



**NEWS RELEASE
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Tax cuts and savings should be at the forefront of the 2009 provincial budget

(Calgary, AB) – The Calgary Chamber of Commerce urges the provincial government to leave more money in Albertans' wallets through implementation of personal tax cuts in the 2009 budget.

"This is an opportune time to provide stimulus to the economy," says Geoff Pradella, Vice-President of Public & Government Affairs with the Calgary Chamber of Commerce. "Personal tax reductions give Albertans greater discretionary income to spend or invest, with a positive economic effect."

The Chamber suggests that government increase the basic personal exemption from \$16,161 to \$19,000 or reduce the current flat tax rate from 10 per cent to 9 per cent. The cost to the provincial treasury is \$562 million and \$732 million respectively; however, it would be offset through increased economic and investment growth.

Extreme and sudden shifts in the price of oil, and wild turbulence in global financial markets also highlight the critical need for the province to commit now to a plan that eliminates our ongoing reliance on non-renewable resource revenues. In the last six years, resource revenues have underwritten 19 per cent of the province's budgeted expenses.

"The era where Albertans could safely rely on resource revenues to fund essential services and critical programs like health care and education is a thing of the past," commented Pradella. "The volatility of commodity prices make this dependence an increasingly risky proposition."

According to the Alberta Financial Investment and Planning Advisory Commission report released in November 2008, the province faces a fiscal gap that will require substantial spending cuts or tax increases if savings does not commence.

The Chamber's *Vision 2050* strategy, released on November 18, 2008 and available on the Chamber's website, recommends adopting a step-by-step schedule that gradually but effectively decreases budgeted resource revenues as a proportion of total budgeted revenues to no more than 15 per cent during the next three years, with the resulting 'savings' going toward annual contributions to the Heritage Savings Trust Fund.

With a conservative four per cent real rate of return and reinvestment, the increased capital in the Fund would generate more than \$4.3 billion in interest payments by 2050, virtually replacing the value of current budgeted resource revenues (\$4.9 billion average since 2002). This does not include deposits of unbudgeted surpluses, which would take the savings strategy and its income creation even farther.

Nearly 90 per cent of Chamber members want the government to save a minimum of 30 per cent of annual resource revenues to create a permanent income stream.



Prudent fiscal management is an equally critical element in the mix, and a fundamental underpinning that makes increased savings and tax reductions affordable. As a third point in its recommendations for a 2009 provincial fiscal strategy, the Chamber therefore recommends that government move to adopt a 'smart spending bandwidth'; one that limits annual spending by targeting increases within a range delimited by population and inflation growth, and real GDP and inflation growth.

For 2009 this range is between 4.5 and 5.1 per cent.

Another part of this strategy involves the creation of a new \$5 billion endowment fund to raise the priority of energy research to overcome Alberta's environmental challenges. The REFIT (Research in Energy Futures – Innovation & Technology) fund would position Alberta as a global leader in carbon capture and storage and clean coal technology, and develop other promising initiatives.

"The province's \$2 billion investment in carbon capture and storage with industry is a positive step," says Pradella. "While we have to act to address our short-term economic issues, our environmental and technology challenges will not go away. It's time for a second major research push in this area, similar to the Alberta Oil Sands Technology Research Authority (AOSTRA) initiative in the 1980s," says Pradella.

R & D investment in the energy industry today is about one-third of what it was 20 years ago.

The full pre-budget submission and Vision 2050 strategy are available at the Chamber's website: www.calgarychamber.com

About the Chamber

The Calgary Chamber of Commerce is a volunteer driven, not-for-profit, and non-partisan advocacy group whose mission is to lead and serve the Calgary business community, valuing its diversity.

On critical and emerging issues in public policy, the Chamber acts as the leading forum for debate, and advocates public policy solutions that improve the business climate on behalf of our members.

– 30 –

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