gained popularity in Canada as a smaller scale nuclear energy source. Regular-sized nuclear reactors used in Canada will usually produce about 800 megawatts of electricity which is "enough to power 600,000 homes at once", while Small Modular Reactors "can generate between 200 and 300 megawatts".[3] "The technology is also small enough to be transported on a truck, ship or train, and has been touted by the federal government as safer than traditional nuclear reactors".[4] The Canada Nuclear Safety Commission (CNSC) regulates SMR projects with the purpose of protecting the "health and safety of Canadians and the environment.[5]

Both the federal and provincial government have signalled strong support for SMRs. The Government of Canada has released their SMR Roadmap in partnership with Alberta Innovates, and their SMR Action Plan endorsed by the Government of Alberta and Alberta Innovates.[6,7]

According to Canada's SMR Roadmap, SMRs can be used for three major purposes:

- *On-grid power generation, especially in provinces phasing out coal in the near future. Utilities want to replace end-of-life coal plants with non-emitting base-load plants of similar size.*

[1] https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/uranium-and-nuclear-power-facts/20070
[2] https://www.atomicheritage.org/location/Canada
[3] https://www.cbc.ca/news/canada/calgary/nuclear-energy-alberta-ucp-small-scale-modular-reactors-government-of-canada-1.5677983
[4] https://www.cbc.ca/news/canada/calgary/nuclear-energy-alberta-ucp-small-scale-modular-reactors-government-of-canada-1.5677983
[5] https://nuclearsafety.gc.ca/eng/reactors/research-reactors/other-reactor-facilities/small-modular-reactors.cfm
[6] https://smrroadmap.ca/
[7] https://smractionplan.ca/

- *On- and off-grid combined heat and power for heavy industry. Oilsands producers and remote mines would benefit from medium-term options for bulk heat and power that would be more reliable and cleaner than their current energy sources.*
- *Off-grid power, district heating, and desalination in remote communities. These currently rely almost exclusively on diesel fuel, which has various limitations (e.g. cost, emissions). Renewables and batteries can mitigate these limitations to some extent for residential power, but may not supply building heat, nor are they likely to offer reliable bulk energy to open up economic development.*

Over 90% of Alberta's electricity grid is powered by fossil fuels.[1] By contrast, Ontario's electricity grid is currently around 60% nuclear, which demonstrates nuclear's effectiveness and potential for expansion in Canada and Alberta.[2]

While nuclear projects have been attempted in the past in Alberta, there have been no successful builds to date. In August of 2020, Alberta signed onto an MOU with Ontario, Saskatchewan, and New Brunswick, supporting the "advancement and deployment" of SMRs. Premier Jason Kenney noted the potential to power remote communities, the opportunity for economic diversification, and the potential for job creation and reduced GHG emissions.[3]

With both the federal and provincial government supporting SMRs it will be important that policy and regulation is harmonized and streamlined to allow for ease of research and development, and implementation. Also vital, will be a strong partnership between government, industry, and stakeholders, such as indigenous groups.

One key challenge with implementing increased nuclear energy solutions will be public acceptance. Despite a very strong historical track record of safety, nuclear technology brings a level of public concern. Chris Varcoe of the Calgary Herald discussed nuclear in Alberta stating, *"Examining the case for small modular reactors makes sense, although there's a lot more work to do — and this will eventually include the need to educate Albertans about the merits and challenges about this form of energy…"*.[4]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with the federal government to streamline and coordinate regulatory processes to ensure that its policies, such as environmental regulations and construction red tape, do not unintentionally interfere or create disincentives for SMR technology;

[1] https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/provincial-territorial-energy-profiles/provincial-territorial-energy-profiles-alberta.html
[2] https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/provincial-territorial-energy-profiles/provincial-territorial-energy-profiles-ontario.html
[3] https://www.cbc.ca/news/canada/calgary/nuclear-energy-alberta-ucp-small-scale-modular-reactors-government-of-canada-1.5677983
[4] https://calgaryherald.com/opinion/columnists/varcoe-alberta-studies-nuclear-power-again-this-time-its-small-modular-reactors

2. Create a partnership with all stakeholders to support capacity-building initiatives. This would include engagement with the public, industry leaders, and Indigenous communities, to develop a robust knowledge base; and
3. Create an awareness campaign to engage with the public on the safety and benefits of nuclear technology and SMRs specifically.

Market Access for Alberta Based Energy Products

Issue

Alberta businesses will benefit from policies that help our people, products and services find new markets. As a trade-exposed province, we must facilitate international market access through trade-enabling infrastructure, export promotion, and market diversification. To that end, we urge the provincial government to take action to enhance market access that will promote increased growth in the resources extraction and value-added industries.

Background

Alberta's vast supply of natural resources have provided the province with a wealth of investment opportunities. The industries that extract these resources and add value through further processing to meet market demands serve as important sources of long-term job creation, and generate lasting benefits for municipalities, the province, and the country. High-paying jobs means economic activity and tax revenue to support communities and government programs.

The COVID-19 pandemic has only reinforced the importance of market access, particularly in terms of the overall supply chain. Product supply and demand has varied throughout the pandemic and changing and ongoing travel restrictions have complicated the movement of goods, services, and labour around the world.

When it comes to energy market access, our overwhelming reliance on the US market means that Canadian producers are often forced to sell their products at a discounted price. Bottlenecks in our infrastructure have exacerbated the price gap between Western Canada Select (WCS) and West Texas Intermediate (WTI) with the differential of WTI over WCS at US$13.91 in February 2021, and between approximately $7.00 and $45.00 in recent years.[1]

This discount on Alberta oil has a severe negative impact on our economy. The Canadian Chamber of Commerce estimates that a $10 improvement in the price differential would result in $50 million injected into Alberta's economy every day.[2] This estimate suggests that lack of infrastructure contributes to an extraordinary transfer of wealth from Canada to the United States.

Market access impacts the value-added sector as well. The American Chemistry Council estimates that while over $250 billion in new chemical investments were announced or underway in North America as of 2018, only 1% of this investment is located in Canada.[3] Investors have identified the transportation service being a concern in competitively accessing markets in a timely manner. Alberta has seen investors more inclined to invest in the US to

[1] Alberta Economic Dashboard
[2] http://www.chamber.ca/media/blog/130917-50-Million-a-Day/
[3] https://www.canadianchemistry.ca/library/uploads/2018_CIAC_Pre-Budget_submission_-_July_10_Final.pdf

hedge against logistical uncertainty and to guarantee access to tidewater than invest locally. As Alberta promotes further investment opportunities to build upon our existing industries, it will be critical to ensure that all pipeline, road, and rail transportation services are readily available and provide reliable and competitive service that supports the government's strategy for product and market diversification.

The energy industry has been a critical component in the growth of Alberta's economy. Economic surplus captured by Alberta businesses is reinvested in the economy and creates a more productive and prosperous population. The greater the economic value that is captured from the energy industry, the greater the well-being of Alberta's business community and population.

Conclusion

The element of the supply chain that is the greatest threat to expanding the energy industry in Alberta is access to markets. The vast majority of our raw crude oil, natural gas resources, and value-added products such as refined petroleum and petrochemical products are exported to the United States. This domination of a single customer is not efficient, nor does it provide opportunity to capture the full value that petrochemical products command in international markets.

Expanded infrastructure to access diverse markets can position Alberta businesses to fully benefit from the energy industry in the long term, by transforming Alberta producers from price takers into leaders. It will also position Alberta as energy leaders, both in traditional and non-traditional forms of energy production.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Facilitate the development of new market access for Alberta's raw energy resources and value-added products, which includes development of energy transportation infrastructure such as pipelines and railways to tidewater.

Small Scale Renewable Energy

Issue

Literature has long suggested that Alberta has the natural assets and technical feasibility to support further renewable energy development.[1] That being said, Alberta's renewable energy generation is low compared to the other provinces.[2,3] Despite the importance and potential of renewable energy as part of a low carbon future, Alberta generated 11% of its electricity in 2017 from renewable sources,[4] which is significantly less than the national rate of 66% renewable generation.[5] Alberta's largest source of renewable energy is wind power, generated from turbines often built together at wind farms on rural land, producing roughly 5% of total electricity in the province.

Background

Alberta's electricity market is deregulated, allowing private generators to participate in a competitive power pool. Subject to the approval of the Alberta Utilities Commission (AUC), any generator can connect to the grid, where the transmission network allows buyers to purchase the energy with Power Purchase Agreements.[6] Independent Power Producers make competitive offers to sell their energy to the grid and receive a price at the intersection of electricity supply and demand on an hourly basis.[7] Smaller energy producers (under 5 MW) can develop projects under the Micro-Generation Regulation, allowing energy generation from renewable or alternative sources to offset the generator's use, as well as sell back excess power to the grid.[8]

As the third largest producer of energy in Canada, Alberta trades electricity with British Columbia, Saskatchewan and Montana.[9] In 2017, Alberta was an electricity importer.[10] The bulk of Alberta's energy comes from fossil fuel sources, with roughly 45% of electricity generated coming from coal and another 45% from natural gas in 2018.[11] Despite having a number of legacy hydroelectric dams built in the 1900s, renewable electricity generation was quickly outpaced by fossil fuel energy development.

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[1] https://www.cangea.ca/uploads/3/0/9/7/30973335/2288_deep_dive_analysis_of_best_geothermal_reservoirs_for_commercial_development_in_alberta_-_final_report_20170404.pdf
[2] http://publications.gc.ca/collections/collection_2017/eccc/En4-294-2016-eng.pdf
[3] https://open.alberta.ca/dataset/2bf1b608-8e3b-4bc9-854e-23d19bbecbdc/resource/a238daa7-1513-4ac0-841e-d512d73a9c16/download/energy.pdf
[4] National Energy Board (2019). Provincial and Territorial Energy Profiles – Alberta.
[5] https://www.cer-rec.gc.ca/en/data-analysis/canada-energy-future/2020/canada-energy-futures-2020.pdf
[6] https://www.pembina.org/reports/plugging-in-2018.pdf
[7] Ibid.
[8] https://www.alberta.ca/micro-generation.aspx
[9] https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/provincial-territorial-energy-profiles/provincial-territorial-energy-profiles-alberta.html
[10] https://www.alberta.ca/micro-generation.aspx
[11] National Energy Board (2019). Provincial and Territorial Energy Profiles – Alberta.

The Government of Alberta established a goal of generating 30% of electric energy from renewable sources by 2030 within the Renewable Electricity Act, passed in 2016.[1] To facilitate the development of renewable projects to meet this target, the AESO developed and implemented the Renewable Electricity Program (REP). This program provides an Indexed Renewable Energy Credit, where the government pays or is paid the difference between the pool price for wholesale electricity sale and a bid price that represents the lowest acceptable cost for the renewable project.[2] This program was designed to attract the most bidders by allocating the market price risk and opportunity to the Government of Alberta, providing revenue certainty for the renewable project owner[3]. In the first three rounds of the REP, 12 projects were selected to receive this funding, totaling 1,359.3 MW of renewable capacity to be operational by 2021. The program was able to procure the lowest renewable electricity prices in Canada.[4]

In anticipation of introducing more renewable energy, the AESO recommended a transition from an energy-only market structure to a capacity market structure.[5] Under a capacity market, generators would be compensated for both producing energy and for providing capacity to produce energy.[6] This transition was recommended to ensure the system was reliable, provided stable revenue, drove innovation and cost discipline, and was adaptable to policy decisions.[7] The AESO determined that this transition would be required to accommodate the greater number of renewable generators being introduced by providing greater price stability and to incentivize investors to develop more renewable and natural gas projects because of the revenue sustainability.[8] However, critics of the program cited concerns about oversupply and higher prices.

However, following the 2019 election, the current government, passed a bill terminating both the next round of REP and the Alberta Carbon Tax.[9] These policy changes are one reason the AESO has forecast that Alberta will not reach 30% renewable capacity by 2030.[10] There are several shovel-ready projects in Alberta. AESO reports that 49 solar and wind generation projects from international and provincial players already received regulatory approval for construction. These projects have a combined generation capacity of 3,805 megawatts, including 300 MW wind project developed by EDP Renewables and several 200 MW wind projects developed by ENMAX, BluEarth Renewables and Suncor. Combined, these projects could create over $8 billion of investment in Alberta and more than 10,400 jobs by 2024.

In the wake of COVID-19, it only makes sense to hedge our public bets by diversifying into the small-scale renewable energy market, particularly in Alberta where there is significant economic activity to be unlocked by enabling renewables at a faster pace. Leveraging stimulus spending to

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[1] https://www.qp.alberta.ca/documents/Acts/r16p5.pdf
[2] https://www.aeso.ca/market/renewable-electricity-program/about-the-program/
[3] https://www.aeso.ca/assets/Uploads/AESO-RenewableElectricityProgramRecommendations-Report.pdf
[4] https://www.aeso.ca/assets/Uploads/2019-Transmission-Capability-Assessment-Final-18Apr2019.pdf
[5] AESO (2016). Alberta's Wholesale Electricity Market Transition Recommendation.
[6] Ibid.
[7] Ibid.
[8] Ibid.
[9] https://globalnews.ca/news/5334599/alberta-carbon-tax-ucp-bill-kenney/
[10] https://calgaryherald.com/business/local-business/renewable-electricity-target-downgraded-by-albertas-electric-system-operator

reduce barriers for renewable energy will help Alberta tap into the potential of its vast renewable energy resources, which will mean more jobs, more investment coming to the province and affordable electricity.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Set clear targets and make commensurate investments in energy storage projects to ensure Alberta can leverage its opportunities in renewable energy;
2. Develop outreach programs to attract students to relevant academic programs – with the aim of producing a diverse, highly skilled work force of post-secondary graduates and/or tradespersons;
3. Continue to invest in pilot projects across Alberta and neighboring provinces, to further level the playing field for renewables on the provincial grid; and
4. Engage in a united action with other levels of government, electricity employers, and academic institutions to support education and training or retraining to optimize the labour potential of current workers.

Strengthening Alberta's Electricity Transmission Intertie Infrastructure

Issue

Affordable, reliable electricity is critical to the sustainability of the Canadian economy.

Background

Reliable and affordable electricity are essential components of a well-functioning, competitive economy. Provincial interties are a key aspect of Alberta's integrated transmission system, with three operating in Alberta (connecting to B.C., Saskatchewan, and Montana). These interties enable the import and export of electricity from neighbouring jurisdictions to both support Alberta's robust, competitive, energy-only market and provide system reliability, which is of utmost importance to residential, farm, and small business and industrial consumers throughout the province. Alberta is currently the least interconnected province in Canada as a percentage of electrical load.

On June 7, 2020, Alberta experienced rolling blackouts around the province due to a lightning strike in southern British Columbia that tripped the B.C.-Alberta intertie. The blackouts that occurred were not only disruptive to Alberta residents and businesses, but they were also economically costly due to lost productivity because of the interruption to business operations. Moreover, the Alberta Electricity System Operator (AESO) has since imposed a significant reduction in import capacity (curtailment) for the Montana and B.C. interties, which is having a negative effect on transmission system operations and, more importantly, is leading to an estimated $300 to $500 million in additional costs annually for Alberta electricity consumers.[1]

Berkshire Hathaway Energy Canada's Montana-Alberta Transmission Line (MATL) Intertie Enhancement Project

The Montana Alberta Transmission Line (MATL) is a 344-kilometer, 230 kV 300 MW merchant transmission line connecting Great Falls, Montana and Lethbridge, Alberta. Analysis by Berkshire Hathaway Energy Canada shows that having a 450 MW back-to-back DC converter on the MATL intertie would increase transfer capacity for both the B.C. and MATL interties, optimizing the intertie system and improving grid reliability to help avoid future blackouts. With the support of the Canada Infrastructure Bank, BHE Canada is proposing to invest in a $200 million back-to-back DC converter station on the line—a private investment in nonregulated transmission assets funded without any increase to rate base for Alberta ratepayers.

It is anticipated the additional capacity of the MATL intertie enhancement project would result in AESO easing the current curtailment, in turn leading to significant cost benefits for Alberta electricity consumers. In addition to reducing electricity costs for rate payers, the project would

[1] AESO's curtailments of the Montana-Alberta- B.C. interties cost Alberta consumers $70 million in the first 46 days.

generate an estimated $2.4 to $3.1 million in property taxes in Lethbridge or Warner County, substantial tax revenue for Alberta, and employment opportunities for First Nations. The project would produce more than 200 construction and engineering jobs during build out and result in five full-time operations jobs when complete.

Expanding intertie infrastructure is of strategic interest to Alberta and Canada's economic and climate goals.

Alberta's current intertie infrastructure limits access to hydropower produced in B.C. and Manitoba, as well as access to renewable power produced in southern Alberta and the United States. Interties complement high penetrations of variable renewable electricity by enabling jurisdictions to trade surplus renewable generation with other markets when output is high and to import electricity when output is low.[1] Finding ways to improve the transmission system's reliability, lower electricity costs for consumers, and improve access to renewable energy sources are critical objectives to enable a less carbon-intensive and more sustainable Canadian economy.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Support private investment in provincial interties to enable competition in Alberta's energy-only market, lower electricity costs, and improve grid reliability, including BHE Canada's MATL intertie and back-to-back DC converter station project; and
2. Promote development of interjurisdictional interties to improve access to electricity produced by renewable resources and increase opportunities for interprovincial and Canada-U.S. electricity trade.

[1] *Strategic Electricity Interties* Report of the Standing Committee on Natural Resources 2017

Upgrade Alberta: Fixing Alberta's Bitumen Valuation Methodology

Issue

The oil sands resource is Alberta's largest economic asset, with proven reserves over 160 billion barrels.[1] Due to challenging market conditions, oil sands investment declined every year from the peak in 2014 through 2020.[2] While nearly two-thirds of oil sands production used to be upgraded, now only about one-third of oil sands production is upgraded. Currently, the Bitumen Valuation Methodology (BVM) is economically disadvantaging value-add opportunities for bitumen production, including upgrading. This is because the current BVM overestimates the value of bitumen relative to the actual market pricing. Revising BVM to reflect market value of bitumen is the most important long-term economic strategy the government can implement to enable market-based investment in technologies that add value to Alberta's resources and diversify Alberta's economy.

Background

In 2009, Alberta implemented the Bitumen Valuation Methodology (BVM) with the intent of ensuring integrated operators generally received the same market basis for royalty pricing whether they integrate the barrel of bitumen into an upgrader or sell to a third-party. This originated during the 2007 royalty review as a result of the termination of crown agreements with existing operators. The intent of BVM was to temporarily set a value on bitumen produced by integrated producers that was reflective of market prices, but the formula has led to inconsistent and substantially higher pricing than the market value of bitumen. A permanent replacement for BVM has not been developed.

BVM formula pricing assigns significantly higher bitumen prices ($4-8/bbl) than the market. The gap widens when market access issues worsen and differentials widen because there is a floor price provision linking the price to Mexican Maya heavy crude oil sold into the US Gulf Coast market. Integrated oil sands producers are paying incremental royalties on the value-added product instead of the bitumen production. This erodes upgrading margin and results in a significant competitive disadvantage in building additional processing in the province versus other jurisdictions. This has become Alberta's single largest financial barrier to investment in value added technology for the oil sands.

Alberta's resource is being sold at lower prices instead of being upgraded to create higher-value products that yield a higher price. Major construction projects have been withdrawn and the last greenfield oil sands development was sanctioned in 2013. Planned new upgraders and expansions of existing upgraders have been shelved, while oil sands companies have invested more than $18 billion in value-added in the United States. Prior to the introduction of BVM,

[1] https://www.alberta.ca/oil-sands-facts-and-statistics.aspx
[2] https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=3410003601

approximately 60 per cent of produced bitumen was upgraded in the province. That share has dropped to about 35 per cent.[1]

Removing BVM and implementing a method that ensures the royalty for bitumen upgraded in Alberta is based on the same market value as the bitumen sold by producers to third parties, would lead to 50 per cent of bitumen being upgraded in the province in the next ten years. This aligns with Alberta Innovates goal of upgrading 20 per cent of in situ production (approximately 500,000 b/d of partial upgrading capacity) and the Government of Alberta's Recovery Plan.[2]

Reaching a goal of upgrading 50 per cent of bitumen in the province would:

- Allow for debottlenecking at existing upgraders, adding 100,000 b/d of upgrading capacity and, add an additional 400,000 b/d of upgrading capacity through potential new investments in partial upgraders.
- Create 30,000 construction jobs and more than 11,000 permanent jobs in Alberta.
- Generate an average of over $700 million in annual government revenue (taxes and royalties) over the life the new assets – 30 years or more.
- Free capacity on existing pipelines, up to an additional 180,000 b/d.
- Create new customers and markets for Alberta's oil sands products.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Remove the existing Bitumen Valuation Methodology and design a method that ensures the royalty for bitumen upgraded in Alberta is based on market value, ensuring competitiveness and value for Albertans and restoring investor confidence; and

2. Adopt the target of upgrading at least 50 per cent of Alberta's bitumen in the province in the next ten years.

[1] https://www.capp.ca/wp-content/uploads/2021/05/Upgrade-Alberta-Eliminate-a-Barrier-to-Jobs-and-Prosperity-Kick-Start-Economic-Recovery-391659-1.pdf
[2] https://albertainnovates.ca/impact/newsroom/report-on-partial-bitumen-upgrading-delivers-key-market-insights/

Finance and Treasury Board

Consolidating the Administration of the Provincial and Federal Corporate Tax Compliance and Collection

Issue

Alberta and Quebec are the only two remaining jurisdictions in Canada that have not consolidated their corporate income tax administration with the federal government. The duplication of filing requirements imposes an additional tax compliance burden through two returns and creates unnecessary compliance risks for Alberta businesses. From a tax compliance perspective, this continued duplication of functions, including reporting, auditing and returns, is a source of frustration and red tape.

Background

A competitive tax system is essential to attract and retain business investment, as well as fostering economic growth in a highly competitive global economy. Improving our tax competitiveness, including simplification of compliance, continues to be a matter of crucial importance.

Since 1962, tax collection agreements (TCAs) have provided an administrative and legislative framework for the harmonization of tax structures, while respective provincial and federal governments' rights to impose personal and corporate income taxes. The TCAs do not prevent the provinces from continuing to establish their own tax calculations independently of the federal tax calculations. Indeed, personal income taxes in Alberta are collected by the Government of Canada.

According to a 2006 Ontario Fiscal Review, consolidation of the corporate income tax (which began in Ontario in 2009) was expected to save Ontario businesses $90 million annually from a consolidated tax base and an additional $100 million in compliance costs.[1] While Alberta is a smaller province compared with Ontario, the savings for businesses would be substantial and could be reinvested in the provincial economy.

Eleven of 13 provinces have already harmonized corporate tax collection by the federal government. For businesses operating in Alberta, the additional provincial system is an unnecessary regulatory barrier.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with the Government of Canada to consolidate the collection and administration of its provincial corporate income tax by the federal government.

[1] https://www.fin.gov.on.ca/en/tax/ct/singleadmin.html

Employee Share Ownership Plans: Harnessing Alberta's entrepreneurial spirit

Issue

Alberta's small businesses are struggling to recover from both the dramatic loss of revenues and access to capital created by Covid-19 safety regulations. And, while businesses struggle, Canadians' personal savings have reached unprecedented numbers. This is a unique opportunity to have Albertans invest in their employers and speed up the economic recovery. However, unlike other provinces, no personal tax incentives exist in Alberta for employees looking to invest in their employers.

Background

The Covid-19 crisis has unevenly impacted Alberta's small businesses. Statistics Canada's *Impact of COVID-19 on Small Businesses in Canada, Third Quarter 2020* shows that small businesses were more likely to experience a decrease in revenue and have less liquidity and were more likely to be unable to take on more debt and to be considering bankruptcy in the current economic environment.[1] And, while half of all Canadian businesses reported a revenue decrease, it was more likely for smaller businesses to report a revenue decrease of 40% or more.[2]

With declining revenues, some small businesses are being forced to borrow. However, small businesses are less likely to have the ability to take on debt.[3] In fact, close to half of businesses with 1 to 4 employees (47.2%), and around two-fifths of businesses with 5 to 19 employees (43.4%), do not have the ability to take on more debt.[4]

This decline in revenues combined with difficulties in borrowing inevitably leads to employment reduction. While small businesses are less likely to lay off staff, when layoffs are made, small businesses are more likely to layoff all of their staff.[5]

Of note, however, these businesses are also most likely to rehire all staff back.[6]

Yet, despite these layoffs, in large part due to government programs like the Canadian Emergency Response Benefit (CERB), Canadians' household savings were $90 billion more than expected in the second quarter of 2020 and household savings are the highest in our country's history[7].

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[1] Impact of COVID-19 on small businesses in Canada, third quarter 2020. Statistics Canada: https://www150.statcan.gc.ca/n1/pub/45-28-0001/2020001/article/00088-eng.htm
[2] Ibid.
[3] Ibid.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] Household savings in Canada skyrocket during pandemic as Ottawa doles out billions in emergency benefits. National Post: https://nationalpost.com/news/politics/household-savings-in-canada-skyrocket-during-pandemic-as-ottawa-doles-out-billions-in-emergency-benefits

Employee Share Ownership Plans (ESOP) are an effective way of helping small businesses access the liquidity they need to survive while providing employees with short- and long-term investment benefits from their substantial savings.

According to the ESOP Association of Canada, ESOPs are also an excellent tool to help recruit and retain talent, improve productivity and employee engagement, assist with succession planning, and allow participating employees to build long term wealth while acting as a source of capital for the company[1].

Only two provinces in Canada offer government programs that incentive employees to participate in share ownership plans, however. The province of British Columbia offers a 20 percent tax credit for employees making investments in their employers' businesses[2] and Manitoba offers employees a partially refundable 45 percent tax credit.[3]

By providing personal tax incentives to Albertans looking to invest in their employers, the Government of Alberta can support its small businesses while unlocking Albertans' savings to speed up our economic recovery.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Offer a personal income tax incentive to employees participating in Employee Share Ownership Plans; and
2. Consider preferred tax treatment for the corporation offering an Employee Share Ownership Plan to help with the cost of administering the program.

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[1] ESOP Association of Canada: https://www.esopcanada.ca/content.aspx?page_id=22&club_id=925161&module_id=409825

[2] Government of British Columbia: https://www2.gov.bc.ca/gov/content/employment-business/investment-capital/employee-share-ownership-program

[3] Government of Manitoba: https://www.gov.mb.ca/finance/tao/esop.html

Supporting a Strong Economic Recovery – Recommendations for Alberta Budget 2020/2021

Issue

The Alberta economy is reeling from the impacts of the COVID-19 pandemic and the fall in the price of oil early in 2020. The unemployment rate is higher in Edmonton compared to most other places in Canada. The Alberta Chambers of Commerce commends the Government of Alberta for working diligently, along with other orders of government, on the pandemic response in support of job creators and all Albertans. The business community is focused on the short, medium and long-term recovery and hope that the coming years see a return to a strong economy that includes everyone in the province.

Background

Response to the COVID-19 pandemic

With many payment deferral programs coming to an end this fall, job creators are concerned about their capacity to catch up on a mountain of bills with fewer customers coming through the door. We urge governments to ensure that there are flexible debt repayment schedules for businesses who accessed debt-supported response programs, such as the CEBA and BCAP, to ensure employers aren't forced to shut their doors due to government debt repayment.

It is critical that a childcare system is designed in Alberta based on the principles of affordability, accessibility, flexibility and quality. We appreciate the legislation tabled in the Assembly in fall 2020, which seeks to improve flexibility and availability in the system. Albertans are eligible for the provincial childcare subsidy if their total family income is less than $75,000 per year, which is too low of a threshold to provide a meaningful benefit to all families that require assistance. Across income levels, the ongoing closure of schools and daycares during the COVID-19 pandemic has impacted the abilities of many parents to work.

Responsible fiscal management

The 2019 Blue Ribbon Panel reviewing Alberta's spending was a strong first step, ensuring Albertans receive effective government service delivery for the taxes they pay. Given the impacts of the pandemic on government revenues, the Province should convene a similar panel to examine the opposite side of the ledger. This review cannot ignore the largest and most controversial question on tax in Alberta – that being the adoption of the Provincial Sales Tax or Harmonized Sales Tax, as other provinces have done. Both this type of review, and the related review on spending, should be conducted periodically to ensure that the impacts of any resulting changes to tax systems or spending can be measured and reported publicly.

The Alberta Chambers of Commerce believes a high priority should be a review of programs and services. While the Alberta Government has conducted results-based budgeting and other

internal processes in the past, with mixed results, municipalities are charting a new path forward. The Chamber recommends the Government of Alberta launch a full program and service review, that includes input from external stakeholders, as is being done in Alberta's largest cities, and report publicly on the results of this review.

Trade Diversification and Innovation

Alberta's traditional industries – agriculture, forestry and energy – were experiencing significant hardship prior to the pandemic, which has only heightened market uncertainty. The economic prosperity resulting from Canada's natural resource development is wholly dependent on major infrastructure projects. As governments update their capital plans, we urge them to place a strong emphasis on trade-enabling infrastructure that will help to strengthen our long-term economic growth.

Alberta's Innovation Employment Grant proposes to increase an organization's research and development spending, however the grant excludes key scale-up expenses, including market research, quality control and testing, and production. Instead, private firms built on publicly subsidized research and development, along with their jobs and taxes, are moved abroad as Alberta entrepreneurs seek scale-up capital from elsewhere.

Alberta has supported research for decades, and such investments sought to improve Alberta's economy and quality of life, but the resulting innovations have been challenging to transfer or commercialize. In collaboration with post-secondary institutions, industry, and entrepreneurs, Alberta should develop and execute and Intellectual Property Strategy to strengthen collaboration, inspire investor confidence, and provide pathways to commercialize discoveries and innovations.

Capital Spending for Future Growth

Significant capital spending was used to help buoy the economy during the downturn, and the province realized relative savings by taking advantage of lower construction costs. This strategy of counter-cyclical capital spending in previous budgets was strongly supported.

Given that Alberta's population continues to increase, infrastructure investments will help Alberta prepare for the 2 million new Albertans we can expect to arrive in the next 26 years.[1] Albertans benefit by having new and upgraded schools, hospitals and transportation infrastructure.

The Alberta Chambers of Commerce supports strategic investments in growth-enabling infrastructure, and in particular investments to ensure that all homes and businesses in the province have access to broadband. Albertans in remote, rural and First Nations communities require reliable telecommunications infrastructure to access education, employment opportunities, community and public services, and goods and services.

Infrastructure projects for housing will create engineering, design and construction jobs while providing communities with the infrastructure they need to fully recover and be set up for long-term success. Developing non-market housing options also helps to reduce government

[1] https://www.alberta.ca/population-statistics.aspx#population-projections

spending on the impacts of social disorder. The City of Edmonton estimates an operational cost savings of over $10,000 for each of the 46 residents of Edmonton's Ambrose Place housing project, as the frequency of interactions with emergency services have been drastically reduced. Addressing the impacts of homelessness is crucial to our economic recovery, and this issue has been raised by many members of the business community.

The Alberta Chambers of Commerce recommends the Government of Alberta:

Response to the COVID-19 pandemic

1. Work with ATB and credit unions to provide flexible debt repayments, and advocate the federal government to provide flexibility on debt repayments to support businesses once support programs end;
2. Improve affordability and access to childcare by expanding income-dependent payment schemes above the current eligibility cap, providing full subsidization for low-income families where appropriate, and exploring options for increased flexibility, including 24-hour childcare;

Responsible fiscal management

3. Align spending with core government priorities, including a full and transparent review of all government programs and services to eliminate under-used or ineffective services;
4. Appoint an independent panel of experts to review Alberta's revenue sources;

Trade Diversification and Innovation

5. Set specific, measurable and commercially sustainable five-year diversification targets that include performance objectives and transparent reporting;
6. Create a new grant to cover expenditures for commercial demonstration and commercialization;
7. Develop and execute an Intellectual Property Strategy to accelerate commercialization of Alberta's IP;

Capital Spending for Future Growth

8. Prepare for Alberta's continued growth by strategically investing in growth-enabling infrastructure;
9. Work with service providers to invest in infrastructure projects for permanent supportive housing and centres of community, enhancing community vibrancy and creating new construction jobs; and
10. Work with industry on a plan to develop and implement a strategy to enable 100% of businesses, homes, ranches and farms in Alberta to have access to broadband internet by 2025.

Tax Agency Impact on Small Business

Issue

Small businesses and accountants report frustration and a need to commit significant time, often at considerable expense, to deal with taxation and filing issues with the Canada Revenue Agency and the Alberta Tax and Revenue Administration.

Background

As small business accounts for 98 per cent of business in Canada, employing 71 per cent of the labour force in the private sector, it is apparent that small businesses are the backbone of Canada's economy.[1]

There are few businesses that at some point in time have not had to correspond with the Canada Revenue Agency (CRA), or Alberta Tax and Revenue Administration (TRA) over some matter related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically center around issues related to corporation income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or even personal income taxes. Despite ongoing efforts to improve the quality of service complaints to the ombudsperson have remained consistent.

Although there is one basic number for business inquiries and one for inquiries regarding personal income tax, which should make for efficient, effective interaction with the CRA and TRA, many small businesses find themselves spending exorbitant amounts of time dealing with them. When a business makes an error in filing, there are strong timelines placed on correction and response; however, when the tax agency is in error, a small business person may invest significant amounts of time communicating or attempting to communicate with them and being transferred from department to department. In many cases an accountant is required to handle the matter, creating more cost and more red tape.

Over the years the CRA has held many consultations with the goal of reducing red tape and improving service for small and medium businesses. Across the country the feedback provided to the CRA has remained remarkably consistent. Report. Businesses want to:

- Reduce the frequency of small business interactions with the CRA
- Improve how and when it communicates with small businesses
- Make "burden reduction" systemic within the CRA

[1] Industry Canada Key Small Business Statistics June 2016. http://www.ic.gc.ca/eic/site/061.nsf/eng/h_03018.html#point2-1

In the fall of 2017, the Auditor-General tabled a report in the House of Commons that found the CRA actively blocked calls from taxpayers in order to falsely say it met its service standards of keeping people waiting less than two minutes. Between March 2016 and March 2017 the CRA answered only 36 per cent of calls. The report also found that the number of errors made by CRA agents was drastically underreported. The CRA reports a 6.5 per cent error rate compared to the 30% error rate observed by the Auditor-General's office.[1]

Despite ongoing efforts at reducing red tape and improving service, frustration and complaints about dealings with the CRA and TRA remain. Reports of significant administrative burden, lack of timeliness, professionalism and predictability when dealing with regulators, lack of coordination between regulators, and a lack of fundamental understanding of the realities of small business continue to hamper business prosperity and growth.[2]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Incorporate flexibilities into the Tax and Revenue Administration to allow frontline staff to manage communications between TRA streams on behalf of small business owners, and take initiative to resolve small issues in a timely fashion, maintaining with proper technical supervision a client-oriented, customer-service approach;
2. Implement a case management process for small business in order to improve communications flow and make compliance faster, cheaper and simpler; and
3. Hold the TRA accountable for its actions and decisions by implementing open government practices, and by correcting and corresponding regarding TRA errors within 30 days of notification by the taxpayer or taxpayer's representative.

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

1. Incorporate flexibilities into Canada Revenue Agency (CRA) systems to allow frontline CRA staff to manage communications between CRA streams on behalf of small business owners, and take initiative to resolve small issues in a timely fashion, maintaining with proper technical supervision a client-oriented, customer-service approach;
2. Implement a case management process for small business in order to improve communications flow and make compliance faster, cheaper and simpler; and
3. Hold the CRA accountable for its actions and decisions by implementing open government practices, and by correcting and corresponding regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.

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[1] 2017 Fall Reports of the Auditor General of Canada to the Parliament of Canada. http://www.oag-bvg.gc.ca/internet/English/parl_oag_201711_02_e_42667.html

[2] "Focusing on Small Business Priorities: Canada Revenue Agency Consultations on Cutting Red Tape." 12 November 2012. http://www.cra-arc.gc.ca/gncy/rdtprdctn/rprt2012-eng.html#_Toc227916449 Canada Revenue Agency. Retrieved on 10 February 2015.

Health

Access to Helicopter-Based Air Ambulance Service for All Albertans

Issue

The Government of Alberta currently provides funding through Alberta Health Services (AHS) to the following helicopter-based air ambulance service providers:

- Shock Trauma Air Rescue Society (STARS) from bases in Calgary, Edmonton and Grande Prairie, and
- Helicopter Emergency Response Organization (HERO) from Fort McMurray.

While providing adequate coverage to large regions in Alberta, it still leaves communities, including larger cities like Lethbridge and Medicine Hat, without secure, life-saving air ambulance service to these rural and remote areas in southern Alberta. The Government of Alberta and AHS should ensure the whole province is equitably covered by government-funded Helicopter Emergency Medical Services (HEMS).

Background

STARS received formal recognition as an air ambulance service in 1988, after launching its original life-saving service in 1985, and has served Calgary and area since then. A base was added in Edmonton in 1991 and then in Grande Prairie in 2006. In 2015, STARS celebrated 30 years of care with 29,000 missions carried out in British Columbia, Alberta, Saskatchewan and Manitoba.[1]

In 1996 STARS Emergency Link Centre was opened and serving as a 24-hour emergency medical communications centre offering timely information to emergency service providers for critically ill and injured patients. AHS currently contracts STARS Emergency Link Centre to dispatch all Helicopter-Based Air Ambulance service in Alberta.[2]

In 1991, Phoenix Heli-Flight provided helicopter medevac services to the Wood Buffalo region and, in 2013, the HERO Foundation was established. Since their inception, over 500 medevac missions have been flown.[3]

HALO Air Ambulance, based out of Medicine Hat, has been providing helicopter medevac services to southern Alberta since July 2007. Since their inception, they have flown over 750 medevac missions.[4,5]

Both STARS and HERO receive funding through AHS for their operations, with STARS receiving one-fifth of their operating costs and HERO receiving one-third through government funding.

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[1] www.stars.ca History, STARS Emergency Link Centre and How We Are Funded.
[2] Ibid.
[3] www.localherofoundation.com History and How We Are Funded.
[4] www.haloairambulance.com About
[5] https://globalnews.ca/news/6943972/halo-air-ambulance-funding-alberta/

HALO Air Ambulance does not receive any government funding for their services, with all funding raised through donations.[1,2,3]

Government-funded HEMS became increasingly important to Southern Alberta when HALO announced in May 2020 that it would have to cease operations on July 1, 2020 without government funding or significant donations. Thankfully the funding was raised by donations to keep operations going.[4]

HEMS provides a vital and timely emergency service to remote areas outside of a conventional ambulance's quick response area and areas inaccessible by vehicle and comes with substantial operating costs. The operating cost of a helicopter-based air ambulance service varies between the providers between $3,000,000 ($250,000/month) to $10,000,000 ($830,000/month) annually.[5,6]

On November 22, 2019, AHS started a Helicopter Emergency Medical Service (HEMS) Review to look at a consistent structure, operating guidelines, and funding for all HEMS providers across the province to benefit all Albertans. The goal of the HEMS review was to evaluate existing services and identify service gaps. The HEMS review process is complete, is being reviewed by AHS leadership and AHS notes that they should have more information to share soon on https://together4health.albertahealthservices.ca/HEMSEngagement.[7]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Immediately publish and make the Helicopter Emergency Medical Service (HEMS) Review report public;
2. Commit to providing equitable funding for all HEMS providers across the province; and
3. Ensure that all communities in Alberta have access to timely, life-saving, helicopter-based air ambulance service.

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[1] www.stars.ca History, STARS Emergency Link Centre and How We Are Funded.
[2] www.localherofoundation.com History and How We Are Funded.
[3] www.haloairambulance.com About
[4] https://globalnews.ca/news/6943972/halo-air-ambulance-funding-alberta/
[5] www.stars.ca History, STARS Emergency Link Centre and How We Are Funded.
[6] https://globalnews.ca/news/6943972/halo-air-ambulance-funding-alberta/
[7] https://together4health.albertahealthservices.ca/HEMSEngagement

Increasing Access to Mental Wellness Workplace Supports

Issue

There is a need for integrated, effective, and efficient mental wellness support in the workplace for Alberta businesses. Mental health issues and concerns that were present previous to the COVID-19 and were costing businesses in both financial and human terms, have now been further exposed and accelerated.

Background

Individuals who are experiencing mental health issues are employees, employers and business owners. When individuals are dealing with personal stress, trauma or loss, they are also trying to contribute and participate in the workplace.

In addition to personal struggles, business owners and their employees are also trying to manage the stress associated with financial burdens, responsibility for administering protocols, and the necessary pivots resulting from changing context and directives. Consequently, businesses are experiencing significant financial and human costs.

According to the Mental Health Commission of Canada, one in five Canadians will experience a mental health problem or illness every year, resulting in a $50 billion impact on our economy. About 30 percent of short- and long-term disability claims in Canada are attributed to mental health problems and illnesses.[1] In 2011, mental health problems and illnesses among working adults in Canada cost employers more than $6 billion in lost productivity from absenteeism, presenteeism and turnover.

One in every five Canadians experiences a mental health problem or illness within a given year. This figure equates to 20% of the Canadian population, approximately 7.1 million individuals, or the population of the 15 largest Canadian cities combined. We also know one in two Canadians under the age of 40 will experience a mental health problem or illness by the time they turn 40 years of age. These numbers also directly impact the workplace, as every week, 500,000 Canadians are unable to work due to mental health problems or illnesses.[2] These statistics are pre-Covid and have been compounded as business struggles to cope during the pandemic.

Currently, workplace mental health is mainly the responsibility of business owners who may, or may not, be equipped or have the resources to support their employees. The government can and should help employers and employees access effective mental health therapies and supports.

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[1] Mental Health Commission: https://www.mentalhealthcommission.ca/English/focus-areas/mental-health-strategy-canada and https://www.mentalhealthcommission.ca/English/covid19

[2] Morneau Shepell: *Understanding mental health, mental illness, and their impacts in the workplace*: https://www.morneaushepell.com/ca-en/insights/understanding-mental-health-mental-illness-and-their-impacts-workplace

The Government has invested in workforce development and training through programs like the Canada/Alberta Jobs Grant Program, realizing that an investment in an employee will benefit the individual, the employer and the larger economy. Considering the economic loss that untreated mental health issues like absenteeism and presenteeism cost the economy, an investment in mental health treatment, access and support would provide a significant return on the investment of public dollars allowing the individual to be more present and focused on their work and resulting in greater productivity for the business and the economy.

Using a proven model like the Canada/Alberta Jobs Grant Program, an Alberta Workplace Wellness Grant would allow employers to find financial support and customize mental health support for their employees. A critical feature should also ensure owners and those who are self-employed and their families have access to the program.

An added benefit to a Workplace Wellness Grant would allow local health providers and entrepreneurs to provide solutions and support within the workplace and community. Building a wellness network with ties within the community could potentially create a trusted and preventative support system that could identify individuals who are needing more intensive mental health therapy and intervention

Currently, psychological services are paid out of pocket. If an employer's benefits program covers them, each hour of services' cost is often only partially covered, and there is typically a cap on how much can be claimed. Mental health treatment usually requires more time and resources than is available to an employee in a given calendar year. For example, one typical benefit program provides $100 per service hour, up to a maximum of $500 per calendar year. A brief psychotherapeutic treatment plan typically requires between 4 and 8 one-hour sessions at the cost of $200 per hour. A family accessing six hours of psychological service, with the full help of this benefit program, will be out of pocket $700.

The cost of treatment for many who need it the most is currently hindering access to these much-needed services. To help increase access by having psychological services within Alberta Health care, similar to physicians, would overcome these cost barriers. This allows for client choice, improved service delivery, and reduced bureaucracy by moving administration into private practice enabling those with the most training to address mental health to be members of the primary care team. Additionally, the burden on the larger medical establishment, which is already being exhausted due to the pandemic, would be eased.

While there are long-term cost savings associated with addressing mental health, we recognize that expanding these supports might create additional up-front costs to the Health Care system. To offset the benefit provision of mental health coverage, the Government of Alberta may need to reconsider reinstating the Health Care Premium to assist with incorporating this into health care coverage, with exemptions considered for those under a certain income level. When the Health Care Premium was removed in 2009, the rates were $44 per person or $88 per family per month.

For businesses to become invested in mental health supports for themselves and their employees, there needs to be a demonstrable benefit. In a study conducted by Deloitte, the median yearly ROI on mental health programs was CA$1.62 among seven companies that provided at least three years' worth of data. Companies whose programs had been in place for

three or more years had a median yearly ROI of CA$2.18. Programs are more likely to deliver greater returns as they mature, rather than yielding immediate financial benefits. Indeed, achieving positive ROI can take three or more years.[1] Mental health solutions will take time to establish; however, programs in the workplace help create a culture within participating companies that value employees' overall well-being and result in employees becoming more productive and dedicated to their workplace.

Tracking the success of support initiatives should be an essential part of mental health initiatives. Employers can measure increased productivity and worker retention. Health care providers can track increased referrals as a preventative treatment and not during or after a mental health crisis has occurred. The government can gauge popularity and uptake of wellness grant funding and an increase in overall economic productivity.

Improving individual mental health will take a collective effort. Health professionals, educators, the business community and all levels of government will need to come together to tackle this complex issue. However, while the task of addressing this challenge may seem daunting, the cost of inaction and not harnessing our efforts to effect change and improve the mental health of our communities is one we cannot afford.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement an Alberta Workplace Wellness Grant to provide at least two-thirds of funding for mental health and wellness services for employees, employers, owners and those who are self-employed;
2. Explore the possibility of including mental health and wellness services within the Alberta Health Care system model; and
3. Support a community-led, collaborative, and entrepreneurial approach for service delivery early detection, prevention and treatment to avoid duplication and reduce service delivery costs.

[1] Deloitte Insights: The ROI in workplace mental health programs: Good for people, good for business

Jobs, Economy and Innovation

Incentivizing Abandoned Well Cleanup and Reinvestment in Alberta

Issue

Alberta has 97,000 inactive well sites that present challenges to the hosting landowners and the environment. The R* ("R-Star") Job Creation Program will join with current government programs to encourage the abandonment & reclamation of depleted oil & gas wells, as well as attract investment back into Alberta, restoring livelihoods and local economies.

Background

According to CTV News' investigative program *W5*, there are 97,000 "inactive" wells in Alberta.[1] These many well sites across Alberta devalue and even harm land owned by private landowners. By law, companies are obligated to clean the wells up, but there are no deadlines in Alberta for when the work must be completed. In many cases, the company that created the well now no longer exists or has sold the asset to other energy companies. Alberta is one of the few jurisdictions with no deadlines for reclamation. The Alberta Government estimates that it will take $18.5B to clean up wells, but an independent study performed by the Alberta Liabilities Disclosure Project, estimates it could be closer to $70B[1].The Orphan Well Association is an essential government-operated organization that has taken on this massive clean-up challenge.

The Government of Alberta currently employs a Liability Management Ratio (LMR) program that determines the liability of well sites. The LMR program has allocated a deemed liability value to every oilfield site in Alberta and assigns a ratio to every energy company in Alberta based on the assets divided by the liabilities of that company; an LMR >1 means that the assets outweigh the liabilities, and <1 means that the company has more deemed liabilities than their assets can cover. This ratio can cause challenges for smaller players if they drill or buy a well that does not produce, and that "dud' well reduces or nullifies the company's valuation.

The Drilling and Completion Cost Allowance "C*" program was introduced as a part Alberta Modernized Royalty Framework (MRF) and came into general effect in 2017. This program allows newly drilled wells to produce a certain amount of revenue at a reduced royalty rate before paying full royalties to the province, which encourages further investment into Alberta.

As a whole, the current royalty framework has its challenges and presents an opportunity to rethink the way that wells are considered on the balance sheet and provide a new incentive for investment in Alberta.

The Alberta Chambers of Commerce is proud to join in calls for the Province of Alberta to adopt and implement an R* (pronounced "R-Star") credit program. The R* credit will be issued to oil and gas companies that complete a well abandonment and achieve a reclamation certification. The

[1] https://www.youtube.com/watch?v=UfpejjeuOxs

value of each R* credit is based on the value already predetermined by the LMR Program and will be attached to the existing C* incentive program. Thus, companies that clean up a well site will receive a royalty credit to use on their newly drilled well projects, turning a liability into an investment opportunity in Alberta, and allowing them to retain employees and create new jobs. By making the credits transferable to other companies, R* will make well clean-up more attractive to companies not actively drilling new projects.

Sproule (a global energy consulting firm) estimates that if Alberta adopts the R* program it would encourage oil and gas companies to spend their own capital to clean up Alberta's liabilities while encouraging new drilling within Alberta without costing the Alberta taxpayer any additional money. Sproule estimates that nearly $20 billion spent on cleaning up Alberta's liabilities could yield a total GDP of $76.7 billion, creating 366,000 thousand jobs in Alberta and yielding $2.66 billion in new taxes (not including personal income taxes & corporate taxes). It is estimated 2000-4000 new wells could be drilled in Alberta and that $8.54 Billion could flow in new royalties for Albertans. By turning liabilities into investment opportunities, it will increase the value of every oil and gas asset in Alberta making Alberta's oil patch very attractive to foreign investment again.

While there are many large oil companies that are well known to Albertans, it is the local businesses that service the oil fields, supporting the local economies. In fact, on a national scale over 95 per cent of oil and gas sector companies are small businesses with less than 100 employees.[1] The R* credit has the opportunity to not only support major reclamation, but to help rebuild local economies as well.

With the right action, Alberta can become a world leader in environmental reclamation and remediation. Alberta holds a unique jurisdictional advantage in offering this program because the province owns over 80% of the mineral rights, which allows the government the ability to offer this program across most of the province. We believe the R* Job Creation Program is the right approach to help incentivize clean-up and promote drilling investment back in Alberta, restoring livelihoods.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement the R* Job Creation Program to incentivize companies to clean-up liabilities and invest in new drilling projects in the province of Alberta; and
2. Make the R* credit transferable to other companies to further incentivize action and investment into local economies.

[1] https://www.canadianenergycentre.ca/big-oil-is-mainly-small-oil-in-canada/

Keeping Alberta Competitive: Commit to the longevity of the Innovation Employment Grant Tax Credit

Issue

When Alberta's Scientific Research and Experimental Development Tax Incentive program was cancelled suddenly in 2020, it threw many innovative and young businesses into disarray. An important source of capital for Research & Development (R&D) was suddenly cut off, and this left investors in these Alberta businesses turning to other provinces with better tax regimes, and subsequently investing elsewhere. In 2021, the Alberta government has introduced the Innovation Employment Grant, which will act as a valuable replacement. However, without a clear indication that that IE Grant is here to stay, as well as clarity that this is a tax policy and not a government grant, investors will continue to turn to other provinces with better investment structures, and innovative R&D in Alberta will seriously decline in the future.

Certainty for business is critical for innovation stimulus mechanisms, such as tax credits, to be effective.

Background

The federal Scientific Research and Experimental Development (SR&ED) Investment Tax Credit (ITC) was introduced in the 1980s and provides incentives to Canadian businesses to conduct research and development (R&D) in Canada that leads to new, improved or technologically advanced products or processes. Historically, most Canada's provinces and territories also provide tax incentives, including Alberta. In 2018, Canada saw a 60% increase in foreign direct investment due to the long running successes of programs like the SR&ED program.[1]

SR&ED tax incentives are an incredible resource for businesses in all industries, encouraging them to develop new and unconventional ways to drive themselves onto the world market. This tax credit has benefited all manner of industries in Alberta from canola producers and barley farmers,[2,3] beekeepers,[4] oil and gas,[5] tech firms,[6] and more. It has given many businesses the ability to try new ideas and to diversify their capacity.

In 2020, the Alberta government removed SR&ED from their tax incentives, which greatly undermined investor confidence. In 2021, the government replaced this tax incentive with the Innovation Employment Grant (IEG),[7] designed to support businesses that are expanding their

[1] https://www.theglobeandmail.com/business/commentary/article-why-canada-saw-a-60-increase-in-foreign-direct-investment-last-year/
[2] https://albertacanola.com/news/tax-credit-for-the-2019-tax-year-open-to-canola-farmers-in-alberta-2/
[3] https://www.seed.ab.ca/barley-farmers-can-claim-13-per-cent-sred-credit-on-their-2019-taxes/
[4] https://www.albertabeekeepers.ca/producer-resources/2018-sred-tax-credit/
[5] https://windsorstar.com/feature/innovation-energy-oilsands-step-up-to-take-on-clean-tech-challenge/wcm/2d364ae4-dad9-410f-bbfa-6123cb8c763c
[6] https://www.pwc.com/ca/en/industries/technology/canadian-tech-companies-sred-incentives.html
[7] https://edmontonjournal.com/news/politics/kenney-toews-fir-to-announce-support-for-albertas-technology-sector

R&D expenditures and encouraging diversity and innovation across all industries. However, the sudden removal of SR&ED funding in 2020 was a shock to many industries and businesses, especially those within the tech sector and new start-ups which had not initially made a profit and were working instead on growth.[1] Businesses were lured away during 2020 to B.C. because of the friendlier tax climate.[2] For many investors, the sudden and drastic change left many companies re-evaluating the risk of doing business in Alberta.[3] The concern that Alberta government might drop the IEG within a year or two to further decrease the corporate tax rate or save money, leaves many investors uncomfortable with starting or reopening R&D offices in Alberta. The government needs to be clear that IEG is here to stay long-term.[4] Government support for R&D is critical to many start-ups determining where they operate, and many will now be nervous about Alberta if they do not know whether these credits will remain in the future.[5]

Alberta Budget documents show that SR&ED income tax expenditures and transfers delivered in 2018 were approximately $80 million.[6] According to a 2007 Department of Finance study, for every $1 in SR&ED tax credits given out, the government receives back a benefit of $1.11.[7] Finance Canada and the Revenue Canada (1997) found that the federal SR&ED credit generates $1.38 in incremental R&D spending per dollar of foregone tax revenue, and that private sector R&D spending is 32 per-cent higher than it would be in the absence of SR&ED tax incentives. SR&ED works to both diversify the economy and stimulate further growth.

Tax credits, as opposed to subsidies or other expenditures, ~~it~~ provide~~s~~ a simple and effective approach to supporting innovation. The IEG also incorporates the same technique of utilizing tax credits, however, use of the term "Grant" distorts this concept and makes the IEG appear to be a subsidy rather than tax policy. For investors unfamiliar with this fact, seeing that a "Grant" is being provided to a business, but only at the end of a tax year, will lead many investors to be more uncomfortable with the nature of this policy.

Alberta businesses recognize the need to invest in technology and innovation to remain open and competitive; SR&ED and IEG would naturally assist them greatly in this. The Alberta government has a major role to play in ensuring Albertan businesses keep R&D in Alberta, and in making Alberta a more attractive national and global destination for innovative businesses. These programs are critical to supporting innovation and keeping R&D activities in Alberta.

There has been a demonstrated reluctance by investors to invest in R&D in Alberta since the SR&ED was dropped in 2020,[8] with the IE Grant causing such ambiguity as to its longevity and role. Renaming the program to properly reflect its nature as a tax policy and not a "grant" will go far to bringing much-needed confidence and investment back to innovative Alberta businesses.

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[1] https://www.theglobeandmail.com/canada/alberta/article-jason-kenneys-budget-cuts-are-bad-news-for-albertas-tech-sector/

[2] https://www.westerninvestor.com/news/alberta/alberta-s-technology-incentive-losses-could-be-b-c-s-gain-1.24047499

[3] https://www.dailyoilbulletin.com/article/2019/12/2/loss-of-innovation-funding-has-ripple-effects-well/

[4] https://edmontonjournal.com/news/politics/kenney-toews-fir-to-announce-support-for-albertas-technology-sector

[5] https://www.g6consulting.ca/alberta-shuts-down-its-sred-program/

[6] https://www.cdhowe.org/graphic-intelligence/credit-check-albertas-tax-credits-elimination

[7] Department of Finance Canada and Revenue Canada. (1997). *The Federal System of Income Tax Incentives for Scientific Research and Experimental Development: Evaluation Report*. Retrieved January 2, 2013 from http://publications.gc.ca/collections/Collection/F32-1-1997E.pdf

[8] https://www.g6consulting.ca/alberta-shuts-down-its-sred-program/

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Clearly commit to the Innovation Employment Grant being strongly supported in the future, and that there are no plans to remove it or decrease the tax credits; and
2. Rename the Innovation Employment Grant to a refundable Employment Innovation Tax Credit, to properly mark it as tax policy and not a government grant.

Justice

The Business Cost of Cybercrime

Issue

In an increasingly interconnected and digitized world, data breaches have become ever more common. The wealth of personal information that corporations have in their possession means that such breaches can occur in even the most benign circumstances. Although many corporations have developed sophisticated privacy and cybersecurity protocols to minimize these risks, data breaches have become a prominent feature in the 21st century and particularly in the COVID-19 world.

Background

Cybercrime can be defined as any activity where the internet and digital technologies, such as computers or mobile devices, are key to committing a crime.[1] There are two different categories of cybercrime: technology-as-target where the crime is committed using computers, networks, and digital devices. This generally involves the unauthorized use of computers and data. The other category, technology-as-instrument, is where the internet and information technologies play an instrumental role in crime.[2]

Cybercrime is difficult to measure and often goes unreported to law enforcement agencies. Data has suggested that cybercrime is on the rise in Canada. In 2012, the RCMP reported receiving nearly 4,000 reported incidents of cybercrime: an increase of over 800 reported incidents from 2011. In both years, technology-as-instrument cybercrimes accounted for the majority of reported incidents.[3] These figures, however, only tell part of the story. Other studies and reports show increases in selected aspects of Canada's cybercrime environment. For example, in 2013, the Canadian Anti-Fraud Centre (CAFC) received over 16,000 complaints of cyber-related fraud (email and website scams), accounting for more than $29 million in reported losses.[4] Police-reported data has also indicated that cybercrime has more than doubled over a four-year period in Alberta, and there is no sign that those numbers will improve any time soon. The 2017 number in Alberta represented a rate of 108.6 cases per 100,000 people.[5]

Cybercrime and Business

[1] RCMP. The National Cybercrime Coordination Unit (NC3). https://www.rcmp-grc.gc.ca/en/nc3. Accessed January 15, 2021.
[2] Ibid.
[3] Ibid.
[4] Canada Anti-Fraud Centre. Recent Scams and Fraud. https://www.antifraudcentre-centreantifraude.ca/index-eng.htm. Accessed January 16, 2021.
[5] Graney, J. Alberta Police Reported Cybercrime Doubles Over Four Years. 2018. https://edmontonjournal.com/technology/personal-tech/alberta-police-reported-cybercrime-doubles-over-four-years-statistics-canada#:~:text=The%202017%20number%20in%20Alberta,81.3%20cases%20per%20100%2C000%20people. Accessed January 17, 2021.

It has been suggested that cybercrime has become more visible in boardrooms.[1] It stands to reason that as greater global connectivity increases so too does the risk for cyber threats and cyber attacks, making cyber security one of the major concerns of companies across industries. Research has shown that just over one-fifth (or 21 percent) of Canadian businesses reported that they were impacted by cyber security incidents, which affected their operations in 2017. About 19 percent of small businesses reported being impacted compared to 28 percent of medium-sized businesses and 41 percent of large businesses.[2]

39 percent of businesses that were impacted by cyber security incidents, could not identify the motive of the act; whereas 38 percent identified the motive as an attempt to steal money or demand a ransom payment. 26 percent of businesses experienced incidents where perpetrators attempted to access unauthorized or privileged areas, while 23 percent experienced incidents where there was an attempt to steal personal or financial information.[3] This clearly illustrates that the number of data breaches is on the rise.

In response to this, businesses are shoveling out more money to mitigate these breaches. It has been reported that Canadian businesses spent an average of $16,000 to recover from all impactful cyber security incidents. Further, data from a PwC survey has indicated that the cost of cybercrime on the bottom line of businesses increasing.[4] These costs include downtime, compensation for breached records and loss of intellectual property. Moreover, this can lead to a vast array of consequences including a complete shutdown, a demand from ransom or damage to reputation. It is clear, that that the threat to business is growing.

Impact of Cybersecurity on Small and Medium Sized Enterprises (SME's)

The Canadian economy is comprised of close to 1.17 million SME's, with Alberta contributing 160,264 small businesses (1-99 employees) and 2,933 medium-sized businesses (100-499 employees). Research has shown that these businesses are the most vulnerable, the first to go down, and they often do not recover. "Cyber crime has been shown to target small business for a few reasons: 1) Small businesses are less equipped to handle an attack 2) The kinds of information hackers want: credit card credentials, intellectual property and personal identifiable information is less guarded on a small business system 3) Small business partnerships: the value chain with larger business provide back-channel access to a hacker's true target."[5] The primary reason that SME's do not invest in cybersecurity protection, despite knowing this, is that "most have limited financial or human resources (technical expertise) to address the challenges presented by cybercrime; therefore there is little inclination to invest in protection."[6] Without the necessary equipment, skills or experience to keep pace with hackers this issue is likely to exacerbate, particularly in the face of COVID-19, breaking many SME's, a valuable component of our ecosystem.

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[1] Dessanti, C. 2020. In Data We Trust. Unlocking the Value of Data in Ontario. Ontario Chamber of Commerce.
[2] Statistics Canada. Cybercrime in Canada. https://www150.statcan.gc.ca/n1/pub/89-28-0001/2018001/article/00015-eng.htm. Accessed January 21 2021.
[3] Ibid.
[4] Dessanti, C. 2020. In Data We Trust. Unlocking the Value of Data in Ontario. Ontario Chamber of Commerce.
[5] Ibid.
[6] Ibid.

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

1. Provide funding and/or incentives to enhance cyber security education, training and implementation for businesses;
2. Provide funding for an education campaign geared towards raising awareness, building the profile, and disseminating best practices in cybersecurity in conjunction with the Canadian Anti-Fraud Centre or the Electronic Crime Committee;
3. Include businesses and other stakeholders in the newly formed Electronic Crime Committee to assist with communications and outreach strategies; and
4. Provide appropriate training and development opportunities to SMEs so these businesses are educated regarding threats and empowered to assess their own vulnerabilities.

Labour and Immigration

Meeting our Labour Needs by Attracting and Retaining International Students

Issue

Current immigration legislation and the supporting models to facilitate economic migration create barriers to the attraction and retention of the highly educated and specialized workforce available to meet Alberta's and Canada's labour needs through international education. Adjustments to provincial and federal immigration programs can overcome the gaps in labour and skills availability.

Background

International students represent a significant and currently underutilized opportunity for meeting the needs of the Alberta and Canadian economy and supporting an economic driver for Alberta and Canada in the long term. As noted by the Canadian Council of Chief Executives (CCCE) in a report titled *Canada's International Education Strategy*:

"Canada has fallen behind Australia and other advanced economies in seizing the opportunities presented by the burgeoning business of cross-border education. These opportunities go well beyond the number of students a country attracts or the money they spend. International education is fast becoming a valuable tool in trade, development aid, and diplomacy…Canadian institutions and policymakers all too often view international education through the narrow lens of boosting student numbers and revenues".

With a coherent provincial strategy that includes advocacy to the federal government and implementing changes within provincial jurisdiction, the Government of Alberta can offset federal policy barriers to attracting and retaining international talent and position international education as a key long-term economic driver for Alberta.

Alberta Immigrant Nominee Program

In October 2020, the Alberta Immigrant Nominee Program (AINP) launched two immigration pathways to encourage international graduates to open businesses in Alberta that will create new high-paying jobs and help diversify the economy.

The International Graduate Entrepreneur Immigration Stream is a new Provincial Nominee Program (PNP) for recent international graduates from Alberta post-secondaries and operates on an Expression of Interest (EIO) system. Candidates who submit an Expression of Interest will be assessed by the AINP and given points; the highest-ranking candidates will receive an invitation to submit a Business Application, and only candidates who receive the request to apply will be able to access the AINP portal and start the process. Receiving a request is not a guarantee that applicants will get Canadian permanent residence.

International student graduates from Alberta universities and colleges must meet certain eligibility criteria in order to be considered for the International Graduate Entrepreneur Immigration Stream. First, they must be immigrating to Alberta to establish a new business or to

buy an existing business and must have at least 34 percent ownership of the company. Second, the proposed business type must not be on Alberta's list of ineligible businesses.[1,2] Candidates also need at least six months of full-time work experience which can be a combination of actively managing or owning the business or an equivalent amount of experience with a business incubator, business accelerator, or entrepreneurship program courses. Candidates also require two years of full-time education in Alberta with a degree or diploma from a designated post-secondary institution in Alberta. Finally, they must possess a Post Graduation Work Permit that is valid for at least two years at the time their EIO is submitted, must and have a minimum Canadian Language Benchmark (CLB) of at least seven in all proficiencies in either English or French.

The Foreign Graduate Start-Up Visa Stream launched in January 2021 and is for international student graduates from top U.S. universities and colleges who want to start a business and settle in Alberta communities.

Post-Graduation Work Permit

In Canada, Post-graduation Work Permits (PGWPs) are issued based on the length of the study program.[3] When determining the length of a PGWP, officials consider the duration of the program of study in Canada and confirm it with supporting documents. Regularly scheduled breaks (i.e. winter and summer breaks) are included in the time accumulated toward the length of the PGWP. If the student completed their studies in less time than the normal length of the program (i.e. accelerated studies) the PGWP shall be assessed on the length of the program study. Applicants who are impacted by a strike affecting a designated learning institution (DLI) in Canada are considered to be studying continually full time during the period, and the period of time in which the students not attending class due to a school strike does not impact their eligibility under the PGWPP. Students must be continually studying full-time in Canada and students who complete a program of study exclusively by distance or online learning, either outside or within Canada, are not eligible for a PGWP. Study programs with an online, distance, or overseas component may by eligible under the PGWPP provided less than 50% of the program's courses are administered in this way; the length of the PGWP shall by based on the length of time actually spent in Canada.

Provincial Comparisons

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[1] https://www.alberta.ca/ainp-international-graduate-entrepreneur-immigration-stream-eligibility.aspx#igeis-ineligility

[2] Per the AINP webpage, a business must align with the following requirements to be eligible under the IGEIS: (1) the business must make a profit from active or earned income, not passive income (2) the business must have a physical location in Alberta at all times (3) the day-to-day management of the business must take place in Alberta and may not be done remotely e.g. from another Canadian province or territory or another country (4) the business must have a value-add component i.e. through the sale of manufactured goods (5) the business shall not be part of a succession plan i.e. businesses owned/operated by a relative of the applicant or that have changed ownership in the past 3 years (6) the business shall not produce, distribute, or sell pornography or sexually explicit products or services, provide sexually oriented services, or otherwise bring the AINP and/or Government of Alberta into disrepute by association.

[3] https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/operational-bulletins-manuals/temporary-residents/study-permits/post-graduation-work-permit-program/permit.html

The Province of Manitoba only requires a six month offer of employment from an employer to an international student who graduated from a post-secondary institution and seeks permanent Canadian residency. Under Alberta's Provincial Nominee Program, employer offers must be at minimum one year to similarly qualify graduates for permanent residency. Further, in Manitoba applicants on PGWP only need a 12-month offer of employment to apply for PNP immediately. In Alberta, applicants must work full-time for six months before applying.[1]

Conclusion

The provincial Immigrant Nominee Program and federal Post-Graduation Work Permit have the potential to create significant economic benefit in Alberta and Canada. However, certain adjustments are needed to ensure these programs achieve their full intended benefit.

The Alberta Chambers of Commerce recommends the Government of Alberta and the Government of Canada, in accordance with travel restrictions related to COVID-19:

1. Expedite processing times to make it quicker and easier for potential international students to receive study and work visas, and for international students graduating from recognized Canadian institutions currently employed in Canada to receive permanent residency by:
    a. Using the federal Study Direct Stream (SDS) as a template to reduce processing times from 2-3 months to 20 calendar days; and
    b. Prioritizing applications based on in-demand occupations;
2. When considering applications for permanent residency, take into account the work experience that an international student gains through working off campus, working on campus and co-op and internship programs; and
3. Change the employment requirement under the Alberta Provincial Nominee Program from six months of full-time work to a one-year offer of employment.

[1] https://www.immigratemanitoba.com/immigrate-to-manitoba/in-demand-occupations/

Seniors and Housing

A Pathway to Fixing the Affordable Housing Crisis in Alberta

Issue

Housing is an integral part of economic growth. Indeed, the connections between affordable housing investment and economic growth have been well recognized in literature.[1,2,3] For example, in a recent report, the Canada Mortgage and Housing Corporation (CMHC) identified that roughly 17 percent of the Canadian economy is generated through the construction, purchase, resale and renovation of housing and related spending,[4] and yet investment in affordable housing is often absent from economic plans and job proposals. To ensure long-term community sustainability, local and regional economic development and growth plans must consider the role of affordable housing in the growing economy.

Background

Housing affordability has been top of mind for people in Alberta. Affordable housing can encompass many things but for the purpose of this document it is defined as government supported housing available for Albertans, who because of financial, social or other circumstances, cannot afford private market rentals. Housing is considered 'affordable' when a household spends no more than 30% of its gross income on shelter.[5]

The housing and homelessness crisis in Alberta are serious and widespread, cutting across all corners of the province, hitting everyone from the middle class to our most vulnerable residents. The provincial government has recently taken steps to action this through the Alberta Affordable Housing Panel's Final Report that was tabled on October 5, 2020. As well, the Federal Government has responded to the crisis with the National Housing Strategy, which creates a platform for the federal, provincial, and municipal governments to come together to discuss how to best improve housing outcomes for the people of Alberta.

Areas with job growth often experience population growth: adults stay in the area, migrants come to the area, and workers form families and have children. Workers need places to live, so

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[1] Skaburskis, A. "Decomposing Canada's Growing Housing Affordability Problem: Do City Differences Matter?" Journal of Urban Studies. Vol 41. Issue 1. 2004.
[2] Mao, F. "The Innovation Economy and the Housing Crisis." Master of Arts in Planning. 2017.
[3] Pinki, D. "Housing Affordability in Toronto: Low-Income Earners and Recent Immigrants." Master of Arts in Political Science. University of Windsor. 2017.
[4] Canadian Mortgage and Housing Corporation. "Overview of the Summer 2020 Housing Market Outlook Report." https://www.cmhc-schl.gc.ca/en/blog/2020-housing-observer/overview-summer-2020-housing-market-outlook-report. Accessed 20 January 2021.
[5] Government of Alberta. "Final Report of the Alberta Affordable Housing Review Panel." 2020. https://open.alberta.ca/dataset/26b06d34-4b03-488d-bed8-da5316b8b95c/resource/0fd7ae4e-568b-43d5-8480-c8d765b1e514/download/sh-final-report-of-alberta-affordable-housing-review-panel-2020-10-05.pdf. Accessed 20 January 2021.

demand for housing increases, thereby stimulating housing production.[1] From this chain of events, we can deduce that employment growth often translates into more housing – but does the relationship apply in reverse? Specifically, how can investments in housing, particularly affordable housing, affect job creation?

The most direct connection between affordable housing and job creation is the development and construction of projects on behalf of non-profit organizations. Developing one residential unit is estimated to generate between two and two-and-a-half new jobs.[2] In other words, each $1 million invested in residential housing development generates between 10 and 12 jobs. These jobs are overwhelmingly local, with most in the area where the unit is built.[3] As well, according to the Canadian Home Builders' Association (CHBA) study,[4] the residential construction industry created:

- 46, 935 on-site and off-site jobs in new home construction, renovation, and repair
- $3.2 billion in wages
- $7.2 billion in investment value

When job creation is used in tandem with other strategies for neighbourhood renewal, it can have larger economic and job multiplier effects. Multipliers are the continuing effects of investment as it cycles through the economy. A recent report by the Mowat Centre estimated that multiplier effects turn each dollar of investment in residential construction into $1.52 of provincial gross domestic product (GDP).[5]

In addition to the direct effects of housing investment on job creation, access to an affordable home means that Albertans will be healthier, more productive, and able to spend money in their local economies. Certainly, there is strong evidence that quality affordable housing also generates improved social and outcomes for low-and-moderate income households.[6] It stands to reason that good quality affordable housing yields positive health and education outcomes by lowering household stress, enabling the purchase of nutritious food and supporting family stability.[7]

A healthy and educated workforce can attract employers and job-related investment in communities. For children living in inadequate or unaffordable housing, a secure home improves

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[1] Saks, R. "Job Creation and housing construction: Constraints on metropolitan area employment growth." Journal of Urban Economics. Vol. 64. Issue 1. 2008.
[2] Canadian Mortgage and Housing Corporation. "Overview of the Summer 2020 Housing Market Outlook Report." https://www.cmhc-schl.gc.ca/en/blog/2020-housing-observer/overview-summer-2020-housing-market-outlook-report. Accessed 20 January 2021.
[3] Ibid.
[4] Canadian Home Builders Association. "Economic Impacts of the Housing Industry." https://www.chba.ca/CHBA/HousingCanada/InformationStatistics/CHBA/Housing_in_Canada/Information_and_Statistics/InformationStatistics.aspx?hkey=0cec0938-c402-44bd-b316-96bd03998782. Accessed 20 January 2021.
[5] Zon, N, Molson, M and Oschinski, M. Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario. Mowat Centre. Ontario's Voice on Public Policy. 2014.
[6] Mueller, E and Tighe, R. "Making the Case for Affordable Housing: Connecting Housing with Health and Education Outcomes. Journal of Planning and Literature. Vol: 24. Issue 4. 2007.
[7] Ibid.

their likelihood of academic achievement and the completion of post-secondary education.[1] Moreover, post-secondary graduates earn nearly $5000 more annually than those with a high school education – a number likely to increase as workers advance their careers.[2] The result of this increased earning potential is greater contributions to economic growth.

A final connection between affordable housing and investment and job creation is the economic effect that results from increased renter income. When renter households move from unaffordable to affordable housing, the percentage of their income that they spend on housing decreases. This results in more spending on goods and services and because low-income households and because low-income households tend to spend their discretionary income primarily within their community, they can help stimulate the local economy and spur job creation.[3]

Despite the benefits of affordable housing and job creation, according to the Community Housing Affordability Collective (2020), many projects in Alberta remain currently uncatalyzed because of access to low-cost financing.[4] Indeed, access to low-interest financing can mean the different between a project idea and shovels in the ground. Reducing borrowing costs to buyers and assisting in developer financing could help as a way to reduce the housing affordability gap. This could be accomplished by improving access to finance for low-income households by reducing the cost of mortgage funding and the risk of lending, as well as leveraging collective saving. Governments could help by cutting costs for developers by making affordable housing projects less risky and guaranteeing buyers or tenants for finished units.

In addition to new construction for affordable housing, existing community (i.e. social) housing also faces significant sustainability challenges.[5] Conditions in the private housing market make challenges in community housing and homelessness prevention even worse. Unable to find housing on their own, many people turn to community housing to find shelter and are met with long waitlists. Currently, more than 110,000 Albertans live in government-subsidized housing, with an additional 19,000 households on a waiting list for subsidized housing.[6] From 2019 to 2020, as a consequence of Government of Alberta capital funding, a total of 537 units were created. However, these gains in stock were negated by a decrease in the number of rent supplement units because COVID-19 delayed the transition to a new rent supplement program. The Government of Alberta owns almost half of the subsidized housing stock in Alberta. Almost 60% operate under a strict regulatory structure governed by the Alberta Housing Act. This limits the incentives and nature of market participate (both private and not-for-profit) in developing

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[1] Ibid.
[2] Ibid.
[3] Anacker, A. "Housing Affordability and Affordable Housing." International Journal of Housing Policy. Vol. 19. Issue 1. 2019.
[4] Community Housing Affordability Collective. "Let's Make Housing Affordable in Calgary." http://www.chacollective.com/. Accessed 20 January 2021.
[5] Calgary Housing Company. "Home is what we do." https://calgaryhousingcompany.org/about/. Accessed 20 January 2021.
[6] Government of Alberta. "Final Report of the Alberta Affordable Housing Review Panel." 2020. https://open.alberta.ca/dataset/26b06d34-4b03-488d-bed8-da5316b8b95c/resource/0fd7ae4e-568b-43d5-8480-c8d765b1e514/download/sh-final-report-of-alberta-affordable-housing-review-panel-2020-10-05.pdf. Accessed 20 January 2021.

and operating affordable housing. With the exception of rent supplements, regulated programs are not structured to allow partnerships with the private sectors.

Moreover, there are nearly 500,000 Albertans currently spending more than 30% of their household income on housing costs and 164,275 households in core housing need.[1] Meanwhile, some community housing units sit empty as they are in a state of disrepair. In Calgary alone, most housing is pushing 30 years old or older, according to the most recent statistics available.[2] As well, nearly 90% if the housing stock was built before 1990, and out of those units, half predates 1980.[3] This is echoed by jurisdictions across Alberta due to reductions in affordable housing maintenance funding from the province in 2019 and 2020.[4] Regular and adequate investment in existing assets is the best way to maximize the cost of housing operations over a building's lifecycle.

The Lethbridge Chamber is a proponent of innovate solutions to address the housing supply and affordability crisis. Promising practices from other jurisdictions in Canada and abroad should be balanced, identified, and considered. Any innovative housing policy options identified through this exercise must balance the needs of communities, while ensuring public safety. The sentiment "not in my backyard" often contributes to local opposition to new development which can lead to delays in approval timelines and slow down the construction of new builds. There is a role for the province to play to support municipal governments in gaining public appearance for new housing developments. Public culture can change this culture and support new developments.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Invest in existing housing assets to optimize the cost of housing operations;
2. Research, disseminate and support promising practices from other jurisdictions about how to facilitate innovative housing supply;
3. Work with municipal governments and local housing authorities to research and share promising practices to make better use of existing homes, buildings, and neighbourhoods to increase supply of housing;
4. Collaborate with municipal governments to invest in a "yes in my backyard" strategy to change public attitudes on new housing developments; and
5. Assess publicly owned lands that could be deemed beneficial for affordable housing projects.

[1] Ibid.
[2] Calgary Housing Company. "Home is what we do." https://calgaryhousingcompany.org/about/. Accessed 20 January 2021.
[3] Ibid.
[4] Ibid.

A Tailored and Local P3 Approach to Affordable Housing

Issue

Pressure on affordable housing across Alberta and Canada is growing. It is neither feasible nor sustainable for governments to address the issue on their own. P3 (Public-Private Partnership) models show the greatest potential to address the magnitude of the issue while creating a sustainable program. By activating the private development sector, more affordable housing units can be rapidly brought on stream to meet demand. This can be accomplished by incentivizing developers to participate in projects that combine affordable and market-value housing.

Background

Current Situation in Alberta

Nearly 500,000 Albertans spend more than 30% of their before-tax household income on housing costs and 164,275 households are in core housing need,[1] which is unaffordable according to the standard for affordability. In 2020, more than 110,000 Albertans lived in affordable housing, with 19,000 on waitlists.[2] Waitlists are growing due to population increase and demographic changes. Economic uncertainty caused by COVID-19 and an economic downturn is challenging the financial sustainability of Alberta's affordable housing system.[3]

Lack of sufficient affordable housing contributes to homelessness and has socio-economic costs for communities. These include, but are not limited to, health issues and educational disadvantages for vulnerable individuals and families, increasing household debt, poorly maintained properties, crime, addictions, challenges attracting labour, and more.

A Sustainable and Innovative P3 Model

Municipal housing authorities currently use a number of housing acquisition models to address affordable housing needs. These include new construction, purchase of existing building, long-term leases, direct-to-consumer subsidies and landlord subsidies linked to specific units. More recently, P3 models are being undertaken for construction projects of new and refurbished housing units.[4] Regardless of the strategies employed, municipalities need the flexibility to decide which model works best for them and, more importantly, need access to funding from the

[1] Does not meet one or more standards for housing adequacy (repair), suitability (crowding), or affordability, and has to spend 30% or more of its before-tax income to pay the median rent (including utilities) of appropriately sized alternative local market housing.
[2] Government of Alberta Final Report of the Affordable Housing Panel Review 2020
[3] Government of Alberta Final Report of the Affordable Housing Panel Review 2020
[4]The Canadian Council for Public-Private Partnerships defines P3 as public-private partnerships that include arrangements where development is undertaken with a combination of not-for-profit, private and public participations of programs.

provincial and federal governments who have the responsibility of addressing affordable housing needs.

P3 models show the greatest potential to address affordable housing needs in a sustainable way. Private sector developers can move more rapidly to construct affordable housing units to meet the rate at which the core needs housing problem is growing. This is accomplished by incentivizing the developer to participate in projects that combine affordable and market-value housing. Benefits of a blended-model also include improved geographic distribution of housing and better mixed-income models that provide dignity for those in need of affordable housing.

The proposed P3 model offers an easy-to-implement solution that can help address affordable housing demand. It includes an incentive for developers to construct additional market-value housing units to temper future inflation and contribute to the municipality's tax base for municipal services. In addition, this P3 model is scalable, transferable to other regions, and sustainable in the long-term while leveraging partnerships and reducing risks for the municipalities and all government partners.

A key element of the proposed P3 model is that housing projects that receive grants under these programs remain fully taxable to the municipality and the Province because the property is not government or not-for-profit owned and operated.[1] Development incentive grants created by municipalities can be in the form of cash, land, waiver of fees or other incentives that directly reduce the cost of development. In situations where cash incentives are required, municipalities should have the ability to borrow from the Province at a zero interest rate with the understanding that the Province will receive its return through taxes on the full assessed value of property. A return on investment for the Province is therefore realized through a combination of repayment of principal by the municipality and property taxes by the developer.

Sample Analysis

1. Developer receives a municipal affordable housing incentive totaling 10% of a $10 million construction project. The actual program may vary from municipality to municipality.
2. Municipality borrows the $1 million from the Province to incentivize the development.
3. Rental rates for the affordable housing units are set under the same guidelines as Canada Mortgage and Housing Corporation (10% below revenue potential).
4. Typical provincial mill rate is $2.44 and based on a $10 million assessment, this generates $24,400 in annual taxes to the Province. This is equivalent to a 2.44% annual rate of return to the Province.
5. The rate of return for the municipality is dependent on the incentive program it creates, and based on its portion of property tax collected.

[1] Section 362(1)(n) Municipal Government Act Parts 1 and 3 of AR 281/98

[6] Government of Alberta Final Report of the Affordable Housing Panel Review 2020

Conclusion

This proposed model of P3 demonstrates an alternative approach that is innovative, can be easily implemented, and is sustainable in the long-term while leveraging partnerships and reducing risks for the municipalities and all levels of government involved. It allows government to focus resources on higher level strategies, directing provincial and federal grants to the more immediate/acute need of supportive housing. These outcomes align with findings from the recent (2020) Government of Alberta Affordable Housing Panel Review, which recommends transforming Alberta's affordable housing system through a range of models and capital contributions; partnerships; community-driven action; and tailored approaches. [1]

The Review supports government investment in affordable housing as "[the investment] is multiplied in economic returns because it creates jobs and supports tenants to stay in their community and obtain and maintain meaningful employment."[2] To engage private developers in affordable housing P3 projects, municipalities may require cash commitments. The Alberta government plays an integral role in this partnership and strategy by providing municipalities with access to a zero interest rate loan. These loans give municipalities the flexibility to tailor solutions that work best within their respective communities and offer another tool to address the affordable housing crisis. Such an investment by the Province is low risk, has a negligible budgetary impact, will see value for P3 partners and better outcomes for all Albertans, and will help drive recovery of the Alberta economy.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Support a sustainable and locally tailored P3 approach to address affordable housing demand that actively engages private sector developers by giving municipalities the ability to borrow from the Province at a zero interest rate, with the understanding that the Province will receive its return through taxes on the full assessed value of property.

[2] Government of Alberta Final Report of the Affordable Housing Panel Review 2020

Transportation

A Systems Approach for Provincial Transportation Systems

Issue

That transportation systems are intrinsically linked to economic development is a self-evident truth. However, there is a growing trend in the transportation planning literature, and in the developed plans of both national and provincial organizations, to consider best-practice for this discipline in terms of multimodal transportation planning. A cost-effective and efficient transportation network in Alberta requires a systematic planning approach collaboratively directed by a provincial body. Specifically, it requires all key public and private sector organizations in the province to work together in coordinating a holistic transportation system where long-term development objectives that provide an equitable, cost-effective, and reliable means of moving people and goods are examined.

Background

Transportation has long been recognized as playing a critical role in the overall prosperity of a society. It is one of the systems that virtually all Albertans utilize and depend on daily. In a very competitive and integrated world economy, most businesses require access to efficient and cost-effective transportation services to export their merchandise to the market or to access imported goods. More than 2,000 Alberta businesses export goods and services around the world, which means most of Alberta's Gross Domestic Product (GDP) is dependent on international trade in one fashion or another. Thus, remaining competitive in international markets is essential for maintaining and enhancing the standard of living in Alberta, particularly as our province attempts to diversify our economic base and move away from our long dependence on crude oil exports.[1]

The opportunities are there. Almost every expert predicts that there are significant opportunities for Canada to increase agri-food exports in response to a growing global demand for high-quality food products, and Alberta is well-positioned agriculturally and industrially for rapid expansion to meet this demand. However, unless significant changes are made, the transportation system in Alberta could be ineffective in meeting the needs of citizens, communities, and businesses to take advantage of this growth. Inefficient transportation means a reduction in competitiveness, and there is a real possibility of our region being sidelined while economic development progresses in more accessible locations with lower transportation costs. The cost of not proactively improving our transportation system could be very high.

The Government of Alberta recognizes that a good transportation system is vital to the prosperity of Alberta, as is evidenced by the long-term multi-modal transportation strategy that has been in place since 2016. However, the province also recognizes that a cost-effective means of improving transportation cannot be efficaciously accomplished through project-based

[1] The Van Horne Institute. (2004) The Transportation Sector in Alberta: Present Position and Future Outlook. Retrieved from http://www.transportation.alberta.ca/Content/docType56/Production/AEDA2004.pdf

planning approaches, since singular projects tend to be an inefficient means of addressing the larger goal of fostering economic growth. Both the province and the federal government have enshrined this thinking into their strategic plans, and consequently all stakeholders can expect the Provincial and Federal governments to favor proposals that take a systems-view of transportation projects and which respond to productivity objectives, consider cross-impacts on land use, urban and community development, and the environment, and demonstrate the capacity to coordinate the disparate goals of individual communities.

While Provincial and Federal governments have made significant investments towards transportation, including developing an increasingly integrated system of traditional rail, subway, light-rain transit, and buses. However, the small and medium sized municipalities continue to lack adequate transportation infrastructure and often wait years for strategic projections to be approved or funded. This reality puts these communities at a disadvantage when it comes to attracting and retaining industry, talent, and investments, as well as limits the everyday mobility of residents.

In summation, an efficient provincial transportation system, based on multimodal transportation planning, could improve competitive access to global markets, link communities and enable economic growth. A partnership between representatives of public and private sector organizations in the province would pave the way for addressing shared challenges and opportunities while working collaboratively to transform the existing transportation system to foster tangible economic and social benefits.[1]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with the federal government to ensure the specific needs of transportation are economically significant and merit a proportional share of investment;
2. Work together with other levels of government to improve transportation and mobility throughout the province. Opportunities for collaboration beyond funding partnerships should be explored;
3. Plan and select transportation projects to promote an awareness of the importance of transportation and transportation choices to the economy, the environment and social lives of Albertans and Canadians;
4. Commit to an integrated and multi-modal approach to transportation infrastructure policy and planning; and
5. Create a policy and regulatory environment that incentivizes technological advances in the transportation sector.

[1] Dixson, E. (2017). Access to Markets: Commercial Transportation Issues in Southern Alberta. Retrieved from file:///C:/Users/user/Downloads/Transportation%20Issues%20Final%20Report%20Sept%2014%20(1).pdf

Off-Highway Fuel Rebate

Issue

Some businesses whose operations use licensed vehicles off public roads pay fuel taxes intended for the maintenance of infrastructure they don't use. A rebate for these inappropriate taxes would support the growth of industries such as oil and gas, mining, and logging.

Background

In 2011, Alberta eliminated rebates for fuel purchased for off-road purposes in licensed vehicles. This rebate provided relief for businesses who drove their vehicles predominantly off public roads during exploration or on private roads. Extraction industries, particularly mining and logging were particularly impacted by the change. In addition, businesses operating in non-urban and northern areas of the province are disproportionately affected, given that non-maintained roads vastly outnumber maintained roads and highways in those regions.

By allowing businesses to claim back a portion of the taxes paid at the pump, the Alberta government had demonstrated a long-term commitment to ensuring fairness, by rebating the portion of taxes collected on fuel that is not expended on the roads these taxes are meant to maintain. When the province announced its elimination of former rebate programs, it cited abuses by subscribers who drove their licensed vehicles on publicly maintained roads and highways. While most licensed vehicles are operated in part on public roads, an effective rebate could account for this by requiring applicants to account for the extent of their off-road use in applications. This proportion would ensure that appropriate and fair taxation is extracted from all users. Similar accounting and rebating methods are already implemented for many businesses regarding the use of vehicles used for both personal and business purposes.

Four other jurisdictions in Canada – British Columbia, New Brunswick, Nova Scotia and Yukon – currently offer rebate programs for licensed vehicles used in off-highway industry operations. With businesses located in other Canadian jurisdictions eligible to claim rebates on clear diesel and gasoline, Alberta businesses are at a significant disadvantage.

If Alberta is to maintain and strengthen its position as a global energy leader, it must restore the competitiveness of and fairness for its businesses by developing a rebate that directly impacts their operations.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Implement a rebate on fuel taxes for licensed vehicles to the extent they are used for business purposes off publicly maintained roads.

Safer Workplaces for Alberta's Highway Workers

Issue

Amending Alberta's *Traffic Safety Act* to allow the use of better illumination signals and consistent protections for all roadside workers would reduce risk of injury and harm to Albertans and motorists.

Background

Illumination that protects vulnerable short-duration roadside workers

Roads are crucial to Alberta's economic growth and development. Our road network benefits citizens, providing access to employment, social, health, and education services. The provincial government has voiced its commitment to ensuring the safety of Alberta's workforce, including those who maintain our roadways.

Warning (flashing) lights on Alberta highway workers' vehicles are one of the measures intended to keep workers safe. The purpose of flashing lights is to warn oncoming motorists of a potential hazard ahead and to manage driver behaviour when approaching and entering the area. Research has shown the right color and configuration of warning lights on vehicles can save lives.

Many different colours of flashing lights are permitted in Alberta and listed in the *Traffic Safety Act* Vehicle Equipment Regulation. This regulation specifies the types of vehicles that may use flashing lights as well as colour and location of lights on the vehicle. Multiple studies have shown that different colours and colour combinations of warning lights are more effective at attracting driver attention. For example, research from the Transportation Association of Canada shows that combinations with yellow, blue, and red are more effective than amber alone to improve safety; they are more visible and do a better job at warning drivers of a potential hazard. Blue is the most conspicuous colour day and night.

Currently in Alberta, tow trucks as well as vehicles and equipment used for very short-duration roadside projects are regulated to be equipped with amber flashing lights to warn oncoming motorists of roadside workers. Amber lights, however, are less visible and have become so commonplace that they are no longer effective in this type of hazardous environment. For example, amber is used on moving farm equipment, garbage trucks, landscaping vehicles, road signs, and more.

The Alberta Motor Association and the tow truck industry recommend that the Alberta government permits the use of blue and amber lights on tow trucks. Several jurisdictions in Canada already permit the use of blue flashing lights on various categories of roadside vehicles in addition to emergency vehicles. Three also allow blue lights for use on stationery roadside vehicles: Saskatchewan (tow trucks), Yukon (highway maintenance vehicles), and Newfoundland (government public works vehicles).

Amending "slow down, move over" legislation to better protect vulnerable highway workers

Emergency vehicles and tow trucks with flashing lights are protected by Alberta's *slow down move over* law. [1,2] However, stationery workers conducting "very short duration work" (projects up to 30 minutes, as defined by Alberta Transportation) are excluded. [3,4] Among those excluded under this law are highway maintenance workers, sign installers, line locaters, surveyors, and survey crews. In 2015, British Columbia modified its "slow down, move over" legislation to include all roadside workers displaying a flashing light on their vehicle.

Unlike other provinces in Canada with similar legislation, in Alberta, this law also only applies to the lane immediately beside the stopped vehicle rather than all lanes travelling in the same direction. This creates motorist confusion and increases risks to all on the road. Consequently, each day, thousands of roadside workers building and repairing critical infrastructure to support Alberta's economy are at risk of being struck by vehicles legally passing roadside workers at high speed.

According to the Alberta Motor Association, the problem with the rule applying to only one lane of traffic is that many drivers are unclear whether or not they are to slow down. This confusion causes in inconsistent behaviour and significant speed variations when approaching roadside worksites. Further hazards arise when vehicles slowing down attempt to merge into a lane with fast-moving vehicles. To reduce the related risks, stakeholders are increasingly calling on legislators to include the requirement for traffic in both directions to adhere to "slow down, move over" legislation.

Conclusion

Better road safety is driven by evidence-based practices. These practices include allowing effective warning light colour combinations and including very short-duration roadside workers in "slow down, move over" legislation. Making these amendments to Alberta's legislation and regulations will make roads safer for all Alberta roadside workers, supporting safe and well-maintained transportation networks in the province.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Amends the Vehicle Equipment Regulation under Alberta's *Traffic Safety Act* to allow tow trucks as well as vehicles/equipment used for very short-duration highway projects to be equipped with another colour of warning light in combination with amber; and
2. Amends Section 115 of Alberta's *Traffic Safety Act* to:
    a. Provide stationery very short-duration workers conducting roadside work have the same protection as other highway workers already included under the Act; and,

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[1] Includes fire, police, ambulance, tow trucks, and public utility gas disconnection unit https://www.alberta.ca/release.cfm?xID=1898137BBC21F-9DA9-0B64-AC83FC1CDBA00788

[2] AB Gov 2020 https://www.alberta.ca/release.cfm?xID=7578869C9FD4D-C801-6B8D-DF6CA30A29B743E8

[3] "Work that occupies a fixed location for up to 30 minutes…" and "rarely uses traffic control devices due to the time involved to set them up." https://www.alberta.ca/traffic-accommodation-in-work-zones.aspx

[4] https://www2.gov.bc.ca/assets/gov/driving-and-transportation/driving/roadsafetybc/strategy/road-safety-strategy-update-vision-zero.pdf

b. Require vehicles in all traffic lanes in the same direction of travel slow down and move over, with consideration given to include opposite direction traffic on two-lane, undivided highways.

Federal Policies

Environment (Federal)

Environment and Parks Water for Sustainability

Issue

Canada has been facing significant pressure on its water resources, both surface and ground water. There are ever-increasing demands for the water resource. The limits of available water have been reached in the southern portion of the province, and concerns are rising about the adequacy of water resources to support continued economic development in the central and northern parts of the province.

Background

Historically and economically, Canada has been shaped by our waterways and infrastructure. The benefits we have derived from water are diverse. Canada has more lakes than any other country. We have more water per capita than any other large country. Unfortunately, we take water for granted and undervalue it. Canada's per capita water withdrawals are among the highest in the world, and twice as much as the average European.

Even though Canada possesses nine per cent of the world's fresh water supply, Canada is not necessarily a water-rich country. Viewed globally, Canada's land mass is proportional to its water supply. Approximately 60 per cent of Canada's fresh water drains north, while 90 per cent of our population lives within 300 km of the 49th parallel. Recent droughts and shortages indicate the relative scarcity of water in some regions at certain times of the year and demonstrate the importance of developing strategies to minimize the adverse effects of potential future shortages.

In 1987 the federal freshwater policy was tabled in Parliament. This policy outlined five strategies: water pricing, science leadership, integrated planning, legislation, and public awareness. Since 1987, water quality has become an important issue and it should be added as a sixth strategy.

It is time to revisit and update the federal water policies to identify how the federal government can better work with provinces and territories to identify and achieve common water management principles, objectives and/or outcomes, especially for watersheds that cross provincial boundaries, or whether there is a joint federal-provincial interest.

It is timely to put our minds together to develop this essential overarching strategic framework or Vision of a Canada Wide Water Strategy.

Research has indicated that significant threats to water resources exist across Canada. Climate change is an emerging challenge in all parts of the country, but numerous long-term problems also exist, with serious implications for Canada's environment, economy, and society. Canada does not currently have an overarching national water strategy that facilitates more effective responses to current and emerging challenges and threats. The benefits of having such a strategy are numerous. Examples include the following:

- More consistent and effective responses to concerns with national dimensions, such as water exports and climate change

- Increased accountability due to broader stakeholder participation in governance
- Enhanced environmental protection and a stronger foundation for economic productivity
- Stronger national capacity to respond to threats and crises
- Better positioning to meet growing international expectations and obligations
- Greater public acceptance and support for water management decisions

The Canadian Water Resources Association (CWRA) believes that a Canada Wide Water Strategy (CWWS) is an effective way to address the water management challenges we face, and that such a strategy is within reach.

CWRA supports a CWWS that has the following broad characteristics: A CWWS for Canada must be developed and implemented through the participation of all stakeholders. The federal government must be a full and active participant, as must all the provinces and territories. However, initial lack of participation by some provinces/territories should not preclude initiation of the process. Indigenous people should have leadership roles.

Common goals and principles endorsed by all participants should be at the core of a CWWS. These should be comprehensive in their scope and should be sufficiently specific that they can guide the policies and actions of participants.

Business Case:

In recent years, industry, and business more generally is becoming subject to high water costs, challenging them to do more with less water. Businesses are often in conflict with local domestic uses, other industries, agriculture, tourism, and ecosystem needs and protection bylaws. This restriction on water uses and resources has direct implications to business and the Canadian economy. If water is neglected by societies and governments, then the odds are they will eventually collapse. Without water, business ranging from family farms to major corporations will face multiple problems, including higher costs and long-term viability. For example, water scarcity would have a direct impact on rain-fed irrigated agriculture as well as livestock, and an indirect impact on food processing industries. Moreover, 2015-2018 were challenging ones for water management in Alberta,[1] with research showing that water supplies were below average so was precipitation. The water supply has generally been 5 years of below average runoff and higher demands for water have led to worries about having enough water to support ecosystems, particularly in Southern Alberta. Together, this underscores the need to develop an effective water policy and strategy along with comprehensive information on water use. In addition to knowing the value of water and its contribution to the Canadian economy, reporting on water impacts, uses and return flows is an essential part of adopting a watershed approach to water resource management.

[1] https://landusehub.ca/what-water-for-life-means-for-albertas-municipalities/

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Participate in any national initiatives that bring the provinces and territories together in addressing water issues of national importance. These initiatives should be undertaken by the Canadian Council of Ministers of the Environment;
2. Work with other levels of government to create and mobilize the knowledge needed to predict and respond to water problems and opportunities by providing centralized and harmonized collection and dissemination of water information;
3. Improve collaborative river basin planning by building durable partnerships for water management and decision-making with the federal government, municipal government, and Indigenous governments, with clear outcomes that include building resilience to extreme events, identifying priority areas for watershed restoration, and ensuring effective environmental flow regimes are in place across all levels of jurisdiction and authority; and
4. Encourage federal government departments responsible for water management to collaborate on the development of a Canada-wide water management strategy and work towards alignment in regulations.

Finance (Federal)

Consolidated Income Tax Filing for Corporate Groups in Canada

Issue

The current approach to taxation of corporate groups in Canada ignores the commonality of ownership principles and requires that owners undertake costly and complicated planning to allow for consolidation or transfers of losses and/or credits between members of a common corporate group. Several countries in the Organization for Economic Co-operation and Development (**OECD**) allow for taxation of corporate groups on a consolidated basis and it is past time for Canada to join its peers in this practice.

Background

"Every man is entitled, if he can, to order his affairs so that the tax attaching under the appropriate Acts is less than it otherwise would be."
- *The Duke of Westminster (1936)*[1]

As aptly put by the Duke, owners of corporations are, within the bounds of the legislation of the Income Tax Act, Canada, allowed to order their affairs to minimize the income tax that they would otherwise pay in the absence of planning for the resulting liability. Where closely-held groups of companies are concerned, this often requires that the shareholders undertake complex loss consolidation transactions through financing arrangements, reorganizations, and transfers of property on a tax-deferred basis which will attract additional professional fees (legal and accounting) and may also attract additional costs associated with seeking specific rulings from the Department of Finance. From the Duke's perspective, the ability to arrange one's affairs exists, but achieving the goal of tax minimization is much more cumbersome than it needs to be.

Several jurisdictions within the OECD have legislation in place that will allow for the consolidation of corporate groups and the option to file as such, or to file an income tax return for each corporation independently. The following countries (all of which are members of the OECD) have the ability to order the income tax affairs of consolidated groups of companies subject to taxation in their respective countries on a joint and consolidated basis:

Austria	Luxembourg	Mexico	Netherlands
Poland	Portugal	Spain	France
Germany	Hungary	Italy	Japan

Most significantly, our largest trading partner, the United States, also provides for the consolidated taxation of a corporate group. This option has been available to groups of corporations in the US who meet certain qualifying requirements since 1918 in recognition of the fact that, although many businesses achieve some of their objectives with multiple legal entities, the US Tax Code recognizes that the business entity is *singular.*

[1] *Inland Revenue Commissioners v. Duke of Westminster* [1936] A.C. 1; 19 TC 490.

Foreign entities who make investment decisions will always consider not only the rates applied to business income earned in a jurisdiction but the level of complexity and burden of compliance in a target jurisdiction. As many of our economic contemporaries allow for a streamlined approach to tax filings for corporate groups, it is a safe assumption that, in respect of this consideration when investors choose where to invest, Canada does not fare as well as other competitive jurisdictions.

Recognizing that the cumbersome nature of tax compliance of a corporate group in Canada results in distinctly higher costs for Canadian business owners and also represents a drag on the competitiveness of Canadian business for foreign investment capital.

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

1. Immediately review the existing provisions within the Income Tax Act, Canada related to the taxation of Canadian corporate groups; and

2. Introduce legislation to allow income and loss transfers within associated corporate groups.

Fiscal Stabilization

Issue

The Fiscal Stabilization program was designed to act as an insurance program for provincial revenues if a province experiences a drop in non-resource revenues of more than 5 percent, or a drop in resource revenues of over 50 percent. Payments are capped at $60 per capita. In 2015-16 and 2016-17, Alberta received about $250 million each year, despite seeing a revenue drop of $7 billion in 2015-16. (Government of Alberta Annual Report, Government of Canada FES 2020). The payment for both years reached the $60 per person cap.

Background

In the Government of Canada's 2020 Fall Economic Statement, changes to the Fiscal Stabilization formula were announced, with legislation to enact the changes expected in the 2021 budget. The Government of Canada proposes to increase the cap to $170 per capita. The Minister of Finance will still have the discretion to extend interest-free loans for revenue declines that exceed the cap. The Government plans to speed up the timeline for the funds to be available to the provinces and include revenues from transferred tax points in eligible revenues. Provinces will not be penalized for indexing their tax systems for inflation and the changes will repair an inconsistency in the treatment of revenue declines between 0 and 5 percent.

The province of Alberta experiences unique volatility compared to other provinces. Provinces are eligible for fiscal stabilization if there is a non-resource revenue drop of 5 percent. With the $170 per person cap, revenue reductions are covered up to a 7.5 percent decline. Analysis by Trevor Tombe[1] found that a province has exceeded the 7.5 percent decline only 3 times since 1981 – the province of Alberta in all three instances.

In September 2020, the Council of the Federation called for eliminating the cap and lowering the threshold of reduction of revenue to 3 percent instead of 5, and 40 percent rather than 50 for resource revenues. The Council also recommended that the changes be retroactive to 2015.[2] Following the changes announced in the November Fall Economic Statement, both the Alberta Government and Official Opposition publicly took the position that the cap should be lifted entirely and called for payments to be retroactive.[3]

The 50 percent threshold for resource revenues disproportionally impacts provinces with high resource revenues relative to their budgets, even as they already face volatility inherent with an economy that is significantly dependent on those resources. There is a concern that the same treatment for resource and non-resource revenues would have the effect of rewarding provinces for relying on volatile sources of revenue, but at the same time it can be argued that the fiscal stabilization program creates a disincentive for a province to invest in natural resources. Since

[1] https://policyoptions.irpp.org/magazines/december-2020/are-fiscal-stabilization-reforms-a-slap-in-the-face-or-a-modernization/
[2] https://www.newswire.ca/news-releases/canada-s-premiers-outline-priorities-896570169.html
[3] https://www.cbc.ca/news/canada/edmonton/alberta-politicians-unhappy-with-changes-to-federal-fiscal-stabilization-program-1.5824498

Alberta is an outlier in terms of its high proportion of revenues linked to resources, the structure of the program naturally exempts declines in Alberta's revenues.

Alberta's contribution to the Government of Canada's revenues through income taxes has been very high for decades, helping to support other transfer programs such as equalization. These higher income taxes have partly been the result of the resource development that contributes to the volatility of the provincial economy. The 50 percent decline required for resource revenues should be lowered to 40 percent, and the per capita cap on payments should be eliminated as recommended by the Council of the Federation.

Other Transfer Programs

Annual transfer payments made to every province, such as the Canada Health Transfer and the Canada Social Transfer, provide long-term predictable funding for provinces to deliver programs with shared responsibility, including healthcare, social services, post-secondary education, and early childhood development. Many Albertans have had long-standing questions about equalization, federal and provincial responsibility for seniors' care, funding services for Indigenous peoples, and for public services provided by municipalities. Many have called for revisions to Canada's equalization and transfers system and for alternative programs that more fairly reflect the unique realities of all provinces. It is important the Government of Canada undertake a comprehensive review of the fiscal stabilization program within a larger review of all federal transfers.

Review of provincial revenues

Along with the importance of calling for changes to federal transfer programs, the Government of Alberta should evaluate its taxation system. The 2019 Blue Ribbon Panel reviewing Alberta's spending was a strong first step, ensuring Albertans receive effective government service delivery for the taxes they pay. Given the impacts of the pandemic on government revenues, the Province should convene a similar panel to examine the opposite side of the ledger. This review cannot ignore the largest and most controversial question on tax in Alberta – that being the adoption of the Provincial Sales Tax or Harmonized Sales Tax, as other provinces have done. Both this type of review, and the related review on spending, should be conducted periodically to ensure that the impacts of any resulting changes to tax systems or spending can be measured and reported publicly.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Change the fiscal stabilization formula so Provinces are eligible for payments if the decline of resource revenues exceed 40 percent and non-resource revenues exceeds 3 percent;
2. Review the per capita cap on fiscal stabilization payments and index for inflation;
3. Apply the fiscal stabilization program retroactively to 2015;
4. Set a fixed schedule to publicly review and revise Canada's system of transfers and their administration, as informed by independent experts. This review must be done before the next scheduled renewal of the programs; and
5. Examine ways to improve transparency and education about how equalization and all federal transfers are delivered to provinces.

Joint Filing of Spousal Personal Income Tax Returns

Issue

The Carter Commission recognized long ago that the appropriate unit of taxation is the "family unit" rather than the individual. Recent changes to the taxation of spouses within a family unit has highlighted the inequality of the tax burden realized by the family unit. In particular, shareholders of Canadian businesses are most affected by the changes and it is now necessary to reverse them through the introduction of amendments to the Income Tax Act that will provide for the filing of Joint Spousal income tax returns.

Background

Prior to the issuance of the "Report of the Royal Commission on Taxation" more commonly referred to as the "Carter Commission" in 1966, the unit of taxation in Canada had been the individual. More specifically, income taxation was directed at the individual or "person" receiving the income, irrespective of marital status. In his report, Mr. Kenneth Carter pointed to the inequity of this approach and stated "Because the individual is the tax unit, serious inequity and enforcement problems arise"[1].

Two of the four fundamental objectives of the Carter Commission point specifically to the importance of taxation of the family unit as opposed to the individual. The report stated, in summary:

> *In most families, incomes are pooled, consumption is collective, and responsibilities are shared. It should be an objective of the tax system to reflect this fact, by considering families as taxable units. The ability to pay of the family, as distinct from the individual members of the family, must be recognized.*[2]

And,

> *The tax system must also recognize that the special responsibilities and non-discretionary expenditures of unattached individuals and families affect their ability to pay. Unusually heavy medical expenses, certain education costs and the number of dependent children, for example, should be taken into account in allocating tax liabilities.*[3]

The report by the Commission placed a significant amount of weight on the principles of "equity" and in particular the attention to equity and taxation of the family unit. As early as 1966, it was apparent that addressing the inequality in taxing the individuals who comprised a

[1] Report of the Royal Commission on Taxation, op. cit. n.1, Vol. 3 at p.127
[2] The Family and the Income Tax Act in Canada, McGill Law Journal, Volume 18:4, 1972, *David W. Beaubier,* p.1
[3] Ibid, p.1

family unit was of paramount importance as Mr. Carter and his colleagues recommended the following amendments to the Income Tax Act:

- The family unit was to be granted a special rate schedule and would be taxed on the aggregate family income which would be filed as a single return;
- Under the schedule, to be known as a "family unit rate schedule", family units would pay less tax than individuals with the same income;
- Family units would be granted a "basic exemption" that would essentially be double that of an individual; and
- Non-refundable tax credits would be granted to the family unit for children of the family.[1]

Although the recommendations presented to the House of Commons Report on Taxation were accepted from the Commission, the recommendations on taxation of the family unit did not find their way into the amendment of the Income Tax Act at the time.

The recent changes to the taxation of Canadian-controlled private corporations (CCPC's) and their shareholders has brought this issue, once again, to the forefront as the proposals (which have now found their way into legislation) addressed the ability for families who operate certain CCPC's to allocate or "split" income between spouses and other family members. The new legislation that addresses the Taxation of Split Income (or TOSI) has eliminated what was once the principal objective of the Carter Commission Report – the ability to minimize the overall tax burden of the family unit.

We believe that the time is right to address the inequity that has resulted from the reluctance of successive Canadian governments to adequately recognize the "family unit" as the appropriate unit of taxation. The introduction of legislative provisions that will allow for the filing of a joint personal income tax return by married persons will address the inequality that is inherent in our system of taxation and can eliminate the administrative and compliance burden that is imposed by TOSI regime introduced in 2018.

Arguments have been advanced that the introduction of a method of taxation that does not singularly recognize the "female worker" and her contribution to the *fisc* by representing a unit of taxation bears any validity whatsoever. On the contrary, we believe that the introduction of provisions to allow for the filing of joint spousal returns will not have any adverse impact upon female labor participation rates and will only serve to provide greater after-tax resources to the family unit, thus ensuring greater financial security for female participants of the workforce.

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

1. Establish a framework within the Income Tax Act, Canada, to address the importance of the family unit as the appropriate unit of taxation;

[1] Report of the Royal Commission on Taxation, op. cit. n.1, Vol. 3 at p.173

2. Introduce legislation to provide for an appropriate “family unit rate schedule” to address taxation of the family unit;
3. Review and address current non-refundable tax credits to ensure their appropriate application to the taxation of the family unit; and
4. Introduce legislation to provide for the ability for families to file a Joint Spousal income tax return to report the aggregate family income of the family unit.

Global Affairs (Federal)

Elimination of Border Re-Inspections and Associated Fees on Canadian Meat Exports into USA

Issue

Border inspections of Canadian and US meat are simply re-inspections of CFIA and USDA inspected meats. On July 6, 2009 FSIS formally acknowledged that Canada's system of meat testing is equivalent to USDA standards. However, every shipment of Canadian meat into USA is subject to **mandatory** re-inspection at the border, with re-inspection fees applicable. This border re-inspection process places the Canadian meat industry at an economic disadvantage to that of the USA.

Background

The Canadian Meat Council *(CMC)* advises that Canada's meat industry directly employs 65,000 and ranks number one in our food industry, with total revenues of $24.1 billion annually. On average Canadian processors export 563,000 tonnes of meat (28,150 truckloads) annually into the USA, with each truck subject to border re-inspection, despite a national sampling plan administered by the US Food Safety & Inspection Service (FSIS). Annual meat imports from the USA average 356,000 tonnes (17,800 truckloads).

Based on the recognition of the equivalency of the inspection systems and the Canada-US Free Trade Agreement, Canada adopted a frequency of import inspection at the level of one in ten. Current USDA border re-inspection of all US meat imports are redundant, delay shipments, introduce product and marketing risks, translating into additional costs to Canadian meat processors.

These US border re-inspections are conducted by 10 privately owned Inspection Centres which charge re-inspection fees without USDA oversight. These fees cost our meat processing industry upwards of $3.6 million annually.[1] Furthermore, US border re-inspection requirements significantly increase shipping and handling costs to Canadian meat processors *(i.e. added driver, fuel and vehicle depreciation costs),* and increase market risk when the cold-chain delivery system is disrupted at these US Inspection Centres.

According to the Canadian Meat Council (CMC), many "Inspection Houses" are older non-refrigerated facilities and lack the food safety standards *(i.e. HACCP)* and warehousing programs consistent with standards applied at the CFIA and USDA facilities from which the meat was originally inspected and shipped. Furthermore, re-inspections at these Inspection Houses disrupt the cold-chain delivery process and "could result in temperature shifts of 10 degrees or more …

[1] "American Meat Institute (AMI) and the Canadian Meat Council (CMC)." Canada's Economic Action Planhttp://actionplan.gc.ca/en/page/rcc-ccr/american-meat-institute-ami-and-canadian-meat Retrieved 3 February 2015.

and a supplier could lose 3 – 10 days of a typical 30-day shelf life .... fresh meats that get delayed can be refused by the customer."

According to the Canadian Meat Council, "every driver loses 2 - 4 hours of driving time when reporting to the Inspection Centres". Once a driver hits 11 – 12 hours behind the wheel, transportation regulations mandate a 10-hour rest time. According to the CMC, at $100 per hour, resulting driver downtime is a significant cost to our meat industry.

US Border Inspection Process: All trucks crossing the US border containing meat from Canadian processors are first screened by US Border Officials, after which they must report to one of only 10 US Inspection Centres located on the international border. All trucks are opened at the Inspection Centres and their import documents are verified with the USDA. Approximately 10% of all trucks are physically re-inspected before they can proceed to a federally inspected US packing plant for further processing.

Canadian Border Inspection: All trucks crossing the Canadian border containing US meats are first screened by Canadian Border Officials, at which time the driver is informed if his truckload is one of the 10% randomly selected for further inspection. If a re-inspection is required, <u>it is not done at the border</u>, but rather at one of the 125 CFIA Registered Establishments. This re-inspection process ensures tighter quality control and improved food safety to the consumer, with reduced shipping costs to the supplier. There are no border re-inspections fees applicable to the US meat processor on imports into Canada. Rather CFIA inspection costs are absorbed by the Canadian processor.

History:

On February 4, 2011 the Canada-United States Regulatory Cooperation Council (RCC) was created to facilitate closer cooperation between Canada and the USA with the objective to develop more effective approaches to regulation in order to enhance economic strength and competitiveness of both countries. Prime Minister Harper and President Obama collectively announced support for the 29-point **Joint Action Plan** *"Beyond the Border: A Shared Vision for Perimeter Security and Economic Competitiveness."* Its mandate is to *"enhance security and accelerate the legitimate flow of people, goods and services across our international border[1]"*

As part of the **"Beyond the Border Action Plan",** the USDA's Food Safety and Inspection Service (FSIS) and the Canadian Food Inspection Agency (CFIA) committed to implement a pilot project to introduce and evaluate an outcomes-based process for the purpose of eliminating unnecessary and duplicated requirements on cross-border meat shipments. The 12-month pilot project was to conclude in September 2013 following which it would be evaluated. However, it was halted by the USDA shortly after its launch influenced by US lobbyists who cited concerns about food safety in the face of the XL Foods massive meat recall.

In August 2014, the ***Canada – United States Regulatory Cooperation Council*** *(RCC)* released its ***Joint Forward Plan*** which *focuses on eliminating unnecessary costs and duplication, removing red tape, reducing delays in bringing products to market and providing more predictability for*

[1] Ibid.

integrated supply chains – all without compromising the health and safety of Canadians and Americans[1]

Canada's economy would benefit from achieving the goals identified in the 2014 Joint Forward Plan by working through the RCC's initiative to harmonize regulatory requirements and practices on meat trade between Canada and the USA.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Pursue the goals of the 2014 Joint Forward Plan through the Canada-United States Regulatory Cooperation Council to:
    a. Ensure any re-inspections of Canadian meats exported into the USA only be conducted at USDA sanctioned processing facilities; and
    b. Eliminate border re-inspection fees on Canadian meats exported into the USA.

[1] "Canada-United States Regulatory Cooperation Council Joint Forward Plan August 2014." Canada's Economic Action Plan. http://actionplan.gc.ca/en/page/rcc-ccr/canada-united-states-regulatory-cooperation-1 Retrieved on 3 February 2015.