



# 2009 Provincial Pre-Budget Submission

January 14, 2009



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## Executive Summary

The Calgary Chamber of Commerce represents over 2,300 Calgary based businesses. 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 its members.

Given current economic challenges, setting the right conditions for business success is more important than ever. Free trade, prudent government spending and competitive taxes contribute to a strong and sustainable economy that encourages investment and creates jobs. The Chamber puts forth the following recommendations for government consideration on behalf of its members, the small, medium and large enterprises that are directly affected by the financial planning and spending decisions and economic prosperity of the province.

### Investing in Alberta's Future by Adopting the 'Vision 2050' Savings Framework

1. Adopt a schedule to decrease budgeted resource revenues as a proportion of total budgeted revenues from 19 per cent (six year average) to no more than 15 per cent during the next three years, and deposit the resulting 'savings' in the *Heritage Savings Trust Fund*. By 2050, the Fund would generate over \$4.3 billion in additional annual payments – almost equalling and replacing the value of current budgeted resource revenues.
2. Amend the unbudgeted surplus policy to be more responsive to fluctuations in resource revenues by creating a proportional link to budgeted resource revenues. A policy requiring that 100 per cent of unbudgeted surplus revenues in excess of 50 per cent of the value of budgeted resource revenues go into the Heritage Savings Trust Fund (in addition to the existing 1/3 policy) would generate \$3.25 billion in annual savings, leading to over \$13.6 billion in payments annually by 2050.
3. Raise the priority and capacity of energy research through the creation of a \$5 billion endowment, the Research in Energy Futures - Innovation and Technology (REFIT) fund, as a major step forward to mitigate environmental risks and unlock untapped energy resources.

### Securing Prosperity Today through a Competitive Personal Income Tax Regime

4. Adopt broad-based personal income tax cuts through one of two methods:  
[A] Increasing the basic personal exemption amount from \$16,161 to \$19,000; or  
[B] Lowering the current flat tax rate from 10 per cent to 9 per cent.

### Realizing Efficiencies through Controlled Expenditure Policies

5. Adopt a bandwidth approach to government spending, by targeting increases within a range delimited by population and inflation growth, and real GDP and inflation growth. For 2009-10 this range is between 4.5 and 5.1 per cent.

### Eliminating Interprovincial Trade Barriers through the Expansion of TILMA

6. Work with British Columbia to bring other provinces and territories under TILMA.



## Introduction

The Calgary Chamber of Commerce represents over 2,300 Calgary based businesses. 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 its members. The Calgary Chamber puts forth this submission on behalf of its members, the small, medium and large enterprises that are directly impacted by the financial planning and spending decisions of the province.

Given current economic challenges, setting the right conditions for business success is more important than ever. Free trade, prudent government spending and competitive taxes contribute to a strong and sustainable economy that encourages investment and creates jobs. The Calgary Chamber of Commerce, on behalf of its members, has for many years brought forward recommendations on these issues to increase economic opportunities and raise Albertans' standard of living.

The Chamber conducts annual pre-budget surveys to canvas its membership on the spending and fiscal management priorities of government. Members identified realizing spending efficiencies and personal tax reductions as key priorities to improve the business environment, and called for a greater emphasis on a provincial savings policy. This pre-budget submission is structured based on four objectives that should be the foundation of any globally competitive provincial budget:

1. Investing in Alberta's future by adopting the 'Vision 2050' savings framework;
2. Stimulating the economy through a competitive personal tax regime;
3. Realizing efficiencies through controlled expenditure policies; and
4. Eliminating interprovincial trade barriers through the expansion of TILMA

## 1. Investing in Alberta's Future: The 'Vision 2050' Savings Framework

The government's dependence on non-renewable resource revenues for ongoing program and operating expenditures is at greater risk today, and looking forward, than it has been in the past. The government is therefore at greater risk of running deficits over the next 20-40 years, due to the alignment of significant changes in global and North American carbon management and elimination demands, and the associated political shifts occurring in Alberta's largest customer for petroleum – the United States.

What has served Alberta well as a reliable and invaluable revenue stream, therefore, needs to be reviewed, with consideration of how a proportion of current and medium-term foreseeable resource revenues could be utilized to create a 'hedge' or risk-mitigating alternative revenue stream that, over time, would replace resource revenues as a base for ongoing government operations. Should current global trends continue toward a 'post-carbon' energy future, the creation of this endowment or investment stream would secure Alberta's continued prosperity, opportunity and capacity to serve its citizens.

Since 2002, budgeted resource revenues have represented an average of 19 per cent of total provincial government expenditures. In the absence of non-renewable resource revenues, the government would have been confronted with budgetary deficits every year since 1995 (Alberta Chambers of Commerce 2006:22).



The finite nature of non-renewable resource revenues combined with a potential increase in demand for environmentally-friendly energy sources threaten Alberta's position as a prosperous, low-tax jurisdiction that offers an unparalleled quality of life. To address these challenges, the Chamber recommends that government adopt a targeted and strategic approach to financial management that:

1. Mitigates the forward risks of our dependence on carbon-based resource revenues, over time, through the creation of an alternative revenue stream; and
2. Positions the province for continued prosperity in anticipation of increased consumer demand for environmentally-friendly energy sources, through targeted research and technology investments.

The Alberta Chambers of Commerce and Certified General Accountants Association of Alberta, through their *Vision 2020* research in 2005-06, estimate that Alberta could save between 30 and 40 per cent of all non-renewable resource revenue per year, and put those monies into the *Heritage Savings and Trust Fund*, without significant cuts in current program spending. Such a large shift in provincial budgeting and budget strategy, however, appears to be of little interest to Albertans struggling with the current economic uncertainty.

Recognizing these immediate and ongoing demands on government, the Calgary Chamber has investigated further options, drawing from the principles and findings of the *Vision 2020* report, which might help to meet a number of critical, but sometimes competing objectives:

- Improve and expand Alberta's infrastructure, in support of future business opportunity and economic activity.
- Provide for the ongoing, long-term maintenance of that infrastructure.
- Support the critical work necessary to find the optimal, global, technological solution to the present 'carbon waste stream challenge', and in doing so, better secure the future prospects of Alberta's resource and energy industries.
- Set aside a percentage of current resource revenues, and invest in the creation of an alternative revenue stream, so that the province (over time and with a conservative net growth in the assets of the endowment) reduces its dependence on volatile commodities.

The Chamber, through its annual budget submissions and submission to the Financial Investment Planning and Advisory Commission, has consistently recommended that government commit to investing a long-term average of 35 per cent of non-renewable resource revenues in the Heritage Savings Trust Fund, and that the Fund be structured as a true trust, in which the net income earned on the capital invested is added to the fund, rather than transferred into general revenues. This is an ambitious but challenging objective to achieve, given that an average of 49.9 per cent of total resource revenues was unbudgeted since 2002 (Figure 1).<sup>1</sup> Consequently, as a first principle, any savings framework or strategy needs to incorporate both budgeted and unbudgeted revenues in its approach.

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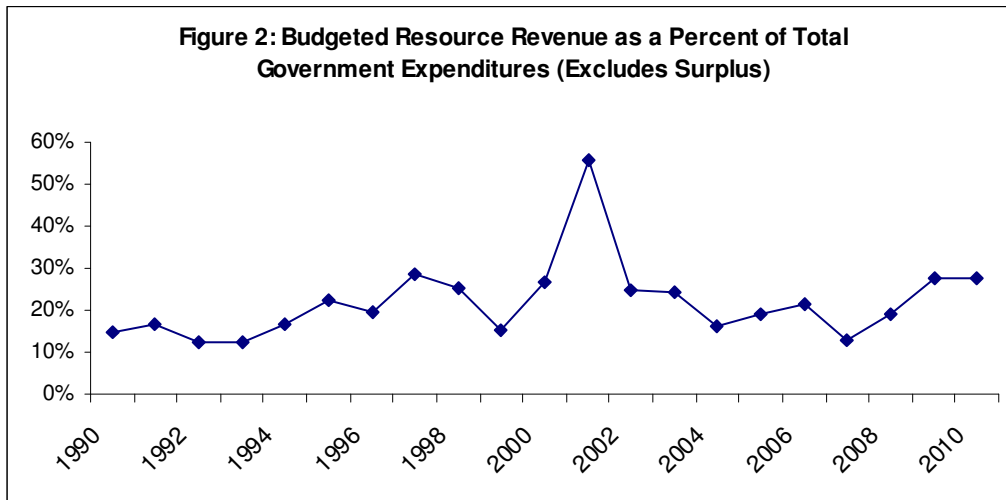
<sup>1</sup> According to Alberta Finance, only budget numbers for 2001-02 forward are fully comparable.



<b>Figure 1: Average Provincial Revenues and Expenditures 2002-2008 (Billions)</b>	
Total Revenue	30.2
Total Expenses	25.3
Resource revenue	9.8
Surplus Resource Revenue	4.9
Surplus as a Proportion of Total Resource Revenues	49.9%
Budgeted Resource Revenues (Total Minus Surplus)	4.9
Budgeted Resource Revenues as a % of Total Expenses	19.3%

### A. Budgeted Approach to Resource Revenue Savings

Since 2002, budgeted resource revenues have represented an average of 19 per cent of total provincial government expenditures (Figure 2). In a 2009 pre-budget survey, 80 per cent of Chamber members indicated that government should reduce reliance on non-renewable resource revenues for budgetary purposes. To adopt a more sustainable approach to government expenditures, the Chamber recommends that government gradually decrease this proportion to no more than 15 per cent, and deposit the resulting ‘savings’ in the Heritage Savings Trust Fund, with net revenues retained in the Fund.



From an implementation standpoint, government could adopt a schedule that seeks to decrease this 19 per cent budgeted revenue proportion gradually, by 1 percentage point in the first year, an additional percentage point in the second year and an additional 2 percentage points in the third year, resulting in the 15 per cent target, which would continue in perpetuity.<sup>2</sup> The approach facilitates the creation of a savings ‘delta’ over time, and increases contributions to the Heritage Savings Trust Fund, without drastic disruptions or dislocations in forward budgeting, while leaving the government with revenues to meet more immediate needs and demands, as outlined in the previous page.

<sup>2</sup> An alternative to a three-year phased in reduction to 15 per cent is to reduce by 1 percentage point per year over a 4-year period.



Assuming a three-year phase-in, and with average annual budgeted resource revenues at \$4.9 billion (since 2002), this approach would generate \$336 million in ‘savings’ (additional contributions to the Fund) next year, \$589 million the following year, and \$1.1 billion in year three and in each year thereafter (Figure 3). In a 2009 pre-budget survey, 89 per cent of members identify that government should invest resource revenues to create a permanent income fund. Using a conservative 4 per cent real rate of return, and assuming that net revenues are reinvested, by 2050 the increased capital in the Heritage Savings Trust Fund would generate over \$4.3 billion in payments annually – almost equalling, and thereby almost replacing the value of current budgeted resource revenue, positioning Albertans and their government for prosperity and security in perpetuity. This figure is achievable, without having yet considered the effect of additional contributions to the Heritage Savings Trust Fund from unanticipated and unbudgeted surpluses.

<b>Figure 3: Budgeted Savings Framework</b>		
	Annual Savings (Billions)	Budgeted Resource Revenues as a % of Total Expenses
Average Budgeted Resource Revenues (2002- 2008)	4.9	19.3
Year 1	0.336	18
Year 2	0.589	17
Year 3	1.095	15
Year N	1.095	15

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

- 1. Adopt a schedule to decrease budgeted resource revenues as a proportion of total budgeted revenues from 19 per cent (six year average) to no more than 15 per cent during the next three years, and deposit the resulting ‘savings’ in the *Heritage Savings Trust Fund*. By 2050, the Fund would generate over \$4.3 billion in additional annual payments – almost equalling and replacing the value of current budgeted resource revenues.**

**B. Unbudgeted (Surplus) Approach to Resource Revenue Savings**

Unbudgeted resource revenues have represented, on average, 49.9 per cent of total resource revenues since 2002. The province has an established policy of allocating one third of unbudgeted resource revenues to savings, and two thirds to capital and maintenance. In a 2009 pre-budget survey, 75 per cent of Chamber members identified that government should save a greater proportion of unbudgeted resource revenues.

The Chamber recommends that a critical objective of any provincial savings framework should be to save more revenues in times of prosperity, particularly unbudgeted revenues, as these do not adversely impact existing, budgeted programs and service commitments. However, the Chamber also recognizes the need for government to be equipped and able to respond to unanticipated growth pressures that accompany unbudgeted revenues.

Consequently, the Chamber recommends that government look at amending its unbudgeted surplus policy to be more responsive to unbudgeted revenue fluctuations by creating a proportional link to budgeted resource revenues. For example, that unbudgeted surplus policy could require 100 per cent of *unbudgeted* surplus revenues in excess of 50 per cent of the value



of *budgeted* resource revenues, go into the Heritage Savings Trust Fund, in addition to the existing 1/3 policy, which would continue to apply to the first 50 per cent of unbudgeted surplus revenues (Figure 4).

<b>Figure 4: Unbudgeted (Surplus) Savings Framework</b>		
	Revenues (Billions)	Savings (Billions)
Average Total Resource Revenues (2002 - 2008)	9.8	
Surplus Resource Revenues as a Proportion of Total Resource Revenues	49.9%	
Proportion Subject to 100 per cent Savings (50% of the 49.9%)	25%	\$2.44
Proportion Subject to Existing Savings Policy (33% of 50% of 49.9%)	25%	\$0.806
<b>Total Annual Surplus Savings</b>		<b>\$3.25</b>

Unlike the budgeted resource revenue approach, the implementation of this proposed unbudgeted revenue strategy does not require a phased implementation. With an average of 49.9 per cent of resource revenues being unbudgeted since 2002, the suggested unbudgeted savings policy could generate \$3.25 billion in annual savings, leading to over \$13.6 billion in payments annually by 2050, again assuming a 4 per cent real interest rate, with net revenue reinvested.

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

- 2. Amend the unbudgeted surplus policy to be more responsive to fluctuations in resource revenues by creating a proportional link to budgeted resource revenues. A policy requiring that 100 per cent of *unbudgeted* surplus revenues in excess of 50 per cent the value of *budgeted* resource revenues go into the *Heritage Savings and Trust Fund* (in addition to the existing 1/3 policy) would generate \$3.25 billion in annual savings, leading to over \$13.6 billion in payments annually by 2050.**

### C. Transitioning the Economy from Carbon Intensive to Carbon Smart

The challenge of managing our carbon-based economy and carbon footprint represents a tremendous business opportunity – to create the ‘Silicon Valley’ of climate change innovation, centred in Alberta. If achieved, it would position the province as a global leader in carbon capture and storage, and clean coal, with the potential to export these technologies worldwide.

In the 1980s, the Alberta government partnered with industry to invest \$2 billion in oil sands research through the *Alberta Oil Sands Technology Research Authority*. This investment helped bring technology to market that lowered the costs of producing synthetic crude, making oil sands development feasible.

While the Alberta Government continues to support energy research through, for example, the \$200 million *Energy Innovation Fund* established in 2006, R&D investment in the industry today is still only about one-third what it was 20 years ago (ISEEE 2006).

Alberta’s prosperity is based on resource wealth and the energy sector, which makes up 42 per cent of the economy. Consequently, a special purpose endowment fund should be established to attract the best and brightest researchers on energy related issues, including alternative energy sources, and carbon management technologies – our generation’s great technological challenge. This would secure Alberta’s position as the world’s leading energy producer in the 21<sup>st</sup> century.



By raising the priority and capacity of energy innovation research, and signalling its importance to the world through the creation of a \$5 billion endowment, the Research in Energy Futures - Innovation and Technology (REFIT) fund, a major step forward results in both mitigating future energy, economic and revenue risks, and securing Alberta's prosperity, future and quality of life.

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

- 3. Raise the priority and capacity of energy research through the creation of a \$5 billion endowment, the Research in Energy Futures - Innovation and Technology (REFIT) fund, as a major step forward to mitigate environmental risks and unlock untapped energy resources.**

## **2. Stimulating the Economy Through a Competitive Personal Tax Regime**

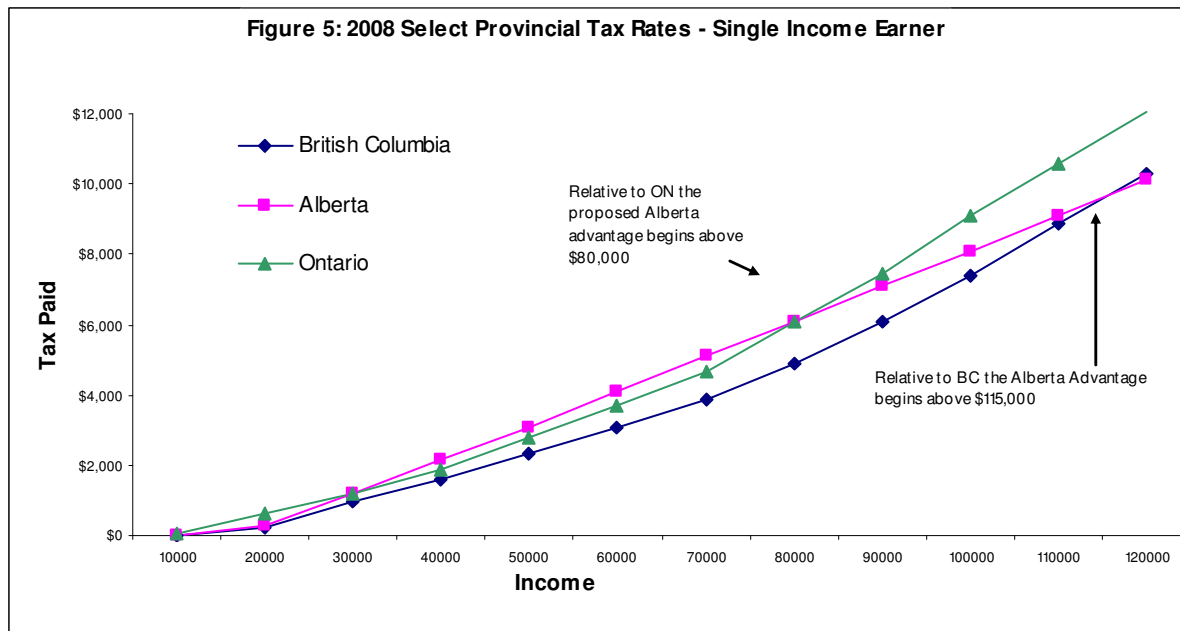
In the Chamber's 2009 pre-budget survey, members identified reducing personal income taxes as the second highest priority for government to improve the business environment. Through generous personal exemption thresholds and child tax credits, Alberta's personal income tax system is one of the most advantageous in Canada for families with children. The absence of a provincial sales tax and the withdrawal of Alberta health care premiums (though the Chamber believes that such reductions would have been better targeted through the personal income tax system) are also of great benefit to all Albertans. While the Chamber appreciates the government's commitment to families and applauds its no sales tax policy, in order for Alberta to improve the business climate and encourage economic growth, the province's personal income tax regime for individuals needs to be more competitive relative to neighbouring jurisdictions.

In 2008, the basic personal exemption adjustment to \$16,161 made Alberta more competitive with respect to Ontario where very few tax reforms were introduced this year. British Columbia, on the other hand, introduced significant personal tax cuts making them the country's outright leader in personal income taxation (Figure 5).<sup>3</sup>

From a tax-to-earnings perspective, Alberta is, therefore, less competitive than both British Columbia and Ontario for the majority of individual income earners. With the global financial crisis and its consequences still sending waves throughout the North American economies, a continued commitment to personal income tax competitiveness would send a signal to the rest of Canada, and North America that Alberta is a safe port to weather the storm.

Alberta is the only Canadian jurisdiction that applies a proportional flat income tax rate for all income levels – ensuring fair treatment regardless of employment income. However, Alberta also boasts the highest basic personal exemption amount (\$16,161) and, therefore, exhibits one of the most progressive average tax rates in the country (as income increases, the average tax rate also increases).

<sup>3</sup> Although BC imposes a carbon tax, a health care premium and a sales tax.



Source: Statistics Canada, Alberta Finance

To preserve the favourable distributional attributes of Alberta's personal income tax regime while improving upon our competitive position within the Alberta-British Columbia economic trading block, the Chamber is calling for personal tax reductions.

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

**4. Adopt broad-based tax cuts through one of two methods:**

- [A] Increasing the basic personal exemption amount from \$16,161 to \$19,000; or**
- [B] Lowering the current flat tax rate from 10 per cent to 9 per cent.**

**A. Increasing the basic personal exemption amount from \$16,161 to \$19,000**

Increasing the basic personal exemption amount to \$19,000 will improve our competitive position relative to BC and Ontario by narrowing the Alberta-BC tax gap for all personal income levels, and reclaiming the Alberta advantage outright for income levels up to \$30,000 and those levels above \$110,000 (Figure 6). The Alberta-BC tax differential would decrease from a high of \$1242 to \$958 for an income of \$70,000.



Figure 6: Taxes Paid – Individual Income Earners					
Income Level	Existing Taxes			Proposed Alberta	
	Ontario	British Columbia	Alberta	Option 1 Increasing Basic Personal Amount to \$19,000	Option 2 Decreasing Flat Tax to 9%
\$10,000	\$49.44	\$0.00	\$0.00	\$0.00	\$0.00
\$20,000	\$614.44	\$205.19	\$267.60	<b>\$0.00</b>	\$240.84
\$30,000	\$1,179.02	\$960.39	\$1,200.80	<b>\$916.90</b>	\$1,080.72
\$40,000	\$1,866.99	\$1,564.16	\$2,134.00	\$1,950.10	\$1,920.60
\$50,000	\$2,760.75	\$2,316.40	\$3,098.90	\$2,815.00	\$2,789.01
\$60,000	\$3,675.75	\$3,086.40	\$4,098.90	\$3,815.00	\$3,689.01
\$70,000	\$4,676.51	\$3,856.40	\$5,098.90	\$4,815.00	\$4,589.01
\$80,000	\$6,062.59	\$4,905.48	\$6,098.90	\$5,815.00	\$5,489.01
\$90,000	\$7,470.26	\$6,095.89	\$7,098.90	\$6,815.00	\$6,389.01
\$100,000	\$9,098.11	\$7,381.86	\$8,098.90	\$7,815.00	<b>\$7,289.01</b>
\$110,000	\$10,554.55	\$8,851.86	\$9,098.90	<b>\$8,815.00</b>	<b>\$8,189.01</b>
\$120,000	\$12,072.30	\$10,321.86	<b>\$10,098.90</b>	<b>\$9,815.00</b>	<b>\$9,089.01</b>

**Bold text indicates a favourable tax burden relative to British Columbia and Ontario.**

Raising the personal exemption amount would improve the progressiveness of Alberta's tax regime by increasing average taxes with income. The benefits of this option would accrue largely to lower income earners in Alberta, especially employees in the service and hospitality industries.

With the total number of people employed in Alberta estimated at 2,023,900 (Statistics Canada 2008), the Chamber calculates that this proposed change would cost government \$562 million, or 1.5 per cent of 2008-09 budgeted government revenues.

## B. Lowering the current flat tax rate from 10 to 9 per cent

Lowering the current flat tax rate would similarly improve Alberta's competitive position relative to B.C. and Ontario for all income levels. However, the benefit will accrue largely to higher income earners (Figure 6). Under this option, Alberta regains its competitive income tax position over BC for incomes above \$100,000, and the Alberta-BC tax differential would decrease from a high of \$1243 to \$733 for an income of \$70,000. It is important to nurture a competitive tax environment and encourage high income earners to continue to invest and generate wealth in the Alberta economy through competitive tax rates.

The Chamber estimates that this proposed change would cost government \$732 million, representing approximately 2.1 per cent of 2007-08 government revenues based on personal income tax revenues of \$7,318 billion, as outlined in government's 2008 Second Quarter Fiscal Update (Alberta Finance 2008:3).



### 3. Realizing Efficiencies Through Controlled Expenditure Policies

Chamber members identified realizing program spending efficiencies as the number one priority for government to improve the business environment. On average, however, provincial government expenditures have increased beyond the rate of inflation and population growth since 1982 and, in Budget 2008, increased by a further 13.5 per cent – well above the combined rate of inflation and population growth of six per cent for that year. Per capita government spending in Alberta is the highest of any provincial government (Canadian Taxpayers Federation 2008:10).

Alberta has benefited significantly from the development of its natural resources. Non-renewable resource revenues have contributed an average of more than 30 per cent of total provincial government revenues since 2001, and were as high as 40 per cent in 2005-06. The government's continued reliance on non-renewable resource revenue for current consumption creates an unsustainable and unhealthy dependence on volatile revenue sources, and distorts incentives to maintain or improve efficiencies in program delivery.

While the Calgary Chamber of Commerce recognizes the importance of maintaining and expanding Alberta's infrastructure to cope with high levels of growth, the message from Calgary business is clear: government needs to control spending. In the past two decades the government and people of Alberta made the necessary sacrifices to eliminate the provincial deficit and debt. In these uncertain economic times, Alberta's debt-free status provides a steadfast Alberta advantage, and the government should continue to make every effort to avoid deficit spending in the future.

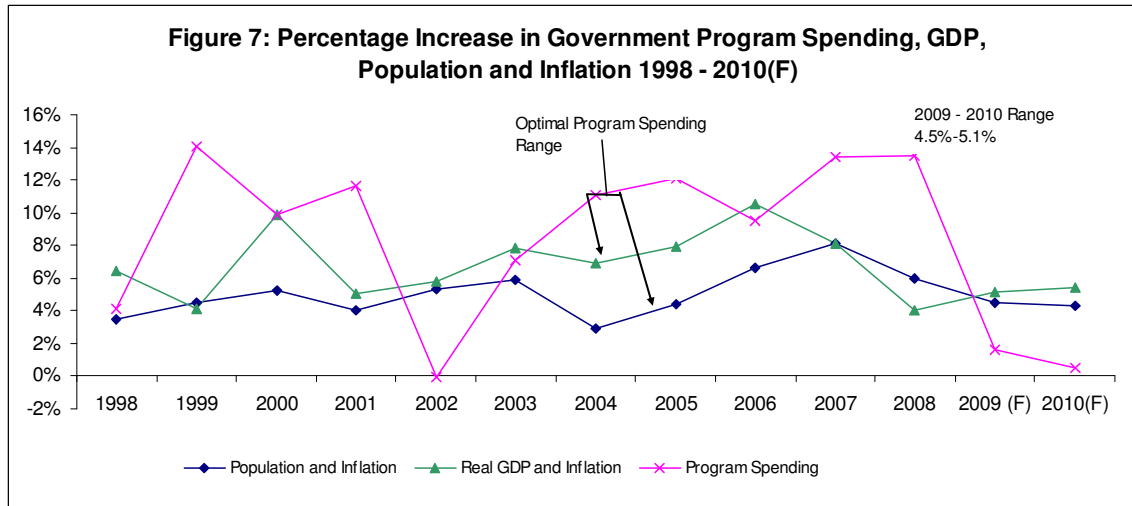
The Chamber, therefore, encourages government to adopt a more sustainable and prudent approach to program expenditures.

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

- 5. Adopt a bandwidth approach to government spending, by targeting increases within a range delimited by population and inflation growth, and real GDP and inflation growth. For 2009-10 this range is between 4.5 and 5.1 per cent.**

This is an ambitious objective, as program expenditures more than tripled the higher end of the bandwidth this past year (Figure 7).<sup>4</sup> It is, however, an objective worth achieving, as nearly 88% of Chamber members indicated that the provincial government should manage spending by basing yearly increases on population and economic growth. In light of the large increases in program expenses during the last couple of years, and the priority of not slipping into deficit spending, the Chamber would support a move by government to spend below the bandwidth level over the next two years.

<sup>4</sup>Real GDP plus CPI inflation is used rather than nominal GDP because nominal GDP presents too volatile of a target for government budgeting purposes.



Source: Alberta Finance and Statistics Canada

## 4. Eliminating Interprovincial Trade Barriers Through TILMA Expansion

In a 2009 pre-budget survey, Chamber members identified reducing internal barriers to trade as the number one priority for the federal government to improve the business environment. The cost of barriers in Canada is estimated to be one per cent of Canada's gross domestic product (Conference Board of Canada, 2005). The Government of Alberta believes trade barriers cost the Canadian economy \$14 billion per year.

As explicit tariffs between the provinces are strictly prohibited under Section 121 in *The Constitution Act of 1867*, most interprovincial barriers are the result of differing rules, regulations and regional programs. These internal trade barriers are enforced by provincial legislation that attempts to protect local vested interests at the expense of interprovincial competition.

To address these concerns, an *Agreement on Internal Trade* (AIT) was signed by the provinces in 1994. The objective of this agreement is for "parties to reduce and eliminate, to the extent possible, barriers to the free movement of persons, goods, services and investment in Canada, and to establish an open, efficient and stable market."

The AIT is simply a commitment to agree to fairer trade in principle; it lacks any legal effect on a provincial or federal level. The dispute resolution mechanism is extremely complex and cumbersome, making it difficult to obtain a timely and inexpensive decision. Further, the dispute resolution mechanism is not enforceable by law.

The Government of Alberta is a strong proponent of the AIT, but recognizes the challenge in moving forward with consensus among all provinces and territories. So in April 2006, British Columbia and Alberta signed the *Trade, Investment and Labour Mobility Agreement* (TILMA). The agreement aims to eliminate all barriers to trade between the two provinces, creating the second largest economic region in Canada. The Conference Board of Canada estimates that TILMA has the potential to add \$4.8 billion to real GDP and create 78,000 new jobs in BC (Conference Board of Canada, 2005).



The agreement commenced in 2007, with a transition period until April 2009 to allow both governments to bring measures into conformity. It has a stronger dispute resolution process than the AIT, is legally enforceable and has fiscal penalties for non-compliance.

In the Throne Speech in November 2008, the federal government committed to work with the provinces and territories to eliminate barriers that restrict or impair, trade, investment and labour mobility between provinces and territories by 2010. The government announced that it is prepared to use its constitutionally mandated trade and commerce powers, which give Ottawa general jurisdiction over trade and commerce, to step in if the AIT process does not show progress. These powers are rarely exercised for fear of irritating the provinces but these recent statements are the strongest made by a federal government to date on this issue, and could signal a break with tradition.

Reducing the remaining interprovincial trade barriers is a vital part of creating an efficient and streamlined regulatory environment in which Canadian firms can flourish. Internal barriers only serve to decrease trade between provinces, encourage regional disparities and undermine international competitiveness. They represent a significant cost to doing business, and must be eliminated.

The Calgary Chamber of Commerce commends the Government of Alberta for signing TILMA, a groundbreaking agreement. This agreement is an important step on the way to eliminating all interprovincial trade barriers across Canada.

**The Calgary Chamber of Commerce recommends that the Government of Alberta:**

- 6. Work with the Government of British Columbia and the federal government to bring other provinces and territories under TILMA.**



## Summary of Recommendations

The Calgary Chamber of Commerce recommends that the Government of Alberta:

1. Adopt a schedule to decrease budgeted resource revenues as a proportion of total budgeted revenues from 19 per cent (six year average) to no more than 15 per cent during the next three years, and deposit the resulting 'savings' in the Heritage Savings Trust Fund. By 2050, the Fund would generate over \$4.3 billion in additional annual payments – almost equalling and replacing the value of current budgeted resource revenues.
2. Amend the unbudgeted surplus policy to be more responsive to fluctuations in resource revenues by creating a proportional link to budgeted resource revenues. A policy requiring that 100 per cent of unbudgeted surplus revenues in excess of 50 per cent the value of budgeted resource revenues go into the Heritage Savings and Trust Fund (in addition to the existing 1/3 policy) would generate \$3.25 billion in annual savings, leading to over \$13.6 billion in payments annually by 2050.
3. Raise the priority and capacity of energy research through the creation of a \$5 billion endowment, the Research in Energy Futures - Innovation and Technology (REFIT) fund, as a major step forward to mitigate environmental risks and unlock untapped energy resources.
4. Adopt broad-based personal income tax cuts through one of two methods:  
[A] Increasing the basic personal exemption amount from \$16,161 to \$19,000; or  
[B] Lowering the current flat tax rate from 10 per cent to 9 per cent.
5. Adopt a bandwidth approach to government spending, by targeting increases within a range delimited by population and inflation growth, and real GDP and inflation growth. For 2009-10 this range is between 4.5 and 5.1 per cent.
6. Work with the government of British Columbia and the federal government to bring other provinces and territories under TILMA.



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