



**MEDIA RELEASE
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Another Round of Spending Increases Jeopardize Alberta's Future

(Calgary, AB) – The Calgary Chamber of Commerce views elements of the provincial budget released today as a modest step toward attracting the next wave of global talent and positioning Alberta for future economic success. Raising the small business threshold and paralleling federal changes to capital cost allowance rates and the personal income tax base are applauded by the Chamber.

However, following from last year's promise that 2007 was the last year of 'catch-up' spending, the Chamber expected to see greater spending restraint for 2008, and renewed budgetary prudence that would enable lower personal tax rates, increase saving of non-renewable resource revenues, and a bold new commitment to energy research to overcome our environmental challenges.

"While this year's budgeted spending increase at 10 per cent (over 2007 actuals) is lower than last year's budgeted increase of 17 per cent, Calgary's business community is concerned that actual spending consistently comes in higher than budget, and in a "budget-to-budget" comparison, this year's spending increase is closer to 11.6 per cent," says Brian Hahn, Chair of the Calgary Chamber of Commerce Board of Directors. "Even a ten per cent increase is too high in this period of economic uncertainty. Our members have ongoing concerns that without greater fiscal restraint, we're back on a path to deficit and debt."

The Chamber strongly recommended in its pre-budget submission that government limit spending increases by the rates of population growth and inflation, and real growth in the economy. Using the government's Budget 2008 estimates, this puts the target range at 8 per cent, two points lower than budgeted, and almost 4 points lower than actuals.

Without spending restraint, the province's ability to attract the next wave of young talent is put at risk.

"Alberta's income tax system is one of the most advantageous for families with children, due to generous exemption thresholds and child tax credits. However, average single income earners in the province (at salary levels representing 77 per cent of Chamber members' employees) actually pay more provincial income tax than they would in British Columbia and Ontario," says Hahn. "We were therefore looking for actions to improve Alberta's position relative to our major competitors."

In its pre-budget submission, the Chamber recommended an increase in the personal exemption amount by about \$2,500 or a reduction in the tax rate from 10 per cent to 9 per cent. In a recent survey, nearly 85 per cent of Chamber members believe that the personal income tax rate should be reduced to be more competitive with other provinces.

A lack of greater fiscal discipline also makes saving non-renewable resource revenues impossible. The Chamber has long urged the provincial government to save an average of 35 per cent of these revenues in the Heritage Fund and other endowments. More than 90 per cent of Chamber members believe that the government should save at least one third of resource revenue each year, according to a pre-budget survey.



“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,” says Hahn. “It also misses an opportunity to ensure Alberta’s prosperity continues long after the resource revenues are gone.”

The Chamber recommended dedicating a portion of these savings to a new Research in Energy Futures, Innovation and Technology (REFIT) endowment. If created, this fund would support critical research initiatives that promise to develop existing and future alternative energy resources in a more sustainable and dedicated manner.

“It’s time for a new, bold, energy research focus and commitment akin to the one spearheaded by government and industry to develop the oilsands,” says Hahn. “Consumers are demanding greater environmental performance, and technology is critical to achieving this in a cost effective manner, securing Alberta’s long-term prospects.”

Despite these concerns, the Chamber was pleased to see the:

- Introduction of a 10 per cent Scientific Research and Experimental Development tax credit
- Promise to develop a comprehensive provincial energy strategy
- Commitment to the drafting of a long-term fiscal management plan through a Premier’s Council for Economic Strategy
- Creation of and support for carbon capture and storage initiatives; and a
- Focus to improve Alberta’s health care system, which now accounts for about 40 per cent of the provincial budget spending.

“Alberta is still a great place to do business,” says Hahn. “A lack of greater spending restraint is worrying, however, and limits future options to improve tax competitiveness, save and strategically invest to maintain and enhance our quality of life, and capitalize on our true potential as a global energy capital going forward.”

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.

The Chamber’s Top Five 2008 Business Issues

1. Labour shortage
2. Transportation infrastructure
3. Taxes (federal, provincial, municipal)
4. Economic health and diversification
5. Environment (land use, water, climate change)

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