



December 2, 2003

Hon. Pat Nelson
Minister of Finance
Room 224, Legislature Building
10800 - 97 Ave
EDMONTON, AB T5K 2B6

Subject: 2004/05 Provincial Pre-Budget Submission

Dear Minister Nelson:

The Red Deer Chamber of Commerce and its more than 860 business members want to maintain our province's economic strength. We believe the fiscal goal of the Government of Alberta must be to achieve long-term economic growth, a higher standard of living and an improved quality of life for all Albertans.

The Chamber recognizes that there are considerable economic prospects for our province. These hinge on key input costs incurred by business (taxes, insurance, labour, natural gas and electricity) that threaten our ability to drive the productivity and innovation agenda.

Budget Recommendations

Specific Budget 2004-05 recommendations include the following:

- **Program spending** is increasing at an alarming rate and must be refocused,
- **Competitive taxes** must be introduced to stimulate greater capital spending on infrastructure, productivity and efficiency gains;
- **Infrastructure** should not be allowed to deteriorate further.

Program Spending

A number of years ago, Premier Klein was quoted as saying "We don't have a revenue problem. We have a spending problem."

The Red Deer Chamber of Commerce agrees with this statement and is alarmed by the increase in Government spending in recent years. According to the Canadian Taxpayers' Association, Alberta's population has grown 14 percent since 1996, but spending on government programs is up by 65 percent.

This message is also conveyed in a report produced by the Canada West Foundation "*A Capital Question, Infrastructure in Western Canada's Big Six,*" Canada, has one of the highest rates of government consumption as a percentage of GDP.



The report goes on to say that:

“While consumption is key to a well functioning economy, it is public and private investment that drives economic growth and productivity gains. To protect and even increase our ability to produce wealth in the future, Canadians must reconsider areas where investments need to occur.”

We acknowledge that spending decisions are difficult ones to prioritize. We commend the Government on its introduction of the Sustainability Fund. The Chamber views it as the first step to moving from a budget process that is reactive to short-term influences to one that may lead to a commitment to a long-term plan with consistent funding. This is particularly important in essential areas like infrastructure, education, and healthcare.

As we move forward, the Chamber recommends no increase in direct program spending, but would accept adjustments for population growth and the inflation rate. This will entail restricting spending to core provincial responsibilities. It also means that new program spending should only occur by reducing or cutting programs that are not as high a priority

Tax Structure

The Government of Alberta is commended for making our province one of the lowest taxed provinces in the country.

With increasing input costs, a rising Canadian dollar, and competition from low-cost global product and service providers, we cannot afford to rest on our laurels. In order for Alberta business to compete in this economy, it is critical that Alberta continually reviews its tax structure. We must ensure we have a system which stimulates greater capital spending on infrastructure, productivity and efficiency gains.

More specifically, the Red Deer Chamber of Commerce advocates the following:

- Lowering the marginal PIT tax rate for all taxpayers, regardless of income so that it is the lowest in North America, and
- Reducing the general corporate income tax rate so that it is competitive with tax structures throughout North America.

Infrastructure

The Red Deer Chamber of Commerce commends the Government for adopting a 3-year capital planning framework to address stability and predictability for infrastructure, and engaging in a cross-ministry Capital Planning Initiative aimed at prioritizing infrastructure needs across government.



We are, however, concerned with the infrastructure deficit which has developed in our province. The Alberta Urban Municipalities Association has indicated that there is a shortfall in infrastructure investment of about \$670 million each year. We must address this now if we are to maintain the Alberta Advantage which drives our strong economy.

As municipalities are responsible for as much as 50 per cent of all infrastructure and they are at the heart of our sustainable prosperity, the Government of Alberta must work with them to create the most effective solution.

The Red Deer Chamber of Commerce strongly recommends that the Government of Alberta:

- Reinststate the freeze on the Province's portion of the property tax at \$1.2 billion, while defining a new financial relationship with municipalities.
- Place an immediate priority on developing an Alberta Infrastructure Renewal and Investment Strategy, including a review of the life expectancy of Alberta's infrastructure and the scale of the current and future infrastructure deficit.

Conclusion

Despite the challenges of the past 18 months, Albertans remain eternally optimistic, proving again that the bond between family, community and business builds our hope in the future.

Yours truly,

RED DEER CHAMBER OF COMMERCE

Glenn Simon
President (2003-04)

cc. Hon. Victor Doerksen, MLA, Red Deer South
Mary Anne Jablonski, MLA, Red Deer North
Luke Ouellette, MLA, Innisfail-Sylvan Lake
Alberta Chambers of Commerce