

Recommendations to the Standing Committee on Finance for the Pre-Budget Consultations in Advance of the 2019 Budget by the Edmonton Chamber of Commerce

Recommendation #1: *The Government of Canada must ensure that Canada has pipeline infrastructure allowing export to multiple international markets.*

Recommendation #2: *The Government of Canada should support the development of a northern transportation utility corridor by funding further research into the corridor proposal and by starting consultation with Indigenous communities, existing landowners, municipalities and businesses.*

Recommendation #3: *The Government of Canada should outline a clear path to a balanced budget and limit operational spending growth by negotiating government labour agreements due for renewal with a target of no cost increases, and maintain a debt-to-GDP ratio below 30 per cent.*

Recommendation #4: *The Government of Canada should accept all recommendations of the December 2017 Report of the Standing Senate Committee on National Finance, particularly “That the Government of Canada undertake an independent comprehensive review of Canada’s tax system with the goal of reducing complexity, ensuring economic competitiveness, and enhancing overall fairness.”¹*

Recommendation #5: *The Government of Canada should take steps to address Canada’s growing competitiveness gap with the United States, including the implementation of an accelerated capital cost allowance for the oil sands, upgrading and petrochemical industries.*

¹ https://sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN_Tax_Planning_24th_Report_e.pdf

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August 3, 2018

The Edmonton Chamber of Commerce is the official voice of business in the Edmonton Metropolitan Region. With close to 2,225 member companies representing over 100,000 employees, we are one of the largest chambers in Canada and among the most influential business organizations in the country.

We are making this submission to the Standing Committee on Finance as it undertakes pre-budget consultations in advance of the 2019 Budget. We would like to thank the Standing Committee on Finance for the opportunity to share some of the top priorities of Edmonton's business community on the topic ***Economic Growth: Ensuring Canada's Competitiveness***.

Access to new markets for Alberta's oil industry

Access to non-US markets for the oil industry is critical. While the Government of Canada has announced its intention to purchase the pipeline and move forward with construction, at this point the pipeline has not yet changed hands. Virtually all Canadian oil and gas products are sold to the US. With one buyer, Canadian producers are at a severe disadvantage. With the Canadian economy losing as much as \$15.6 billion this year because of the discount between WCS and WTI, and the Government of Alberta forgoing up to \$6.5 million per day in government revenue, this situation simply cannot continue.² The Trans Mountain pipeline project was not completed by Kinder Morgan due to local protests and an uncertain regulatory environment. Other highly visible examples of delayed and cancelled pipeline projects like Energy East and Northern Gateway have shaken investor confidence and damaged Canada's reputation as a fair and stable destination for large capital investments. The Trans Mountain pipeline must be completed, opening access to new international markets and restoring confidence in our regulatory system.

A northern infrastructure corridor

The Edmonton Chamber of Commerce has regularly called for investments in trade-enabling infrastructure, and in particular for investments in transportation utility corridors. Recent proposals by the University of Calgary School of Public Policy and Montreal's CIRANO for a Northern Infrastructure Corridor have the potential to create significant economic development opportunities, not only for Canada's north but for the whole country. A multi-modal corridor, reaching all three Canadian coasts, would allow roads, rail, telecommunications, utilities and pipelines to support communities and industry and would lower high transportation and energy costs. The Government of Canada should invest in continued research to advance this nation-building goal, and should begin consultations with Indigenous communities, landowners, municipalities and businesses.

Reduce operational spending and outline a plan to return to a balanced budget

According to the Parliamentary Budget Officer in his April 2018 report, the Government of Canada will run a deficit of \$22.1 billion in 2018-19. Government of Canada public debt charges are budgeted to be \$26.3 billion for 2018-19, with total liabilities of \$1,162 trillion.³ Considering global and local factors and

² <https://business.financialpost.com/commodities/energy/a-self-inflicted-wound-pipeline-delays-to-cost-canadian-economy-15-6b-in-2018-says-scotiabank>

³ <https://www.budget.gc.ca/2018/docs/plan/budget-2018-en.pdf>

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the cumulative impact of policy decisions influencing business competitiveness, the Edmonton Chamber of Commerce believes it is imperative that the federal government re-examine its fiscal priorities by focusing on long-term economic sustainability, while enabling businesses to remain competitive. One of the best ways to sustain business competitiveness is to show leadership with fiscal restraint and to foster investor confidence with a detailed plan to return to balance. Increasing the long-term debt burden on Canada's economy will not encourage growth in either investment or trade. The Government of Canada should outline a clear path to a balanced budget and limit operational spending growth.

A simplified tax system

The current Income Tax Act is complicated, difficult to understand and expensive to navigate and administer. The Edmonton Chamber of Commerce has long advocated for a Royal Commission to undertake a comprehensive review of tax laws so Canada has a simple, fair and efficient tax system. Any tax code changes considered as part of the 2019 budget should be evaluated with a goal to simplification and fairness.

The Government of Canada should accept all recommendations of the December 2017 Report of the Standing Senate Committee on National Finance, particularly "That the Government of Canada undertake an independent comprehensive review of Canada's tax system with the goal of reducing complexity, ensuring economic competitiveness, and enhancing overall fairness."⁴

Competitiveness

The Edmonton Chamber of Commerce is encouraged by the government's renewed commitment to reduce small business taxes to 9 per cent over 2018 and 2019. With recent reductions in the US to corporate tax rates, Canada's comparative tax rate puts businesses at a disadvantage compared to those operating in the United States. Reducing the small business tax rate is a good first step, however there is more work to be done on this front.

The Edmonton Chamber of Commerce believes that both the federal and provincial governments should review their business tax regimes and ensure that Canada retains a competitive position when compared with the United States. Additionally, the accelerated capital cost allowance should be applied to the oil sands, upgrading and petrochemical industries. These industries face fierce competition from jurisdictions in the US, have higher operating costs, are capital intensive, and are subject to strict regulatory controls. The recent introduction of accelerated capital costs allowances in the US further erodes Canadian companies' ability to compete. In Canada, the manufacturing sector and the renewable energy sector already benefit from an accelerated capital cost allowance. Oil sands, upgrading and petrochemical operations should be allowed to benefit from the same program.

⁴ https://sencanada.ca/content/sen/committee/421/NFFN/Reports/NFFN_Tax_Planning_24th_Report_e.pdf