

# Alberta Budget 2022/23

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## Issue

The Alberta economy is showing some encouraging early signs of recovering from the shocks of the pandemic although there are continued risks that the recovery could be uneven and interrupted by future waves of COVID-19 or by changes to global market forces. Gains in the labour market have been welcomed but the unemployment rate remains high even as employers in some sectors struggle to find the talent they need. 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 businesses and all Albertans. The business community continues to adapt to new challenges, particularly the current Omicron wave which has meant a severe setback for many companies.

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## Background

### *Economic Recovery*

With many payment deferral and pandemic support programs coming to an end, employers are concerned about their capacity to catch up on the accumulation of bills with fewer customers coming through the door. We urge governments to ensure 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. The government should be ready to introduce and operate programs to support businesses, particularly small business, during the most recent Omicron wave to assist with staff shortages and reduced traffic. We do not know what the future will bring and the government must be ready to respond.

The agreement signed between the Government of Canada and the Government of Alberta for high-quality, affordable and accessible early learning and child care is a vital step forward to strengthen the economy and support entrepreneurs, families, and the workforce. The effects of the pandemic have emphasized this critical need. Improved access to early learning and care provides an excellent start for children and support for families. It generates economic benefits through higher workforce participation, improved productivity, increased GDP and taxation revenues, and talent attraction. The Alberta Chambers of Commerce calls for continued collaboration with federal and municipal governments to ensure that families benefit from this important program as quickly as possible.

The need for shelters, supportive housing and affordable housing in Edmonton continues to be high. Currently more than 2,800 people are experiencing houselessness in Edmonton which has doubled since 2019. In addition to funding for affordable and supportive housing, significant investments in addictions and mental health services are urgently needed. Services must be delivered in a coordinated way by federal, provincial and municipal governments as well as other service organizations.

Businesses are very concerned about the rising numbers of people experiencing houselessness and the associated impacts to communities including personal safety issues, property damage, and crime and disorder. While this is a social issue, it is also an economic issue. Business districts and transportation must be safe and must appear safe for residents, front-line employees, office workers, shift-workers and customers. Investors will take safety and disorder into account when making investment decisions and customers and clients may choose to stay away, damaging the

vibrancy and reputation of business districts. Houselessness deepens the severity of the challenges people face and prolongs the need for health, social and justice system supports.

Post-secondary institutions and higher learning are critical to a healthy economic environment in Alberta. Edmonton has the advantage of a large and diverse number of institutions to support a highly skilled population and to meet the evolving workforce needs through a full spectrum of certifications and micro-credentials through to graduate research. The global pandemic highlighted the critical role that research and development played in supporting the swift response and ensuring Alberta and Canada are ready for the challenges of the future. Developing, attracting and supporting top talent, accelerating employment readiness, recognizing foreign credentials and easier access to the Immigrant Nominee Program are high priorities for the business community and funding for post-secondaries should be generally stable and predictable.

### **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. Having said that, it is important that offsets like a lower provincial personal income tax rate be contemplated as any “consumption tax” should not be an additional burden layered on other taxes. 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. In addition, the Alberta Chambers of Commerce believes a high priority should be a continuous review of programs and services and the implementation of solutions that increase efficiency through technology.

The Province should focus on long-term economic sustainability to enable businesses to confidently plan for the future. The Government of Alberta has never published a long-term fiscal plan. In 2018, the Auditor General of Alberta published a commentary titled: *Putting Alberta's Financial Future in Focus*. The commentary summarizes possible risks ahead that Alberta must address, including demographic changes, an ageing population, chronic disease, climate change, infrastructure maintenance, the economic shift away from fossil fuels, rising interest rates and environmental remediation. If the government does not engage in, and report on, long-term planning, Albertans will not be able to evaluate whether the decisions made today are sustainable over the next twenty years.

The Alberta Chambers of Commerce recommends that the Government of Alberta develop and publish a rolling annual report on the long-term fiscal health of the province reaching at least 20 years into the future, including enduring performance measures and tracking.

### **Trade Diversification**

As provincial and federal leaders continue to discuss measures to boost Canada's economy, internal trade is a low-cost alternative to many more costly economic stimulus measures. Statistics Canada estimates that internal trade barriers add roughly seven percent to the cost of goods we buy, and the IMF estimates that the removal of internal trade barriers would grow Canada's GDP by nearly four percent. We urge governments to explore every avenue for dismantling internal trade barriers.

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 depends on major infrastructure

projects and technological advancements. 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.

### **Innovation**

Alberta's Innovation Employment Grant proposes to increase an organization's research and development spending. To meet concerns that the grant does not adequately support scale-up efforts, consult with companies to ensure the grant supports not only research and development but also scale-up and commercialization activities.

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 swiftly develop and implement an Intellectual Property Strategy to strengthen collaboration, inspire investor confidence, and provide pathways to commercialize discoveries and innovations. In addition, an increased focus on applied research will support the commercialization of our innovation efforts.

### **Invest in a Low-Carbon Economy**

The Edmonton Chamber of Commerce joined a coalition of the nine largest metro Chambers of Commerce for the Natural Resources Summit to engage in important dialogue about the future of the energy industry. Businesses can offer solutions to ensure that Canada continues to responsibly develop our natural resources and fight global climate change at the same time. It is critical that we reduce polarization and seek constructive answers to the challenges ahead.

Alberta should reinvest carbon tax funds directly into innovation and support investments made by the private sector to leverage and advance innovation. Currently, due to the combination of domestic and international factors many companies are struggling with reduced liquidity, which prevents them from being able to allocate funding to innovation. We encourage both provincial and federal governments to support businesses in seeking international markets that accelerate the growth, commercialization, and adoption of Alberta's homegrown technologies by allocating a portion of export development resources to low-emissions technology.

### **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 by the Edmonton Chamber of Commerce.

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 high-speed internet. 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. Delaying these investments will create a greater digital divide and exclude rural and remote Canadians from many growth opportunities.

Infrastructure projects for housing will create 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 spending in other areas due to the impacts of homelessness. 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 houselessness is crucial to our economic recovery, and this issue has been raised by many members of the business community. Further collaboration and commitment is needed by all levels of government to effectively make a difference for those experiencing houselessness. The province should also assist the municipality where possible to improve timelines for affordable housing development permits and allow projects to proceed as quickly as possible.

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**The Alberta Chambers of Commerce recommends the Government of Alberta:**

***Economic Recovery***

1. Provide flexibility on debt repayments to support businesses once support programs end;
2. The government should be ready to introduce and operate programs to support businesses, particularly small business, during the most recent Omicron wave to assist with staff shortages and reduced traffic;
3. Continue to work with federal and municipal governments to ensure that families benefit from affordable, accessible and high-quality early learning and child care as soon as possible and target benefits to those families who are most in need of assistance;
4. Continue to invest in operational funding for emergency shelter spaces; and
5. Ensure stable, ongoing investment in skills training and post-secondary institutions.

***Responsible fiscal management***

6. Align spending with core government priorities, including a full and transparent review of all government programs and services to eliminate under-used or inefficient services;
7. Appoint an independent panel of experts to review Alberta's revenue sources, including a review looking at current and new sources of revenue;
8. Publish a rolling annual report on the long-term fiscal health of the province reaching at least 20 years into the future, including enduring performance measures and tracking. This should include:
  - a. information about expected demographic changes that will impact on the economy and/or the provision of government services.
  - b. information about significant projected changes related to Alberta's major industries, and in the Canadian economy as a whole.

**Trade Diversification**

9. Aggressively dismantle internal trade barriers and bolster interprovincial supply chains to promote local economies;
10. Facilitate international market access through enabling infrastructure development and increasing export promotion to diversify Alberta markets and provide stability and opportunities for growth; and
11. Set specific, measurable and commercially sustainable diversification targets that include performance objectives and transparent reporting.

**Innovation**

12. Ensure the Innovation Employment Grant supports not only research and development but also scale-up and commercialization activities; and
13. Develop and execute an Intellectual Property Strategy to accelerate commercialization of Alberta's IP including post-secondary institutions and entrepreneurs.

### **Invest in a Low-Carbon Economy**

14. Publicly support Alberta's continued position as an energy leader that will play a key role in the transition towards the low-carbon economy of the future;
15. Reinvest carbon tax funds directly into innovation to leverage and advance innovation in the private sector; and
16. Continue to support industry-sponsored technology solutions and push the regulatory bodies to expedite new standard adaptations that reduce Alberta's emissions and could be exported to reduce emissions globally.

### **Capital Spending for Future Growth**

17. Prepare for Alberta's continued growth by strategically investing in growth-enabling infrastructure and work with industry to enable 100% of businesses, homes, ranches and farms in Alberta to have access to high-speed internet by 2025; and,
18. Work with service providers and the federal government to invest in infrastructure projects for permanent supportive housing and centres of community, to assist those in need of housing and enhance community vibrancy and support changes to streamline the development process.