

January 28, 2020

Hon. Travis Toews
Minister of Treasury Board and Finance
208 Legislature Building
10800 – 97 Avenue
Edmonton, AB T5K 2B6

Dear Minister Toews:

On behalf of 124 community chambers representing more than 25,000 job creators, the Alberta Chambers of Commerce appreciates the opportunity to provide input on the next Alberta budget.

Our network's top priority for Alberta's 2020 budget is to strengthen our province's fiscal competitiveness through accountable government. As you know, we recently completed a survey through the Alberta Perspectives market research program. The survey garnered more than 1000 responses from members of the Alberta business community—92 per cent of whom are senior leaders within their organizations. While these data do not represent recommendations, they do help provide context for our network's priorities and those of the Alberta business community.

This research shows business confidence is declining. A staggering 54 per cent of businesses reported feeling negative about the long-term future of Alberta at the end of 2019, with two in ten businesses reporting feeling "very negative". Compared to the 33 per cent of businesses that reported feeling negative about our province's long-term future in July, this represents a 20-point decline in overall confidence in just half a year.

This decline in confidence correlates to sharply growing unemployment numbers. As of December, Edmonton has the highest unemployment of all major Canadian cities at 8 per cent while Calgary ranks fifth at 7.1 per cent. At 7 per cent, Alberta has the highest provincial unemployment outside of Atlantic Canada and is well above the national average of 5.6 per cent.

Business confidence at the municipal level is also suffering. Only one third of business respondents to our market research program reported that they were likely to recommend investing or starting a business in the municipality where they operate. Confidence at the local level has a significant impact on provincial tax revenues and overall business confidence and is therefore a matter of great provincial concern.

Successive provincial credit downgrades show lending confidence also continues to decline. While the fall provincial budget took steps to address Alberta's competitiveness, further action is clearly needed to restore investor confidence. Without attracting new investment, our province's growth will continue to stagnate.

Given this urgent context, our network's recommendations for strengthening our provincial competitiveness through accountable government are as follows.

1. Continue to freeze operational expenditure growth until the budget is balanced.
2. Negotiate government labour agreements due for renewal with a target of zero staffing increases and zero per cent salary increases. This target should remain in place until the currently depressed labour market has rebounded sufficiently to justify wage growth.
3. Ensure that Alberta's small business corporate tax rate does not exceed the lowest tax rate in other Canadian provinces or territories.

We recognize the challenges you face in maintaining zero per cent operational expenditures while battling historically high unemployment rates. However, without improvements to business and investor confidence, opportunities for job creation and employment will remain limited.

Once again, thank you for the opportunity to provide input at this critical juncture for our province. We look forward to continuing to work with your government to address these pressing fiscal issues.

Sincerely,



Shawna Miller
Chair



Ken Kobly
President and CEO

Enclosure: Alberta Perspectives survey two data

ACC



THE
**STRATEGIC
COUNSEL**

TORONTO | OTTAWA | CALGARY | HOUSTON

www.thestrategiccounsel.com

EXPERIENCE • PASSION • CREATIVITY
CUSTOM SOLUTIONS FOR COMPLEX ISSUES



A REPORT TO
ALBERTA CHAMBERS OF COMMERCE

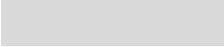
ALBERTA PERSPECTIVES – RED TAPE AND BUSINESS SUPPORTS

December 2019

Just over half (54%) of businesses report they feel negative about the long-term future of Alberta, with two-in-ten (18%) ‘very’ negative.

- Since the last wave in July, there has been a significant decrease in those feeling positive (20 point drop) and a significant increase in those feeling negative (21 point increase).
- The most positive are those aged 65+ with little difference between the other age groups. Unlike in July, businesses in Central Alberta are the most negative about the future prospects for Alberta.

View on the Long-term Future of Province
(Total sample)

	November 2019	July 2019	NET Change	
TOTAL POSITIVE	 42%	62%	-20 ↓	→ AGE: 18-34 42%; 35-54 40%; 45-54 38%; 55-64 43%; 65+ 52%
Very positive	 6%	10%	-4 ↓	
Somewhat positive	 36%	52%	-16 ↓	
Somewhat negative	 36%	27%	+9 ↑	
Very negative	 18%	6%	+12 ↑	
TOTAL NEGATIVE	 54%	33%	+21 ↑	→ WHERE BUSINESS OPERATES: Calgary area 54%; Elsewhere south AB 52%; Central AB 61%; Edmonton area 55%; Mountain Parks 53%; Northwest AB 56%; Northeast AB 53%
Don't know/not sure	 4%	5%	-1	

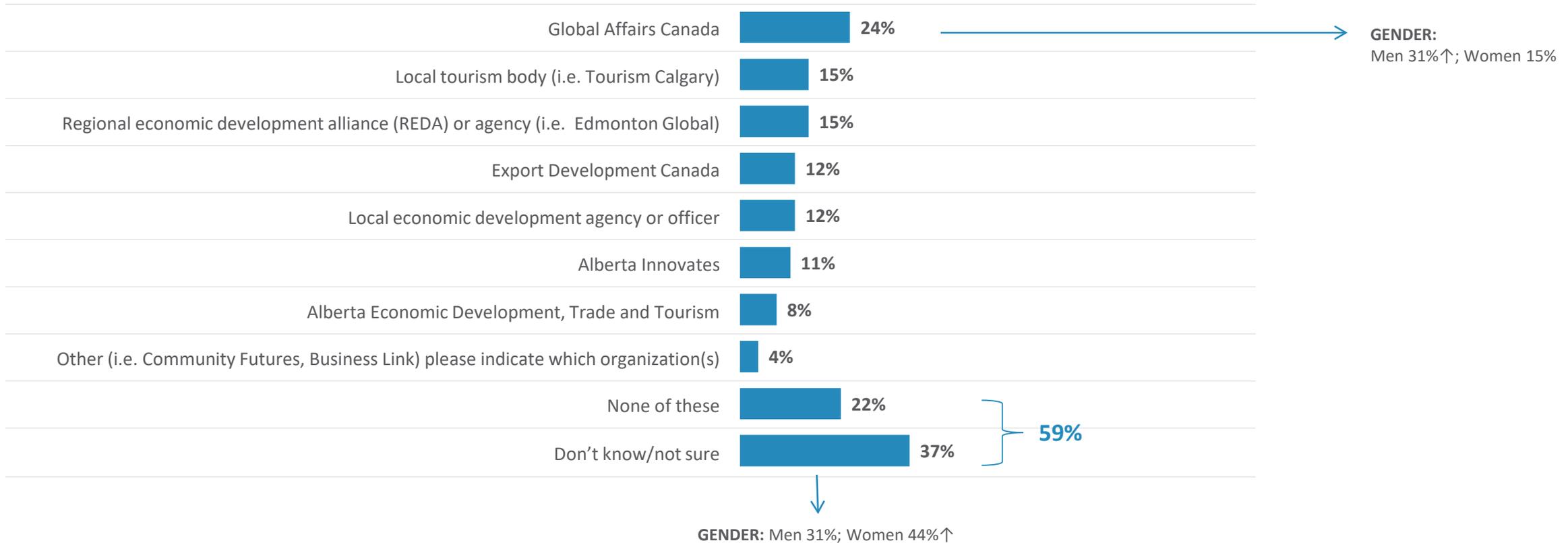
Q1. Overall, how do you feel about the long-term future of the province?
Base: Total sample December 2019 n=1028, July 2019 n=714

SUPPORT REDUCING/ELIMINATING GOVERNMENT FUNDING IF CORRESPONDING REDUCTION ON BUSINESS TAXES

Six-in-ten (59%) businesses are either unsure or don't support the reduction or elimination of government funding through these programs if there was a corresponding reduction to the taxes for their business. And among those citing an agency there is no consensus regarding where to reduce funding.

- However, one-quarter (24%) would support this for Global Affairs Canada, with double the number of men supporting this compared to women. This may be as a result that almost all businesses report having no contact with Global Affairs.

Support Reducing/Eliminating Government Funding if Corresponding Reduction on Business Taxes
(Total sample)



Q5. For which of the following, if any, would you support government funding being reduced or eliminated if there was a corresponding reduction of taxes on your business? (Please check all that apply)

Base: Total sample n=1028

BENEFIT/NO IMPACT/BARRIER TO GROWTH OR SUSTAINABILITY OF BUSINESS

There are stronger sentiments regarding perceived barriers to growth or sustainability. Overall, half or more of businesses cite taxes as a barrier: insurance premiums tax (69%), small business tax (58%), corporate income tax (57%), and municipal business tax (51%). This is also the case for municipal franchise fees (54%).

- There are also a large number of areas where a majority, or close to it, do not believe the fee/tax/levy has any impact on them or they do not know if there is an impact.

	BARRIER	NO IMPACT/ NOT SURE	BENEFIT	BARRIER MINUS BENEFIT
	%	%	%	%
Insurance premiums tax	69	28	3	-66
Small business tax	58	33	9	-49
Corporate income tax	57	31	12	-45
Municipal franchise fees	54	41	5	-49
Municipal business tax (mill rate)	51	39	10	-41
Permitting fees	45	47	8	-37
Licensing fees	43	47	10	-33
Redevelopment levies	39	54	7	-32
Off-site levies	36	59	5	-31
Municipal utilities	31	45	24	-7
Linear infrastructure tax	30	63	7	-23
Community revitalization levies	30	55	15	-15
Airport tax	29	66	5	-24
Tourism levy	29	59	12	-17
Business license	23	55	22	-1

Q7. For each of the following, do you believe they provide a benefit or barrier to the growth or sustainability of your business? Base: Total sample n=1028 (Base sizes vary)

GREATEST BARRIER/BENEFIT TO GROWTH OR SUSTAINABILITY OF BUSINESS

The top cited greatest barrier is corporate income tax, while in terms of greatest benefit it is municipal utilities. When greatest barrier versus greatest benefit is netted out, businesses view corporate income tax - followed by small business tax and insurance premiums tax – are their greatest barriers to growth or sustainability.

- Those in business less than five years are significantly less likely to consider corporate income tax a barrier compared to those that have been in business longer.
- Of interest, only half (49%) of businesses answered that any item noted on the list provide a benefit.
- Younger respondents place more significance on the benefit of the tourism levy compared to their older cohorts.

	GREATEST BARRIER	GREATEST BENEFIT	BARRIER MINUS BENEFIT	
	%	%	%	
GREATEST BARRIER ←	Corporate income tax	25	6	-19
	Small business tax	15	4	-11
	Municipal business tax (mill rate)	13	5	-8
	Insurance premiums tax	12	1	-11
	Municipal franchise fees (gas or electric)	6	1	-5
	Municipal utilities (i.e. water, sewer)	3	21	18
	Permitting fees	3	1	-2
	Off-site levies	3	1	-2
	Licensing fees	2	2	0
	Redevelopment levies	2	1	-1
	Tourism levy	1	9	8
	Airport tax	1	1	0
	Community revitalization levies (CRL)	1	11	10
	Business license	1	16	15
	Linear infrastructure tax	1	3	2
	Don't know/not sure	11	17	6

GENDER:
Men 27%↑;
Women 21%

YEARS IN BUSINESS:
<5 16%↓;
6-10 24%;
11-20 28%;
21+ 27%

GREATEST BENEFIT

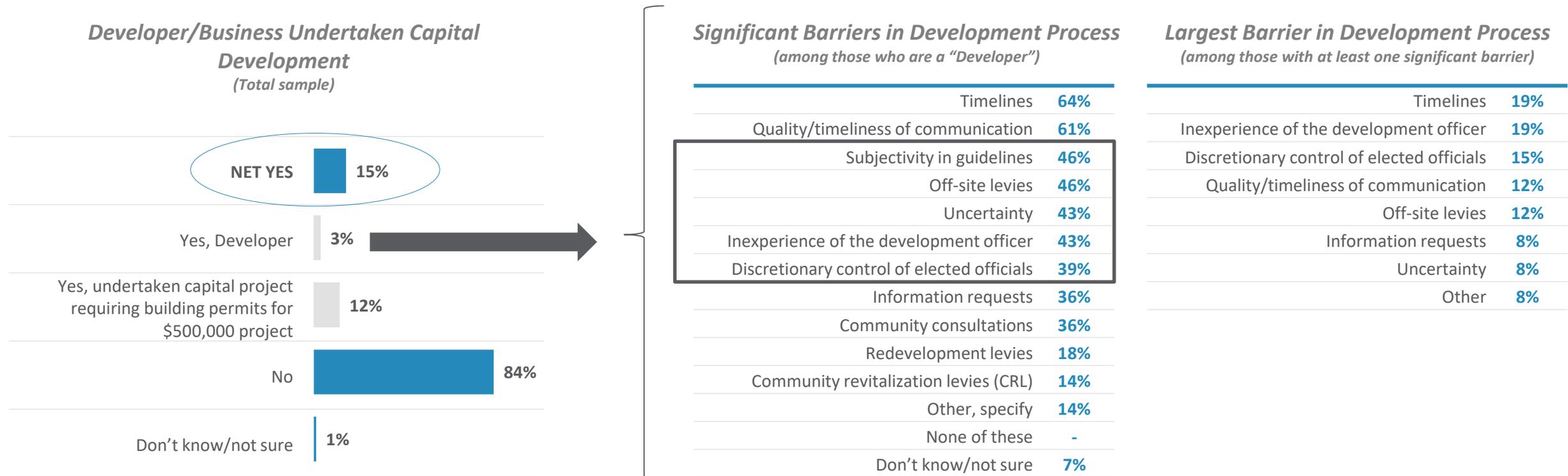
AGE:
18-34 20%↑;
35-54 6%;
45-54 11%;
55-64 5%;
65+ 3%

Q8. Of the items you selected, which provides the greatest benefit in terms of the growth or sustainability of your business? (Please check only one response) Base: CITED AT LEAST ONE BENEFIT Q7 n=499
 Q9. Of the items you selected, which represents the greatest barrier to the growth and sustainability of your business? (Please check only one response) Base: CITED AT LEAST ONE BARRIER Q7 n=914

DEVELOPER

Of the small number of developers completing the survey, timelines (64%) and communication (61%) are considered the most significant barriers to the projects they undertake.

- The second tier of barriers relate to uncertainty/subjectivity, interaction with development officers/elected officials, and off-site levies.



Q10. Are you a developer or has your business undertaken a capital development requiring a building permit for a project of \$500,000 or more in the last 5-7 years? (Please check only one response) Base: Total sample n=1028

Q11. In undertaking a development project which, if any, of the following factors in the development process are significant barriers to the projects you undertake? (Please check all that apply) Base: YES DEVELOPER Q10 n=28^C

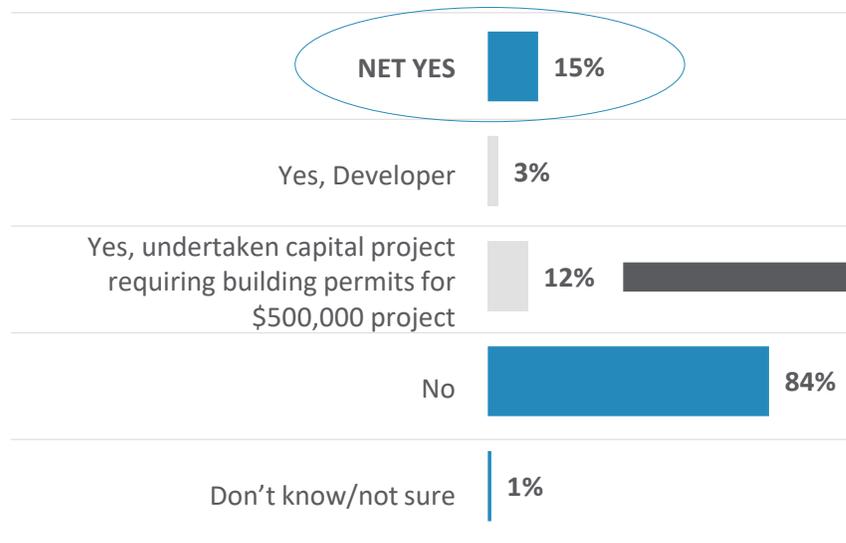
Q12. Of the items you selected, which is the largest barrier in the development process? (Please check only one response) Base: SPECIFIED AT LEAST ONE BARRIER IN Q11 n=26^C

C: Caution, small base size

BUSINESS UNDERTAKING A CAPITAL DEVELOPMENT PROJECT OF \$500,000 OR MORE REQUIRING A BUILDING PERMIT IN LAST 5-7 YEARS

Those businesses that have undertaken a capital development project requiring a building permit for a project of \$500,000 or more cite the same top significant barriers as developers (with the exception of off-site levies).

Developer/Business Undertaken Capital Development
(Total sample)



Significant Barriers in Development Process
(among those who "Undertook Capital Project")

Timelines	39%
Subjectivity in guidelines	36%
Quality/timeliness of communication	32%
Uncertainty	30%
Inexperience of the development officer	29%
Discretionary control of elected officials	21%
Information requests	19%
Community consultations	19%
Off-site levies	15%
Redevelopment levies	14%
Community revitalization levies (CRL)	8%
Other, specify	9%
None of these	12%
Don't know/not sure	3%

Largest Barrier in Development Process
(among those with at least one significant barrier)

Timelines	17%
Subjectivity in guidelines	14%
Uncertainty	12%
Discretionary control of elected officials	12%
Quality/timeliness of communication	11%
Inexperience of the development officer	8%
Community consultations	4%
Off-site levies	4%
Redevelopment levies	4%
Information requests	2%
Community revitalization levies (CRL)	1%
Other	9%
Don't know/not sure	2%

Q10. Are you a developer or has your business undertaken a capital development requiring a building permit for a project of \$500,000 or more in the last 5-7 years? (Please check only one response) Base: Total sample n=1028
 Q13. Which, if any, of the following factors in the development process were significant barriers to the project you undertook? (Please check all that apply) Base: UNDERTOOK CAPITAL PROJECT Q10 n=126
 Q14. Of the items you selected, which was the largest barrier in the development process? (Please check only one response) Base: AT LEAST ONE BARRIER MENTIONED Q13 n=107

BARRIERS TO GROWTH/SUSTAINABILITY OF BUSINESS – COMPLYING WITH BYLAWS/ZONING

Among developers or businesses that have undertaken a large capital project, four-in-ten (42%) cite bylaw complexity as a barrier. Closely following are discretionary decisions by development officers (39%) or elected officials (35%) and development processes that don't match municipal growth mandates (38%).

- The largest barriers are considered to be discretionary decisions by development officers and a development process that doesn't match the municipal growth mandates.

Barriers from Complying with Bylaws/Zoning (among those who are a "Developer" or "Undertaken Capital Project")

Bylaw complexity	42%
Discretionary decisions by development officers	39%
Development process doesn't match the municipal growth mandates	38%
Discretionary decisions by elected officials	35%
Inexperience of development officers	31%
Outdated zoning	29%
Outdated bylaws	26%
Multiple overlays	20%
Outdated Area Structure Plans (ASP's)	19%
Outdated Area Redevelopment Plans (ARP's)	14%
Inaccurate survey documentation	8%
Addressing incomplete applications	7%
None of these	11%
Don't know/not sure	8%

Largest Barriers to Growth/Sustainability of Business (among those who have at least one barrier to complying with bylaws/zoning)

Discretionary decisions by development officers	19%
Development process doesn't match the municipal growth mandates	19%
Bylaw complexity	15%
Discretionary decisions by elected officials	14%
Outdated bylaws	4%
Multiple overlays	4%
Outdated Area Redevelopment Plans (ARP's)	3%
Outdated zoning	3%
Inexperience of development officers	3%
Addressing incomplete applications	2%
Outdated Area Structure Plans (ASP's)	2%
Inaccurate survey documentation	1%
Don't know/not sure	10%

Q15. Which, if any, of the following factors of complying with bylaws and zoning are barriers to the growth or sustainability of your business? (Please check all that apply) Base: DEVELOPER OR UNDERTAKEN CAPITAL PROJECT AT Q10 n=154

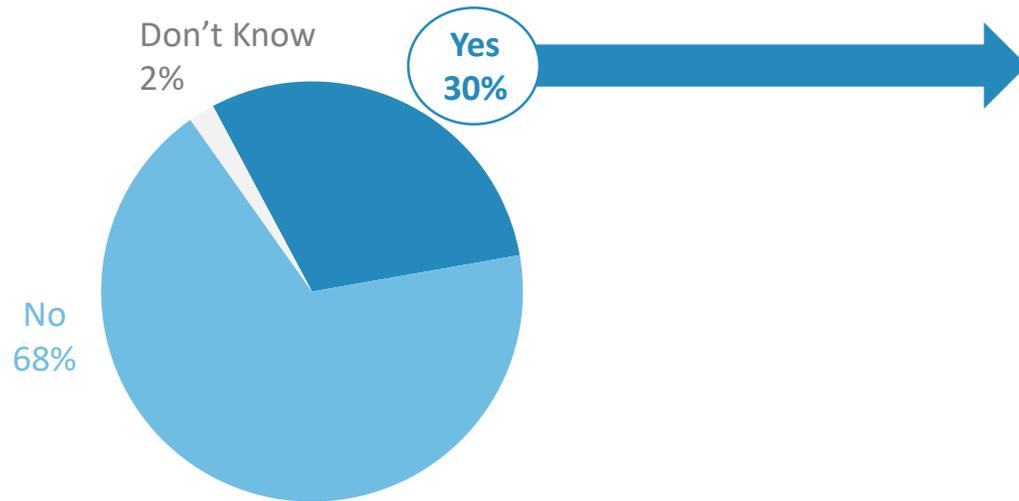
Q16. Of the items you selected, which is the largest barrier to the growth or sustainability of your business? (Please check only one response) Base: CITED AT LEAST ONE BARRIER Q15 n=125

BUSINESS IN LAST 5-7 YEARS UNDERTAKEN RENOVATION/EXPANSION PROJECT REQUIRING BUILDING OR DEVELOPMENT PERMIT

Of the 30% of businesses that have been involved in a renovation or expansion project requiring a building or development permit, they cite the same prominent top barriers as do developers and those involved in capital development projects.

- Businesses operating in Calgary, elsewhere in southern Alberta, and Edmonton are more likely to cite timelines, communication, and subjectivity in guidelines.

Business Undertaken Renovation or Expansion Project requiring a Building or Development Permit
(among those who are not a developer and business has not undertaken a capital development project)



Significant Barriers in Development Process
(among those who have Undertaken Renovation/Expansion Project)

Timelines	34%
Quality/timeliness of communication	31%
Uncertainty	30%
Subjectivity in guidelines	29%
Inexperience of the development officer	23%
Discretionary control of elected officials	17%
Information requests	17%
Redevelopment levies	11%
Community consultations	10%
Off-site levies	5%
Community revitalization levies (CRL)	3%
Other, specify	10%
Don't know/not sure	20%

Q17. Has your business in the last 5-7 years undertaken a renovation or expansion project requiring a building or development permit? Base: NO AT Q10 n=860

Q18. Which, if any, of the following factors in the development process were significant barriers to the project you undertook? (Please check all that apply) Base: YES Q17 n=260

About the Research

- The ACC has engaged The Strategic Counsel, a national market research advisory firm with an office in Alberta, to develop a research program that will include surveys of Chamber members and the public at regular intervals.
- The ACC will make use of these surveys in a number of ways:
 - Use the findings to broaden and deepen the evidence the ACC and local Chambers can table to articulate the perspective of the province’s business community;
 - To compare and contrast the viewpoint of the public and business communities; and
 - Make the research available to individual Chambers for their own use with local municipalities.



In order to survey Chamber members, an invitation to complete the survey with a link to the online survey was sent to all member Chambers across the province. Chambers in turn sent the invitation with the link to the survey to their members. There was also a social media component.

A total of 1,028 ACC surveys were completed through this approach.

This large number of responses allows the ACC to speak more authoritatively regarding members views.



Surveying was undertaken between October 21st and November 29th, 2019.

Legend

Means significantly **higher** at 95% CL

Means significantly **lower** at 95% CL