MEDICINE HAT & DISTRICT Chamber of COMMERCE

2018-2019 Policy Book

Last Updated: February 2020

With the largest and most influential business organizations locally, provincially and federally, the Chamber network is the most unified, valued and influential business network in Canada and works together to shape policy and programs that will make a difference to businesses in our region.

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Fuelling Our Business Community

POLICY BOOK 2019- 2020

APPROVED POLICIES FOR THE MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

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Municipal Policies

City of Medicine Hat Municipal Economic Development Strategy

Issue: *The City of Medicine Hat does not have a comprehensive and cohesive economic development strategy to guide growth and development activities.*

EXECUTIVE SUMMARY

An economic development strategy plays a key role in directing and focusing economic development efforts within a region. Currently, several initiatives and organizations are involved in contributing to economic development within the Southeast Alberta region; however, there is no overarching strategy to provide direction to these organizations or to address the role of their activities. In order to create a more collaborative and strategic approach the Medicine Hat and District Chamber of Commerce recommends that the City of Medicine Hat create an economic development strategy that addresses the major elements and tactics of growth and development and that it is developed in partnership and consultation with the organizations currently engaged in

BACKGROUND

An economic development strategy should be broad, foundational and cohesive in order to do what markets alone cannot do: influence growth through action and investments. When designing an economic development strategy there is an opportunity to design a framework for continuous growth, prosperity and inclusion that influences growth and development beyond what markets alone would do.

In a report from the Brookings Institution entitled Remaking Economic Development – The Market and Civics of Continuous Growth and Prosperity, five action principles are included in a broader vision of economic development that can deliver on the vision of continuous growth, prosperity and inclusion:

1. Set the right goals: expand the scope and metrics of economic development to reflect a more foundational and holistic understanding of how to expand the economy and opportunity
.
2. Grow from within: prioritize established and emerging firms and industries, invest in the ecosystems of innovation, trade, talent infrastructure, and governance to support globally competitive firms and enable small business to grow in the market.

3. Boost trade: facilitate export growth and trade with other markets in ways that deepen regional industry specializations and bring in new income and investment.

4. Invest in people and skills: incorporate skills development of workers as priority for economic development and employers so that improving human capacities results in meaningful work and income gains.

5. Connect place: catalyze economic place making and work at multiple geographic levels to connect local communities to regional jobs, housing and opportunity.[1]

These action principles represent a broader approach to traditional economic development and requires a delivery system that involves an integrated team of economic development professionals, elected officials, employers, workforce and education leaders, and other civic and nonprofit executives.

Several organizations currently exist within our region to carry out various economic development activities including Verge Economic Development, Community Futures-Entre Corp, Palliser Economic Partnership, the City of Medicine Hat's Economic Development and Land department, The Medicine Hat and District Chamber of Commerce, Medicine

[1]Remaking Economic Development – The Market and Civics of Continuous Growth and Prosperity: https://www.brookings.edu/wp-content/uploads/2016/02/BMPP_RemakingEconomicDevelopment_Feb25LoRes-1.pdf

Hat College, Apex Regional Innovation Network, Tourism Medicine Hat and the Medicine Hat City Center Development Agency.

In order to harness and coordinate the actions and expertise of the organizations that participate in economic development efforts in our region and municipality a strategy needs to be developed that encompasses a comprehensive and cohesive plan that provides a vision and direction going forward for growth and development. Such a plan would ensure that strategic plans, municipal development plans, inter-municipal plans and growth plans are working together to achieve a unified purpose.

In 2014 the City of Medicine Hat identified economic development priorities in the Strategic Economic Development Priorities and Consideration Report[2] with five economic development priorities identified including:

1. Development of the River Valley and other Tourism Destination Assets
2. Airport and air services expansion; airport land development
3. City Hall "Open for Business" – ensuring a business-friendly environment
4. Capitalize on industrial development and "value add" opportunities for agricultural inputs
5. "Telling the Medicine Hat Story" – communication and promotion

Along with the priorities identified above the following implementation considerations were also included:

1. Service Delivery Choices
2. Business and Investment Attraction
3. Business, Retention and Expansion
4. Research, Marketing and Promotion

While it is appreciated that the City has started on developing a direction for the growth and economic development of Medicine Hat through the City's current strategic priorities, the work being conducted through the Municipal Development Plan along with other business retention expansion and workforce development initiatives, in order for our municipality to capitalize on the opportunities and face the challenges ahead, a much more robust and detailed plan is necessary.

That is why now is the right time to focus on a strategy that could encompass a vision for growth in conjunction with a detailed economic development plan, including an overarching direction and detailed framework to ensure that timeframes, actions and a plan for implementation would be addressed including strategies for:

- Downtown Revitalization
- Business Retention and Expansion
- Tourism
- Investment Attraction
- Entrepreneurship and Small Business Incubation

ANALYSIS

By developing a concerted strategy for coordinating growth and economic development activities within the municipality, the city provides a structural blueprint for decision making as it pertains to development related issues. Because Medicine Hat has several organizations that are all engaged in varying aspects and types of economic development activity, a central reference such as an economic development strategy would ensure that efforts are harmonized and focused on achieving goals that will, ultimately, lead to a single vision of the City.

[2] City of Medicine Hat – Strategic Economic Development Priorities and Implementation Considerations: https://www.medicinehat.ca/home/showdocument?id=9168

It is essential that the development of a strategy include mention and direction for each of the major elements of growth and economic development. While various organizations have addressed these elements a unified vision to focus economic development efforts does not currently exist.

Moreover, the development of a strategy should incorporate the experience and expertise of existing economic development organizations and operatives. This will capitalize on the expertise and knowledge of these players in the Medicine Hat landscape and will maintain that any strategy developed is holistic, inclusive, and well-rounded.

RECOMMENDATIONS

The Medicine Hat and District Chamber of Commerce supports the development of a comprehensive economic development strategy. Therefore, it recommends that the City of Medicine Hat:

1. Provide direct leadership and initiative to develop an economic development strategy, defining a vision and guiding principles.

2. Collaborate with all major regional economic development organizations in the development of this document including but not limited to Community Futures-Entre Corp, Palliser Economic Partnership, the City of Medicine Hat's Business Development Office, the Medicine Hat and District Chamber of Commerce, Verge Economic Development, Medicine Hat College, Apex Regional Innovation Network, Tourism Medicine Hat, and the Medicine Hat City Center Development Agency.

3. Incorporate considerations for key tactics into the economic development strategy: including but not limited to Downtown Revitalization, Business Retention and Expansion, Tourism, Investment Attraction and Entrepreneurship and Small Business Incubation, along with collaboration, marketing measures and a process to monitor progress.

4. Consider that an economic development strategy provide vision and direction over the medium to long term (i.e. 5 to 10 years)

RESOURCES

https://www.countygp.ab.ca/assets/Departments/Economic~Development/Strategy/Growth%20and%20Economic%20Development%20Strategy%20-%20Executive%20Summary.pdf

https://www.newmarket.ca/TownGovernment/Documents/2016%20to%202020%20Economic%20Development%20Strategy%20%28Web_Accessible%29.pdf

https://www.sfu.ca/ced/news_events/5_principlesofCED.html
https://www.lgc.org/wordpress/docs/ahwahnee/economic_principles.pdf

https://www.brookings.edu/research/remaking-economic-development-the-markets-and-civics-of-continuous-growth-and-prosperity/

https://www.brookings.edu/wp-content/uploads/2016/02/BMPP_RemakingEconomicDevelopment_Feb25LoRes-1.pdf

Date Approved: April 18, 2012
Date Updated: July 24, 2019
Date Approved: September 11, 2019

Policy Title: Creating a Strong & Diverse Local Economy

Policy Considerations for the Medicine Hat & District Chamber of Commerce Policy Council

Issue: Economic activity in our region is below the desired pace with residents of Southeastern Alberta earning some of the lowest average wages in the Province.[1] Slowed economic activity impacts everyone in our region, with a reduced tax base and lower wages eventually leading to a standard of living below that of our neighbors. Effort to attract new industry and expand existing businesses are met with strong competition in neighboring regions, provinces, states and globally; many of whom are implementing business incentive programs to promote their regions.

EXECUTIVE SUMMARY

Competition to create semi-skilled and skilled employment opportunities has never been higher with regions who are trying to attract new employers now facing global competition. Many municipalities have begun to focus on Business Incentive Programs to incentivize business to relocate or expand in their region, identifying that when businesses make expansion or relocation decisions factors such as costs (land, utilities, taxes), availability of labour and transportation are often considered. In order for the south east Alberta region to remain competitive and sustain future economic growth the Medicine Hat & District Chamber of Commerce is requesting the City of Medicine Hat, Town of Redcliff and Cypress County each develop a Business Development Incentive Plan designed to attract new employers and expand existing industries in our region.

BACKGROUND

Alberta's economy is slowly recovering from some of the most serious challenges it has faced in 30 years. As our region slowly re-establishes its economic footing we are also faced with stiff competition amongst regions and municipalities to attract and retain major industry and skilled labour within certain regions. Businesses looking to expand or relocate are now offered a variety of different incentives and options to encourage establishment in particular regions, challenging municipalities to maintain their growth rates and standards of living for those calling the area home.

Historically, Medicine Hat was able to attract and retain major industry to our region, along with skilled labour, with the availability of natural gas and low utility rates. However, in more recent years the City of Medicine Hat has noticed a stagnated population growth, experiencing only a moderate growth of approximately 5.5% growth in the last 10 years with only 1.8% growth between 2014 to 2018.[2] In addition, our region has faced challenges, specifically in the oil and gas sector, with several major employers deciding to relocate or reduce their operations because of low commodity prices, decreased oil and gas production and challenges with access to markets. These recent economic challenges have driven home the need to diversify our local economy in order to insulate our local economy from the boom and bust cycles that have characterized the economy of Alberta.

While various groups have been active in business recruitment attempts, competitive incentive plans in other regions add to the difficulty of achieving this goal. A recent report on the factors that companies base site selection plans and priorities for locating a new facility include, in order of importance, skilled labour and associated labour cost, highway accessibility, corporate tax rates, tax exemptions, quality of life, incentives energy availability and costs, and construction costs.[3]

[1] Government of Alberta, *2017Alberta Wage & Salary Survey*
http://work.alberta.ca/documents/wage-and-salary-survey-overview.pdf

2 Economic Regional Dashboard: https://regionaldashboard.alberta.ca/region/medicine-hat/population/#/?from=2009&to=2018

3 Area Development, *33rd Annual Corporate Survey & the 15th Annual Consultants Survey*
https://www.areadevelopment.com/Corporate-Consultants-Survey-Results/Q1-2019/33nd-annual-corporate-survey-15th-annual-consultants-survey.shtml

The Municipal Government (Property Tax Incentives) Amendment Act[4] now allows Alberta municipalities to offer tax breaks for up to 15 years to business willing to set up in commercial or industrial areas of their town or city. In response the City of Medicine Hat passed Bylaw 4585, the Brownfield Tax Incentive Bylaw, resulting in opportunities for the old arena site and 603 1st Street.

In addition, recent investments by two large companies as a result of incentives through offsite levy fees and energy rates, show that there is a very favourable response from developers when incentives are offered, indicaing that governments can, and do, have a very real role to play in providing the appropriate environment to spur economic development.

ANALYSIS

To enjoy stable economic growth in the future, making it possible for residents to maintain or improve their standard of living, an effort must be made to diversify our industry base, attract those employers who offer skilled labour or professional positions, and to develop or find individuals willing and able to fill these positions.

Identifying incentives that are both appealing to business, existing and new, and beneficial to tax-payers is an important step towards developing a healthy and diverse economic base in our region and a step towards creating a growing economic environment in which business can prosper. In turn, residents benefit through well-paid employment opportunities and increased tax revenue.

A key driver of a consistently high standard of living is an economy diverse enough to weather weakness in one sector by enjoying strength in others. While our region has historically relied primarily on the oil and gas and agricultural industries, the time has come to diversify our economy. This is especially important considering the cyclicality of these specific sectors.

To be competitive in efforts to attract and expand industries, regions must consider the factors affecting these major decisions made by businesses. Feedback from existing and potential businesses to our area has frequently focused on availability of labour, appropriate land, development processes and start-up costs.

However, as a community, we must have a clear understanding of what type of investment we are looking for and what investments are a fit for our community. Additionally, investment will more likely come to a community that is prepared and has the right tools and information readily available, regardless of the level of site selector, type of investment or their process.

Of particular interest are the prominent categories that are highlighted within location selection processes including[5]:

- Market characteristics (local and regional)
- Costs (labour, taxes, transportation and other)
- Taxes (corporate taxes, property taxes, etc.)
- Labour (costs, availability, quality, etc.)
- Natural resources (availability and quality of raw materials)
- Land availability (cost, size, site readiness, etc.)
- Climate (weather, floods, earthquakes, seismic activity, etc.)
- Infrastructure (electric rates, telecommunication, etc.)
- Policy structure (incentives)
- Quality of life
- Business support and promotion

4 Bill 7 – *Municipal Government (Property Tax Incentives) Amendment Act, 2019*
https://www.assembly.ab.ca/ISYS/LADDAR_files/docs/bills/bill/legislature_30/session_1/20190521_bill-007.pdf

5 Economic Developers of Alberta, *Investment Readiness Toolkit,*
http://www.edaalberta.ca/Resources/Documents/Alberta%20Investment%20Readiness%20Toolkit%20FINAL%20December%2031%202012.pdf

In the Strategic Plan 2019-2022 City Council outlined its Vision for Medicine Hat in 2040. The first area of Vision capturing the essence of Council's future aspirations for Medicine Hat was a growing economy. This vision will be exemplified with a healthy, prosperous and diversified economy.[6]

RECOMMENDATIONS

To achieve our goal of a healthy, prosperous and diversified economy, the Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat, Town of Redcliff and Cypress Community:

1. Define the role and responsibilities of an Investment Readiness Team to ensure that personnel are adequately trained to act as the primary point of contact for businesses inquiring or working throughout the stages of an investment program.

2. Develop and implement investment readiness tools and techniques, including establishing our community profile, building an investment strategy, action plans and an effective marketing plan, along with determining what metrics will be used to measure success.

3. Develop and adopt a Business Development Incentive Plan for new and existing business with eligibility requirements that may include: the type of industry the region is trying to attract, the type of employment positions created (skilled, semi-skilled), the number of full-time equivalent positions that will be created, minimum investments for plant, land, and/or leasehold improvements, financial backing to complete the project in question, review of business plan, ownership or leasehold agreements, etc.

   Recommended incentives may include:

   a. **Property Tax Rebates** - Council to consider the perceived value of the application in determining the amount of the incentive. The number of years and percentage of tax relief based on the value of new property and/or the increased value due to an expansion/upgrade.

   b. **Discounted Utilities** – Based upon the long term investment of major industrial businesses.

   c. **Transportation Commitments -** Upgraded transportation for employers with large workforces (ie: dedicated bus routes).

   d. **Land Cost Abatements -** Partial rebates on land purchases based on meeting minimum construction and long-term job commitments.

   e. **Workforce Development –** Work with industry partners and stakeholders to have a pre-determined plan to support HR recruitment and development of skilled and semi-skilled workers through sponsored recruitment trips, hiring events, and supported skills training at local education institutions.

   f. **Flexible Plans –** Consider including a criteria for council to be flexible for businesses seeking to make large economic commitments to relocate or expand. Commitments could be measured by long-term job creation, investment size ($) or creation of property tax revenue. This process would apply to businesses considering an economic investment far above a typical size. Examples could include major manufacturing or processing facilities.

[6] City of Medicine Hat, *Medicine Hat City Council Strategic Plan 2019-2022*: https://www.medicinehat.ca/home/showdocument?id=14548

4. Create and implement a marketing strategy for the Business Development Incentive Program by creating promotional materials to incent businesses to choose our region as their community of choice.

5. Streamline complex application processes, such as those managed through the Technical Coordinating Committee, to ensure that personnel have the proper training and authority to review, provide recommendations and approve applications in a timely and efficient manner.

6. Develop working relationships with educational organizations and institutions, along with key stakeholders operating within the region, to establish an investment readiness community action plan, which would include provision of business supports, resources, training and employee recruitment strategies.

7. Hold periodic reviews of businesses participating in incentive plans to ensure incentives are only provided if the agreed upon criteria are being met, therefore providing incentives on a 'perform or forfeit' basis.

Date Drafted: June 10, 2014
Date Amended: August 19, 2014
Date Updated: July 16, 2019
Date Reviewed: September 11, 2019
Date Approved: September 11, 2019

Resources

Saskatoon Region Economic Development Business Incentive Policies
http://sreda.com/isl/uploads/2016/03/BU-Incentives-16-002-Brochure_electronicversion.pdf
Louisiana Economic Development, *Incentives*
http://www.opportunitylouisiana.com/index/incentives

Development Benefit Considerations for the Off-Site Levy Bylaw

Issue: *The off-site levy bylaw #4157 was adopted on September 4, 2013 under the Corvus model with levy rates reviewed each year commencing in 2014 and adjustments made annually based on that same model. With the economy and businesses just starting to recover from challenging financial and regulatory circumstances the Municipal Assist program needs to be evaluated and adjusted to ensure maximum benefit for development in our community and to ease the process and create stability and predictability.*

EXECUTIVE SUMMARY

The off-site levy bylaw review commenced in April 2012 with involvement from the Medicine Hat & District Chamber of Commerce, the Canadian Home Builders Association, the Urban Development Institute, the Intensification/Redevelopment area, a Greenfield Developer and a Citizen at large. At that time, the Medicine Hat & District Chamber of Commerce recommended that the development benefit or assist factor continue to be implemented, with consideration given for competitiveness, development and current economy. In 2015, the Chamber also requested that the City mitigate the percentage increase in the levies by providing a phased approach to the assist, while also working to maintain off-site levies as one of the lowest in the province and market the competitive advantage to prospective businesses and developers. The Chamber requested that Council also reconsider the application of levies to brownfield development and consider any expansion in Node 0 on a case by case, ad-hoc basis with consideration for whether there is an increased demand on off-site infrastructure services for the development proposed. Most recently, a 40% assist was given in 2016, a 40% in 2017, 30% in 2018 and 90% for priority intensification areas throughout that same timeframe. Currently, the City has not confirmed the continuation of the Municipal Assist program beyond 2018 with Bylaw #4157 most recently amended by Bylaw #4434 in August 2017. As it has been six years since inception of the Bylaw, the Medicine Hat & District Chamber of Commerce recommends that the Bylaw and Municipal Assist development benefit be re-evaluated in order to have a stable program and consistent application beyond 2018 to promote competitiveness, stability and predictability.

BACKGROUND

Off-site levies provide a mechanism to recover capital costs incurred for infrastructure to support growth and development. The Municipal Government Act provides the framework for off-site levies in Division 6 of the Act (section 648, page 385) and under Alberta Regulation 187/2017 with provision that an off-site levy is to be used only to pay for all or part of the capital cost of any or all of the following:

(a) New or expanded facilities for the storage, transmission, treatment or supplying of water;
(b) New or expanded facilities for the treatment, movement or disposal of sanitary sewage;
(c) New or expanded storm sewer drainage facilities;
(c.1) new or expanded roads required for or impacted by a subdivision or development;
(d) Land required for or in connection with any facilities described in clauses (a) to (c.1).

In addition to the capital costs described above, an off-site levy may be used to pay for all or part of the capital cost for any of the following purposes, including the cost of any related appurtenances and any land required for or in connection with the purpose:

(a) new or expanded community recreation facilities;
(b) new or expanded fire hall facilities;
(c) new or expanded police station facilities;
(d) new or expanded libraries.

In addition to the above levies the recent changes within the Municipal Government Act also enables off-site levies, by bylaw, to be charged for municipal road projects that connect to or improve the connection to provincial highways.

Off-site levies may be collected only once in respect of land that is the subject of a development or a subdivision and off-site costs must be used for the specific purpose for which it is collected with the bylaw setting out the object of each levy and how the amount of the levy was determined.

The Municipal Assist program that is currently in place has been offered since 2013 to promote development and to offer an incentive to new development to consider Medicine Hat when locating their business. The current municipal assist

schedule provided 40% assistance in 2016, 40% in 2017 and 30% in 2018 and 90% for priority intensification areas during that same timeframe.

The Chamber of Commerce had regularly conducted research on off-site levy costs across municipalities in Alberta to determine competitiveness and methodologies used as detailed in the chart below.

MUNICIPAL COMPARISONS:

Municipality	Cost/hectare	Notes
Medicine Hat (Node)	Node 1: $383,244 Node 2: $200,747 Node 3: $173,546 Node 4: $238,988 Node 5: $229,679 Node 6: $ 266,086 Node 7: $200,101 Node 8: $306,189 Node 9: $196,776 Node 10: $196,776 Node 11: $194,708 Node 12: $153,523 Node 13: $203,955 Node 14: $194,708 Node 15: $179,460 Node 16: $144,276 Node 17: $184,315 Node 0: $233,512	(Average $219,576)
Grand Prairie (Single System[1])	Transportation Levy: $60,158.26/gross hectare	**Greenfield:** Recover full cost of transportation only. **Brownfield:** Not charged, unless substantially increases demand. **Note:** In 2007 administration recommended a staged increase of the fees from $36,578 to $55,480, so not to be onerous on the development industry. Administration also recommended that the full increase not be passed on to the Developer. If no updates to schedule D (rates) are made, rates shall automatically be adjusted on March 31 of that year by the annual percentage change in the consumer price index for the previous calendar year.
Red Deer (Single System)	Water Trunk: $14,107 Sanitary Trunk: $30,370 Storm Trunk: $66,372 Major Thoroughfare: $104,934	**Greenfield:** Recover full cost **Brownfield**: Not charged unless there was no off-site levy charged during original construction. Downtown is exempt from all levies. Bylaws were updated in 2015.
Lethbridge (Single System)	2017: $257,000 2018: $265,000 2019: $273,000 2020: $281,000	**Greenfield:** Recover full cost **Brownfield:** Not charged unless redevelopment creates demand for increased service – negotiated on an ad-hoc basis, less than full cost recovery.

[1] Single System is also referred to by the City of Medicine Hat as the "Postage Stamp" System whereby levies are equally distributed across the municipality and shared equally by all development on a per hectare cost.

Wood Buffalo (Node)	Range from $6,083 to $28,767/per 1500 sq. ft	The Municipality endeavours to apply for all grants (Provincial, Federal and Other) to assist with funding of capital infrastructure projects. Where project specific grants have been secured for infrastructure the total project cost for the Municipality is reduced by the grant amount. Only the net project cost incurred by the Municipality is used to calculate the offsite levy.
Calgary (Node)	2016 Levy Rate: ($/ha) Nose Creek Watershed: $354,548 Shepard Watershed: $385,927 Bow River Watershed: $350,206 Pine Creek Watershed: $360,035 Fish Creek Watershed: $343,223 Elbow River Watershed: $343,223 All above watersheds have a Community Service Charge of $78,850	**Greenfield:** Levies are determined at the time of subdivision and area paid on a 3-year payment plan of 30%, 30% and 40% per year. **Brownfield:** Treatment plant levy imposed on all land within the Established Area that is to be subdivided or developed for which a levy for water or sanitary sewers has not previously been paid. Levies are not imposed on land that is designated as environmental reserve or that is a skeletal road. In Established Areas levies are also determined through a development permit and are paid prior to development completion certificate. If a development reaches a density equivalent of 285 or more people and jobs per hectare, they qualify for a density incentive program and their levy rate is capped.
Brooks (Node)	Purchase price for some lots include off-site levies. Offsite levies for commercial properties are currently set at $11.61 per square metre of building area.	**Greenfield:** Recover full cost unless infrastructure projects benefit existing or future development, which is allocated accordingly.
Airdrie (Node)	Varies from $88,659 per acre to $95,986 per acre based on recovery area	**Greenfield:** Varies based on node. Rates will increase by 3% in 2016-2025.
Lloydminster (Single System)	Arterial acreage off-site: $72,397 Utility off-site: $40,474	**Greenfield:** Recover costs of undeveloped land only.
Strathmore (Single System)	Charge per hectare for commercial development Water: $26,852 Transportation: $31,752 Sanitary Sewer: $15,239	

Strathcona County (Node)	Residential: Wye Road – Central: $17,038 Wye Road Northeast: $12,055 Suburban Estates: $12,230 + Rural Road Levy of $22,810/lot Mixed Use: Wye-Central: $142,265 North of Yellowhead: $231,962 Industrial: Central Trunk: $59,256 Country Residential: Central: $519 per lot NE Trunk: $20 per lot Rural Roads: Country Residential: $22,810 Rural Roads: $6,656 NW Sherwood Park Drainage: Area 1: $2,552 Area 3: $6,693	Levies are assessed to all lands within the development area of a subdivision, except for arterial road right-of-ways; land or existing rights-of-way not in title of the developer; environmental reserve;. The County, at its sole discretion, may allow the exclusion of those lands dedicated for the preservation of trees, natural habitat, or parks and natural areas dedicated over and above the 10% MR requirements, not utilized for PUL or utility requirements, and provided the subject lands are deeded to the County. All other lands including roads, easements, public utility lots, municipal reserve dedication, storm ponds, etc. are assessed offsite levies. Municipal improvements, such as stormwater management facilities, are allowed to include land and levy costs as eligible for cost sharing. For special features or major facilities which will service a land area larger than the subdivision under development (such as neighbourhood parks and stormwater management facilities), the County may, at its discretion, allow payment of these levies to be deferred to the whole of the benefitting lands under ownership of this developer, provided that any levies so deferred shall be escalated and indexed to the years that actual payments are made.
Stony Plain (Node)	East: $67,437 Central: $80,557 West: $70,817 North: $61,950	All development is charged the cost if there is no evidence of charge in the past.
St. Albert (Node)	Average of all areas: $283,281 (Ranging from $201,753 to $379,149	St. Albert has 54 separate development areas. Municipal assist is called “demonstrated benefit” and offered most often for water infrastructure, however is factored into some transportation projects based on a case by case basis
Cypress County	Irvine: $5,500.00 per lot Walsh: $3,500.00 per lot Dunmore: Actual rate: $167,393 per hectare, rate recovered through bylaw is $50,000 per hectare Seven Persons: $5,154	**Brownfield:** Do not charge
Redcliff	High: $125,985.16 Low: $92,326.70 Weighted Average: $115.726.30	Currently reviewing new bylaw model with Corvus, but have an infrastructure capacity fee

ANALYSIS

The methodology for determining off-site levies across the province is varied and the fees range in costs as demonstrated by the table above. Medicine Hat has a lower average unsubsidized off-site levy rate than that of Lethbridge and Calgary, similar rates to Red Deer and Airdrie, but a much higher rate than neighbouring communities in Cypress County and the Town of Redcliff or rural mid-sized centres such as Grand Prairie or Lloydminster.

While a current model for Medicine Hat has already been established, there is also concern about potential rising costs moving into the future, with the amendments to the Municipal Government Act. Within the Modernized Municipal Government Act there have been further provisions that enable off-site levies, by bylaw, to be charged for additional

municipal facility projects and projects that connect to or improve the connection to provincial highways. Though the legislation allows for this additional levy to be collected, every municipality will need to consider whether this provision will be adopted and implemented. This potential additional development cost must be assessed as to whether there will truly be a significant and enduring benefit to a specific development node or whether the project is for the benefit of the entire community. Many smaller, rural communities have difficulty paying for public facilities and roads due to a smaller tax base and larger metropolitan centres tend to build facilities for specific communities within the City. However in mid-sized cities, public facilities and major connector routes are generally seen as a taxpayer supported cost and are viewed to be a benefit to the community as a whole. Additional costs such as these could be viewed as an added regulatory and cost burden that is being imposed on development and investment, offloading municipal costs onto the backs of new investment, development and expansions.

Furthermore, it was agreed, at the time of the bylaw inception that the road levies would be equally dispersed across all nodes as the road projects identified were viewed to be a benefit to the entire community and so the costs were equally dispersed. Additionally, it is often misconstrued that road costs within a development are offsite costs, subsidized by the taxpayer, however any projects that occur within a development are borne by the developer as part of their costs already. As our City grows, roads and connector routes for services and neighborhoods benefit the entire community in the movement of goods and people, particularly in a mid-sized centre where travel from one side of our community to the other is a regular occurrence for most residents. For this reason, we have consistently stated that the road levy could feasibly be removed from the bylaw and be a taxpayer supported costs as a municipal service.

The other element of consideration is the off-site levy collected from Node 0. During consultation in 2012-2013, stakeholders asked for a development node outside of development areas with the intent at the time to distribute the total development costs of growth through all development areas. What occurred since that time is that any off-site levy fees collected from Node 0 are being allocated out to each of the current projects in the other Nodes. Therefore, when fees are collected in Node 0 for Roads, Sewer, Water and Storm, they are actually allocated to all of the current projects, where the costs are actually in other Nodes, rather than within that specific development in Node 0. For this reason, we feel it is more reasonable to analyze nodes outside of the 17 nodes on a case by case basis and only charge a levy if there is increased demand on off-site infrastructure services for the development proposed, rather than have those developments incur costs for development in other areas that are specifically attributable to certain nodes.

Council has previously stated that they wish to have the Municipal Assist factor phased out. If the bylaw is amended to remove the road levy, this would be unarguably something that could be done by 2019. However, there are certain areas of development that a municipal assist can be favoured in support of growth, development and the addition to the assessment tax base. If the Municipal Assist program is used to support growth and development, a further application for this assist would be to incentivize development, re-development and growth in areas of the city that face natural challenges and vulnerabilities, as well as within designated intensification areas. Natural challenges may be a result of major flooding events that have occurred, less desirable locations, contamination issues or erosion/topography issues.
An assist could be used as a means to revitalize and rebuild areas of the city that have seen challenges and negative prejudices because of environmental factors or areas that are prioritized for intensification purposes.

In addition, any assist should not be viewed as solely a cost, as it is only triggered when development occurs and the subsidy is not used unless there is an offsite levy being paid for a development. Subsequently, when development occurs, the municipality then receives tax revenue from that property in perpetuity. For example, the regional commercial site on 2501 Strachan Road SE would have 6.94 ha ready for development, if we based the offsite levies on Node 13, the levy cost would be $203,955/ha or $1,415,447.70 with a 30% municipal assist covering $424,634.31 of that total cost. However, based on the 2017 non-residential assessment that same property has an assessed value of $7,903,500, resulting in annual taxes paid of $149,964.17 on an undeveloped property. This would result in a return on investment for the municipal assist, and the assist cost would be paid off in taxes in less than three years with an overall net gain from the residual taxes paid in perpetuity.

Any development will pay for itself through development of taxable property and increasing property tax income through developed land. Additionally, if the municipal assist rate is discontinued it would not result in a decrease of the mill rate,

as it's deemed an inconsequential amount and would not impact the overall mill rate imposed, even though there is an additional budgeted amount and subsequent mill rate percentage allocated for anticipated assist to be paid.

Development benefits a municipality through creation of an expanded tax base and ultimately a reduced tax burden because of the growth and share in the tax burden. The creation of commercial development and a new residential tax base will ultimately benefit the community as a whole, contribute to the tax base and will motivate, rather than stagnate, growth.

With consideration that municipalities vary in their methodology and each determine the benefit and cost to the developer, the City of Medicine Hat must consider all of the implications of increased costs and potential benefit that can be realized through this program. The City must consider and set the best methodology and best practice for our municipality.

RECOMMENDATIONS

In order to create an offsite levy program that has a consistent application beyond 2018 to promote competitiveness, stability and predictability, the Medicine Hat & District Chamber of Commerce recommends that the City of Medicine Hat:

1. Remove the transportation levy from the offsite levy costs within the bylaw (As listed in Schedule A);
2. Work to maintain off-site levies as one of the lowest in the province and market the competitive advantage to prospective businesses and developers;
3. Continue the application of a municipal assist to priority intensification areas;
4. Expand the Municipal Assist to include those areas that have additional natural challenges and vulnerabilities;
5. Remove Node 0 from the existing fees schedule and consider any development in Node 0 on a case by case, ad-hoc basis with consideration for whether there is an increased demand on off-site infrastructure services for the development proposed.
6. Reject any additional offsite levy provisions provided for under the Modernized Municipal Government Act that allows for municipalities to charge for municipal facility projects or road projects that connect to or improve the connection to provincial highways.

Date Revised: January 10, 2018
Date Revised: July 2, 2015 & August 29, 2015
Date Reviewed: September 16, 2015
Date Approved: September 16, 2015
Date Originally Reviewed: April 17, 2013
Date Originally Approved: April 17, 2013

Schedule A

Below is a table that shows the total levy rates and the potential levy rates without the transportation levy included:

Area Ref. #	Area Name	Transportation Charges ($/ha.)	Water Charges ($/ha.)	Sanitary Charges ($/ha.)	Storm Charges ($/ha.)	Total ($/ha.)	Offsite levy cost without transportation levies ($/ Net ha.)
0	Development outside the nodes	$90,779	$84,637	$45,159	$12,936	**$233,512**	**$142,733**
1	Downtown	$90,779	$139,995	$152,470	-	**$383,244**	**$292,465**
2	River Flats	$90,779	$58,751	$47,619	$3,598	**$200,747**	**$109,968**
3	IXL Area	$90,779	$58,751	$24,016	-	**$173,546**	**$82,767**
4	Burnside Estates	$90,779	$58,751	$50,571	$38,887	**$238,988**	**$148,209**
5	Cancarb Lands	$90,779	$126,781	$12,119	-	**$229,679**	**$138,900**
6	Cimarron / SW Lands / Saamis 7	$90,779	$98,428	$68,255	$8,624	**$266,086**	**$175,307**
7	Suntech Lands	$90,779	$58,751	$50,571	-	**$200,101**	**$109,322**
8	Airport	$90,779	$85,966	$79,885	$49,558	**$306,189**	**$215,410**
9	Box Springs	$90,779	$126,781	$12,119	$38,887	**$268,566**	**$177,787**
10	Canyon Creek	$90,779	$52,825	$53,172	-	**$196,776**	**$105,997**
11	Hamptons	$90,779	$53,325	$41,980	$8,624	**$194,708**	**$103,929**
12	Ranchlands 4	$90,779	$50,625	$12,119	-	**$153,523**	**$62,744**
13	Southlands 7	$90,779	$53,325	$51,227	$8,624	**$203,955**	**$113,176**
14	Southlands 6C	$90,779	$53,325	$41,980	$8,624	**$194,708**	**$103,929**
15	South Vista 11	$90,779	$65,287	$14,769	$8,624	**$179,460**	**$88,681**
16	Ranchlands 3C	$90,779	$50,625	$2,782	-	**$144,276**	**$53,497**
17	River Ridge	$90,779	$52,212	$41,324	-	**$184,315**	**$93,536**
Totals		$1,634,022	$1,329,141	$802,137	$186,986	**$3,952,379**	**$128,797.61**

Predictable and Fair Market Value Assessments

Issue(s): Since 2013 non-residential property assessment values have fluctuated, resulting in sudden, unexpected and significant increases to resulting tax liabilities for some property owners. The most recent concerns related to non-residential property assessments primarily included:

a. *Calculation of capitalization rates*
b. *Use of vacancy rates*
c. *Subjectivity of rental income quality classifications*
d. *Transparency and accountability*

Executive Summary

Through the 2013 process of assessing non-residential property values, the City of Medicine Hat interpreted data in a manner which varied from the assessment process used in previous years, which led to significant changes to the assessed values of a number of local properties. Additionally, businesses expressed concerns related to the level of customer service received, issues with compliance and disclosure of information, as well as fees associated with the disclosure of information. While many concerns related to consultation, customer service and communication have been addressed, there are still outstanding issues that continue to surface with various aspects of property assessments including capitalization rates, vacancy rates, rent rates, time adjusted sales values, subjectivity of assigned classifications and income quality rating, as well as overall transparency. For these reasons, the Medicine Hat & District Chamber of Commerce has updated its 2013 policy position to recommend the City of Medicine Hat put certain measures, processes and procedures in place to mitigate reoccurrence of this situation and the impacts that this process has imposed on business.

BACKGROUND

Through the 2013 non-residential property value assessment process, the City of Medicine Hat interpreted data in a way that differed from previous assessments, resulting in significant changes to the assessed value of numerous commercial properties. Since 2013 concerns have continued to surface, lessening in number leading up to 2017, but then have increased again in 2018. This was a direct correlation to the 2017 assessment roll with 41 appeals heard by the Composite Assessment Review Board from August to October 2018.

The concerns that have been raised primarily focus on the overall reflection of market value, which relates to capitalization rates, expense ratios, vacancy rates, rent or lease rates, along with concerns associated to assigned classifications and income quality ratings, resulting in assessment values that are not reflective of market value. There were also concerns that surfaced regarding transparency of the City of Medicine Hat when information that had previously been provided was removed. This included prior year's assessment values on the assessment notices, in addition to the removal of commercial comparable listings from the website.

Market value is the price a property might reasonably be expected to sell for, if sold by a willing seller to a willing buyer, after appropriate time and exposure in an open market. There are three approaches to determine the market value assessment of a property: the sales comparison approach; the cost approach; and the income approach. One or more of these approaches is used to arrive at a property's assessed value using the market value standard.

The sales comparison approach is based on the theory that the market value of a property is directly related to the sale price of similar properties. When property types are similar, the sales comparison approach provides an indication of market value. This approach is best suited to residential properties and other types of property that sell frequently.

The cost approach is used when the property being valued is new or nearly new, in situations where few comparable sales are available, or when the improvements are unique or specialized. The cost approach is based on the assumption that a purchaser would not pay any more to purchase a property than it would cost to buy the land and then rebuild the same improvements.

The Income approach is used in situations where income-producing properties are bought and sold based on their income-earning potential. This approach is used to assess the value of rental properties, such as apartment buildings or rental office buildings.

For non-residential properties in Medicine Hat, the income approach is most commonly used. However, the accuracy and reliability of an income approach analysis will depend on the availability of market data and the degree of comparability of the

subject and comparable properties. The main weakness of the income approach is the inability to find and verify reliable data on rents, vacancies, operating expenses and capitalization rates or gross income multipliers. Even in some larger urban centres where the assessor segregates properties into quality classes there might be a small number of sales of properties within each class over the past several years from which a capitalization rate can be extracted[1].

In our past research, we have found various examples of assessment methods, which include some municipalities citing a direct or sales comparison approach for condos; a cost approach used for properties such as partially completed buildings, churches, schools and industrial businesses; and a cost approach or sales comparison approach used in a few examples found for warehouses. Rental properties or revenue producing properties such as malls, restaurants and retail outlets were assessed using an income approach and we found circumstances where gas stations were assessed on a cost approach as their income is hard to predict.

Capitalization Rates

A market-based capitalization (cap) rate uses recent sales of comparable properties, with a good cap rate being one that is derived from similar properties in the same location. In Medicine Hat, the cap rates were calculated using qualified sales that occurred from July 1st, 2014 to June 30th, 2017. They were determined through analysis of improved sales of rented and owner-occupied properties. Typical rent was multiplied by model areas, with the sum of all these amounts equaling the potential operating income. The model vacancy allowance was then subtracted to arrive at an effective operating income. Structural and management expenses were subtracted from the effective operating income to obtain the net operating income. The typical net income was divided by the time adjusted sale price after deducting surplus land value or cost items to determine the indicated overall capitalization rate.

There were 74 properties on the City of Medicine Hat Improved Valid Sales List, 46 of those being improved commercial and 28 being improved industrial. The concern stems not only from the limited quantity of sales, when applied against various segments and rental income quality classifications, but also in relation to the numbers applied within the formula to obtain the cap rate. If any of the inputs into the formula are incorrect for our market, it will result in a cap rate that is not reflective of the market. The challenge becomes a determination of where the numbers are derived and whether it is based on our local market or if there are numbers being extracted from provincial data, such as typical appraisal allowances, shared between assessors, which may not be reflective of the Medicine Hat market. Some of the concerns are the vacancy allowance and typical structural or management expenses applied to obtain the effective operating income and the time adjusted sale prices. If there is an error in any of these components or if the time adjusted sales values are overstated, it directly affects the capitalization rate.

In addition, since 2013 the challenge has continued to be that in the Medicine Hat market there are few comparable or similar properties in some classification segments. The concern remains that the assessment department is grouping wide ranges of properties in with other properties that are not market comparables and applying incorrect capitalization rates, which then proves challenging to derive an accurate market value assessment.

Within the Municipal Affairs detailed assessment audit manual[2] it states that stratification within a property type (e.g. improved non-residential) depends on availability of sales. If sales counts are inadequate, older sales can be added and time-adjusted as appropriate. Generally, substrata with less than five sales are unacceptable, with fifteen being preferable. Strata with smaller sizes are useful for determining patterns, but are of little use when counts fall below five.

Vacancy Rates

In the 2017 assessment roll, there was concern that the vacancy rates were not a true reflection of the market and that the assessment department did not have a full account of all vacancies within Medicine Hat. There was also an identified concern through the appeals related to the fact that vacancy allowance adjustments would only be made in response to long term vacancies. However, it is reasonable that the preparation of annual assessments would include annual reviews of market indicators, such as vacancy rates, in order to develop typical valuation inputs and ensure that collection of vacancy data is thorough and complete. In addition it was concerning that the assessment department may not support a specific vacancy due to the subjectivity of the vacancy being related to “management decisions”, as this type of subjectivity should not be determined by the assessor.

[1] https://open.alberta.ca/dataset/4e54312f-000c-4d8e-896f-86e6b60c20a7/resource/46eecea4-5bde-4f89-9928-54c049b3299c/download/principles-of-assessment-for-arb-members.pdf

[2] http://www.municipalaffairs.alberta.ca/documents/as/Detailed_Assessment_Audit_Manual.pdf

The other challenges with vacancies is the application of the rates. For example, if the City uses a "City wide" vacancy or only consideration for "main" and "not main" floors, or perhaps only four vacancy rates applicable for industrial properties for four quadrants of the City, it ends up applying these vacancy rates in a very broad manner that may not take into perspective the various challenges in certain pockets or neighborhoods with this type of application.

Rental Income Quality

The Assessment Department assigns a numerical income quality to properties based on their capacity to earn rent with variables including tenant exposure, access, amenities and attractions along with physical characteristics all impacting the income quality classification. Physical characteristics include age, exterior treatment, interior finish, building design, visual appeal and condition or maintenance. The rental income quality becomes subjective if it's largely opinion based without very specific criteria or guidelines to follow and without a proper inspection of the property to determine all the variables that will impact the rental income quality. In addition some properties have changed in rental income quality on their assessment, however there was no notification and the property owners impacted were not aware of any inspection that took place resulting in the income quality change.

Transparency

Concerns have been raised with the removal of the prior year's assessment value. While it is understood that each year's assessment is independent of the previous year and is not sufficient enough to draw a conclusion that an assessment is too high, it is reflective of the level of transparency and perceived trust that the assessment department has in its assessment process. If the assessment values are fair and reflective of market value, there should be no concern with disclosing this information year over year for the benefit of the property owner.

In addition, the removal of the non-residential commercial comparable listings is also a perceived indication of the lack of transparency. While it is appreciated that no other municipality provides this data, it was something that the City of Medicine Hat was providing and was appreciated by property owners due to the ability it provided to property owners to see how their property was classified and assessed compared to other properties. Removal of such data raises question as to the level of transparency within the department and why there was a concern with continuing to provide this information. While property owners can request comparable building details through a Municipal Government Act 300 request, by having thorough data in the assessment methodology report saves time by both the property owner and the assessment department when this information is readily available and easy to understand.

ANALYSIS

Within the Municipal Affairs detailed assessment audit manual, under uniform and equitable assessments, it states that procedures are not prescribed in MRAT for preparing market value assessments; therefore, the assessor takes into consideration assessments of similar properties. For market value assessments, the assessor is expected to uniformly apply valuation models arrived at through analysis of sales, income, and cost data for a similar property. Although factors such as location and municipality size affect markets, assessors must value similar properties in the same manner (not necessarily to the same amount). It goes on to state that some properties are not easily valued using mass appraisal models. Statistical testing may be very limited in a geographic area, and relate to groups of properties with few sales.

For capitalization rates, recommended practice would be to determine capitalization rates through an ongoing process of interviewing local appraisers, analyzing sales and consulting with ratepayers and their tax agents. As minimal sales make a more complex study difficult for the mass appraisal methodology, assessors should utilize local knowledge, expertise and consultation in determining appropriate capitalization rates. While there has been a willingness and openness to meet with appraisers and realtors in the market, there may be value in further and more frequent consultation in order to ensure that there is a wide range of local data that is considered when calculating cap rates, rent rates and vacancy rates. It would also be beneficial to consult with and review the findings of the data with industry experts prior to the assessment roll being finalized in order to ensure that the mass appraisal process has resulted in a reflection of fair market value.

In addition, there would be value in having greater detail in the rental income quality criteria and guidelines, as the descriptions provided in the non-residential assessment methodology are very generalized in nature and can lead to subjectivity of assessors and speculation by property owners that the rental income quality classification is not appropriate.

When there is a concern about an assessment value, it is encouraged that the first step an assessed person should take is to contact the assessor. The assessor may request to inspect the property to determine if an error was made or request further information from the property owner. However, it is sometimes perceived that the assessor may not be willing to make a correction or provide further due diligence, as there is a perceived attitude that "we will justify and argue how right we are, no matter what the information presented may state". In an effort to ensure accuracy and correctness of the roll, if the assessor agrees that the original assessment notice is not accurate due to new information received, the assessor has and should use their

ability to make the necessary correction to the roll under section 305 of the MGA and issue a corrected notice.

If there is a concern with a property assessment, under section 299 (1) of the MGA[3] an assessed person may ask the municipality to let the assessed person see or receive information prescribed by the regulations that is in the municipal assessor's possession at the time of the request, showing how the municipal assessor prepared the assessment of that person's property. In addition under section 300 of the MGA, an assessed person may ask the municipality to let the assessed person see or receive a summary of the most recent assessment of any assessed property in the municipality of which the assessed person is not the owner.

While the City of Medicine Hat does provide for information under section 299 and 300 of the MGA, there is a cost associated under Bylaw 3031, to establish fees for tax certificates and other information regarding assessments and taxes. The cost for written information regarding assessments and taxes and other property information is $38.00 with verbal information for the same information at a cost of $15.00. The fees established are charged on a per property, per year, per request basis and additional fees are payable if further requests are made for information regarding the properties.

Some municipalities interpret section 300 of the Municipal Government Act to read that because properties owners are entitled to this information, the municipality does not charge for the information, as they are required to provide it. Some municipalities will apply a limitation or restriction on the number of free summaries requested and, after a certain number of summaries, they will then charge a nominal fee to cover off the administration costs for supplies, copies and/or time.

We have noted over the course of the last couple of years that there have been several improvements implemented since 2013 in the communication related to assessments, particularly to the assessment request for information forms, including more communication about and instructions for the forms and adjusted timelines and modifications to the notification letter and form. The assessment department has also analyzed increases or changes within the assessment roll year over year in order to flag any areas of concern as a way to manage irregularities and proactively inform property owners, which has certainly been appreciated. After further review and consultation, it has been identified that further improvements to the request for information notification letter and form could be made to encourage property owners to complete this information, thereby providing more data by property owners to the assessment department.

The Medicine Hat & District Chamber of Commerce is committed to fostering a positive and predictable environment for businesses to operate and the ability to accurately predict expenses is important to the sustainability and growth of any successful business. Our aim is to have consistent, predictable and fair processes that will enable our municipality to move beyond past issues and create a better environment that meets legislative requirements moving forward, ultimately lessening the negative affect on businesses and allow a reasonable period of time to prepare for increased expenses.

The Chamber also understands the limitations of Council in that a Council cannot direct valuations of the assessor, as the assessor is independent, arms length and appointed by Council to ensure there is no political influence and vested stake in the results. We also understand that Council does have the power through the Municipal Government Act to cancel, refund, defer or phase in tax increases or decreases and they have exercised that right in past circumstances.

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat:

1. Assessment Department provides greater detail in methodology reports including cap rates, rental rates, vacancy rates, structural and management expenses, vacancy shortfall expenses and commercial comparable listings by classifications.
2. Assessment Department supports their conclusions on capitalization rates with specified data provided on vacancy rates and the values pertaining to how net operating income was derived, along with the time adjusted sales values and consults with local market experts semi-annually to support the calculations and conclusions so that the values used are reflective of market conditions.
3. Assessment Department provides more advanced vacancy rate applications applying vacancy rates based on variables such as type, location/neighborhood and quality versus having city-wide vacancy rate applications.
4. Assessment Department provides very specific criteria and guidelines for rental income quality classifications to support the justifications for the rental income quality assigned to a property. Criteria would clearly explain what variables a business must meet in order to be classified in a particular rental income quality.

[3] http://www.qp.alberta.ca/documents/Acts/m26.pdf

5. Assessment Department applies rent rates to net lease area to capture actual leasable space versus applying rent rates to the total gross area of a building.
6. Assessment Department physically inspects each non-residential property at least once every four to six years to determine accuracy of the rental income quality and maintain and use that building information year over year for consistent application of assessment information, particularly if a property does not follow typical model/classification norms such as access/egress, deficiencies or structural problems, amongst others.
7. Assessment Department refrains from changing a rental income quality classification without notification and a physical inspection of the property.
8. Assessment Department works with property owners to ensure assessments are reflective of market value and make corrections to the roll when an issue is identified under section 305(1), applying corrections consistently for any properties with a 5% or greater error due to an error in data, calculations or incorrect assumptions on the property identified, along with correction to any similar properties.
9. Assessment Department reinstates the provision of the prior year's assessment on assessment notices.
10. Assessment Department continue to compare current assessments to prior year assessments and flag irregularities (in excess of a 20% variation), which would then be followed up with individualized consultation, education and information in order to gather proper information prior to assessment notices being distributed.
11. Update bylaw 3031 to establish fees for tax certificates and other information regarding assessments and taxes provided by the City's Assessment and Taxation Department to provide the first five comparable properties on a 300 request at no charge.
12. Work with the local Chamber and non-residential industry representatives to further redevelop the assessment request for information notification letter and form to simplify the collection of information and encourage a higher response rate from property owners.
13. Council implement a policy whereby when an assessment on a property is greater than a 30% increase on a year over year basis, without an equivalent change in the marketplace, that they would exercise their options to cancel or refund taxes for that property assessment in that year.
14. Council evaluate options for a review of the assessment department and other best practice methodology by working with other municipalities, if concerns continue to surface in relation to property assessment.

Policy first approved: September 18, 2013
Revised: October 2018; Revised November 8, 2018
Approved: November 21, 2018

Tax Equity: Narrowing the gap between residential and non-residential property taxes

Issue: *Non-residential properties continue to pay a greater proportion of property taxes than residential rate payers, even though it is not clear that they use a greater proportion of the benefits received from property tax revenues.*

EXECUTIVE SUMMARY

Property taxes vary widely across municipalities in Alberta. This reflects differences in assessment bases as well as the latitude given to municipalities to raise revenue in different ways under the Municipal Government Act, such as different classes of property taxes, user fees, etc. Nonetheless, there is a tendency to place a greater proportion of the tax burden on businesses than on residents. Although it is very difficult to measure and compare the public services received by businesses versus those accessed by residents, it seems unlikely that the cost of providing municipal services to businesses can be double, or higher, as some tax rates show. Efforts should be made to narrow the residential vs. non-residential tax gap to a more equitable ratio that can be defended with data to justify why one class would pay more than the other.

BACKGROUND

Economic research indicates that tax rates affect people's behavior. The most important conclusion is that high taxes contribute to lower rates of economic growth, reduced rates of personal income growth, lower rates of capital formation, and reduced entrepreneurship.[1] In our regional municipalities, businesses continue to pay a disproportionate amount of taxes compared to their residential counterparts and although the gap between residential and non-residential tax rates has narrowed in recent years a formal policy should be adopted to ensure all tax payers in Medicine Hat, the Town of Redcliff and Cypress County pay a proportionate share of taxes.

One way to compare business burden to residential burden is the property tax rate ratio. This ratio is calculated by dividing the non-residential property tax rate by the residential property tax rate. For comparison purposes the average tax gap ratios by type of municipality in Alberta can be reviewed in the table below:

2017 Tax Gap Ratios by Type of Municipality

Type	Amount in Calculation	Average Tax Gap Ratio
City	18	1.95
Specialized Municipality	5	5.68
Municipal District	64	4.61
Town	107	1.71
Village	90	1.83
Summer Village	51	1.60
Improvement District	7	1.79
Special Area	1	1.42
Total Alberta	**343**	**2.34**

Source: http://www.municipalaffairs.alberta.ca/municipal_financial_statistical_data.cfm (current as of Feb 7, 2018)

In Medicine Hat, this ratio had slowly narrowed, falling from a ratio of 3.16 in 2008 to 2.25 in 2015.[2] This trend has started to reverse in recent years with the ratio edging up. In speaking with city administration there is no current policy in place to ensure the narrowing of the tax gap continues into the future, nor is there a policy to state what the preferred ratio may be.

[1] Charles Lammam, Milagros Palacios, Niels Veldhuis, *Submission to British Columbia's Expert Panel on Business Taxation*, 2012

[2] City of Medicine Hat, *History of Municipal Tax Rate (SF vs Non-Res)*

While completing an annual review of property tax rates across Alberta, it was revealed that out of the 18 cities, Medicine Hat placed amongst the highest, with a tax gap ratio of 2.34. Only 4 of the 18 cities had a tax gap ratio higher than Medicine Hat with Lethbridge at 2.39, Edmonton at 2.81, Airdrie at 3.23 and Calgary at 3.5. Jurisdictions in close proximity to Medicine Hat, with the exception of the Town of Redcliff: 2:45, all ranked lower, including Cypress County: 1.79, Brooks: 1.58, and Town of Bow Island: 1.33. Similar sized municipalities (based upon population of 50,000 to 70,000) also had a lower tax gap ratio with Grande Prairie showing a 1.56 gap ratio and St. Albert showing a 1.37 gap ratio.

In addition, Medicine Hat sits in 236th position, out of 343 municipalities in Alberta in relation to the non-residential municipal tax rate. Comparatively Redcliff ranks in at 196th and Cypress County comes in at the 52nd spot across Alberta. Out of the 18 cities specifically in Alberta, Medicine Hat ranks 14th; only Grande Prairie, Edmonton, Lethbridge and Wetaskiwin have a higher non-residential municipal tax rate than Medicine Hat.

The 2017 Municipal Non Residential Tax Rates for Alberta Cities is provided below:

Municipality	**Non Residential Municipal Tax Rate**	**Linked tax ratio: NR divided by Residential/farm land**
Chestermere	7.7579	1.438
Airdrie	7.9822	3.232
Leduc	8.0600	1.189
Lloydminster	8.4632	1.600
Spruce Grove	8.4886	1.525
Lacombe	8.5264	1.136
Fort Saskatchewan	8.9055	1.782
St. Albert	10.7690	1.373
Cold Lake	11.6995	1.730
Brooks	12.2966	1.581
Camrose	12.3632	1.632
Red Deer	13.4570	2.119
Calgary	13.8819	3.503
Medicine Hat	15.0271	2.343
Grande Prairie	15.4850	1.555
Edmonton	16.8561	2.806
Lethbridge	19.1846	2.390
Wetaskiwin	19.4934	2.145

Source: http://www.municipalaffairs.alberta.ca/municipal_financial_statistical_data.cfm (current as of Feb 7, 2018)

Property taxes have important implications for economic competitiveness. In jurisdictions across Canada, studies have shown various ways in which businesses pay a disproportionate share of the tax burden. This problem is not Alberta's alone and others have tried to solve it. For example, some jurisdictions have opted to recommend a rate ratio cap, effectively preventing the ratio from getting too large. [3] Others have followed this trend, but singled out small business to benefit from a lower tax gap ratio at a quicker rate than they were able to implement for all business.[4]

ANALYSIS

In a time when economic competitiveness is not only regional, or provincial, but world-wide, we need to ensure that Medicine Hat and our region is viewed as not only competitive, but a leader when it comes to attracting new business to our area. Although we can appreciate that the tax gap has been narrowing in recent years, we must ensure that the downward trend continues and that business can be confident in the path the City is taking in regards to business taxation.

Explicitly considering policies and objectives has at least three benefits: it enhances financial transparency, accountability and prudence. Setting out objectives in a public document enhances transparency, allowing businesses and other stakeholders to see why a municipality is seeking revenue from those sources. In enhancing transparency it makes it easier for voters and other concerned parties to hold politicians accountable. Principle-based revenue sourcing encourages prudent decisions that will enhance equity and competitiveness. Accountability is important for businesses because they have no direct influence in municipal politics. They cannot vote, but are subject to taxation. Municipalities that engage all stakeholders in budget planning and sufficiently report on the collections and expenditures are more accountable to ratepayers (citizens and businesses alike). Enhanced accountability helps ensure ratepayer dollars are prudently spent. [5]

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat, the Town of Redcliff and Cypress County:

1. Adopt a policy that works towards narrowing the residential and non-residential tax gap to a reasonable ratio, which is at least as low as the provincial average, and respective of the services each receives.

2. Include within a tax ratio policy a specified time frame that the desired ratio could be reached.

Date Updated: February 9, 2018
Date Reviewed: May 27, 2015
Date Approved: June 17, 2015

[3] British Columbia, *Community Charter*, 2003, http://www.bclaws.ca/Recon/document/ID/freeside/03026_00
[4] City of Toronto, *Ehnhancing Toronto's Business Climate,* 2005, https://web.toronto.ca/wp-content/uploads/2017/08/947e-Enhancing-Toronto-Business-Climate.pdf
[5] Principles are drawn from: Harvey Rosen, Beverly Dahlby, Roger Smith and Paul Boothe, *Public Finance in Canada,* 2003; Vancouver, *Tax Policy Review,* 2007; and Kate Berniaz, *Municipal Property Tax in BC: Principles and Provincial Strategies to Shape Local Tax Distribution Policy*, 2009.

Municipal Election Policy

Issue: *The City of Medicine Hat will host a municipal election every four years. The Chamber typically hosts a candidate forum preceding the election.*

MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE POSITION

In an attempt to bring more attention to Chamber positions we propose directing our staff to host an event which includes and provides:

1. A formal moderated candidate debate instead of a candidate or open microphone forum. Questions will be prioritized around Chamber positions and concerns first, and then general interests.
2. An independent moderator to run debates that feature:
    a. A mayoral candidate debate
    b. Councillor debates. If there are several candidates nominated, the Chamber will mix incumbent and new candidates with no fewer than 6 candidates per night
3. The full audio and video digital rights to the event. The audio and/or video would then be published on the Chamber website and made available to members. The purpose would be to have future council members on record with our membership and our concerns.
4. An opportunity for the Chamber to summarize our policy viewpoints with the candidates answers regarding those same viewpoints and make the information available on our website.

Original Draft: May 10, 2010
Date Reviewed: May 10, 2010
December 11, 2012
May 17, 2017
Date Approved: May 19, 2010
December 19, 2012
May 17, 2017

Defining a Process for Electorate Information

Issue(s): *The Medicine Hat & District Chamber of Commerce has received concerns that residents of the City of Medicine Hat, particularly the business community, do not have an easily accessible or available source of information relating to election candidates regarding their policies, positions, and platforms and therefore may not have the appropriate information to assist in their voting decision.*

EXECUTIVE SUMMARY

There has been discussion from the business community over the past several years regarding the ability to decipher which election candidates have a "pro business" platform. Additionally, many candidates may state their specific platform is pro-business, however without a reliable source of data or information to substantiate these platforms, the electorate often bases their decisions on the perception, rather than on factual information. To provide a fair, transparent and reliable source of information to the voting public, the Medicine Hat & District Chamber of Commerce will provide and publish a brief summary of each incumbent's attendance records at Council and at Committee meetings, as well as disclose how each candidate voted on key business-related issues during their time on Council. Additionally, the Chamber of Commerce will request information from new candidates on their policies, positions, platforms and recommended course of action each candidate proposes that can be publicly distributed to the electorate.

BACKGROUND

Leading up to previous municipal elections, the Medicine Hat & District Chamber of Commerce has hosted Election Forums to assist in educating members on the candidates' political stances. However, the forum format only provides a snapshot of the candidates' positions and platforms, as there is limited time and opportunity to ask all the questions necessary to make an informed voting decision.

What has been observed through the years is that the electorate base their voting decision on word of mouth, tenure on council and other aspects of the individuals running for election, which may not fully provide the opportunity to vote based on factual information, rather they are voting based on personal opinion and perception.

ANALYSIS

To ensure an environment of fair, transparent and reliable information on candidate, a document is required in which an incumbent's track record on council would be highlighted , as well as information related to new candidates' policies and positions. This document would provide an accurate source of information for the Chamber's members and the electorate as they prepare to vote in future municipal elections.

RECOMMENDATIONS

That the Medicine Hat & District Chamber of Commerce:

1. Prepare and publish a document that highlights new and incumbent candidates' policies, priorities and action plans that they will commit to for their elected term.

Date Drafted: November 29, 2012
Date Approved: December 19, 2012
Date Amended: September 18, 2013

Municipal Red Tape Reduction

Issue(s): *Currently many businesses in Medicine Hat perceive regulations at City Hall to be over burdensome, costly, unnecessary and frustrating. The business community would like to suggest ways to reduce the regulatory burden on businesses to ensure the City of Medicine Hat is viewed as 'Open for Business'.*

EXECUTIVE SUMMARY

The Medicine Hat & District Chamber of Commerce is committed to working with community partners and government to create a business friendly environment. This commitment is in recognition that small and medium-sized enterprises (SMEs) are big business to the local, provincial and national economy. Having to satisfy regulations and policies, complete forms, and follow processes can be costly for business, resulting in limited opportunities and economic growth. An effort to nurture SMEs and minimize hurdles by eliminating unnecessary regulatory requirements makes good economic sense for everyone in the district. Currently, many of our members find processes and regulations in the City burdensome, costly and time consuming and there may be a variety of opportunities to minimize the perceived 'red tape'.

BACKGROUND

Red tape is a term used today in a figurative sense to describe efforts to expedite decision-making by large bureaucracies, such as government. Red Tape barriers can involve legislation, regulation, fees, permits, licenses, paperwork, standards, processing times, guidelines, filing and certification requirements, reporting, investigation, inspection and enforcement practices, and any procedures that affect the efficiency of government services for the clients served. These clients include individuals, organizations and businesses.

The regulatory and compliance burden poses a serious problem for small businesses, mainly due to the fact that SMEs lack the necessary resources to understand and respond to the myriad of regulations imposed by government. The disproportionate impact on small firms is especially important given that SMEs are a critical driver of our economy locally, provincially and nationally. The costs of complying with regulations represent a significant proportion of overhead expense and net margin for business.

Cumbersome red tape, lengthy processing times for approval and complex reporting obligations mean that companies must expend valuable time and resources on understanding and meeting technical requirements, and that many must even hire external consultants just to administer the associated paperwork. As a result, companies have fewer internal resources to finance investments in assets, knowledge and innovation. In other words, all of this adds up to less time and resources for investing in the business.

The lack of clarity, when it comes to accessing information and assistance, results in frustration for many companies as there is difficulty in identifying who does what in government, and finding the most appropriate individual(s) who can provide concrete answers. The problem is further compounded by the strict approach to compliance taken by some municipal representatives. We need to shift from zero tolerance, process focused enforcement to an outcome sensitive approach. In enforcement there needs to be a clear accountability framework for regulators. At the moment, it is business which must absorb the costs in the process focused approach; and there is no down side for regulators when their actions create delay, confusion and/or contradictory instruction for a regulated company.

Reducing the compliance burden will require concerted action to pinpoint and eliminate existing irritants that have a clear detrimental effect on growth, competitiveness and innovation. To succeed, the commitment to cut red tape needs to be top of mind in government and needs to aim at working towards reducing the burden of regulatory requirements on business. It is an important initiative to follow through on in order to help ensure business can grow, prosper and create jobs without being continually impeded by unnecessary regulations.

We understand that Government plays an important and necessary role as a regulator in our society. It has a responsibility to protect the public interest. For example, we must be assured that food and water are safe for human consumption, houses and buildings are built to an acceptable standard, and that our environment is protected for current and future generations. As well, the regulatory environment plays a key role in competitiveness and economic prosperity. However, there currently seems to be no mechanism for a regular review of the relevance or effectiveness of regulatory requirements. The current situation must change to enhance efficiency for the residents and businesses of our community, which benefits the economy as a whole.

ANALYSIS

The Medicine Hat & District Chamber of Commerce is very interested in ensuring that established businesses which want to expand and grow their enterprises have the opportunities to do so in Southeast Alberta. Fledgling entrepreneurs and established enterprises need an appropriate climate in which to begin and continue business development. Business formation, growth and expansion are potential sources of new wealth in our economy. This activity benefits all residents, whether directly, as in the creation of employment opportunities or indirectly, such as through taxation.

The Medicine Hat & District Chamber of Commerce is determined to demonstrate leadership in regulatory reform. Underlying this determination is a desire to eliminate many of the obstacles faced by businesses and to increase the competitiveness and attractiveness of Southeast Alberta as a place to do business, live, work and visit.

A survey of our members resulted in frustrations expressed by the business community and citizens with the demands, expectations and inconsistencies within City hall. Additionally, a resounding 85% of respondents indicated that they have faced issues of regulatory burden or red tape within the City of Medicine Hat.

In order to be innovative and competitive, the businesses in our community need the support of government to provide an environment that can nurture innovation, facilitate growth and generate business opportunities within our region. It is in everyone's long-term economic interest to support business growth as it contributes to job creation and the generation of wealth that benefits everyone in the district.

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the City of Medicine Hat:

1. Provide a more efficient business to government process such as "one window" access to government services both online and within City Hall.

2. Streamline the permitting process to eliminate the need for an applicant to return several times to City Hall and reduce the amount of duplicate information that is currently required on a number of different applications for one project. One small example of this would be to have a "one step" process that allows an applicant to apply for one permit that covers more than one component of a project e.g. a commercial building development that includes signage on the building.

3. Ensure there is a cooperative, helpful environment in the administration of the bylaws, whereby municipal staff are encouraged to facilitate an outcome sensitive approach, rather than a zero tolerance, process focused approach.

4. Create management accountability relating to decisions made by staff in the planning and building department and create a culture of customer service and a supportive attitude towards applicants rather than a prescriptive, preventative attitude.

5. Encourage the concept of applicants discussing proposals with staff prior to submitting development permit applications. It is important that applicants be given:

    (i) a clear communication strategy
    (ii) easy to comprehend information guidelines and checklists,

(iii) access to decision makers in all applicable departments to explain the requirements for permits and waivers
(iv) clear timelines

6. Ensure applicants have access to knowledgeable and appropriate employees, including more senior staff, safety codes officers (building inspectors), etc., as needed. Encourage municipal staff to be more thorough and better prioritize projects so they are able to suggest requirements the first time an applicant meets with the City department. Applicants are often frustrated when new requirements are implemented with every new meeting at the City.

7. Provide an opportunity for applicants to receive occupancy permits in circumstances where a permit is issued following the signing of a waiver clause. As in the case of a development permit, should an appeal be launched and were successful, it would be understood that the applicant would be required to bear all responsibilities and associated costs.

8. Eliminate the 'per customer' provision in Home Based Business Licenses.

9. Provide the ability for one staff person to assist a business through a whole project to ensure consistency of the project and to reduce the back and forth of the applicant.

10. Provide the opportunity for one City inspector to be assigned to a project to ensure consistency in recommended changes, and timely approvals.

11. Ensure Change of Use permits are being enforced properly, that city staff are consistent in processes and procedures and permits are not too costly so as not to prohibit growth. If development plans are on file for a property (within 10 years) new tenants should not have to provide new plans (including parking studies, traffic studies, garbage bins placement, etc). This expense is unnecessary and is often very time prohibitive to a new tenant.

12. Reduce some of the costs involved in pre-planning for projects within the City. This is cost prohibitive to businesses who are interested in developing land or building new projects but have yet to be approved for a project. Consider pre-approvals with a modified and less costly plan.

13. Ensure that where information is already available within the administration, duplicate information should not be required for submission and approval process (except for updating purposes).

14. Implement a process for streamlining regulatory reviews whereby before a potential regulation is drafted, the process needs to be communicated, defining the objective, cost of compliance (to business and to the taxpayer), who is accountable and where feedback will be housed. A sunset clause should be considered on all regulations.

15. Ensure a consultative process is implemented in the introduction of new and revised regulations and bylaws, consulting with businesses /sectors impacted and that changes are not made without appropriate notice and consultation.

16. Determine reasoning for new and revised regulations. If a new regulation that aligns with one already in place, than the new regulation may not be required. Always test whether compliance is reasonable and define what happens if it is not.

17. Remove requirements for development extension fees for existing business where no further development has occurred since the original application.

18. Provide clear explanation of any changes to bylaws or processes to stakeholders, either by way of public notice, a summary brochure or "mark-up style" notation on any new draft policies/bylaws.

Date Drafted: February 8, 2013
Date Reviewed/Revised: February 12, 2013
Date Revised: February 12, 2013
Date Approved: March 20, 2013

Opposition To Land Transfer Tax

Issue(s): *Land transfer tax, which is paid by a buyer when property is sold, would negatively impact the local economy and hinder housing affordability as it is unfair, adds additional cost to home purchases and would reduce economic spin off from property transactions.*

EXECUTIVE SUMMARY

Numerous provinces and municipalities across Canada levy Land Transfer Taxes (LTTs) as a source of additional revenue. LTTs can be expensive, and make up a significant portion of the expenses associated with ordinary housing transactions, making moving more costly. These costs impose a trickle down effect, which negatively impacts the local economy by impeding housing and subsequently labour mobility, create a volatile government revenue source, distorting commercial real estate markets and creating higher overall construction costs. For this reason the Medicine Hat & District Chamber of Commerce opposes the creation of any new tax in the form of land transfer tax and would encourage governments to look at more stable resources, cost cutting measures and value-added options for economic stability, long term sustainability and growth.

BACKGROUND

A Land Transfer Tax has already been implemented in British Columbia, Manitoba, Ontario, Quebec and in several Nova Scotia municipalities and is currently being discussed in several Alberta municipalities.

Land transfer tax was originally discussed in Alberta in the 2007 *Report of the Minister's Council on Municipal Sustainability,* authored by Mandel, Bronconnier, Hawksworth and Johnson on behalf of Edmonton, Calgary, AUMA and the AAMDC and delivered to the Honourable Ray Danyluk, Minister of Municipal Affairs. The report highlighted difficulties municipalities are experiencing in adequately funding public services and recommended municipalities use land transfer tax to stabilize operational funding or to fund capital projects. While the land transfer tax recommendation was put aside, the topic has since been raised by a number of Alberta municipalities, including Lethbridge and Calgary.

A Land Transfer Tax (LTT) is, by broad definition, a charge paid to a municipality or provincial government upon the transfer of real estate or immovable object. Where an LTT is levied, the buyer is required to pay an amount that is usually proportional to the value of the purchase. An LTT is likely more politically appealing to politicians than is a broad-based property tax because few residents are directly subject to an LTT in a given year, compared with the population of homeowners generally. However, because it is a transaction tax, an LTT is economically distorting in a number of ways. In particular, because the transfer tax raises the costs of moving or relocating, it is likely to reduce a homeowner's propensity to relocate. Studies show that, within the first eight months of its existence, LTT reduced single-family-dwelling transactions by 16 percent (Toronto Study), with a disproportionate effect on transactions involving homes priced below the average house sale price, and reduced the average sale price by 1.5 percent (Dachis, Duranton, and Turner 2008, 2012).

Existing economics literature suggests that reduced mobility due to LTT's might increase unemployment in places with an LTT, starve firms elsewhere of employees, deter workers from switching to more productive jobs, and result in homeowners keeping homes they no longer desire (Hilber and Lyytikäinen 2012). Further, an LTT also might have a number of other economic downsides. First, because it is a narrow transactions tax, an LTT distorts residential and commercial real estate markets. Second, like retail sales taxes, an LTT might cascade through the construction and sale of real estate projects, resulting in higher costs for homebuyers and fewer transactions. Third, the revenues from an LTT are highly volatile. Finally, an LTT is a weak tool with which to curb volatile housing markets, and policymakers should rely instead on broader housing market tools to curb house price fluctuations.

Home Buyer Impact:

The following examples show potential costs, over and above the price of the home, a buyer would face if a Land Transfer Tax was implemented in an Alberta Municipality. *NOTE: an average MLS® sale price in Calgary of $362,557 was used in these calculations which show the additional cost to the buyer if a land transfer tax was implemented at 0.5%, 1.0% and 2.0%.*

0.5% land transfer tax = $1812.79
1.0% land transfer tax = $3625.57
2.0% land transfer tax = $7251.14

ANALYSIS

The existing empirical literature suggests a reduction in household mobility as a consequence of higher transaction costs has two main effects on the economy. First, people might be deterred from taking up jobs far from their place of residence or from switching to more productive jobs to which they cannot reasonably commute from their existing home. Second, higher transaction costs might cause some households to tolerate living in ill-suited homes for longer than they would have otherwise desired (Hilber and Lyytikäinen 2012). Other potential effects include government revenue volatility, commercial real estate market distortions, and higher construction costs.

Many individuals and families move in order to be closer to a job opportunity. Canada has a high overall rate of mobility with 14 percent of Canadians reporting in the 2006 Census that they had moved in the previous year. In Alberta, the province with the highest degree of labour mobility, 19 percent of the population moved in the year prior to the Census.

The migration of workers from areas of few to areas of greater employment opportunities is fundamental to the process of labour market adjustment to structural economic change, and reduces the economic and social harm of unemployment (see Blanchard and Katz 1992; Beine, Coulombe, and Vermeulen 2012). At the same time, high transaction and moving costs are associated with lower mobility of workers (Rupert and Wasmer 2009); they also reduce the ability of homeowners to move to areas where local amenities better suit household preferences, which, by constraining individual choices, reduces social welfare.

When a piece of land or real estate changes hands multiple times, the LTT can end up being applied more than once on the same project – or on variations of it – during its construction process and final sale. For example, a developer who purchases vacant land from a landowner would pay the LTT on the initial purchase. If that developer then chose to resell the vacant property to another developer who then builds homes on it, the LTT would apply at three different stages in the construction and sale of a home and would either be embedded in the final purchase price for the buyer or result in a lower sale price for the landowner.

The Medicine Hat & District Chamber of Commerce opposes the implementation of a Land Transfer Tax in Alberta municipalities because the tax is unfair, hinders housing affordability and negatively impacts the economy through the following:

- Unfairness: forces homebuyers to pay for services that benefit the community-at-large.
- Affordability: adds additional cost to a home purchase, expenses that must be paid in full at closing.
- Negative economic impact: fewer property transactions: reduced economic spin-off from property sales, including reduced spending on renovations, appliances, furniture, etc.

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends that elected officials not implement any means of Land Transfer Taxes and pursue more equitable means of achieving municipal sustainability and look to more reliable revenue sources and cost cutting measures that are less harmful to the local economy and the functioning of labour markets.

Resources:

C.D. Howe Institute and economics professors from the University of Toronto:
http://www.cdhowe.org/?s=land+transfer+tax
Stuck in Place: The Effect of Land Transfer Taxes on Housing Transactions
http://www.cdhowe.org/pdf/Commentary_364.pdf
http://www.ratehub.ca/land-transfer-tax

Date Drafted: March 5, 2013
Date Reviewed: March 12, 2013
Date Approved: March 20, 2013

Sustainable Municipal Finances

Issue: *The City of Medicine Hat's tax rate stabilization reserve will be depleted by the end of 2016 and will need to shift from its dependency on cyclical and volatile commodity markets to a more stable and predictable financial environment.*

Executive Summary

The City has relied on a $27 million annual contribution from its business units to subsidize tax supported services. This tax subsidy comprises 24% of municipal revenues. However, with the volatility of commodity prices for natural gas, crude oil and electricity, the earnings will not meet the subsidy requirement and the tax rate stabilization reserve will be depleted by the end of 2016. As such, the Chamber recommends that the City work with stakeholders to move towards a more responsible financial management plan focused on long term certainty and predictability in City budgets. Additionally, the Chamber requests that City decisions be based on the impacts of attractiveness, competiveness and sustainability of Medicine Hat as a business centre and that policies encourage departmental efficiencies and positive actual to budget financial positions.

Background

The City of Medicine Hat has provided a subsidy to the tax payer for many years as part of the "Medicine Hat Advantage" with the tax rate stabilization reserve being established in January 2014 to cushion the impact from commodity cycle volatility. However, at the end of 2016, the reserve will be fully depleted.

The City has relied on a $27 million annual contribution from its business units to subsidize tax supported service with $4 million in annual contributions from the city of Medicine Hat utility operations and $23 million dependent on electricity, natural gas and crude oil markts. The utility operations are less volatile than commodity markets and are forecasted to continue into the foreseeable future, however the more cyclical and volatile commodity markets are not a stable and reliable source of revenue.

However, as Medicine Hat has had the foresight and planning financially, at the end of 2016 the CMH is forecasted to have $300 million of other financial reserves to provide some financial flexibility.

We recognize that the City of Medicine Hat supports fiscal management which is outlined in Strategic Priority #5: "Responsible financial management focused on the long term ensures a sustainable city" and has been working on a strategic plan to become "Financially Fit for the Future".

The Medicine Hat & District Chamber of Commerce also acknowledges that the City is taking significant steps in its efforts to modernize and improve City efficiency and financial planning and accountability. These steps are commendable and promise significant improvements for both City and business.

Fiscal Restraint

When the economy is strong, budget increases and capital expenditures seem affordable, however, when the economy slows it is not as easy to scale back on previous increases and debt.

The cumulative impact of hefty tax increases every year could be devastating in a sluggish economy. With this in mind the City should always target to keep spending and property tax increases that support City operations to a benchmark maximum of population growth plus inflation and we encourage council to continue to work

diligently on efficiencies to lower the tax burden. This will ensure growth in expenditures does not overwhelm citizens and businesses' capacity to pay.

Additionally, the Chamber would like to see the City use a strict prioritization process on capital expenditures and perform a sensitivity analysis to monitor the impact of increased interest rates on debt servicing costs and conduct an analysis of the impact on all departmental operations budgets especially related to additional ongoing staffing requirements. The City must also set and stay well within the spending limits prescribed in Capital Budget plans.

Red Tape Reduction

Within the Medicine Hat business community there is a continued perception that the regulatory process for expanding or establishing a business imposes a significant burden for local entrepreneurs. In order to facilitate the growth of business in Medicine Hat, the Chamber recommends that the City streamline the business to government process, as outlined in our Red Tape Reduction policy. These processes streamline the application process and allow for increased efficiency. This would also give businesses greater confidence in dealing with the city and improve the business environment, while streamlining government processes.

Benchmarking

Medicine Hat's participation in the Alberta Municipal Benchmarking Initiative (AMBI) is an excellent start to the process of providing concrete performance metrics. The information provided by the AMBI allows for a better comparison between municipalities, as well as a wider view of Medicine Hat's position.

While the information provided by the AMBI is valuable, it is only the first step. The effectiveness of benchmarks depends on a variety of factors, including the number of participants and the measures used to ensure accurate comparison. The Chamber of Commerce encourages the City of Medicine Hat to continue with its current benchmarking initiatives while evaluating it to ensure that it provides useful information.

Change in culture - shift to efficiency

While it is difficult to quantify the culture within City Hall, the Chamber considers it to be an important element in improving the City's financial performance. Taking steps to emphasise efficiency and reduce duplication can be a positive measure to promote a staff culture that values efficiency within the organization.

A key component of encouraging such a cultural shift is the implementation of a policy to ensure that departments are rewarded for maintaining favourable actual to budget positions. Under many government financial systems, there is a prevailing mentality that if one doesn't use the budget, they will lose it. This mentality promotes does not encourage cost savings or efficient spending. In contrast, if some method of rewarding efficiency can be implemented, City staff would be enabled to seek out efficiencies within their departments.

Another element of promoting efficiency exists in the organization of government. Whenever employees retire or leave their current position, their position should be assessed as to whether or not the position is still relevant. This provides an opportunity to reduce long-term costs without threatening current staff. As departments shrink through attrition and retirement, it also provides an opportunity to consider the roles that departments play, and consider whether or not department mergers or reconfigurations could streamline the organization.

Awareness of regional Amalgamation possibilities

The continued rise in costs associated with a well-run city is putting pressure on many smaller municipalities. In some cases, it is an economic reality that they will have to amalgamate into nearby centers or dissolve into the surrounding county or special area. While the Chamber does not recommend trying to absorb surrounding

Public Feedback
In order to gauge public perception of this project, the Chamber distributed an anonymous public survey, to which 320 people responded.[4]

This survey found that 82% of respondents support the development of the 603 1st Street property in general, whereas 17% did not support the development. When asked as to who should develop the property, 91% preferred that private development should be the ones developing 603 1st Street, whereas 9% were opposed to private development.

When the question was posed as to whether the City should be imposing additional design restrictions on a development at 603 1st Street in addition to those already regulated through the Land Use Bylaw and Downtown Redevelopment Plan, 17% stated Yes and 82% stated no.

When asked as to what amount of subsidy would be appropriate, 67% did not support any kind of subsidy for the development of 603 1st Street and 33% support for some type of subsidy with a range of options submitted in response to what would be a reasonable amount to be subsidized by tax payer dollars. However on further query, the percentage jumped to 87% not in support of the development of 603 1st Street if subsidizing the project meant that there would no longer be any funds remaining for the downtown development incentive program (DDIP) with only 13% being in favour if it meant that the DDIP would no longer exist. There was no strong argument either way when the question was posed about moving downtown businesses from one location downtown to the 603 1st Street location.

In addition to the Chamber's formal survey, Mayor Clugston performed a quick survey at the Mayor's "State of the City" event, in which he included a question regarding support for subsidizing the project. In this survey the Mayor asked "Should the City spend $6 million to incent a developer to build a $30-$40 million development at 603 First St. SE?" In response to this question 52 replied yes, whereas 90 replied no.[5]

These results show that the general citizenry of Medicine Hat are supportive of developing the property, but not proceeding with the development as a City project, in either scope of design or funding.

Recommendations

The Medicine Hat & District Chamber of Commerce supports the development of 603 1st Street, but recommends that the City of Medicine Hat:

1. Allow private development to be the primary developer of that property in design, build and investment;
2. Limit restrictions of the property to those already regulated through the Land Use bylaw and Downtown Redevelopment Plan;
3. Provide no subsidy towards the development of 603 1st Street, aside from what would typically be made available through the downtown development incentive program;
4. Continue with the downtown development incentive program and create a more robust plan and incentive to spur development downtown;

[4] (Medicine Hat & District Chamber of Commerce 2015)
[5] (City of Medicine Hat 2016)

5. Halt further spending on the project and conduct further consultation with industry, stakeholders and developers to include discussion on other project options and uses for the property;
6. Not proceed with the development of 603 1st Street until it is economically viable by private industry to develop without significant subsidization for development of the property.

Date Drafted: January 26, 2016
Date Reviewed: February 17, 2016
Date Approved: February 17, 2016

Sources:

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Creation of an Integrated Southeast Child Advocacy Centre

Issue: There is a need for an integrated, effective, and efficient Child Advocacy Centre (CAC) to be located in Medicine Hat to increase and streamline service, as well as decrease costs for Southeastern Alberta. However it has been identified that provincial funding may be directed elsewhere and leave the Southeast region of the province without adequate service delivery and subsequent increased costs.

BACKGROUND

It is estimated that the minimum estimated cost of child abuse in Alberta is $2.4 billion dollars per year[1]. The Canadian minimum estimate of the cost of Child Abuse in Canada is $15,705,910,047 [2]. In 2016/2017 the monthly average number of children receiving family enhancement or child protection services through the Government of Alberta, Ministry of Children's Services was 10,265. These children and their non-offending family members are accessing multiple publicly funded services[3].

This cost is due to the fact that sexual abuse is widely recognized as a 'root cause' for other social issues such as addictions, mental illness, medical problems, self-harm, suicide, parenting challenges, poverty, homelessness and domestic violence[4]. Additionally, survivors of childhood sexual abuse are more likely to experience physical health problems. They are likely to visit the emergency room more frequently and have pro-longed hospital stays in comparison to individuals who have not experienced sexual abuse[2]. Childhood sexual abuse also impacts the ability of survivors to participate in the workforce later in life[2]. Individuals who have experienced childhood physical and sexual abuse are more likely to receive support from income support or disability income support programs in comparison to individuals who have not experienced abuse[2]. Unaddressed child sexual abuse is also related to increased risk for re-victimization later in life[5].

Considering that child abuse is an issue that impacts the child welfare system, the healthcare system, and the social service sector, the economic costs related to child abuse affect all citizens of Alberta.

According to the Alberta Sexual Violence Action Plan utilizing financial proxies from the evaluation model of Social Return on Investment (SROI), if just one Albertan is the victim of child sexual abuse develops an addiction in order to cope with their abuse, they could end up costing the Health/mental Health, Justice and Social systems $68,038.99 per year [6]. Because the literature states that individuals with childhood sexual abuse histories also experience higher rates of relapse, and if that same Albertan struggles with overcoming their addiction for 20 years, they could end up costing the three systems $1,360,779.80. In addition to these costs, the cost of pain and suffering (counselling costs, work absences etc.) for individuals who have experienced sexual abuse is $90,977.09 over their lifetime [7]. Which brings the total cost to over 1.4 million dollars. And this is only one person[7]. Early detection and intervention is key to reducing these social and economic costs.

One model proven to address these costs, societal issues and productivity in service delivery is the Sheldon Kennedy Child Advocacy Centre, as it reduces duplication of effort in the provision of investigation, assessment and intervention services to victims of child abuse and their families[8]. The development of the Sheldon Kennedy Child Advocacy Centre included researching how the centre could provide a social return on investment [8]. The current operational budget of $2.5 million for the Sheldon Kennedy Advocacy Centre only accounts for 0.1% of the total cost of child abuse in Alberta, which is $2.4 billion dollars [8]. This means that for the Sheldon Kennedy Child Advocacy Centre to achieve a social return on investment, the centre must provide at least a 0.1% reduction in the costs associated with child abuse in Alberta[8]. Although it is too early to determine the exact social return on investment of the Sheldon Kennedy Child Advocacy Centre, it is estimated that the annual savings related to productivity improvements on just one joint investigative child abuse team are $550,000 alone[8].

Considering the extensive amount of service providers that respond to child abuse, the development of a Child Advocacy Centre will lead to savings for the child welfare system, healthcare system, social service system, and the law enforcement system, in addition to reduced travel costs and response time for families in Southeastern Alberta.

Currently, in Southeastern Alberta there are few formal collaborative agreements specific to child abuse, referrals are based on relationships, and specialized case management for children and non-offending family members is nonexistent. This type of system causes additional publicly funded costs, duplication of services and a disjointed and cumbersome service delivery model, as children and their families are left to navigate a complex system, putting victim health at an even greater risk.

Our community is poised, ready, and has the expertise to make important changes. The objective would be to use an existing non-profit as the backbone organization in order to reduce costs and duplication. The Child Advocacy Centre would be a collaborative venture owned by the stakeholders, but legally supported the Southeastern Alberta Child Advocacy Centre, located in Medicine Hat, serving as the backbone organization in alliance with the Medicine Hat Police Service, Children's Services, Alberta Health Services, the RCMP, Alberta Education, Medicine Hat College, Treaty 7 and Treaty 4. The centre would aim to set new standards for providing a strategic, cost effective and proven approach to child abuse, teaching, best practices, research and learning.

RESOLUTION

The Medicine Hat and District Chamber of Commerce advocate for the Government of Alberta to:

1. Recognize the distinct needs of rural Southern Alberta communities and the unique context related to distance and service supports in the eastern and western corridors.
2. Direct funds towards a Child Advocacy Centre to be specifically located in Medicine Hat.
3. Support a community led, collaborative approach for service delivery towards achieving early detection, prevention and treatment to avoid duplication and reduce service delivery costs.

Date approved: November 15, 2017

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[6] Association of Sexual Assault Services. (2017). Alberta Sexual Violence Action Plan. Retrieved from: https://s3-us-west-2.amazonaws.com/aasas-media-library/AASAS/wp-content/uploads/2017/05/AASAS-Sexual-Violence-Action-Plan.pdf

[7] Association of Sexual Assault Services. (2017). Alberta Sexual Violence Action Plan. Retrieved from: https://s3-us-west-2.amazonaws.com/aasas-media-library/AASAS/wp-content/uploads/2017/05/AASAS-Sexual-Violence-Action-Plan.pdf

[8] Sheldon Kennedy Child Advocacy Centre (2015). The Sheldon Kennedy Child Advocacy Centre: Social Return on Investment Study. Retrieved from: http://calio.org/images/social-return-on-investment-study.pdf

Provincial Policies

Benefits of Twinning Highway 3

Issue

Twinning construction of the remaining (approximately) 220 kilometers of Alberta Highway 3 known as Crowsnest Pass Highway, has been a concern for nearly two decades due to not only safety and efficiency concerns, but also concerns related to stagnating the economic benefits and market access along this corridor. The main benefits that accrue from twinning Highway 3 include safety improvements, time savings for commercial and recreational travel, increased social and economic activities, tourism and agricultural needs.

Background

Alberta Provincial Highway 3 was designated as a core of the National Highway System in 1988, an interprovincial route connecting large population centers. Its entire length of 324 kilometers (201 miles) is a highway that transverses southern Alberta, connecting the Crowsnest Pass to the Trans-Canada Highway in Medicine Hat, and it serves as an alternative route to the Trans-Canada from Lower Mainland to the Canadian Prairies. It is also the last highway in Alberta recognized as a part of the national highway system that is not twinned.

Highway 3 in Alberta begins in the Canadian Rockies at Crowsnest Pass, parallel to the Canadian Pacific Railway and is part of Alberta's "Export Highway" - a name given to the southern portion of Alberta's north-south trade corridor, which is a segment of the CANMEX Corridor that stretches from Alaska to Mexico.

From Fort Macleod to Taber, it is a divided highway (approximately 104 kilometers) with a speed limit of 100-110 km/h through the rural area with the remaining route as an undivided two-lane highway (approximately 220 kilometers) with a speed limit of 100 km/h.

The idea of twinning Highway 3 has been previously discussed and the costs and benefits study have been conducted by the Van Horne Institute, at the University of Calgary under the direction of Dr. Frank J. Atkins in 2002 and 2004 (revised report). In an updated 2017 report, results of the cost-benefit analysis demonstrate that the net present value of Highway 3 twinning project over twenty years, using Alberta Transportation recommended real discount rate of 4%, exceed $2.3 billion dollars. However, equivalently in terms of benefit-cost ratio, the analysis shows that for each dollar spent on this project, there is $2.97 in benefits, which translates into the internal rate of return of 12.3%. Consequently, for a public infrastructure investment, these results, with a return of 3 to 1 are highly significant and demonstrate the worthiness of the twinning investment project.

It should be noted that the areas for construction are not all equal as there are approximately 25 kilometers from the B.C. border to the Crowsnest Pass area that are considered to be 'difficult' due to the mountainous terrain. Consequently, the costs of twinning (direct and maintenance) this part of the highway will be higher.

Summary of Analysis (In Millions of 2016 Dollars) Discount Rate: 4% over 20 years[1]

Project Benefits	
Travel Time Cost Savings	$1,292.72
Accident and Injury Cost Savings	$804.64
Vehicle Operating and Emission Cost Savings	$1,358.62
Tourism and Others	$94.41
Total Benefits	**$3550.39**
Projected Costs	
Direct Construction Costs	-$1,183.38
Maintenance and Repair costs	-$13.75
Total Cost	**-$1,197.13**
Net Present Value	**$2,353.26**
Benefit-Cost Ratio	**2.97**
Internal Rate of Return	**12.3%**

The Piikani Nation is the only remaining area of highway still in need of a Functional Planning Study and a request to initiate consultation has not yet been received by the Piikani Nation Council. A study will need to be completed to ensure that all sections of Highway 3 have been accounted for. The last section in the Piikani Nation is particularly important as economic development is a call to action of the Truth and Reconciliation Commission.

In 2017, the Functional Planning Study of the Twinning of Highway 3 was completed. The study was focused on creating a more expensive freeway system which has caused some delay in municipal agreements regarding by-passes and a more expensive projected cost. To remediate this issue, beginning the project with twinning Highway 3 between municipalities as a simple highway system would allow the project to move forward, particularly during stop-gap funding and allow businesses long-range planning for the possibility of a by-pass in the future. The long range benefit of Highway 3 maintenance cost schedule can be reduced when actual paving is completed, reducing maintenance budget for a significant period.

Twinning Highway 3 is becoming increasingly important as Southern Alberta is expanding their economic contribution. Highway 3 is a critical pipeline for moving commodities from processors to markets of which traffic is only set to increase over the next few years. There are new businesses expected to open in the 2019/2020 year including: Lethbridge Cavendish Expansion, Purple Springs Fertilizer Plant, Lundbreck Mining, and Foremost Wind Turbine, among others, which will not only greatly increase the amount of trucking on Highway 3 but also depend on reliable transportation for the success of their business.[2]

[1] Source: based on author's calculations. The data was obtained from Alberta Transportation, Alberta Culture and Tourism, AMA, Alberta Treasury Board and Finance (Southern Alberta Region) and Environics Research/Economic Development Lethbridge

Tran, Kien C., Ph.D. Professor, Department of Economics University of Lethbridge (2017, April 22) *'Highway 3 Twinning Feasibility: A Cost Benefit Analysis'*

[2] Economic Insights into Select Canadian Cities - Lethbridge

The increase in traffic will also impact import and export through Southern Alberta and South-Eastern BC US border crossings which are already the 2nd and 3rd busiest in Canada. In 2018, export in the Lethbridge Region totaled over $1 billion dollars, $700 million of which were from the manufacturing sector that grew 15% in the last year [3] Also, the area between Lethbridge and Bow Island has 7 ready to move home and 4 Large Storage Container businesses that travel Highway 3. These businesses require special permits to transport within a specific time frame and speed restrictions which impact the already slower travel speed of 90 km/hour for traditional commercial trucks. Deliveries can be dangerous to both vehicles and transport truck teams and delays are costly to business owners

Additionally, Highway 1 will be undergoing renovations in late 2020-2021 with detours to Highway 3 expected to reach 20-25% of Highway 1 travel. Because of these factors, the Alberta Motor Transport Association has placed the twinning of Highway 3 as a top 5 priority.[4] Accordingly, the twinning of Highway 3 underscores the need for improvement of Southern Alberta Infrastructure to support a growing economy.

The current cost of the next stage of the project—engineering—is an estimated $800,000 per 10km of a total 220 km left to twin. However, cost of Southern Alberta farm land has increased 60% since the Highway 3 Twinning Feasibility studies were started in 2002 and continues to increase, stressing the importance of moving forward with the project sooner rather than later. Thus, a dedicated program for twinning Highway 3 allows the project to be placed in a carry-forward position with both flexibility for annual funding and forward momentum for the project to be undertaken in manageable and economically responsible sections.

The economic contribution of Southern Alberta is significant. Moving products to market is a provincial and national benefit, as is the importance of ensuring tourists and commuters can travel safely across the province. As such, a dedicated program to plan for funding to twin Highway 3 is becoming increasingly crucial. The style of program suggested will provide annual, fiscally flexible, planned funding to complete the steps needed to eventually twin Highway 3 and as a result will champion jobs and support the expanding economy of Southern Alberta and the province.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Create a dedicated program for twinning Highway 3 with an annual sustainable contribution.
2. Conduct a functional planning study to assess the viability and affordability of twinning Highway 3 in the Piikani Nation.
3. Begin the twinning of Highway 3 between municipalities as a highway rather than a freeway to allow for more cost flexibility.

[3] Lethbridge Export Highlights 2018.

[4] AMTA Press Release - https://amta.ca/8455-2/

Clarity Required in Joint Use Agreements

Issue: Municipalities are now required to operate and maintain utility infrastructure on any private property which provides service to more than one parcel within a development versus entering into joint use agreements with developers.

Background

On August 1, 2019, the Alberta Court of Appeal issued a decision which requires municipalities to operate and maintain privately owned utility infrastructure on private property which provides service to more than one parcel within a development. Many municipalities have utilized joint use agreements effectively in a number of scenarios and developments in the past. Concerns are now arising that this decision has eliminated opportunity to use these types of agreements, resulting in significant impacts on municipalities and private industry throughout Alberta. This will likely result in municipalities and private development experiencing increased costs for operation and maintenance of utility infrastructure, with more stringent conditions on subdivisions, which will ultimately increase costs for taxpayers and property owners. This decision has the potential to impose a chilling impact on development, which is why municipalities and private development must be able to utilize joint-use agreements to manage privately owned infrastructure that services more than one parcel of land.

As a result of the Alberta Court of Appeal decision on August 1, 2019 [Citation: Condo Corporation No. 0410106 v Medicine Hat (City), 2019 ABCA 294][1] an enduring precedent has been established, requiring municipalities to take responsibility for the operation and maintenance of privately-owned water, sewer and storm infrastructure located on multiple parcels that service more than one parcel (i.e. shared infrastructure) previously considered the responsibility of a private owner. This decision affects all Alberta municipalities resulting in significant financial and administrative impacts.

The decision was based on a specific example whereby a condo community comprised of five adjoining parcels of land, each registered under separate titles with four parcels registered as Condominium Corporations. Four of the five parcels (one parcel is currently undeveloped) share some water, sewer and storm infrastructure. However, joint servicing agreements did not exist amongst the various Condominium Corporations. Shared services, such as found in the five parcel development, is not uncommon in Alberta municipalities and has been a long standing interpretation of allowance through the Municipal Government Act. In this instance, the applicant Condominium Corporations applied to the Court to require the City to operate and maintain the privately-owned water, sewer and storm infrastructure that was on privately owned lands. At the Court of Queen's Bench, the court held the City was not responsible for private infrastructure, but the decision was overturned by the Alberta Court of Appeal. As a result, the City has been directed to operate and maintain those privately-owned parts of the water, sanitary and storm infrastructure that service more than one parcel. As the Appeal Court decision is an interpretation of the duty to provide a utility service under the Municipal Government Act, the decision has implications beyond this one development, to other existing and future developments in all municipalities in Alberta[2].

MGA Chapter M-26 does state that the Government of Alberta recognizes that Alberta's municipalities have varying interests and capacity levels that require flexible approaches to support local, intermunicipal and regional needs.[3]

Going on to state in 37(1) The owner of a parcel of land is responsible for the construction, maintenance and repair of a service connection of a municipal public utility located above, on or underneath the parcel.

[1] Citation: Condo Corporation No. 0410106 v Medicine Hat (City), 2019 ABCA 294 https://www.canlii.org/en/ab/abca/doc/2019/2019abca294/2019abca294.html

[2] AUMA 2019 Extraordinary Resolution https://auma.ca/sites/default/files/Events/Convention2019/2019_resolution_-_responsibility_for_utility_infrastructure_on_private_property_-_city_of_medicine_hat.pdf

[3] Municipal Government Act Chapter M-26 https://www.canlii.org/en/ab/laws/stat/rsa-2000-c-m-26/latest/rsa-2000-c-m-26.html

(2) If the municipality is not satisfied with the construction, maintenance or repair of the service connection, the municipality may require the owner of the parcel of land to do something in accordance with its instructions with respect to the construction, maintenance or repair of the system or works by a specified time

Restoration and costs
Within 39(1) After the municipality has constructed, maintained or repaired the service connection located above, on or underneath a parcel of land under section 37 or 38, the municipality must restore any land entered on as soon as practicable. (2) The municipality's costs relating to the construction, maintenance or repair under section 37 or 38 and restoration costs under this section are an amount owing to the municipality by the owner of the parcel.

References such as these within MGA Chapter M-26 give pause to why this decision was overturned in the court of appeal with the decision now resulting in new standards of interpretation being implemented.

Many municipalities have utilized joint use agreements effectively in a number of scenarios and developments in the past. Concerns are now arising that this decision has eliminated or significantly minimized the opportunity to use these types of agreements.

While the decision dealt with water, sewer and storm water, it likely applies to all municipal public utilities servicing more than one parcel and impacts whether municipalities agree to permit joint use agreements.

This decision will have significant impacts on municipalities and private industry throughout Alberta and is likely to result in municipalities and private development experiencing increased costs for operation and maintenance of utility infrastructure. Municipalities will start imposing more stringent conditions on subdivisions, ultimately driving up costs for taxpayers and property owners and resulting in a chilling impact on development.

The Alberta Chambers of Commerce recommends the Province of Alberta:

1. Modify the Municipal Government Act to clarify that a municipality should not be responsible for the repair and maintenance of a portion of a "public utility" unless it is an owner of that portion of the "public utility" and to provide transitional provisions to address existing situations where infrastructure crosses parcel boundaries.
2. Restore the ability for industry to utilize joint-use agreements to manage privately-owned infrastructure that services more than one parcel of land by clarifying the long-standing common interpretation of the Municipal Government Act that municipalities have no obligations of operation and maintenance for privately-owned portions of utility infrastructure.

Date drafted: January 23, 2020
Date approved: February 19, 2020

Extension of Hours at the Port ofWild Horse

Issue

Alberta is Canada's second most robust provincial economy with the highest GDP per capita and an economy driven by its ability to export products and services. As a result, transportation and logistics plays a critical role in our economy, as it supports a variety of industries across the province. Yet, with one of the best transportation systems in Canada, we still have only one full-service commercial port of entry between Alberta and the U.S. There is a need for better access and hours at our border to facilitate efficient trade between Canada and the US.

Background

Canada and the U.S. enjoy one of the most prosperous relationships in the world, with a staggering volume of bilateral trade totaling $1.2 trillion in 2019[1] as well as close to 400,000 people crossing our shared borders each day.

In particular, Montana and Canada continue a profitable trading relationship with bilateral trade flows totaling $4.68 billion USD in 2018[2]. Moreover, Canada continues to be Montana's most important customer with total Montana exports to Canada at $680 million USD in 2018 while total Montana imports from Canada totaled $4 billion USD. From 2011-2015 Alberta's exports to Montana have averaged $2.52 billion annually with exports to Montana in 2015 totaling $2.02 billion. These exports consist of primarily oil and natural gas, fertilizers, food wastes and cereals[3].

While 75 percent of Alberta's exports to the U.S. were carried by pipeline, 11 percent was carried by truck, representing a value of $8.67 billion. Almost 78 percent of all exports to the U.S. were destined for the central, northeast and southeast parts of the country. In the same year, 42 percent or $7.54 billion worth of imports from the U.S. were carried by truck. Almost 76 percent of this total originated from the central, northeast and southeast U.S.

With the fewest number of highway/land border crossings within Canada, Alberta is also currently the only province bordering the U.S. to have one 24-hour border crossing, situated in Coutts, Alberta.

	24-Hour Crossings	Total Crossings	Population (2019)
British Columbia	8	19	5,071,000
Alberta	1	6	4,371,000
Saskatchewan	2	12	1,178,000
Manitoba	3	16	1,373,100
Ontario	13	14	14,659,000
Quebec	21	30	8,522,000
New Brunswick	12	18	780,000

[1] https://www.international.gc.ca/economist-economiste/performance/monthly-mensuel.aspx?lang=eng

[2] https://www.tradecommissioner.gc.ca/tcs-sdc/united-states-of-america-etats-unis-amerique/business_fact_sheets-fiches_documentaires_affaires.aspx?lang=eng#montana

[3] http://open.alberta.ca/dataset/9269de23-6d7a-448e-867e-293b4b0568e1/resource/7bd5fe74-c023-4388-99e0-17bde9e5c6db/download/2016-Montana-Alberta-Relations-August-2016.pdf

Wild Horse is a critical link in the Eastern Alberta/Eastern Montana trade corridor with ramifications that extend as far north as the Fort McMurray oil sands and as far south as tidewater in Mexico. However, it is also a principal choke point, a constraint on north-south traffic and trade, because of limited hours of service and a critical lack of facilities and infrastructure.

Presently, between May 15 and September 30, Wild Horse is open for travelers from 8:00AM to 9:00PM (13 hours/day). Between October 1 and May 14 the hours are 8:00AM to 5:00PM (9 hours/day). For commercial traffic the hours are 8:00AM to 5:00PM Monday to Friday, year-round.

In addition to the limited hours, another barrier to Wild Horse is also the lack of an Electronic Data Interchange (EDI), which facilitates the electronic transmission and interchange of cargo, release and accounting data issued by customs brokers. Wild Horse is set up as an automated port of entry, but has not yet been activated in this mode. Fibre-optic cable service is also available at Wild Horse, which may or may not be in use.

Despite these setbacks, in 2012, Wild Horse was the third busiest border crossing in the region in terms of average annual daily traffic – behind Coutts/Sweetgrass and Raymond/Regway. It accounted for two- way daily traffic of 160 vehicles compared to Coutts/Sweetgrass at 1,790 vehicles and Raymond/Regway at 290 vehicles[427]. By 2019, personal vehicle traffic for the Port of Wild Horse has halved.[5] While all Albertan border crossings have decreased as a result of the economic downturn, the drastic downward trend may be a result of irregular hours and poor facilities.

A 2016 survey of commercial trucking companies showed that extending the operating hours at Wild Horse to 9:00PM year-round and increase infrastructure improvements would cause carriers to divert traffic to Wild Horse at widely differing rates, ranging from five to 50 percent of current trips.[6] Based on the results of the survey, the cost benefit ratio would be in excess of 2.0 with over $1 million annual mileage savings.

A larger share of Alberta's commercial truck traffic with the U.S. would be more directly served by the Port of Wild Horse. Consequently, much of Alberta's commercial traffic moving to/from the central, southeast and northeast U.S. would achieve substantial cost savings by transiting at a de-constrained Wild Horse border crossing.

There have been designated funds by the Canadian government, with $440 million slated for border facility improvements at 77 ports-of-entry across the country, $114 million of which has been targeted to the prairie ports. The program includes the design of modular buildings of varying size for locations like Wild Horse, which will be installed over a period of years. The proposed Wild Horse improvements also include new staff housing, which will reduce the need for officers to commute quite as often from communities like Medicine Hat and will serve to keep the port open during inclement weather.

Supporting the need for improved levels of service at the Port of Wild Horse is the economic activity north and south of the border. The community-of-interest and shared commonalities between Alberta and Montana contribute significantly to the case for service improvements. Both jurisdictions are heavily invested in industries like agriculture, tourism and oil and gas, which foster cross-border trade in commodities, services and people. Additionally, there are two trade corridor initiatives that will help to nurture the success of an upgraded Wild Horse port-of-entry through advocacy for enhanced economic development and improved transportation infrastructure in the regions north and south of the border including both the Eastern Alberta Trade Corridor and the Ports to Plains Trade Corridor.

Potential benefits of an improved Wild Horse port include reduced mileage costs for commercial truckers, enhanced economic development in the Eastern Alberta Trade corridor, more moderate traffic growth at Coutts-Sweetgrass, more effective utilization of staff and facilities at Wild Horse, and a shift of traffic away

[4] HDR, Impact of Canadian Economic Development on Northern Montana Highways – Phase II, prepared for the State of Montana Department of Transportation, October 2014. p. xvii

[5] https://explore.dot.gov/views/BorderCrossingData/Annual?:isGuestRedirectFromVizportal=y&:embed=y

[6] http://www.palliseralberta.com/wp-content/uploads/Port-of-Wild-Horse-%E2%80%93-A-Business-Case-for-Service-Improvements-030817.pdf

from the heavily used U.S. Highway 15/Alberta Highway 2 corridor to underutilized highways in eastern Alberta and eastern Montana, like Highways 41 and 232.

The expansion of the Wild Horse port to a 24-hour commercial port facility will increase connectivity of the regions by reducing travel time and uncertainty. It will lower costs for businesses in transportation- related sectors and to those who buy and sell goods and services from outside the region. We need to encourage the further development of north/south trade and remove delays, restrictions and limitations on crossing times and access. The congestion of truck exports and imports via the Coutts/Sweetgrass port could also be serviced by an upgrade to the Wild Horse port.

Investment leads to trade, as companies' activities increasingly become part of the global value chain, necessitating not only clear and open investment rules, but also ensuring that goods and services produced in our region can be transported easily to market. To be part of this chain, Canada and the United States must not only be open to these cross-border opportunities, but must also ensure the goods and services produced have easy access to markets in both countries as well as internationally.

It is in the best interest of Alberta and Canada to expand trade linkages with the United States through transportation crossings and corridors that link Canada to the United States to facilitate a growing trading market. A continued effort is needed to eliminate the obstacles that continue to prevent the expansion of the Wild Horse facility and promote this as access to a north-south trade corridor.

The Alberta Chambers of Commerce recommends the Government of Alberta work with the Government of Canada to:

1. Extend the existing hours of the Wild Horse Border crossing to 13 hours, 365 days a year in an effort to work towards the creation of a second 24-hour commercial port in Alberta.
2. Make the Wild Horse Border Crossing an automated Port of Entry with full Electronic Data Interchange (EDI) equivalency.
3. Accelerate dialogue with U.S. counterparts to provide support for their initiatives and ensure that the hours and services at Wild Horse consistently match the U.S.
4. Improve the structures and facilities on the Canadian port side to better serve present needs and eventually serve as the foundation of a full service commercial port.

The Alberta Chambers of Commerce recommends the Government of Alberta:

5. Evaluate needed upgrades to the highway corridors serving the port facility.

Grown in Canada Label: Marketing Alberta's Agri-food Industry

Issue

The agriculture industry significantly contributes to Alberta's economy and enhancing the strength of the sector is an important priority. It is particularly important for Alberta's agri-food industry to market their products in a way that reflects the link between 'Grown-in-Canada' product and a supply chain, environment, standard, and identity that is uniquely and 100% Canadian.

Background

Country of Origin (COO) labelling is regulated by the Government of Canada and labelling standards must comply with the World Trade Organization Technical Barriers to Trade Rules[1] and Codex standards which serves to prevent protectionist agendas and technical barriers to trade. Within this regulatory framework, it is particularly important for Alberta's agri-food industry to champion a voluntary 'Made in Canada' brand in order to increase value and to provide a marketing link between grown-in-Canada product and the strong Canadian standards for food safety and environmental stewardship.

COO labelling is viewed as a critical mechanism to help ensure consumers can correctly connect with products, enable producers to adapt production to meet consumer demands and expectations and promote social or political economic objectives (e.g. health outcomes, growth in desirable sectors, increased exports).[2] Informing consumers of the origin of food products via labelling is motivated by the recognition that geography is often correlated with a product's overall quality, or, in the stronger case, geography may even be a determinant of a product's ultimate realized quality.[3]

'Canada's Economic Strategy Tables' on Agri-food reports that Canada has the opportunity to be "recognized as the most trusted, competitive and reliable supplier of safe, sustainable, high-quality agri-food products and an innovator in value-added products to feed the dynamic global consumer" but requires a unified campaign focused on marketing the agri-food industry both domestically and internationally.[4] The agri-food industry also includes value-added agriculture and agri-food processing which are often forgotten as a vital part of the industry. With the agri-food industry target set to increase by over 27% to $225 billion dollars in 2025[5], all sectors must be given the opportunity to reach their full potential through a unified COO brand.

There is robust support from all levels of the supply chain for a unified 'Grown in Canada Brand'. In a report by MNP on consumer demands for a Canadian Label, over 90 per cent of Canadian consumers felt Canadian-grown product should be easily identifiable in stores and

[1] https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm
[2] Consumers' Preferences for Geographical Origin Labels: Evidence from the Canadian Olive Oil Market
[3] (Barham, 2003; Josling, 2006). In consumers preference
[4] Canada's Economic Strategy Table: Agri-food': 2 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf
[5] Canada's Economic Strategy Table: Agri-food': 3 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf

95 per cent of consumers would prefer to buy Canadian-grown product that is competitively priced. Similarly, in a report from the Next Agriculture Policy Framework (NAPF), there is also strong support from the agri-food industry in Alberta to enhance public perceptions about the quality, safety, and sustainability of the agriculture sector. Industry indicated that a priority for the NAPF should be to enable market access and develop market opportunities to foster growth.[6] Given the importance of market development to the agri-food industry and the key priority set forth by the NAPF of "expanding domestic and international markets to seize key opportunities and address emerging needs" and "improving the growth of the value-added agriculture and agri-food processing sector"[7], marketing the agri-food industry should be a priority for the Government of Alberta.

There are currently opportunities for marketing the agri-food industry. The Government of Canada is preparing a five year, multi-million dollar advertising campaign to better connect Canadians with their food.[8] This includes between $1.5 million - $4 million dollars to refresh branding and developing ways to increase product of Canada stickers.

Given the size of the agriculture industry in Alberta, the provincial government should be partnering to promote locally grown and processed agriculture products to position the Alberta agriculture industry as a leading force in Canada. The NAPF also includes the AgriMarketing program, a federal-only program, which provides funding for market development and promotion activities.[9] In 2019, the Federal government unveiled the 'Canada Brand' which includes a suite of tools including graphics, images and messaging that can help you brand your products and leverage consumers' positive perceptions of Canada. However, the qualifications for the brand include even more lax qualifications than "Made in Canada" and "Product of Canada" labels.[10] While this is a step in the right direction, products that are 'grown in Canada' signify a supply chain, environment, standard, and identity that is uniquely and 100% Canadian.

The Alberta government has a responsibility to market Alberta's agriculture, particularly when there is a very clear mandate from the agriculture industry in Alberta to promote locally grown, sourced, and produced food and demand for easily identified Canadian products. However, while there are various opportunities for marketing the agri-food industry, there is no distinct, recognizable, and unified brand. Products with a regulated COO can command between 21% - 39% higher price premiums compared with non-regulated regional labels. [11] This serves to reinforce the importance of a distinct, recognizable, and unified 'Grown in Canada Brand'. Therefore, because of the prominence of the agri-food industry in Alberta, Alberta is uniquely positioned to take the lead on creating a 'Grown in Canada brand' that reflects the safe, sustainable and high quality agri-food products.

Not only will an Alberta led 'Grown in Canada' brand advocate for a prominent industry in

[6] Next Agricultural Policy Framework: What We Heard Report – 2
https://cap.alberta.ca/CAP/download/AGUCMINT-4795873
[7] Calgary Statement http://www.agr.gc.ca/eng/about-our-department/public-opinion-research-and-consultations/consulting-on-the-next-agricultural-policy-framework/calgary-statement-towards-the-next-policy-framework/?id=1468864509649
[8] https://globalnews.ca/news/6435463/buy-canadian-promotional-campaign/
[9] NAPF report
https://www.ourcommons.ca/Content/Committee/421/AGRI/Reports/RP8717216/agrirp05/agrirp05-e.pdf
[10] https://marquecanadabrand.agr.gc.ca/intro/index-eng.html
[11] A Meta-Analysis of Geographical Indication Food Valuation Studies - 214

Alberta, it provides the opportunity to expand the domestic market, increase awareness among the public of the high standards in the agri-food industry, and signify products that are 100% Canadian.

The Alberta Chamber of Commerce recommends the Government of Alberta:

1. Work with the Government of Canada to expand on "Canada Brand" to create a voluntary, "Grown-in-Canada" label that would identify with 100% Canadian-grown product that would include a single unified label, logo, image, and theme.
2. Ensure the Next Agricultural Policy Framework works to develop branding skills, knowledge and awareness of opportunities in the agri-food industry.
3. Work with the Government of Canada to develop a unified public education strategy showcasing the agri-food industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food and value added products.

Highlighting the Importance of Ag Education

Issue: With greater attention around food sustainability and the environmental foot print of agriculture, there is a need to raise awareness and provide fact-based education focused on where our food comes from, recognizing the sustainability of agribusiness and its vitally important role in our economy as a natural resource.

Background

Greater awareness around food sustainability and the environmental foot print of agriculture has become progressively more important. As a result, there is an ever-increasing need to provide more fact based education in order to bridge the information gap between agriculture producers and consumers. This type of education starts at even the most basic level, providing an opportunity to educate our youth in order to ensure that the next generation is educated and informed about where food comes from and the importance of agriculture to our economy and the future sustainability of our food locally, provincially, nationally and internationally.

The 2016 Census of Agriculture found less than 1% of Canadians are farm operators, yet all Canadians participate in the agri-food sector when they go grocery shopping and make food choices[1]. Yet, farmers and ranchers feel increasingly under attack because of the public scrutiny and misinformation around the industry.

The disconnect between the producers who grow the food we eat and consumers is widening due to urbanization[2], growing misperceptions and a lack of factual information around this vitally important industry.

To emphasize the importance of our agribusiness industry, based on 2017 annual estimates, 75,100 Albertans were employed in agri-food industries, representing 3.3 per cent of the total provincial workforce with
Alberta having one of the world's most productive agricultural economies and a total farm area of 50.3 million acres.[3] Despite the decline in farms since 2011 in our province, Alberta continues to rank second, behind Ontario and had the highest number of cattle ranching in the country, representing one third of Canada's beef cattle ranching farms. In addition, Alberta has seen increases in wheat farms, oilseed and grain farms in addition to other grains.[4]

In 2018, Alberta's real gross domestic product for agri-food industries totaled $8.5 billion, increasing from $5.5 billion in 2011[5]. In 2018, Alberta agri-food exports remained strong at $11.6 billion, exceeding the 2017 record by 3.2 per cent[6] and exporting to nearly 140 countries.

Even though this industry plays a critical role in our eco-system, there is no requirement to educate our youth or public about the facts and information around the role the industry plays in our economy, or to provide education around the sustainability of our agri-food sector.

[1] Canadian Agriculture at a Glance, Statistics Canada: https://www150.statcan.gc.ca/n1/pub/96-325-x/96-325-x2019001-eng.htm
[2] Demand for Convenience, Government of Alberta: https://open.alberta.ca/dataset/b5d936eb-2127-424e-b1b8-818c486d12aa/resource/5d7a504d-ab10-4f1c-843c-79801cf0d412/download/af-consumer-corner-54-demand-for-convenience-2019-11.pdf
[3] Highlights of the Alberta Economy, 2019: https://investalberta.ca/media/1080313/highlights-of-the-alberta-economy-2019-march-2019.pdf
[4] Census of Agriculture Provincial Profiles, Government of Alberta: https://open.alberta.ca/dataset/8b3e6f0a-5faf-4873-a224-c7446029adcc/resource/e049ffdd-1bbe-4c25-a677-965291dc0633/download/alberta-farm-types-report.pdf
[5] Agriculture Statistics Factsheets, Government of Alberta: https://open.alberta.ca/publications/1929-4263
[6] 2018 Agri-Food Exports, Alberta Highlights, Government of Alberta: https://open.alberta.ca/dataset/d2476e36-1e8c-43fb-a4b2-15bd09c13773/resource/764d36d5-4f2a-4535-b317-9dc1f8228792/download/exp-19-1.pdf

The Government of Alberta has identified that teaching students where their food comes from and how it is produced is increasingly important as urban students become more disconnected from their rural neighbours[7].

In recognizing this need, there have been various efforts to develop resources and plans to integrate agriculture into the curriculum, including Alberta Agriculture Lesson plans[8], various education resources and programs[9], as well as funding for agriculture education and literacy[10]. There have also been not for profit and private organizations who have taken a leadership role in Agriculture Education, including Agriculture for Life[11] and the Classroom Agriculture Program[12], as well as Nutrients for Life[13], 4-H[14] and programs such as Journey 2050[15] and Farmers 2050[16].

The challenge becomes linking the resources to our educators and our public. While there are a number of resources pertaining to agriculture that already exist, there are also a number of barriers and challenges presented as to why this is not being taught through our education curriculum.

Consultations have identified that not only do teachers need to be equipped with the outcome connections and resources; they also need to be trained and knowledgeable in the subject matter. If they feel unequipped, these optional courses are not a priority.

Educators must also see the value in the resources that will accelerate or deepen their learning, helping their students to learn faster or accelerate their understanding of the curriculum. If this correlation is not made, the information won't be integrated.

A barrier to experiential learning opportunities can be correlated to time tables, as there isn't enough time within Junior High and High schools to do community classrooms or similar learning experiences, as teachers have a prescribed number of minutes they need in each course area. In elementary, because that time is with a single person, they can build in that flexible time to provide various educational opportunities. However, the more teachers you have, the less flex time there is to deliver outcomes through non-traditional learning environments.

While immersive experiences such as on-farm education or community gardens can be beneficial, the opportunities are often dismissed due to the cost prohibition, and while there are ways to address these costs, there are also opportunities, to deliver programming and curriculum in ways that don't have additional associated costs to ensure there is integration of agriculture education regardless of costs.

There is also a concern amongst educators that additional education, such as agriculture education, may take educators away from their primary course curriculum. However, this again can be addressed by tying the information into learning outcomes and agriculture course curriculum being integrated into the various subject matters. There is importance in relaying the correlation to our local economy and the connections to science, math and social studies in addition to using it as a tool to teach STEM curriculum. When you look at science, technology, engineering and mathematics, agriculture has various components that tie into each of these subject matters.

[7] Alberta Agriculture Education Resources: https://www.alberta.ca/agricultural-education-resources.aspx
[8] Alberta Agriculture Education Lesson Plans https://www.alberta.ca/agricultural-education-lesson-plans.aspx
[9] Alberta Education Programs: https://www.alberta.ca/agricultural-education-programs.aspx
[10] Canadian Agricultural Partnership for Agriculture Education and Literacy: https://cap.alberta.ca/CAP/Programs/category/Agricultural%20Education%20and%20Literacy
[11] Agriculture for Life: http://agricultureforlife.ca/5490-2/
[12] Classroom Agriculture Program: https://classroomagriculture.com/Portal/Project/classroomagricultureprogram/pages/home.html
[13] Nutrients for Life: https://www.nutrientsforlife.ca/
[14] 4-H Canada: https://4-h-canada.ca/programs
[15] Journey 2050: http://www.journey2050.com/
[16] Farmers 2050: https://www.farmers2050.com/

Ultimately optional courses are not mandatory and so very few teachers will use the resources available if it's not their primary field of interest, nor will students take the optional courses if they don't already have a producer connection or an interest in agriculture already.

We also know that we need a greater emphasis on agriculture, as everyone who eats play a role in agriculture, even as an end consumer. We also know that many conversations have also highlighted the looming skills and labour crisis in Canada's agriculture and food industry. Therefore in order for Canada to remain competitive, and to lead the way globally, we need to ensure that the next generation's best and brightest minds are knowledgeable about agri-food. By educating our students with current fact based information, we can further educate the public by embedding this into our everyday conversations at school and at home.

The most effective way to deliver agriculture education will be to embed it within the course curriculum, equipping educators with the materials, resources and knowledge to effectively deliver on the outcomes required and provide a better understanding of the importance of the information and how it fits within the curriculum and into our overall eco-system.

The Alberta Chambers of Commerce recommends the Province of Alberta:

1. Require agriculture education to be incorporated into existing course curriculum with outcomes connected to grade levels;
2. Integrate agriculture in the classroom through entrepreneurial programming;
3. Integrate experiential learning opportunity options such as on-farm learning, community gardens and community classrooms;
4. Integrate fact based agriculture education tools and resources through learnalberta.ca;
5. Facilitate agriculture education learning opportunities, resources and connections for educators through teacher's conventions and professional development training options in order to provide the tools, resources and training needed for effective program delivery.

Date drafted: January 23, 2020
Date Approved: February 19, 2020

Improving Risk Management for Agriculture Producers

Issue: Current risk management programs are not meeting the changing needs and requirements within agriculture and the lack of education and awareness around risk management strategies is limiting the growth and success of agriculture producers.

Background

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be. As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, both government and producers groups have identified that improvements to agricultural risk management solutions and tools is needed. With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

Government's Role

A December 2019 news report from *Food in Canada*[1] stated that federal, provincial, and territorial Ministers of Agriculture met face-to-face to initiate action on a number of key proposals to improve support to Canadian producers, following what has been a difficult year for many producers due to a series of impacts including bad weather, the CN work stoppage, and market access issues.

Ministers recognized that the risks facing producers have changed, particularly with respect to climate and international trade, and that current programs may need to evolve to meet their needs. To start to address these changing risks, Ministers made targeted improvements to the AgriStability program and Ministers asked officials to change the treatment of private insurance for the 2020 program year.

In addition, understanding that administrative burden is an issue for many, in particular for smaller producers, Ministers agreed to launch a pilot in select jurisdictions to make applying for support easier, by using tax return information to simplify the application process.

Ministers' engagement on key business risk management programs signaled a direct response to the changing risks faced by producers. The business risk management programs aim to provide producers with tools to ensure the viability of their operations and to manage risks largely beyond their control. As a result, officials are to develop options to make the programs more effective, agile, timely, and equitable for producers. In particular, officials are to evaluate the impact of changes to the reference margin limit and changes to eligible expenses under AgriStability.

Out of recognition to support this vitally important sector in our economy, the provincial Government, through its business plans, prioritized the growth and sustainability of Alberta's Agriculture and Forest sectors, along with focusing on managing our resources responsibly[2]. Key objectives for the ministry include identification of strategic opportunities to create the environment for business success and delivering

[1] Ministers outline improvements for AgriStability program, December 18, 2019: https://www.foodincanada.com/food-in-canada/ministers-outline-improvements-to-agristability-program-143373/

[2] Agriculture and Forestry Business Plan 2019–23: https://open.alberta.ca/dataset/87074796-5715-4a79-b3f6-e12e9a699c70/resource/9eb637e5-e9ae-4f13-9dda-212011bbf43e/download/agriculture-and-forestry.pdf

agricultural insurance products to give producers tools to reduce the economic impacts of risks beyond their control that threaten the viability of their farms. To gauge success of these key objectives, the government has committed to evaluate the number of value-added agriculture products developed and successfully introduced into the market, along with the percentage of eligible seeded acres for major crop categories insured under Production Insurance.

Under responsible resource management, the provincial government plans to assist primary producers and agri-processing companies to adopt environmental stewardship practices as part of improving sustainable resource management through research, policy, extension, programs and services while executing the Agriculture Financial Services Corporation's lending mandate to support the development and competitiveness of primary agriculture, agribusinesses and value-added agri-processors. The Government has also set the objective to deliver agriculture education, knowledge transfer, and training programs and services to build and strengthen rural community capacity. The Government will seek to evaluate the average percentage of improved environmentally sustainable agriculture practices adopted by producers and the total investment leveraged in rural businesses and agribusinesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services.

Federally, in the mandate letter of the Federal Minister of Agriculture and Agri-food[3], there was specific guidance to work in collaboration with the provinces and territories to undertake a review of risk management programs, with a special focus on AgriStability in order to help producers manage environmental and business risks by providing faster and better adapted support, drawing from lessons from recent trade disputes and evidence-based research.

In order to meet objectives such as these, Government often turns to crown corporations to assist in delivering on its mandates. In Alberta, Agriculture Financial Services Corporation (AFSC) is used to support the competitiveness of Alberta's primary agriculture, agribusiness, and value-added agri-processing sectors.

For over 80 years AFSC has provided Alberta's agricultural producers, agribusinesses and other small businesses with loans, crop insurance and farm income disaster assistance in order to assist producers in managing their risk with a mission to provide leading, innovative, client-focused financial and risk-management solutions to grow agriculture in Alberta using a suite of programs and solutions[4].

AgriStability is just one program in a suite of business risk management programs that governments offer to help producers manage significant risks and provides Canadian agricultural producers with an ongoing whole-farm risk management tool that provides protection against large declines that threaten the viability of their farm. Under the program, allowable income includes the proceeds from agricultural commodity sales and the proceeds from production insurance. Allowable expenses include commodity purchases, along with direct input costs incurred in the farming operation.

Producer Concerns

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be.

As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, there is much needed improvement required to agricultural risk management solutions and tools offered, as identified by both government and producer groups.

[3] Minister of Agriculture and Agri-Food Mandate Letter https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-agriculture-and-agri-food-mandate-letter

[4] Agriculture Financial Services Corporation website: https://afsc.ca/about-afsc/

Current programs are limiting and don't allow for new opportunities such as the ability to expand intercropping. As there is a lack of insurance coverage for these opportunities, it prevents diversification through new cropping opportunities.

In addition, current programs often require specific fertility, seed treatment and irrigation levels, without taking into account the producers management practices. Modern farming practices and management systems often require lower inputs to produce a crop than more traditional practices. By having minimum input levels built into the program without consideration of the producers farming practices, it can mean higher costs, and restricts the producers ability to follow best practice farming methodology.

Limiting in programs has also left collateral damage because liabilities were going up and the Government's concerns over costs resulted in significant impacts to producers.

In addition, there have been significant changes to weather patterns, incidences of drought, amount of moisture and extreme weather events, requiring a need to adjust with them, taking into consideration seasonality and length of time draught happens, along with overall impacts of rain and whether there are benefits or negative implications as a result[5]. While clients may choose one, two or three weather stations to best represent conditions on their farm, and within proximity of their land base, weather station information may be subject to change and weather systems are also changing. Therefore, more emphasis should be placed on the use of various technology tools to assess crops and pastureland to increase accuracy in the assessment and assist producers in addressing weather events.

Since AgriStability is a margin based program that provides whole farm protection[6], there are also limits to this. Under the Canadian Agriculture Program, there have been improvements to the Margin Limit with it being adjusted now to ensure a more equitable level of support for participants impacted by the limit. However, participants are subject to limiting of at least 70 per cent of their calculated Olympic Average Reference Margin, known as the Adjusted Reference Margin Limit. The reference margin limit impacts about one third of participants to varying degrees. The reference margin used to calculate benefits (the applied reference margin) is the lower of the Olympic and the average adjusted expenses for the same three picked years as the Olympic. Therefore, if a producer's average adjusted expense for those three years was $200,000, the applied reference margin (used for calculating benefits) would be $200,000, which may only actually end up being 40% of their Olympic average. This type of example may seem extreme, but we have seen situations where limiting has impacted producers by a substantial amount.

Another limit is livestock price insurance. Currently, there are few truly effective risk management instruments that allow Western Canadian livestock producers to manage their risk. Cattle and hog producers in western Canada face volatile market prices and the Western Livestock Price Insurance Program is designed to be market driven to reflect the risks a producer in Western Canada faces when selling livestock. Livestock producers are typically 'price takers', with prices varying greatly year to year, due to many factors impacting the market. Having a tool available to help protect against the unknowns of the market and associated price volatility can assist a producer with being more profitable[7]. While the current program helps with the risk at the time of selling, there is currently no program to help protect the producer against the unknowns of the market at the time of purchase. A reverse of the current program, allowing producers to lock in a ceiling price at the time of purchase, would go a long way to help alleviate the impacts of market volatility throughout the livestock ownership period.

Within perennial crop insurance, AFSC provides a suite of insurance programs to provide a production guarantee for hay crops based on average historical yields and the coverage option selected and coverage for pasture based on conditions in the area, determined by an indicator of production loss, such as

[5] Agriculture Adaptation to Climate Change in Alberta Focus Group Results, 2005: https://www.canadianfga.ca/wp-content/uploads/2013/12/AAFRDAdaptationfinalreport.pdf
[6] AgriStability program: https://afsc.ca/income-stabilization/agristability/
[7] Western Livestock Price Insurance Program Handbook: https://afsc.ca/wp-nfs/wp-content/uploads/2020/01/WLPIP-Handbook-2019.pdf

precipitation or satellite imagery. This coverage is not directly related to losses to insured fields, which results in inconsistency between annual crop insurance and perennial crop insurance programs.

There is also concern over claims processing, timelines for claims, adequate and educated staff resources for processing claims and the often long window of time from application to reimbursement, which often has an impact on financial yearend timelines for producers.

Another impact affecting availability of alternate risk management solutions is the application of a premium tax and fire prevention tax, which is applied by the provincial government on private agriculture risk management insurance products, exempting provincial agriculture insurance and AgriStability programs. This tax treatment is inequitable and creates an unfair playing field and disincentive for producers to obtain the best risk management solutions available to them.

With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

The Alberta Chambers of Commerce recommends the Province of Alberta and the Government of Canada:

1. Consult with industry and stakeholder organizations to determine improvements and solutions for all agriculture risk management options;
2. Create greater simplicity in risk management programs and ensure equitable coverage across all producer types;
3. Provide education tools for the creation of risk management strategies through toolkits, workshops, webinars and online sessions;
4. Provide education on the cost of production per acre by providing a cost of production toolkit to producers;
5. Provide transparency in risk management solutions and budgets, disclosing how much is made available for claims;
6. Provide more flexibility and options in risk management solutions to allow for new cropping and diversification opportunities;
7. Remove requirements that force specific treatment plans that may not be needed, assessing outcomes based on results of the producer's implementation plans;
8. Utilize various technology methods to assess crops and pastureland in a more localized method in order to create greater accuracy in assessments;
9. Remove 'limiting' on AgriStability program or increase the reference margin up to 85% for all crops and cattle;
10. Provide livestock producers with an insurance tool similar to the Western Livestock Price Insurance Program to lock in a ceiling price when purchasing livestock.
11. Re-evaluate pasture and perennial programs to create equity in the crop insurance programs available;
12. Provide better response time in assessments, claims and processing through service level agreements, ensuring adequate staffing levels and contracting third party adjusters and verifiers to assist where needed;
13. In order to minimize year end impacts resulting from payments at the end of a fiscal year, take into consideration financial requirements of producers and year end timelines when processing payments, providing the option to defer insurance claims and AgriStability payments to the next fiscal year;
14. Remove the premium tax on private insurance to create a level playing field in risk management options.

Date drafted: February 8, 2020
Date approved: February 19, 2020

Investment Attraction for Industrial Zones

Issue: In order for Alberta to compete on the global stage, we need to address issues such as regulatory uncertainty and cost competitiveness so that industry has the tools it needs to maintain a competitive advantage and so that the province and regions can attract new investment opportunities.

Background

The petrochemicals sector accounts for approximately one-third of Alberta's total manufacturing exports with producing 27% of Canada's chemical output. Contributing $6.8 Billion to the provincial GDP and $6 Billion in exports, Alberta holds Canada's largest refining and petrochemical cluster. We boast modern, world-scale plants with access to abundant resource feedstock and efficient transportation systems able to deliver supply to consumers. There is significant potential for investors who are interested in taking advantage of Alberta's vast energy resources and new government development programs to build new petrochemical plants in the province.

Five main petrochemical regions have been developed in Alberta to support our petrochemical industry across the province, with the Alberta Industrial Heartland, Central Alberta and Joffre, Medicine Hat, Grande Prairie and Yellowhead County.[1]

In addition, industrial manufacturing is a foundational industry that supports infrastructure development as well as energy and natural resource production in Alberta. With world-class expertise and access to global supply chains, Alberta's industrial manufacturing sector delivers high-value products and services across Canada and around the world. Alberta's industrial manufacturing industry has key strengths that make the industry competitive and positioned for growth with $2.6 Billion in GDP and $1.3 B in exports, there is opportunity to expand this sector[2].

This Government has committed to responsible energy development and a sensible approach to greenhouse gas reductions that will get Albertans back to work and also had a commitment to work with municipalities to facilitate pre-approved industrial zones to streamline regulatory approvals and decision-making.

Red Tape Reduction initiatives, reductions in corporate taxes and the new Tier program are positive steps, but is not always sufficient to ensure that Alberta is the most attractive location for investment decisions. There are investment challenges to be overcome, including capital cost uncertainty, higher logistics costs and risks due to the inland location of Alberta, and longer-term carbon pricing uncertainty compared to other global locations.

Currently, the Petrochemicals Diversification Program (PDP) is only available to and rewards proponents with project schedules that fit the application window. However, the business planning cycle for new investments is approximately five to seven years, but can be longer depending on market conditions. With a long-term planning horizon, a more open-ended program would give prospective investors the required certainty and predictability and would avoid the appearance of government picking winners and losers. The rewards of successful investment attraction will provide stable tax revenue, stable well-paying jobs, community investment and best-in-class emissions technology.

In addition, if investment attraction support programs had clear up-front criteria to qualify for and receive investment supports, a company that successfully meets the requirements could be assured of investment attraction support once the investment project is operational. Receipt of the support upon project completion minimizes government liability and provides a potential net gain through construction and early operations

[1] https://investalberta.ca/industry-profiles/petrochemicals/
[2] https://investalberta.ca/industry-profiles/industrial-manufacturing/

(i.e. self-funding) in addition to providing longer- term economic development, jobs, and taxation benefits. Criteria could include value-add to the natural gas resource, level of capital expenditure, job creation, etc.

The form of investment supports should address the unique circumstances of each investment. The Petrochemical Diversification Program currently uses Royalty Credits that are granted to the successful applicants during the first three years of operation. Applicants are generally not royalty payers, so there is leakage in the system, as well as additional tax liabilities. The government could consider other investment attraction supports that would be of use to project applicants, such as refundable tax credits or grants, while maintaining the self-funding attractiveness by making these available only during early years of operation. Such programs could be a percentage of invested capital, comparable to investment supports in competing jurisdictions.

In addition, another main challenge in investment decisions is that Canada is outpacing competing jurisdictions on the price of carbon, making it less likely that investments will flow to Canada unless greater certainty on carbon pricing can be provided. The uncertainty on long-range carbon pricing (beyond 2022) and increases through ratcheting, potentially erode competitiveness with other jurisdictions and are barriers to securing an investment that benefits the economy for decades into the future. In order to address this challenge, government could consider a contractual agreement approach that provides longer-term certainty on carbon regulatory compliance costs to improve Alberta's investment competitiveness and encourage industry investment. Of course, such an agreement would be conditional on the any industrial plants having a world-class carbon footprint.

As an example, the Province of British Columbia signed an Operating Performance Payments Agreement with LNG Canada[3], which is intended to encourage investment from the LNG industry. One of the key components of this agreement is compensation for the carbon tax that may apply above a specific threshold, where the facility maintains best-in-class status. The compensation in this scenario would come from the PST re-payment schedule. The BC agreement illustrates the effective use of a program that is outside, but complementary to existing GHG regulations, and which incentivizes investment in large best-in-class industrial facilities.

If the Government proceeds to create a regulatory and tax environment that works, an investment attraction model that supports investment, diversification and expansion opportunities, long term certainty, combined with leveraging the opportunity for designated industrial zones, we can increase our competitiveness and opportunities for our province and more economic certainty moving forward for both business and Government.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Provide investment attraction support programs that are open-ended, predictable and transparent;
2. Provide clear, up-front criteria for any support programs in order to qualify for and receive investment supports;
3. Provide fair and equitable opportunity to any company that meets the eligibility criteria;
4. Provide investment supports that address the unique circumstances of each investment;
5. Consider a contractual agreement approach that provides longer-term certainty on carbon regulatory compliance costs;
6. Create a "concierge service" for large industrial projects to remove barriers and guide them through the permitting and regulatory processes while requiring high standards for safety and environmental performance;
7. Work with municipalities to facilitate pre-approved industrial zones to streamline regulatory approvals and decision-making.

[3] Legislation introduced to complete fiscal framework for LNG investment, jobs and benefits https://news.gov.bc.ca/releases/2019FIN0035-000478

Modernization of Alberta Registry Agents

Issue

The Government of Alberta regulates the Alberta Registry Agents' (ARAs) Regulation by capping the fee amounts for most of the services they provide. In addition, Registry Agents are eager to develop a modernization plan to enhance services, including online registry services to Albertans in conjunction with Service Alberta and other stakeholders. The Government of Alberta should support these modernization efforts and review regulations to ensure Alberta Registry Agents can continue their vital work effectively.

Background

Virtually every municipality in Alberta has an Authorized Registry Agent, forming a network that collectively employs over 1500 Albertans. There are 206 Agents located in 150 Alberta Communities (32 or 21% are in large urban centers and 118 or 79% are in rural and small urban jurisdictions). Registries have become a vital part of Albertan communities in providing stable jobs, an important community link, and fundamental services.

In addition, Albertans value registry services and continue to take advantage of the ease of access offered by local registry agents. In survey findings, 74% of respondents have visited a registry agent in the last year. Furthermore, over 90% of respondents expressed the importance of having access to government services located in their communities and felt that it would have a negative impact on their communities if their local Registry Agent were to close.[1]

However, because of modern work and family schedules, Albertans also expect registry services to also be made available to them online. Although some registry services are already offered online, the ability to expand these services to reflect new technological requirements and a growing population has been severely restricted. Registry agents are aware of the need to modernize their industry to keep pace with the needs of their clients and are seeking support from the Government of Alberta to expand their level of service to reflect a modern, connected, and responsive industry.

In order for the registry agent network to position itself to serve the diverse needs of all Albertans, a model that offers financial stability with long-term assurance of sustainability is essential. No service charge model is in place for the registries similar to other regulated industries such as the bottle recycling industry. A static capped fee restricts registry agents from keeping pace with natural operational increases and limits the amount of capital that can be reinvested into businesses in order to expand and modernize their delivery models in a variety of settings.

A combination of rural, urban, online, and in-person delivery models offered by Registry Agents are needed to provide Albertans services for over 200 products on behalf of five government departments. In order to ensure that registry agents are equipped and can work effectively and efficiently, support of the government is crucial. A viable business model needs to be developed to guarantee the levels of service and access is not only maintained but also expanded to reflect the dynamic nature of the industry. Additionally, the Government of Alberta is still in direct competition with Registry Agents for some online services, like traffic fines

Other organizations also see the value in a new fee model and the modernization of the industry to ensure the continuance of the high level of service which Albertans have come to expect from their Registry Agents. In 2016, the Alberta Urban Municipalities Association (AUMA) passed a resolution recognizing the "vital role and positive impact that ARAs have in Alberta communities" and recommended the Government of Alberta negotiate a new fee structure and protect ARAs revenue streams.[2]

[1] A Public Opinion poll conducted on August 30, 2019.

[2] https://auma.ca/advocacy-services/resolutions/resolutions-index/sustainable-support-local-registry-agents

The Government of Alberta has responded on January 1, 2020[3] by increasing capped fees on certain services for the first time in 14 years. However, these changes alone do not ensure both a sustainable business model and expansion of services for Registry agents, nor do they provide the support necessary to aid in the modernization of the Registry Agent Industry.

The Government of Alberta should recognize the vital role of Registry Agents in the delivery of essential government services to all Albertans, particularly their positive impact in rural Alberta communities, and work to strengthen their partnership with the Association of Alberta Registry Agents and local municipalities.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Support the modernization of the Registry Agent Industry.
2. Expand existing online services available to Albertans through Registry Agents.
3. Ensuring the long-term sustainability of rural Registry Agents, including a fair and equitable service charge model.

[3] https://open.alberta.ca/dataset/4883fcbd-8a22-400f-80d0-89f590100a9b/resource/eb03b44e-3666-4ff6-a532-bc74c59dca54/download/sa-registry-agent-product-catalogue-2020-01.pdf

Predictable, Fair and Transparent Market Value Assessments

Issue

Non- residential property assessment values have often fluctuated, resulting in sudden, unexpected and significant increases of tax liabilities for some property owners. While changes are not uncommon, the lack of transparency, fairness, and predictability of non-residential property assessments impacts the ability of business to operate with a clear understanding of the value of their property and the expenses it incurs.

Background

The *Municipal Government Act (MGA)* requires all properties to be assessed by the municipal assessor and prepared using mass appraisal methodology, to reflect the market value of the property[1]. Assessment notices for non-residential properties are then sent to taxpayers who have the ability to file a complaint heard by composite review board panels (CARBs) if the taxpayer feels the assessed value on the notice does not reflect the market value of the property.

Market value is the price a property might reasonably be expected to sell for, if sold by a willing seller to a willing buyer, after appropriate time and exposure in an open market.[2] There are three approaches to determine the market value assessment of a property: the sales comparison approach which examines sale price of similar properties; the cost approach which is used for unique or new properties and reflects estimated replacement cost for the asset; and the income approach which evaluates properties based on their earning potential. The accuracy and reliability of an income approach analysis will depend on the availability of market data and the degree of comparability of the subject to other properties.

As per the Municipal Affairs Detailed Assessment Audit Manual, the assessor is expected to apply the appropriate valuation approach based on the availability of market information and property type. Although factors such as location and municipality size affect markets, assessors must value similar properties in the same manner (not necessarily to the same amount). However, over 5 properties in the same stratification are required with at least 15 properties being ideal for adequate market comparisons.[3]

For properties evaluated using the income approach, it is expected that appropriate income and expense data is collected and maintained, leading to development of a valuation model. Without the appropriate data, assessors are to time-adjust older sales followed by examining other municipalities for supporting information.[4]

If the data used to develop metrics[5] is not reflective of the market, then the assessment values of properties will be inaccurate and can cause gross variation of assessment values year over year. This lack of predictability can have a damaging impact on business and property owners who expect their assessment value to be reflective of the property's market value. To maintain a predictable and fair assessment system, when a miscalculation due to an error in data, calculations or assumptions has been identified under section 305(1) of the MGA, corrections should be applied consistently and to other similar properties.

Because the accuracy of an assessment value depends on accurate data, rates used in the assessment process should be determined by utilizing local knowledge, expertise and consultation. The results should be checked by an industry expert prior to the assessment roll being finalized to flag any irregularities and

[1] Section 5 and 6 of the *Matters Relations to Assessment Regulation (MRAT)*

[2] MGA 284 (1): http://www.qp.alberta.ca/documents/acts/m26.pdf

[3] Municipal Affairs Detailed Assessment Audit Manual – pg. 8 https://open.alberta.ca/dataset/08608017-884d-49f4-b3ee-9ba23d907299/resource/5e715f84-616f-4b96-b0de-3062863bd9b5/download/2016-detailed-assessment-audit-manual-august-2016.pdf

[4] Municipal Affairs Detailed Assessment Audit Manual – pg. 13

[5] These can include: market rents, vacancy rates, expense ratios, capitalization rates, income quality, gross rent multipliers.

ensure that assessment values used resulted in a reflection of market value.

Similarly, providing an advance consultation period can prevent or potentially realize discrepancies before the assessment roll is finalized and subsequently reduce the number of complaints needing to be arbitrated through CARB. A comparison between Edmonton and Calgary suggested that savings as a result of a non-residential advance consultation process and a focus on pre-trial negotiation could be approximately $2 million dollars per year of Calgary's review board budget.[6] While not every municipality would see such large savings, providing steps which promote fairness and cooperation in the assessment process will also create fiscal responsibility. Advance consultation also provides business the ability to potentially resolve any disputes early rather than waiting for the arbitration process, thus giving a reasonable period of time to prepare for changes in expenses.

Additionally, subjective metrics such as visual appeal, and interior finish are often used to calculate rates such as rental income quality and are not based on a standard set of guidelines. Without clear criteria for assessors to follow, subjectivity used to calculate certain metrics harms the fairness of the valuation process. Moreover, assessors are able to change the classifications within metrics without physically inspecting a property. Because of the subjective and unpredictable nature of rental income equality, there is value in creating detailed standards to establish the assessment process as one which is predictable and equitable for all involved.

While it is understood that each year's assessment is independent of the previous year and is not sufficient enough to draw a conclusion that an assessment is too high, it is reflective of the level of transparency and perceived trust that an assessment department has in its assessment process. The BC Assessment Authority provides free online access to assessment data, including previous years' assessments and comparable property assessments to increase transparency of the assessment process.[7] Making previous assessments available for non-residential commercial comparable listings indicates willingness for municipalities to work with the business community and increase transparency.

According to the Alberta Municipal Affair's Guide for the Exchange of Assessment Information, the purpose of Section 299 and 300 of the MGA is for a person to access the information used in calculating the prepared assessment value but municipalities are not required to "provide detailed information to defend the assessment."[8] The challenge remains that there is only a bare minimum requirement as to what municipalities are required to provide through section 299 or 300 requests for non-residential properties. In order to promote fairness and transparency, optimal (not minimal) information should be given for taxpayers' acceptance and understanding of their assessments, while still protecting privacy. Having thorough data in an assessment methodology report saves time of property owners and the assessment department when this information is readily available and easy to understand.

Additionally, the Government of Alberta should seek to make greater distinction of roles and responsibilities between the Province and municipalities to ensure consistent interpretations of policies and regulations. Role clarity encourages proactive governance, where key stakeholders are continuously engaged to identify and resolve issues; elevate operating, service and professional standards, and effectively monitor quality while promoting a predictable assessment system.

The assessment process must provide the government with a stable source of income while being administratively simple and efficient, subject to appropriate checks and balances, and transparent to all stakeholders. The government of Alberta should be committed to fostering a positive and predictable environment for businesses to operate and the ability to accurately predict expenses is vitally important to the sustainability and growth of any successful business. The aim should be to have a predictable, fair and transparent assessment process that will enable municipalities to create a level of confidence in the assessment system, lessen the negative affect on businesses and allow a reasonable period of time to prepare for changes in expenses.

[6] An Independent Review Calgary's Non-Residential Property Assessment & Complaint Systems

[7] Review of BC Assessment Authority: https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/services-policies-for-government/internal-corporate-services/internal-audits/bc-assessment-authority-review.pdf

[8] Guide for the Exchange of Assessment Information – pg. 3 : https://open.alberta.ca/dataset/b715d4e3-78ff-4cb5-8893-c6544d16156e/resource/9c3155ed-fe5d-47ad-a95e-94af6336bece/download/guide-for-the-exchange-of-assessment-information-market-value-properties.pdf

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Provide clarity and direction in the creation of methodology reports including recommended metrics used, data collected, and application of rates which are reflective of local market conditions;
2. Require municipalities to consult with local industry experts and stakeholders to gain market information and local expertise and knowledge;
3. Provide specific criteria and guidelines for subjective metrics such as rental income quality and stratifications;
4. Require physical inspections of a property to determine accuracy of such metrics including changes to income quality classifications.
5. Require municipalities to flag irregularities and follow up with individualized consultation, education and information and applying corrections to the roll consistently for identified or similar properties with a 5% or greater error due to an error in data, calculations or incorrect assumptions.
6. Increase transparency in the assessment process by recommending municipalities provide advanced consultation and provide optimal information through a section 299 and 300 request.
7. Recommend municipalities provide the provision of prior years' assessments on assessment notices.
8. Make greater distinction of roles and responsibilities between the Province and municipalities to ensure consistent interpretations of policies and regulations.
9. Provide assessment departments with guidelines for best practice.

Striking a Balance Between a Healthy Economy and Low Carbon Emissions

Issue

Government needs to strike a balance between achieving its emission reduction goals and preserving the competitiveness of the economy using pragmatic, flexible and innovative solutions.

Background

On May 30, 2019, the United Conservative Party repealed the Climate Leadership Plan and with it the Carbon Levy adopted by the previous NDP government. However, many climate change efforts remain in place to achieve the reduction of greenhouse gas emissions (GHG) including: ending pollution from coal-generated electricity by 2030; incentives to create innovative and new ways to reduce emissions; capping oil sands emissions to 100 megatonnes per year; and reducing methane emissions by 45% by 2025.

We recognize that Alberta's emissions are challenging to reduce for three primary reasons. First, our population and economic growth rates, as well as our incomes, have grown faster than other provinces, and emissions tend to be correlated with population, income and wealth. Second, our large, anchor industries are emissions-intensive and consist of long-lived assets (oil sands plants, gas plants, chemical production, refineries, etc.) which can improve performance over time, but not as rapidly as other sectors with shorter asset lives[1]. According to Canada's Ecofiscal Commission, 18% of Alberta's economy would qualify, under internationally recognized standards, as being both emissions-intensive and trade-exposed (compared to 2% in B.C. and Ontario and 1% in Quebec)[2]. Finally, our choice of fuels for electricity generation drives emissions.

The Technology Innovation and Emissions Reduction (TIER) program replaced the Carbon Competitiveness Incentive Regulation (CCIR) for large industrial emitters on January 1, 2020 and meets the federal benchmarks of $30 per tonne on emissions and is set to increase to $40 per tonne in 2021 and $50 per tonne in 2022.

Since Alberta's economy is particularly sensitive, there is concern that unduly aggressive actions taken to reduce emissions in Alberta may not lead to real emissions reductions. Instead investment may just shift to other jurisdictions without stringent GHG policies, negatively affecting Alberta's economy and not ultimately impacting global greenhouse gas emissions due to carbon leakage. Insuring that our economy and small businesses remain vital and competitive is imperative as small businesses makes up 95% of all businesses in the province and are responsible for 35% of all private sector employment in the province. Government needs to strike a balance between achieving its emissions goals and preserving the competitiveness of a "vital lynchpin" of the economy[3].

There are many businesses, industries and municipalities that are looking to reduce their carbon footprint by converting to natural gas as an alternate energy source. While still a source of GHG emissions, in comparison with other fuel sources natural gas is less carbon intensive, relatively clean-burning, abundant, safe, reliable and efficient. Burning natural gas gives off much fewer toxic emissions than coal or oil and for the same amount of energy produced; gas emits 30% less carbon dioxide when burned than oil, and as much as 45% less than coal[4]. Despite this known benefit, natural gas still has significant carbon pricing

[1] Climate Leadership Report to the Minister: https://www.alberta.ca/documents/climate/climate-leadership-report-to- minister.pdf
[2] https://ecofiscal.ca/reports/provincial-carbon-pricing-competitiveness-pressures
[3] http://www.albertacanada.com/files/albertacanada/SP_EH-SmallBusProile.pdf
[4] http://naturalgas.org/environment/naturalgas/

applied.

An additional consideration should be measuring the total net contribution of GHG and rewarding those companies and industries who aim to mitigate their output. For example, the greenhouse industry, while consuming large amounts of natural gas, also grows plants that absorb carbon dioxide from the atmosphere. Compound the carbon absorption with innovations like green carbon capture and the environmental impact in the form of GHG is very low. Taking the final net carbon footprint as a benchmark will serve the dual purpose of keeping industries competitive and innovative while also promoting tangible and measurable emissions reductions.

Earmarking a portion of the funds collected through the TIER program to create educational tools that highlight the high ethical, environmental and sustainable standards of the natural resource sector in Alberta will lay the groundwork for the education of Albertans. The goal of any climate policy is to change behavior and drive businesses and consumers to make choices that support low or zero carbon products. The provincial government must allow for the most effective way to encourage these new patterns of behaviour. Government should continue to provide incentives through tax credits to emerging alternative energy innovations which may provide wider spread and supportable long-term cooperation towards a low carbon economy.

Incentives enable businesses to mitigate the threat of climate change with a focus on new emerging industries and opportunities to innovate. Climate change can offer an opportunity to harness Alberta's expertise and availability of technical workers and concentrate on emerging prospects such as artificial intelligence (AI) and cleantech. The expected economic gain of over $1 trillion dollars, Canada wide, in climate change innovation should be headquartered in Alberta as part of modernization, growth and expansion to ensure that Alberta is ahead of the curve.

Flexibility to allow businesses to use innovative market driven solutions to fill the gaps between conventional and renewable forms of energy must be encouraged. Offering equal tax incentives between emerging technologies and those alternative energy sources already established, like solar and wind, will ensure that the government is not dictating "winners and losers". Alternatives and solutions must be driven by consumers and businesses and not dictated by government to ensure the best overall result. For example, the UK offers an accelerated depreciation allowance for energy efficiency equipment and technology, so that companies can replace old, energy consuming equipment with better models, which allows them to cut their operational costs.

The balance between preserving the economy while converting to low carbon emissions requires policies that are effective while also politically palatable. If policies and programs are applied ineffectively or seem to be incomplete and unduly punitive their chances of being successful and leading the charge to change behaviour will be unsustainable. There are numerous opportunities available that Alberta must seize in order to demonstrate its adaptability, resiliency and reinforce its long-held tradition of being pioneers in spirit and action. Capitalizing on the opportunities that arise from adapting to a low emissions economy is a path to economic sustainability which Alberta is uniquely positioned to undertake.

Climate change is not possible in a single political cycle and needs buy in from society and government as a whole. Any policy implemented needs to be meaningful, pragmatic, sensible and flexible in order to achieve the final goal of emissions reductions and environmental preservation.

Additionally, when measuring the success of any climate change effort all costs (direct and indirect) need to be considered so that the real impact on business and the economy can be assessed and policy adjusted to strike the balance between a healthy economy and reduction of emissions.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Ensure carbon policies maintain competitiveness with neighbouring or like jurisdictions in Canada and the United States that have similar investment interests.
2. Communicate the goals and the timelines of climate policies and amendments or modification plans if the goals and timelines are not met.
3. Ensure there is cost neutrality within the business sector and that revenue from carbon pricing is

available and cycled back to the business community through other tax incentives and capital cost allowances.

4. Provide pathways for market driven solutions through tax incentives to all emerging technologies for carbon reductions to allow consumers and businesses the freedom to drive the choices towards preferred lower carbon options.
5. Only implement a levy on natural gas when a less carbon intensive and cost effective solution is available.
6. Implement options to measure net carbon impact and only apply levies to the net amount, taking into account the measures used to mitigate the total carbon footprint, including absorption of carbon dioxide and technologies such as green carbon capture.
7. Allocate a portion of levies collected for the purpose of creating and providing educational programming tools related to natural resource development including both energy and agriculture.
8. Measure both the direct and indirect cost impacts of climate policies.

Impacts of Significant Minimum Wage Increases

Issue

In the Alberta NDP election Platform section 1.3 it was stated that the NDP Government "would ensure the benefits of better economic policies are more widely shared, by increasing the minimum wage to $15 per hour by 2018". However there are inconclusive studies regarding minimum wage in relation to the overall, long term economic benefit. The goal of poverty reduction is commendable and widely supported, but attempting to resolve this complex issue by simply implementing minimum wage increases is not the most effective solution. A more robust solution should be applied, taking into consideration living wage variances across the province, rates of taxation on low income earners, as well as recognizing the need for special minimum wage rates for workers such as students under the age of 18. By solely focusing on minimum wage as a solution to reduce poverty and a one size fits all solution, this type of public policy endeavor has the potential to result in unintended consequences to both employers and employees.

Background

All Alberta employers must pay their employees, including liquor servers, adolescents, youth and disabled persons, at least the minimum wage . The minimum wage in Alberta is set out in the Employment Standards Regulation and as of October 1, 2017 was set at an hourly minimum wage of $13.60 for most employees; a weekly minimum wage of $542 for many salespersons, including land agents and certain professionals; and a monthly minimum wage of $2,582 for domestic employees who live in their employer's home .

The table below shows the minimum wage rates across the provinces, including an after tax comparison. Interestingly, Alberta has a higher minimum wage by $2.25/hour at $13.60/hr compared to the next highest minimum wage earners in Canada in BC earning $11.35/hr. The before tax income of that difference based on 2,000 hours would result in a $4,500 difference, however in after tax income, minimum wage earning Albertans receive an extra $3098.76 per year from that amount compared to their counterparts in BC. This essentially means that nearly $1,500 in additional income from Albertans is actually going toward provincial and federal tax revenues.

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NL
Minimum Wage Rate	**13.60**	**11.35**	**10.96**	**11.15**	**14.00**	**11.25**	**11.00**	**10.85**	**11.25**	**11.00**
Salary (2000 hrs)**	$27,200.00	$22,700.00	$21,920.00	$22,300.00	$28,000.00	$22,500.00	$22,000.00	$21,700.00	$22,500.00	$22,000.00
Monthly Salary	$2,266.67	$1,891.67	$1,826.67	$1,858.33	$2,333.33	$1,875.00	$1,833.33	$1,808.33	$1,875.00	$1,833.33
Federal Tax	$1,885.68	$1,255.32	$1,146.12	$1,199.28	$1,997.76	$1,008.84	$1,157.28	$1,106.76	$1,227.24	$1,157.28
Provincial Tax	$666.00	$192.60	$480.84	$1,254.72	$1,106.40	$0.00	$1,033.44	$782.52	$1,276.56	$998.04
CPP/QPP	$1,173.12	$950.40	$911.76	$930.60	$1,212.72	$1,026.00	$915.72	$897.96	$940.56	$915.72
EI	$451.56	$376.80	$363.84	$370.20	$464.76	$292.56	$365.16	$359.28	$373.56	$365.16
Personal Income Tax Rate*	10.00%	5.06%	10.50%	10.80%	5.05%	15.00%	9.68%	8.79%	9.80%	8.70%
Summary										
Before Tax Ranking	2	3	8	5	1	4	6	9	4	7
Total Tax & deducations	$4,176.36	$2,775.12	$2,902.56	$3,754.80	$4,781.64	$2,327.40	$3,471.60	$3,146.52	$3,817.92	$3,436.20
After Tax Salary	$23,023.64	$19,924.88	$19,017.44	$18,545.20	$23,218.36	$20,172.60	$18,528.40	$18,553.48	$18,682.08	$18,563.80
After Tax Ranking	2	4	5	9	1	3	10	8	6	7

Using the same modelling as above, if you kept minimum wage at $13.60 per hour and only increased by an estimated 2% per year, but eliminated personal income tax for wage earners under $30,000, workers would actually end up making more net income at a lower minimum wage rate, than if they earned $15.00 per hour with the current tax regime.

The law of demand dictates that when the price of labor rises, the quantity demanded will fall. That same law tells us that quantity demanded will decrease more in the long run than in the short run, as employers switch to labor-saving methods of production.

Workers who retain their jobs are made better off by increases to minimum wage, but only at the expense of unskilled or youth workers who either lose their jobs or can't find a job at the legal minimum. If the minimum wage exceeds the prevailing market wage (determined by supply and demand), some workers will lose their jobs or have their hours cut, as employers will not pay a worker $15 per hour if that worker cannot produce at least that amount. If a worker loses a job or can't find one, their earning income potential is zero. There is evidence that a 10 percent increase in the minimum wage leads to a 1 to 3 percent decrease in employment of low-skilled workers in the short run, and to a larger decrease in the long run.

The reduction in youth unemployment also has long term repercussions as low-skilled jobs are an important introduction to the workforce and, more important than the actual job skills that are learned, are the behaviours that are encouraged through being employed. Work can be seen as another extracurricular option that is developmental and educational in nature and is proven that youth who work are more likely apt in time management skills and can secure higher income jobs later on. First jobs teach important lessons such as punctuality, time management, handling competing priorities and responsibilities, and allowing youth to gain financial literacy. These crucial learning opportunities will be diminished leaving the workers of tomorrow at a disadvantage and unprepared in a job environment that is becoming more and more competitive.

Governments continue to promise low-skilled workers a higher wage; however, that promise cannot be kept if employers cannot profit from retaining those workers or hiring similar workers. Jobs will be lost, not created; and unemployment will rise as more workers search for jobs but can't find any at the above-market wage. Additionally, most employers cannot simply raise prices to cover the higher minimum wage, particularly in the competitive services sector or in industries that are price-takers. Moreover, if the minimum wage cuts into profits, there will be less capital investment and job growth will slow.

Advocates of increasing the minimum wage rely on the idea that businesses are able but unwilling to pay higher wages to their employees. The hope is that these businesses will simply bear the increases in their profits, while employment and prices are negligibly affected. Unfortunately, most minimum wage earners work for small businesses, rather than large corporations. Small businesses face a very competitive market and often push profits as low as they can go to stay open. Minimum wage earners employed by large corporations would also be affected, because these corporations are under tremendous pressure from shareholders to keep costs low.

One of the primary reasons that minimum wage increases are typically considered by Governments, is to address living wage or poverty issues. Minimum wage is defined as the lowest amount employers can pay their employees by law, whereas living wage is an estimate of what workers need to earn to cover the actual costs of living in a specific community. However, minimum wage alone fails to alleviate poverty because it fails to address unemployment. Recent studies have shown that there is little to no relationship between an increased minimum wage and reductions in poverty. These studies find that, although some lower-skilled workers living in poor families see their incomes rise when the minimum wage increases, others lose their jobs or have their hours substantially cut.

Living wage rates in Alberta vary across the province with higher rates being found in large urban areas while smaller cities have lower rates. Interestingly, as an example, with the minimum wage increase on October 1, 2017, Medicine Hat has now achieved its living wage rate and yet poverty in the Southeast Alberta region is still a pressing issue and only highlights the need for a more robust and comprehensive strategy to address poverty reduction.

Most experts agree that a multi-pronged and multi-level process is needed to address and combat poverty, a task that cannot be addressed solely by increases to the minimum wage rate. Research and conclusions on the link between poverty and minimum wages are also highly contentious, with various arguments for and against a link. For this reason, any linkage between the minimum wage and poverty needs to be situated within the context of various other measures to address poverty, including but not limited to changes to taxation, social policy, housing, and skills training, etc. Additionally, the most recent Thrive7 report solidifies that minimum wage should not be tied to "living wage", as the living wage in each region in our province is drastically different, varying from $18.15 in Calgary to $13.65 in Medicine Hat.

As such, the minimum wage should be set to the minimum standard in Alberta to ensure a level playing field within all regions, so that our regions can remain competitive and that there isn't a disparity created in the province due to unfairly legislated costs to the regions. It is not reasonable to equate that the same minimum wage will result in the same net impact across jurisdictions, nor is it reasonable to embark on decisions under the supposition that all regions in the province operate under the same "living wage" standard. There are varying factors in costs of living, benefits, subsidies, and levels of taxation that are not accounted for in just a basic minimum wage comparison.

There must be a more robust conversation to ensure that a disproportionate burden on employers or other groups is not an unintended consequence of public policy and that a stronger framework for addressing low wages and poverty in Alberta is created.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Maintain the current minimum wage rate as of January 1, 2018 and only revise the rate by a maximum percentage equal to the percent change in the Alberta Consumer Price Index, after conducting an annual assessment based on employment and economic conditions in Alberta;
2. Recognize that each region has a different living wage rate by ensuring that minimum wage is not tied to living wage and set the minimum wage rate standard accordingly and fairly to all jurisdictions;
3. Implement special minimum wage rates for students under 18;
4. Review personal provincial income tax for Albertans earning less than $30,000 per year;
5. Continue to provide a minimum of one years' notice on any minimum wage changes implemented;
6. Establish an ongoing research program for data and information gathering and its subsequent analysis to address policy-relevant minimum wage issues, as well as alternative poverty reduction strategies.
7. Restore a wage differential for those earning tips and/or commissions.

Streamline Size of Government

Issue

There is a relationship between the size of government and economic growth. While government spending is needed, there are studies that have shown that when government grows beyond a certain size it can hinder economic growth and lead to lower living standards for citizens.

Background

There are a variety of methods that size of government is measured. One method is per person spending. Another is to compare government spending as a percentage of GDP, while also factoring in measures for tax expenditures and regulation[1]. These measures have shown that the size of our federal government has grown more in the 2018-19 fiscal year than ever in the history of Canada.[2]

While events such as wars and the introduction of federal social programs have seen the per person figure increase for obvious reasons, in the fiscal year of 2018-19, the federal government spent more money per person in program spending than ever before, including the Second World War and the more recent Great Recession. Adjusted for inflation, per person spending reached $8,869, more than the previous all-time high record, with no related historic event like a war or economic recession to account for such an elevated amount.[3]

Using the second measure of calculating size of government, comparing government spending with the size of the economy, the share of the economy has risen by 14.6 percent which means that the government spends a little more than 40 per cent of GDP. When tax expenditures and price regulation is added to this calculation the size of government increases to an alarming 64 per cent of GDP.[4] Research shows that the optimal size of government is between 26 to 30 per cent of GDP after which economic growth rates decline.[5]

While the growth of the size of government can at times seem inevitable there is a solution in Canada's not so recent past. Canada has successfully navigated out of a position where size of government and its related spending had seriously impeded the growth of the economy and put Canadian's prosperity at risk. Steps to put Canada back on a road of fiscal sovereignty were taken by successive governments starting in the mid 80's and culminating in the Government of Canada initiating a Program Review in 1994 which was implemented over five years. This program review rejected the concept of across the board cuts and a view that a sizable deficit could be eliminated through increased productivity. Instead it focused on the roles and importance of government programs and services within the overall fiscal framework. The program review wasn't about "what to cut" but more about "what to preserve" in order to put the country on a footing that would allow it to prosper in the future while using methods of fiscal restraint.

The foundation for this review used a series of six questions when looking at the services and programs administered by the federal government.

1. Does the program or activity continue to serve a public interest?
2. Is there a legitimate and necessary role for government in this program area or activity?
3. Is the current role of the federal government appropriate or is the program a candidate for realignment with the provinces?
4. What activities or programs should, or could, be transferred in whole or in part to the private or voluntary sector?
5. If the program or activity continues, how could its efficiency be improved?

[1] Macdonald-Laurier Institute – Estimating the True Size of Government in Canada: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[2] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[3] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[4] Macdonald Laurier Institute – Estimating the True Size of Government: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[5] Fraser Institute – Measuring Government in the 21st Century : https://www.fraserinstitute.org/sites/default/files/measuring-government-in-the-21st-century.pdf

6. Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned?

The result of this ongoing process looped back on itself if the overall proposal did not generate significant savings.[6] In addition, this process ensured that the federal government used only the resources it needed in order to deliver on services that were strictly the purview of the government. As a result of this program review Canada's total government spending as a share of GDP fell from a peak of 53 percent in 1992 to 39 percent in 2007, and despite this more than one-quarter decline in the size of government, the economy grew, the job market expanded, and poverty rates fell dramatically.[7]

The rationale behind having a government that is scaled properly to deliver essential services is not just one borne from a budgetary stand point. When a government functions efficiently and uses its resources to their maximum potential it could be argued that it is on a much better footing when the economy or market forces pose challenges. Ensuring that government has the ability to adapt, maneuver and respond is dependent on how its resources are allocated and the ability to absorb temporary budgetary increases if needed can help weather economic head winds.

This is not to be confused with across the board cuts and freezes that affect programs and services or by strictly asking departments and agencies to do more with less. What is needed is a repositioning of the role of government within the collective means of citizens[8] using the criteria above. An essential component of this course of action would be a comprehensive review of the regulatory environment, using the recommendations set forth by the Canadian Chamber of Commerce in the Regulate Smarter report, Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness[9]. The recommendations laid out in this report mirror the reasoning behind a comprehensive full program review. By modernizing Canada's regulatory systems and reducing duplication and misalignment within regulations, competitiveness and a well-functioning regulatory regime will ensure a government ready and able to meet the challenges and respond to opportunities that present themselves in a more integrated global economy. This would ensure that protective measures would be balanced with a regime that is navigable and preserves economic growth and competitiveness.

Another essential step in the road to streamlining government will require serious tax reform. Currently, our tax system is a culmination of a disjointed tax code that has been the product of successive governments making adjustments, additions and cuts based more on election promises rather than a clear vision or strategy. Recommendations, set out by Canadian Chamber in its report 50 Years of Cutting and Pasting: Modernizing Canada's Tax System[10], stress the need for a comprehensive reform of our tax system. By using the same mindset set forth with a program review and regulatory reform, a modernized tax system would allow for competitiveness, simplicity, fairness and neutrality and support Canadians in their pursuit of prosperity.

However, the longer the process of streamlining government is delayed the harder it is to reset. External factors beyond the government's control can take precedence and make needed changes that much more difficult. An immediate first step is to aim for a federal budget that is balanced which will then set a solid foundation allowing for a re-visioning of size of government. Canada needs to ensure that it is set on a firm fiscal footing in order to allow for flexibility should market forces beyond its control create an economic downturn and stimulus spending is needed come to the aid of struggling Canadians. It is not only good fiscal policy but responsible governing to create a safe cushion for the country.

[6] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study: https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf
[7] Fraser Institute – Proper Size of Government: https://www.fraserinstitute.org/article/proper-size-government
[8] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study:
https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdfhttps://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf
[9] Canadian Chamber of Commerce - Death by 130,000 Cuts – Improving Canada's Regulatory Competitiveness:
http://chamber.ca/media/blog/180703-in-discussion-death-by-130000-cuts/180620DeathBy130000Cuts.pdf
[10] Canadian Chamber of Commerce – 50 Years of Cutting and Pasting: Modernizing Canada's Tax System:
http://www.chamber.ca/download.aspx?t=0&pid=fb9a4d42-d42e-e911-9d4c-005056a00b05

As in the past this exercise will be one that requires a long term vision that spans government administrations and political parties. Good government is not a question of ideology, right or left, but rather a commitment to a government structure that is more accessible, navigable, competitive and streamlined so that all Canadians benefit and prosper.

The Alberta Chambers of Commerce recommends the Government of Alberta and Government of Canada:

1. Initiate a Program Review of all ministries based on a set of criteria that looks at what role is appropriate for the federal government and looks at possibilities to realign programs with provincial and private or voluntary sectors.
2. Commit to comprehensive regulatory reform based on cost-benefit analysis and a focus on economic competitiveness.
3. Commit to serious tax reform with an overarching vision and strategy focused on competitiveness, simplicity, fairness and neutrality.
4. Pursue a path to a balanced budget in order to ensure fiscal flexibility.
5. Set and maintain a target of total government spending as a share of GDP at 26 to 30 per cent.

Clarity Needed in Employment Standards Averaging Agreements and Treatment of Statutory Holidays

Issue

Bill 17: the Fair and Family-friendly Workplaces Act was first read on May 24, 2017, receiving Royal Assent on June 7, 2017 with the final regulations being passed in early December 2017 with a number of changes coming into force on January 1, 2018. One of the primary reasons for this bill being introduced was due to the fact that the rules that govern our workplaces had not been updated since 1988. The purpose was to provide Albertans with modern, balanced workplace legislation that protects the rights of hardworking Albertans and helps businesses to stay competitive69. However, due to the lack of consultation on the legislation leading up to and after it was introduced, there were some gaps identified by employers, particularly related to averaging agreements and the treatment of statutory holidays. Further amendments need to be made in order to clarify the implementation of these standards to ensure employees continue to benefit from averaging agreements and flexible work environments, as well as to help businesses better understand the legislation and remain competitive.

Background

Alberta's Employment Standards Code provides minimum standards of employment that applies to approximately 85% of all employment relationships in Alberta. Alberta's workplaces have evolved since the Employment Standards Code was last updated in 1988, including growth in part-time jobs, shift work and flexible schedules. According to the Government of Alberta, the changes made to the Code have been passed to support family-friendly workplaces, modernize legislation, and align the minimum employment standards with the rest of Canada[70].

However, since the legislation was passed there have been a number of concerns expressed by employers about the lack of clarity in certain areas, particularly those related to averaging agreements and the treatment of statutory holidays. Ultimately these changes could be interpreted to provide less flexibility for employees and higher costs for employers, resulting in unintended consequences for many Albertans.

Previously, compressed work week arrangements were used to allow for fewer work days in a work week, but more hours of work in a work day, paid at the employees regular wage rate. Additionally overtime agreements were previously used to allow an employer and an employee to enter into an agreement whereby an employee would take time off with pay at their regular wage rate, in place of overtime. This

[69] *Alberta Hansard, May 25, 2017:* http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/hansards/han/legislature_29/session_3/20170525_1330_01_han.pdf#page=17

[70] Employment Standards Code changes: https://www.alberta.ca/employment-standards-changes.aspx#toc-2

time would be taken at a time the employee otherwise could have worked and received regular wages from that employer.

As of January 1, 2018, compressed work week arrangements have been renamed "Averaging Agreements". Any banked time is earned and taken at time and a half, rather than straight time if there is not an averaging agreement in place. Employers and employees will now be allowed to agree to average work hours over a period of one to 12 weeks for the purpose of determining overtime eligibility. Work weeks may also be compressed as part of these agreements with employers that require longer cycles requiring a permit.

There are two types of averaging agreements that now exist as of January 1, 2018:

- hours of work averaging agreements (HWAA)
- flexible averaging agreements (FAA)

These agreements allow employers to schedule an employee, or group of employees, to work longer hours per day paid at the employee's regular wage rate. The employer will average an employee's hours of work over a period to determine overtime pay or time off with pay. Employers would use an hours of work averaging agreement (HWAA) for any averaging agreement between 1 and 12 weeks. HWAAs can be between groups of employees and an employer or an individual employee and employer. Conversely, FAAs between the employer and employee can be entered into only at the employee's request and can only be used for a two week period. FAAs also can only be entered into if the employee works at least 35 hours per week.

While HWAAs and FAAs provide more flexibility than was originally anticipated under the revised employment standards, there are still gaps and a lack of clarity that exists in the employment standards regulations, in addition to increased regulatory and administrative burden for business to interpret and implement these changes.

Currently there is uncertainty around the term limit of two years for HWAAs. If an averaging agreement can only be over 12 weeks, there is uncertainly if this can be a repeated cycle of agreement that cannot exceed 2 years unless it is part of a collective agreement and if a predetermined scheduled must be set up for each of the 12 week periods. There is also uncertainty around when overtime would actually apply in an averaged period and how an HWAA is applied for employees whose regular work week is less than a typical 40 or 44 hour work week. The Code is also silent regarding how time is earned and given if an employee works a standard typical work week that is less than 8/44, but wishes to bank time that would still fall under the typical overtime threshold. For example, if an employee regularly works 6 hours per day, but some days works 7 or 8 hours and wishes to bank those additional hours at straight time to be used at a later date, there currently isn't any information that clarifies if this is permissible under the Code.

Within FAAs, the same confusion exists with employees who work under 40 or 44 regular hours or even those under a 35 hour per week work week and whether they are able to have flexible hours banked up to the 8/44 threshold. Additionally the website states that the daily overtime threshold cannot exceed 10 hours, yet it states that the daily and weekly hours of work must not exceed 12 hours per day or an average of 44 hours per week under the same FAA section.

Clarity is also needed to define whether or not the "normal" overtime rules of 8/44 are presumably ignored in an averaging agreement situation, whether an HWAA or FAA.

Concern has also surfaced regarding Employment Standards silence on the issue of how general holiday pay is treated on a day that is typically not a regular work day, when an employer would typically provide an employee with a paid day off in lieu of the general holiday. It can be standard practice for many employers to provide employees a paid regular work day off in lieu of a general holiday falling on a

weekend or non-regular work day, whereas under the Employment Standards currently, that employee must be paid on that general holiday regardless of whether it is a work day. The code remains silent on an employer's ability to provide a paid work day off in lieu of the general holiday when it falls on an unscheduled work day.

In the labour survey conducted by Employment and Social Development Canada in 2016[71] Canadians and stakeholders alike indicated that flexible work arrangements are available in many workplaces across Canada through employer human resource policies, informal workplace practices and collective agreements. Over 73 percent of those who responded to the survey question about whether they had asked for flex work in the past five years, said that they had and flexible scheduling and flexible work locations were said to be the top two types of flex work requested. Survey respondents and stakeholders recognized that flex work is—and should be—part of today's workplace reality. They generally agreed that flex work has advantages for employees and employers and pointed to a wide variety of benefits including reduced absenteeism and "presenteeism" (i.e. a drop in work activities while at work); workers who are healthier and feel they are better able to support their families and friends; more effective recruitment and retention, especially among millennials, workers with care responsibilities and older workers; more diverse, inclusive, engaged and healthy workplaces; increased labour market participation by workers with chronic illnesses, disabilities and mental health issues; and greater productivity and more innovative, more effective ways of working.

There was also general agreement that flexible work arrangements have real, positive impacts for many different types of workers (e.g. workers with care responsibilities, millennial and older workers and workers with disabilities) and that realizing these benefits requires not seeing flexible working as a one-size-fits-all solution. Building on the theme of "one size does not fit all," several employer and labour organizations and at least one think tank highlighted that the need for flex work is often unpredictable and that it is important for workplaces to have flexible work arrangements that respond to episodic, short-term and longer-term flexibility requirements. It was also noted that it is important for employees, employers and policy-makers to recognize that flexibility in work arrangements is related to but distinct from flexibility to take leave from work.

Overall, stakeholders and survey respondents agreed that the process for making requests should be as simple and straightforward as possible; clear about the conditions under which a request can be made (and the reasons for which a request can be denied); well documented and transparent; and handled fairly and without reprisal.

As such, we recognize that there is still much work that can be done to ensure that both employers and employees have the flexibility and clarity to enter into work arrangements that are beneficial to both an employer and employee for their respective workplace situations and environments. A one-size fits all solution is not the best solution and any further amendments should be simple to understand and easy to administer. If policy on flexible arrangements is seen to be too much of a cost or administrative burden for employers, less flexibility for employees will ultimately be the result for many.

[71] Flexible Work Arrangements: What was heard Employment and Social Development Canada: http://www12.esdc.gc.ca/sgpe-pmps/servlet/sgpp-pmps-pub?lang=eng&curjsp=p.5bd.2t.1.3ls@-eng.jsp&curactn=dwnld&pid=51394&did=4875

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Evaluate the cost and administrative impact that legislated labour changes have on employers;
2. Evaluate how the legislated changes within averaging agreements will positively or negatively impact flexible work environments for employees by consulting with employer groups;
3. Work with employer and stakeholder groups to find a more flexible solution to averaging agreements that will not result in more cost and administrative burden for employers and result in more flexible work environments for employees;
4. Ensure there is clarity in the regulations so that changes are easy for employers to interpret and implement;

Revise the code to clearly indicate that employers can provide a paid work day off in lieu of the general holiday that an employee would not regularly be working.

Higher Standards for Animal Welfare

Issue

In the agricultural industry, when an animal succumbs to injury that deems the animal as unfit for transport under the legislation, the outcome is very limited and results in negative options to the farmer or rancher. It has been researched and addressed by various groups, organizations and industry that turning a blind eye to a problem is not a solution. Therefore, organizations like the Animal Farm Care Association (AFCA), along with industry, are in full support of an initiative to implement a provincial video inspection program as one way to address the issues, provide for greater access to options within the industry and reduce overall costs to the system.

Background:

Federally, three pieces of legislation provide humane protection for farm animals[8], including the Criminal Code, Health of Animals Act and the Meat Inspection Act. However, Canadian provinces and territories have the primary responsibility for protecting the welfare of animals, including farm animals[9]. Since 2005 all provinces have strengthened their provincial Acts or have introduced legislative amendments regarding animal protection. In Alberta the acts and regulations that provide protection for farms animals in Alberta include the Animal Protection Act and Animal Protection Regulation; the Meat Inspection Act and Meat Inspection Regulation; as well as the Livestock Industry Diversification Act and its regulations.

However there is still one area that needs to be addressed within these pieces of legislation to provide for additional options when dealing with an injured animal. Current legislation permits unfit animals to be freely transported to a veterinary clinic, yet that same animal is unable to be transported to an abattoir for processing. When an animal succumbs to an injury that deems that animal unfit for transport under the legislation, there are only four options:

1. Personally process the animal without an inspection process for distribution and risk prosecution by the authorities;
2. Process the animal and sell illegally and risk prosecution by authorities;
3. Transport to a veterinarian for further cost and service fees;
4. Euthanize the animal on farm.

If an animal is deemed to be compromised or unfit, transportation can cause undue pain and suffering, so producers generally do not transport the animal. They have the ability to transport that animal to a veterinarian, but that would pose additional and unnecessary costs to the producer. Additionally, they could not transport that animal elsewhere, as that producer would end up being in contravention of Part

[8] *Farm and Animal Welfare Law in Canada (2013)* https://www.nfacc.ca/resources/Farm_Animal_Welfare_Laws_Canada.pdf

[9] Provincial and Territorial Legislation Concerning Farm Animal Welfare http://www.inspection.gc.ca/animals/terrestrial-animals/humane-transport/provincial-and-territorial-legislation/eng/1358482954113/1358483058784

XII of the Health of Animals Regulations. Therefore the decision is generally to euthanize the animal on farm. Unfortunately, animals euthanized on farm cannot be sold for meat, as they must be inspected at the abattoir before they are slaughtered.

The agriculture industry has been given very few to no options to address the loss of valuable animals and the outcomes are very limited and result in negative options for the farmer or rancher. Businesses are forced to accept the senseless disposal of much needed meat protein. While this topic has been on the table and discussed on a provincial level for more than four years, there has been no urgency from the governing authorities, as there needs to be a more robust and focused request from industry in order to motivate change.

One way to address the challenges identified within this sector is to introduce a provincial video inspection program. This type of program would allow for an ante-mortem inspection to take place on farm and spare the animal unnecessary transportation to an abattoir or veterinarian. With the implementation of a provincial video inspection program, we can alleviate the discrepancy that exists and raise the current legislation to a much higher standard resulting in the increase of on farm animal welfare, profits to the agriculture sector and profits to processing and distribution centres.

With the creation of a video inspection program we can increase the on-farm animal welfare program; increase the response time to address the undue pain and suffering of the animals; put value and profits into the hands of the agriculture industry; increase the business opportunities of value added businesses that manufacture various protein products and open the doors to all non-for profit groups and organizations to have access to healthy affordable protein.

Organizations like AFCA (Animal Farm Care Association) are in full support of the initiative to implement a provincial video inspection program. With the implementation of video inspection program, the level of food safety and available protein will dramatically increase and this new financial opportunity will reach and benefit all businesses from producer to consumer.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Amend the Meat Inspection Act Section 4 to read: (1) Except as provided in the regulations, no person shall slaughter an animal unless (a) the animal has been inspected by an inspector immediately before the time of slaughter, or (b) the animal has been clearly identified by method of video inspection immediately before the time of slaughter.
2. Amend the Meat Inspection Regulations Part 5 section 32 (3) to read: The mobile butcher shall identify the carcass and all other portions of the animal by affixing tags on them stating (a) “uninspected – Not for resale on all carcasses retuning back to the location of slaughter or (b) “Held”- to remain held in the mobile butcher’s designated cooler until the carcass is released by an inspector or accredited veterinarian.
3. Work with the Alberta Meat Inspection Department to update all documents regarding the approval of a video inspection program and maintain that it remains in compliance with existing regulations already in place.

Managing Impacts of Layered Legislation

Issue

Bill 17: the Fair and Family-friendly Workplaces Act and *Bill 30: An Act to Protect the Health and Well-being of Working Albertans* are viewed as comprehensive pieces of legislation that have been passed with very short consultation periods and an inadequate timeframe for employers to adjust. The changes have placed pressure on organizations to meet new legislation standards with limited additional resources from the government, coupled with a lack of understanding by Government of the time commitment and requirements to adjust and implement the changes legislated. With the final Employment Standards regulations being passed at the beginning of December and the new standards coming into effect on January 1, 2018, it did not leave sufficient time for employers to change their own internal processes, IT systems, and communicate with staff. Often human resource and occupational health and safety duties in an organization can be carried out by the same person, who may also carry additional duties or in many cases rest solely on an employer or manager. The changes and magnitude of information to digest caused immense increased workload and uncertainty for businesses trying to understand the implications of the changes. This has included cost and time to implement the changes and become compliant. This not only unfairly burdens employers, but also impacts overall operations, as employers must ultimately shift focus away from day to day operations to adjusting to these changes.

Background

Bill 17: the Fair and Family-friendly Workplaces Act was first read on May 24, 2017, receiving Royal Assent on June 7, 2017 with the final regulations being passed in early December 2017 and coming into effect on January 1, 2018. One of the primary reasons for this bill being introduced was due to the fact that the rules that govern our workplaces had not been updated since 1988. The purpose was to provide Albertans with modern, balanced workplace legislation that protects the rights of hardworking Albertans and helps businesses to stay competitive .

However, the challenge with the legislation has been more about the lack of consultation, education, awareness and balanced approach that workplace legislation should require. There was a significant difference between how the change in legislation was handled in 1988 and how the legislation was most recently handled. With only 36 days of consultation compared to the previous two year process and thorough review. When the legislation was last amended in 1988, a specific commitment was made to a thorough review of labour legislation in the province. There was some discussion about how that commitment should be met, and there was an unprecedented process initiated. The process, first of all, was that of appointing a multisector-based committee of Albertans[22]. With the speed at which the changes occurred most recently, the very narrow consultation period and short implementation period,

[22] *Alberta Hansard, May 25, 2017:* *http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/hansards/han/legislature_29/session_3/20170525_1330_01_han.pdf#page=17*

there remains the question as to how this resulted in balanced workplace legislation that would help business stay competitive.

Additionally, *Bill 30: An Act to Protect the Health and Well-being of Working Albertans* was first read on November 27, 2017, receiving Royal Assent on December 15, 2017 with most changes coming into effect June 1, 2018[23] and some amendments to the Worker's Compensation Act coming into force on January 1, 2018. There was 9 weeks of consultation[24] with input closing on October 16, 2017. The purpose of this bill was to update occupational health and safety requirements and to enshrine the three rights for workers, making sure that harassment is defined and included in occupational health and safety, making sure that responsibilities for all workplace parties are clearly defined, and on the WCB side making sure that we have a sustainable system that provides the supports that Alberta's workers need[25].

Both of these Bills have introduced questions and concerns with affected employers, with uncertainty in some areas, a lack of clarity in others and minimal promotion, education and support currently provided on these changes. Call centres have experienced higher than normal call volumes coming into January 2018, with online inquiries receiving an automatic reply to allow three working days for a response.

The primary concern remains with the disconnect that exists between Government legislation and those that are required to implement the changes. It is unclear to stakeholders as to why the Government continues to feel that legislation needs to be passed so quickly without appropriate and adequate consultation and subsequent education with stakeholders to ensure a balanced and fair approach to legislation is taken.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Reduce the frequency and speed of legislative changes, taking into consideration the scope and implementation requirements of legislative changes being proposed;
2. Ensure that there is inter-departmental collaboration within ministries to avoid layering of legislative changes and the subsequent impacts;
3. Take a balanced approach in both consultation and legislative changes to reduce burden on business and provide for a reasonable time for consultation, implementation or enforcement period, while taking into consideration economic, cost and implementation impacts;
4. Provide an overview of legislation changes that are being considered in advance that will have an impact on specific stakeholder groups so that organizational changes and workload requirements can be determined and planned for in advance;
5. Conduct additional consultation with stakeholders after legislation is first introduced to identify any gaps, challenges or implementation concerns to ensure legislation and regulations are balanced and can be clearly interpreted once coming into force;
6. Provide more timely and accurate information and education to impacted stakeholders in advance of changes, providing stakeholders time to adjust to long term decisions around change management and operational systems;

[23] Occupational health and safety changes: https://www.alberta.ca/ohs-changes.aspx

[24] Alberta Handsard, November 30, 2017: http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/hansards/han/legislature_29/session_3/20171130_0900_01_han.pdf#page=5

[25] Alberta Hansard, December 12, 2017: http://www.assembly.ab.ca/ISYS/LADDAR_files/docs/hansards/han/legislature_29/session_3/20171212_1930_01_han.pdf#page=23

Removing Provincial Excise Tax on Medicinal Cannabis

Issue

On October 17, 2018, Alberta implemented an excise tax on all cannabis products, including medical cannabis authorized by a physician. These new taxes will amount to a 24.3% tax from the province and 2.5% from the federal government, increasing the tax burden on medical cannabis by 26.8%.

Background

With the legalization of cannabis, an excise tax has been placed on all cannabis products, including medical cannabis authorized by a physician. This new tax disproportionately effects patients who can least afford this increase and who are the most vulnerable Albertans. Medical cannabis requires a prescription like other medications but is subjected to a different tax treatment. Removing the punitive and unfair excise tax on medicinal cannabis would encourage and incentivize patients to maintain interaction with their physicians as opposed to 'self-medicating' or substituting other prescription pain killers with significant harms, such as opioids.

Medical cannabis users are provided authorization and oversight from registered physicians. In Alberta, these patients are required by the College of Physicians and Surgeons to follow-up with their physicians every 3 months. Physician oversight is beneficial to positive health outcomes, harm reduction, and treatment plans among medical cannabis patients.

Prior to October 17, 2018 over 112,000 registered medical cannabis patients in Alberta only paid GST on their products to relieve symptoms from various conditions, including chronic pain disorders, arthritis, insomnia, multiple sclerosis, Crohn's disease, and epilepsy. Many of these patients are often economically disadvantaged due to enduring chronic and/or debilitating illnesses which make them unable to continue regular employment. Companies such as Aurora and MedReleaf provide 21% of their patients with compassionate pricing for low-income households, provincial or federal disability assistance recipients, and Canadian Veterans to help offset the current federal tax applied. Through its subsidiary CanniMed, Aurora subsidizes cannabis for members of Canadian Association of Retired Persons (CARP).

Applying any tax to medically prescribed cannabis is inconsistent with the taxation of all other prescription medicine, which are tax exempt and patients already pay sales tax on medical cannabis and aren't eligible for reimbursement under most insurance plans in Canada.

As of October 2018, Albertans have experienced the largest tax increase on medical cannabis among all provinces.

	Federal Ad Valorem Rate	Provincial Ad Valorem Additional Rate + Sales Tax Adjustment (if applicable)	GST/PST/HST Combined Tax Rate	Total Tax
Alberta	2.5%	24.3%	5%	31.8%
British Columbia	2.5%	7.5%	12%	22%
Manitoba	2.5%	n/a	13%	15.5%
New Brunswick	2.5%	7.5%	15%	25%
Newfoundland and Labrador	2.5%	7.5%	15%	25%
Northwest Territories	2.5%	7.5%	5%	15%
Nova Scotia	2.5%	7.5%	15%	25%
Nunavut	2.5%	26.8%	5%	34.3%
Ontario	2.5%	11.4%	13%	26.9%
Prince Edward Island	2.5%	7.5%	15%	25%
Quebec	2.5%	7.5%	14.975%	24.975%
Saskatchewan	2.5%	13.95%	11%	27.45%
Yukon	2.5%	7.5%	5%	15%

Sources:[9] [10]

In addition, Medical cannabis is regulated by Health Canada and distributed directly to clients from licensed producers. Suspending the implementation of the regressive 24.3% tax on medical cannabis would not reduce current provincial revenues and would be consistent with the treatment of medical cannabis prior to October 2018.

Adding excise taxes to medical cannabis, in addition to the existing sales tax will disadvantage Canadians seeking relief from symptoms and exemptions should be consistent with all other prescription medicines.

A further increase in costs will push patients out of the medical system and into the black market where costs are lower, but products are not tested or regulated, and any profits would continue to flow to criminal enterprises. A February 2018 survey found that while the majority of Canadians support an excise tax on recreational cannabis, the majority do not support an excise tax on medical cannabis.[11]

Rather than seeking ways to increase revenue from a product that has already been medically available prior to October 2018, the Alberta Government should be exploring ways to ease the financial burden of Albertans who use medicinal cannabis. Unfortunately, costs will increase for these patients, many of whom are the most vulnerable Albertans (seniors, disabled, veterans, and the severely ill). The Alberta Government has no

[9] https://www.fin.gc.ca/n18/data/18-084_2-eng.asp#_ftn1;

[10] https://canadabusiness.ca/government/taxes-gst-hst/federal-tax-information/overview-of-charging-and-collecting-sales-tax/

[11] Navigator, February 2018. An online, national quantitative study was conducted among a representative sample of 1,200 Canadian adults, 19 years of age or older. Quota sampling was employed to ensure that the composition reflects that of the actual Canadian population in terms of age, gender, and province, according to the latest StatsCan findings.

regulatory or distribution touchpoints to the medical cannabis system and does not incur costs related to it, therefore should not be imposing a new tax on the medical cannabis market.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Revert to the medical policy that existed before October 2018 and exempt medical cannabis from any excise or revenue generating taxes.

Creating a New Pharmaceutical Industry in Canada

Issue

A thriving pharmaceutical industry is growing poppies for medicinal use in the United Kingdom, Europe, and Australia, but not in Canada. This not only presents a large diversification option for the Southern Alberta agricultural **sector but** offers long term employment and growth opportunities for this and numerous other industries.

Background

A new variety of poppy with high levels of thebaine can be used to produce prescription drugs such as oxycodone and codeine and does not contain the narcotic properties of traditional poppies.

With a thriving pharmaceutical industry growing poppy for medicinal use in the United Kingdom, Europe and Australia, Canada - as a major importer of these products – has not been involved in the growing of poppies. Additionally, Canada is the only G8 country that does not grow or process the raw materials for pharmaceutical processing. With Canadians purchasing over $600 million in prescription medications derived from poppies in 2011, Southern Alberta has an opportunity to change this.

In 2014 alone, Alberta saw domestic exports in excess of $ 121 billion[4]. Of this figure, the U.S. accounts for 90.2%, or $109.5 billion of Alberta's exports[5]. Under trade agreements such as the North American Free Trade Agreement, this industry has the potential to serve a market in the U.S., in excess of $5 billion thereby increasing net exports from Alberta as a whole.

Only a handful of locations have the ideal growing conditions for a high thebaine content poppy crop in our country. As such, this crop has the opportunity to provide Southern Alberta with a new industry through a diversification of the agricultural sector, as well as promote continued long-term job creation and stability.

As a hub for educational opportunities, Lethbridge and Southern Alberta is promoting innovation and diversification in all industries. A recent Memorandum of Understanding between the University of Lethbridge and the Lethbridge College has committed both institutions to furthering research opportunities in agriculture and agribusiness. Adding to the impact of education and research on agriculture, the Lethbridge Research and Development Centre is one of Canada's largest agricultural research facilities. Its location in the Southern Alberta market provides a suitable long-term strategy to ensuring growth and diversification in the agricultural industry.

Agriculture Canada, on the one hand, supported the project with a $450,000 repayable loan in 2012 to establish poppy cultivation and develop the high-value crop. Private sector investment supplemented the government repayable loan which was supposed to be repaid using commercial poppy seed sales. Loan

[4] "Merchandise imports and domestic exports, customs-based, by North American Product Classification System (NAPCS), Canada, provinces and territories," Statistics Canada, last modified November 3, 2015. Accessed November 27, 2015 at, http://www5.statcan.gc.ca/cansim/a47#F3 .

[5] "Alberta's Export Performance in 2014," accessed November 27, 2015 at, http://www.albertacanada.com/Albertas-Export-Performance-2014.pdf .

payments have been made since 2016 yet Health Canada has yet to grant the necessary licensing for commercial sales to begin.

It is critical for the federal government to allow the private sector to innovate and find new, value-added opportunities by using our soil, water, processing factories, and research scientists. Promoting the success of public-private partnerships in the growth and diversification of the Southern Alberta market will lead to a long-term sustainable economy.

The Alberta Chamber of Commerce supports the creation of a cluster of biological science industries that would match farm commodities with biotechnical research. This approach has the potential to stabilize the foreign exchange fluctuations that negatively affect the international competitiveness of many agricultural and manufacturing sectors.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Communicate the importance of the thebaine industry to the Government of Canada; and
2. Engage, invest in and provide support to this new emerging industry as part of the long-term strategy for economic diversification for the province of Alberta. This can be accomplished by possibly providing incentives to encourage the industry to locate and remain in Alberta.

The Alberta Chambers of Commerce recommends the Government of Canada:

3. Support the creation of a new pharmaceutical industry by recognizing the potential of farming and processing of high-level thebaine poppy in Canada for the pharmaceutical industry; and that applications be expeditiously reviewed and approved by Health Canada and the Canadian Food Inspection Agency to help diversify the economy.

Domestic Reclaimed Water Use

Issue

Health Canada has guidelines for domestic reclaimed water use in toilet and urinal flushing but Alberta does not follow these guidelines as our province does not use reclaimed (grey) water.

Background

In May 2001, British Columbia published a code of practice for the use of reclaimed water (BCMELP, 2001)[7], which serves as a key reference and guidance document for the use of reclaimed water in British Columbia and is designed to support the regulatory requirements prescribed in the municipal sewage regulation. In 2002, it was stated that roughly three per cent of wastewater in B.C. is reused (Maralek et al, 2002) and reuse is a key component in British Columbia's water conservation strategy. Currently, these guidelines do not apply to Alberta as Alberta does not differentiate between black water and grey water. All sanitary effluent is considered black water only.

Statistics Canada indicates that grey water is a huge source of potentially reusable water. Treated grey water can be reused for toilet flushing, irrigation and industrial use. Currently there is no regulation for households to recycle their grey water.

Canadian statistics state that 35 per cent of the average household's water is considered grey water (showers and bath water). Thirty per cent of the average household water usage is for toilet flushing. Therefore, if the use of grey water was regulated, it could be reused for toilet flushing which saves fresh water for other uses.

A study (June 25, 2012) has found that citizens in a water – stressed basin of Spain are willing to pay over $5 extra on top of their monthly water bill to treat wastewater that can be used to replenish river flows. Over-extraction of river water for use in agriculture and by cities reduces water flow in rivers and may lead to environmental stress. Reclaimed water can be released into rivers to boost water flows.

Currently in Spain, reclaimed water accounts for 12.8 per cent of irrigated water used in the area of city dwellers. It is estimated that increasing the river flow would generate a benefit of $32.56 million a year.[8]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Adopt guideline values as per Canadian Guidelines for Domestic Reclaimed Water for Use in Toilet and Urinal Flushing by Health Canada as a starting point with opportunity to move forward for additional recycle of water options in the future; and
2. Allow the use of domestic reclaimed water and storm water in toilet flushing, irrigation and industry in Alberta.

[7] http://www.env.gov.bc.ca/epd/epdpa/mpp/pdfs/cop_reclaimedwater.pdf

[8] http:// www. globe-net.com/articles/2012/june/25/recycled-wastewater-could-boost-river-flows

Dual Credit Opportunities in Alberta

Issue

There is a need for the continuance of provincial investment in Dual Credit Opportunities for high school and post-secondary students to assist their transition from secondary to post-secondary education.

Background

The current Provincial Dual Credit Strategy Fund was approved and awarded by the Government of Alberta in 2014 for a three year pilot project. To date there has been sixty dual credit projects in the province, twenty-four of which were approved within the last round of approvals. This pilot project funding follows a number of similarly funded projects that have been supported by government over a number of years. Dual credit funding also included targeted funding for post-secondary institution to build capacity, establish partnerships among schools and business, and explore structures for delivery. The University of Lethbridge and the Lethbridge College were each awarded funding for the purpose of creating these educational opportunities for high school students.

In the current round of Dual Credit project funding, The University of Lethbridge utilized the first year to work with a high school in Lethbridge and collaboratively align two first year University level courses with Alberta Education requirements for approval as locally developed courses. Now in its second year, The University of Lethbridge is the first university in the province to offer Liberal Education 1000 (Liberal Education 35 on High School transcript) and Supply Chain Management 1850 (Systems and Supply Chains 35 on high school transcript) to students at the Lethbridge Collegiate Institute. Students earn credits towards completion of their high school diploma and these courses are also credited on the University of Lethbridge transcript as three full post-secondary credits for each course that are eligible for transfer to other Canadian post-secondary institutions as per the Pan Canadian Protocol on University Transfer. Current industry partnerships are firmly established with WestJet providing practical application opportunities for students in Liberal Arts, and Haul All providing those opportunities for students in Supply Change Management. Although provided with some funding at a provincial level, Lethbridge Collegiate Institute, Lethbridge School District #51 and the University of Lethbridge have invested significant resources beyond the grant to launch the current program.

Lethbridge College has established educational partnerships with the Lethbridge Public Schools, Holy Spirit School Division, Horizon School Division, Palliser School Division, Westwind School Division and the Kainai High School on the Blood Reserve. In a previous round of dual credit pilot projects, Lethbridge College offered a five-month Health Care Aide Program to assist students in grades 11 and 12 to complete college requirements for the Health Care Aide Diploma. The Health Care Aide Program has a Quality Assurance Team that studies strengths and areas for improvement within the program, and functions as a sounding board for the program. The College also works closely with Kainai High School to provide post-secondary credits applied within the field of Law Enforcement. Within this context, the school districts and the College work collaboratively to place college practicum students in appropriate school settings.

There are significant benefits to providing stable and continuous funding through the Dual Credit Strategy Fund.

a. The province has identified transition of high school students to post-secondary programs a priority and we strongly support government in the belief that we can all work together to provide quality opportunities that prepare students for successful transition. The transition rate in the Lethbridge area is as follows: 35.2 % in the fall of 2013 and 41.2 % within four years of graduation. The Dual Credit Program encourages high school students to extend their education into Alberta universities and colleges with an increased short and long term transition rates. We anticipate that this initiative will have long term positive social and business benefits for the province.
b. Industry partners are supporting high school students and engaging them to complete post-secondary education that is tailored to their particular industry. Students are exposed to the practical application of post-secondary studies by seeing different employment opportunities associated with the particular program, training or skill. Chambers of Commerce continue to take an active role in promoting Dual Credit opportunities that link students/adults and post-secondary institutions and local businesses in Alberta.
c. There is absolutely no competition between universities and colleges as these two post-secondary tracks attract different students. A dual credit structure provides excellent opportunities for colleges and universities to work collaboratively with school divisions to effectively create attractive opportunities to students.
d. Presently, Alberta Education and Alberta Advanced Education are involved in the funding/approval processes. The Dual Credit Program is an opportunity for these two ministries to work collaboratively to implement a strategic and aligned process that provides increased post-secondary incentives and opportunities to high school students and young adults who wish to extend their qualifications. Truly a cross-ministry initiative, effectiveness can be enhanced with the involvement of the Ministries of Labour, Human Services, Education and Advanced Education.
e. The College of Alberta School Superintendents (CASS) is currently working collaboratively with school divisions and post-secondary institutions to study the advantages, the effectiveness and the possibilities within the Dual Credit program. It will take longer than three years to complete a proper longitudinal study that has the potential to produce data that supports the future of a program with this level of educational and business cooperation and integration.
f. The feedback regarding the benefits to youth as reported across a number of dual credit pilot projects is consistent and resoundingly positive. There is increased engagement of students in exploring education pathways, students are inspired and motivated to move forward with their education and have been able to experience firsthand both the academic context and real world application with the business partners.

The Provincial Dual Credit Program is presently providing meaningful dialogue and collaboration between Alberta Education, Alberta Advanced Education, Alberta Labour, Alberta Human Services, CASS, school divisions, post-secondary institutions and Alberta businesses. The Alberta Chambers of Commerce is strongly supportive of stable, continuous, stand-alone funding for the Provincial Dual Credit Strategy Fund. The province has piloted these experiences for a number of years and given the demonstrated

success, it is time to build a framework and provide a seamless structure ensuring the growth and continuance of this program.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Allocates a long term funding structure to the Dual Credit Program for students transitioning from high school to post-secondary studies.

Reduce Alberta Corporate Income Tax Rates

Issue

Since corporate income tax represents a very large percentage of pre-tax income, decision-makers are highly sensitive to corporate income tax rates. It is in Alberta's best interests to reduce and keep corporate income taxes low to attract business to Alberta and retain them in our province.

Background

Corporations seeking to expand or relocate examine many factors; often the projected "after-tax" return on investment is one of the primary considerations. Since corporate income tax represents a very large percentage of pre-tax income, decision-makers are highly sensitive to corporate income tax rates.

Corporations have learned to be internationally mobile to gain both marketing and financial advantages, including tax advantages. It is well proven around the world that creating a low corporate tax environment attracts investment in capital, growth in trade and commerce, as well as the relocation of corporate head offices and wealthy/high-income individuals.

Corporate Tax Rates by Year

	Rate in 2005	Rate in 2015*	Rate in 2016	Rate in 2019
General	11.5 %	11.0 %	12.0 %	12.0 %
M & P	11.5 %	11.0 %	12.0 %	12.0 %
Small Business	3.0 %	2.0 %	2.0 %	2.0 %

*Rate changed from 10% to 12% and Small Business 3% to 2% effective July 1, 2015

Within Canada, there are now two provinces with lower tax rates for small businesses than Alberta and three other provinces that have a lower general rate.

The fact is that many potential investors and corporations looking at new business investment or expansion in Alberta have chosen not to invest nor locate here due to our high-tax regime (both provincial and federal); there are low-tax/no-tax alternative jurisdictions within other parts of Canada, the United States and elsewhere. We have seen examples of this happening with large oil and gas companies which considered building plants in Alberta then chose to build in other parts of Canada or the United States.

Alberta will get more attention from potential business investors when the general and small business corporate tax rates are lower and when the opportunity to enhance after-tax return on their investment is greater.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Immediately reduce the general and manufacturing-and-processing corporate income tax rate to ten per cent; and
2. Ensure that the Alberta small business corporate tax rate applicable to Canadian-controlled private corporations does not exceed the lowest tax rate in other Canadian provinces or territories.

Restoring Canada's Innovation Competitiveness

Issue

In a global economy where technology and innovation are increasingly important, Canada trails most of its peer countries in innovation and research. The Government of Canada needs to act quickly to address this, particularly by restoring faith in and simplifying a tax credit regime that nurtures private sector investment across all industries in R & D and technology.

Background

The World Economic Forum ranks Canada as 22nd in capacity for innovation, 22nd in technological readiness, and 27th in company spending on R&D.[50] Canada's R&D spending as a percentage of GDP has been declining for over a decade and is now 1.69%, compared to the OECD average of 2.4%. Business spending on R&D is near the bottom of all OECD countries.[51] Canada is the only developed country in the world with an intellectual property deficit – we spend more importing technology from other countries than we earn selling technology abroad. This gap is estimated to cost $4.5 billion a year.[52]

Having Canadian businesses that are innovative by developing and applying new technologies is essential for success in a 21st century economy. In 2018 the Canadian Chamber of Commerce published 10 Ways to build a Canada that wins, outlining a 10-part strategy to support business growth and build a winning economy. The report stressed the importance of de-risking the development, adopting, commercialization, and production of new technologies and facilitating access to capital to do so.

A key component to driving innovation in Canada is the Scientific Research and Experimental Development tax credit. Canada Revenue Agency has reported that based on 2011 projections, the total value of federal SR&ED tax credit expenditure is approximately $3.6 billion.[53] The tax credits also stimulate the economy. According to a 2007 Department of Finance study, for every $1 in SR&ED tax credits given out, the government receives back a benefit of $1.11. [54] Finance Canada and the Revenue Canada (1997) found that the federal SR&ED credit generates $1.38 in incremental R&D spending per dollar of foregone tax revenue, and that private sector R&D spending is 32 per cent higher than it would be in the absence of SR&ED tax incentives.

[50] KPMG, Canadian Manufacturing Outlook 2014: Leveraging Opportunities, Embracing Growth, 2014.

[51] OECD, Science, Technology and Industry Scoreboard 2015.

[52] Standing Committee on Industry, Science and Technology, The Canadian Intellectual Property Regime – Dissenting Opinion of the New Democratic Party

[53] Government of Canada. (2012). Do Your Research in Canada: It Pays Off! http://investincanada.gc.ca/eng/publications/rd-tax-credit-fact-sheet.aspx

[54] Department of Finance Canada and Revenue Canada. (1997). The Federal System of Income Tax Incentives for Scientific Research and Experimental Development: Evaluation Report. http://publications.gc.ca/collections/Collection/F32-1-1997E.pdf

Despite its success, changes were made in 2012 and 2014 that reduced the effectiveness of the SR&ED by reducing eligible expenses and reducing the tax credit from 20% to 15%. Businesses also report that the audit component of the SR&ED program has become onerous and time-consuming, and that the uptake and efficiency of the program are hampered by overly frequent changes. A tax regime, using SR&ED as the backbone, must be sustainable with a simple reporting mechanism and changes that are inline and timely with respect to issues businesses are facing.

The Government of Canada must recognize the essential role fostering innovation has on the current and future economic prosperity of our nation. Tax incentives such as the SR&ED play a critical role in increasing the competitiveness of our businesses in the continually evolving global economy.

The Alberta Chambers of Commerce recommends that the Government of Canada:

1. Maintain the Scientific Research and Experimental Development tax incentive at least at pre-2012 levels, including eligible expenses;
2. Simplify the process of the Innovation Tax Credit (former SR&ED) application, using the following as a base: improving the pre-claim project review service, simplifying the base on which the credits are calculated, and introducing incentives that encourage SME growth – so that Canadian companies of all sizes and across all industries can move forward with confidence to bring their innovations to market; and
3. Create an innovation environment that encourages private sector investment in R&D and technology across all industries focusing on the following factors for success: ease of use for businesses, consultation with the business community to ensure programs are in line with the real time needs of business, achieved and sustainable growth of participating businesses, export readiness and enables operational scale-up.

A Systems Approach for Provincial Transportation Systems

Issue

That transportation systems are intrinsically linked to economic development is a self-evident truth. However, there is a growing trend in the transportation planning literature, and in the developed plans of both national and provincial organizations, to consider best-practice for this discipline in terms of multimodal transportation planning. A cost-effective and efficient transportation network in Alberta requires a systematic planning approach collaboratively directed by a provincial body. Specifically, it requires all key public and private sector organizations in the province to work together in coordinating a holistic transportation system where long-term development objectives that provide an equitable, cost-effective, and reliable means of moving people and goods are examined.

Background

Transportation has long been recognized as playing a critical role in the overall prosperity of a society. It is one of the systems that virtually all Albertans utilize and depend on daily. In a very competitive and integrated world economy, most businesses require access to efficient and cost-effective transportation services to export their merchandise to the market or to access imported goods. More than 2,000 Alberta businesses export goods and services around the world, which means most of Alberta's Gross Domestic Product (GDP) is dependent on international trade in one fashion or another. Thus, remaining competitive in international markets is essential for maintaining and enhancing the standard of living in Alberta, particularly as our province attempts to diversify our economic base and move away from our long dependence on crude oil exports.[77]

The opportunities are there. Almost every expert predicts that there are significant opportunities for Canada to increase agri-food exports in response to a growing global demand for high-quality food products, and Alberta is well-positioned agriculturally and industrially for rapid expansion to meet this demand. However, unless significant changes are made, the transportation system in Alberta could be ineffective in meeting the needs of citizens, communities, and businesses to take advantage of this growth. Inefficient transportation means a reduction in competitiveness, and there is a real possibility of our region being sidelined while economic development progresses in more accessible locations with lower transportation costs. The cost of not proactively improving our transportation system could be very high.

[77] Source: http://www.transportation.alberta.ca/Content/docType56/Production/AEDA2004.pdf

In Western Canada, roughly "40 to 45 percent of the unfunded infrastructure needs are in transportation—roads, bridges, interchanges, traffic control devices and public transit."[78] Most of these transportation projects fall under provincial and municipal jurisdiction. Municipal jurisdictions on their own have limited resources: they are expected to meet the unique infrastructure demands of their constituency through a system of competition for limited infrastructure funds between transportation and other municipal projects.[79] If the province were to pursue a combined, multimodal approach to transportation planning, whereby all the relevant stakeholders, modes of transport, and resources are included, it may be possible to alleviate the financial burden faced by individual jurisdictions through the increased efficiency of a centralized, collaborative process.

The Government of Alberta recognizes that a good transportation system is vital to the prosperity of Alberta;[80] however, the province also recognizes that a cost-effective means of improving transportation networks cannot be efficaciously accomplished through project-based planning approaches, since singular projects tend to be an inefficient means of addressing the larger goal of fostering economic growth. Both the province and the federal government have enshrined this thinking into their strategic plans, and consequently all stakeholders can expect the Provincial and Federal governments to favor proposals that take a systems-view of transportation projects and which respond to productivity objectives, consider cross-impacts on land use, urban and community development, and the environment, and demonstrate the capacity to coordinate the disparate goals of individual communities.

In summation, an efficient provincial transportation system, based on multimodal transportation planning, could improve competitive access to global markets, link communities and enable economic growth. A partnership between representatives of public and private sector organizations in the province would pave the way for addressing shared challenges and opportunities while working collaboratively to transform the existing transportation system to foster tangible economic and social benefits.[81]

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Adopt a multimodal systems planning approach for a cost-effective and efficient means of transportation in Alberta.
2. Encourage the establishment of collaborative regional organizations to conduct regional transportation planning for the inclusion of a provincial plan and explore appropriate funding models to support this initiative.
3. Plan and select transportation projects with greater emphasis on their potential economic impacts and their fit within a network that lowers the cost and improves the efficiency of supply chains.

[78] Western Canada Transportation Infrastructure Strategy for an Economic Network: A time for vision and leadership. (March, 2005). Retrieved from http://www.transportation.alberta.ca/Content/docType56/Production/WTM-Strategy.pdf

[79] Western Canada Transportation Infrastructure Strategy for an Economic Network: A time for vision and leadership. (March, 2005). Retrieved from http://www.transportation.alberta.ca/Content/docType56/Production/WTM-Strategy.pdf

[80] Business Plan 2016-2019 Transportation. (March 17, 2016). Retrieved From https://open.alberta.ca/dataset/9d234882-5822-4e06-8e08- b00faa488647/resource/6b517f10-2c7b-45a1-b6f1-b088e78b09cd/download/transportation-2016-19.pdf

[81] Dixson, E. (2017). Access to Markets: Commercial Transportation Issues in Southern Alberta. Retrieved from file:///C:/Users/user/Downloads/Transportation%20Issues%20Final%20Report%20Sept%2014%20(1).pdf

Add Consistency to the Tax Act Through Indexing

Issue

The Canadian Department of Finance began indexing the tax brackets on every Canadian's tax return in 1988. However, the Finance Department has failed to index a number of deductions which, in effect, has Canadians paying unfair taxes in certain areas. Two specific examples that affect the business community are the deduction of child care costs and Canada Pension Plan contributions.

Background

The practice of indexing was implemented to prevent "bracket creep" where, as a result of a cost-of-living increase, the taxpayer was bumped up into the next tax bracket and, as a consequence, took home no additional monies.

Current deductions for child care, only applicable for children under six years of age, are capped at $8,000 per year. While this deduction limit was recently increased from the 1998 level of $7,000 per year, the amount of the increase is neither in line with inflation figures nor the substantial rise in child care costs. (Average national annual rate of inflation 1998-2017 – 1.91%)[40]. A parent returning to the work force must make a financial decision of how much their take-home income is benefiting the family versus the cost of being away from the children and paying for care.

Canadian Centre for Policy Alternatives reported "child care fees in much of Canada are too expensive for many, if not most families – low – and middle income alike." Median monthly fees for child care are $980 in Calgary, $885 in Edmonton, and have similar costs in rural parts of the country.[41]

The net cost to families for child care leaves little incentive for parents to enter the workforce unless absolutely necessary. With chronic skilled labour shortages across Canada persisting, it is incumbent upon government to make workforce engagement as appealing as possible for young parents.

There are many tax credits that are indexed, along with the tax brackets, yet a number of glaring areas that are not. This inconsistency adds to the complication of the Canadian tax system, costs business, and weakens Canada's workforce by discouraging labour force participation.[42]

[40]"Inflation Calculator." http://www.bankofcanada.ca/rates/related/inflation-calculator/ Bank of Canada. Retreived on 10 February 2018.

[41] "Study reveals highest and lowest child care fees in Canadian cities in 2017," https://www.policyalternatives.ca/newsroom/news-releases/study-reveals-highest-and-lowest-child-care-fees-canadian-cities-2017 Canadian Centre for Policy Alternatives. 12 December 2017.

[42] "CPP contribution rates, maximums and exemptions." http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/cpp-rpc/cnt-chrt-pf-eng.html#nt1 Canada Revenue Agency. Retreived on 10 February 2015.

The Alberta Chambers of Chamber of Commerce recommends that the Government of Canada:

1. Apply indexing to all exemptions, deductions and contribution limits applicable in the *Income Tax Act* and the *Excise Tax Act* so Canadians and businesses are not unfairly taxed.

Consolidating the Administration of the Provincial and Federal Corporate Tax Compliance and Collection

Issue

Alberta is one of two remaining jurisdictions in Canada that has not consolidated its corporate income tax with the federal government. The duplication of filing requirements imposes an additional tax compliance burden and creates unnecessary compliance risks for Alberta businesses. Currently, an Alberta corporation must file one return with the Canada Revenue Agency and another with the Alberta Tax and Revenue Administration division of Alberta Finance. It was only last year that Alberta started permitting companies to file electronically under certain circumstances – making it the last provincial jurisdiction to do so in Canada. Online filing has simplified certain tax compliance functions, but there remain nine schedules which cannot be filed electronically, resulting in added complexity since certain returns can be electronically reported while others must be mailed or faxed. From a tax compliance perspective, this continued duplication of functions, including reporting, auditing, and returns, is a source of frustration and red tape that cannot continue within the current environment of spending restraints and austerity.

Background

A competitive tax system is essential to attract and retain business investment, as well as fostering economic growth in a highly competitive global economy. Improving our tax competitiveness, including simplification of compliance, continues to be a matter of crucial importance.

Since 1962 tax collection agreements (TCAs) have provided an administrative and legislative framework for the harmonization of tax structures, while respecting provincial and federal governments' rights to impose personal and corporate income taxes.

The TCAs do not prevent the provinces from continuing to establish their own tax calculations independently of the federal tax calculations. The agreements assign responsibility to the Canada Revenue Agency (CRA) to collect provincial corporate taxes and administer provincial taxes on behalf of the provinces. In 2006, Ontario signed a memorandum of understanding with the federal government to consolidate its corporate income tax system by December 31, 2008, leaving Alberta and Quebec as the only jurisdictions without TCAs.

According to a 2006 Ontario Fiscal Review, consolidation of the corporate income tax was expected to save Ontario businesses $90 million annually from a consolidated tax base and an additional $100 million annually in compliance costs.[43] In a 2008 report, PriceWaterhouse Coopers indicated that consolidation

[43] Ontario Ministry of Finance. Fall Statement – 2006 Ontario Economic Outlook and Fiscal Review – Annex IV. (2006, accessed 3 January 2012); available from http://www.fin.gov.on.ca/en/budget/fallstatement/2006/06fs-paperd.html; Internet.

would significantly reduce the compliance burden of tax filers.[44] The benefits of moving ahead with eliminating the duplication of corporate tax collection are proven with 11 out of 13 jurisdictions in Canada taking advantage of the cost savings and compliance efficiencies it creates.

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

1. Work with the Government of Canada to consolidate the collection and administration of its provincial corporate income tax.

[44] PricewaterhouseCoopers. Tax Memo: Ontario Tax Harmonization: What it Means for Corporations? January 11, 2008.

Educate and Foster Entrepreneurship Through MicroSociety

Issue

The MicroSociety program is underutilized, yet an incredibly effective learning tool that helps students develop invaluable skills resulting in higher student engagement and grades.

Background

MicroSociety create learning environments in grades K-12 allowing students to apply classroom knowledge to a real-world setting. The *MicroSociety* learning environment offers students authentic, hands-on learning through the creation and experience of dynamic miniature societies, reinforced by educators with classroom curricula. Schools include government, entrepreneurial hub, non-profits, and marketplaces all created and managed by students and facilitated by teachers.[10]

Students are the *MicroSociety* government, their bankers, police, store managers/owners, clerks, accountants. They pass laws on taxation, they borrow money to buy a business, they apply for jobs and they hire and fire others. They create and their own goods and services, contribute to community service projects (local charities), and are responsible for solving their own problems. They do job evaluations, bookkeeping and profit-loss graphing, followed by analysis.

Schools that have chosen to institute a *MicroSociety* program have seen significant improvements in attendance, student engagement, and the grades of participating students. Aspen Heights Elementary School in the City of Red Deer was struggling with a shrinking student population, along with poor attendance and student grades.

After initiating the program in 2009, Aspen Heights Grade Three Provincial Achievement tests went from 64% acceptable and 5% excellent in 2009-2010 to 92% acceptable and 16% excellent in 2011-2012. Discipline referrals to administration dropped from 55 in 2009-2010 to 14 in 2011-2012. The school also sees higher than average student and parent satisfaction and higher attendance. The percentage of parents, teachers and students who are satisfied that students model the characteristics of active citizenship was 96% at Aspen Heights compared to 80% average in the Red Deer School District and 82.5% provincially.[11]

Aspen Heights has been the recipient of a number of education awards including the Ken Spencer Award for Innovation in Teaching and Learning (2017) and the Alberta Emerald Foundation Award for Environmental Excellence (2017). Aspen Heights was able to replicate similar success stories seen across

[10] "MicroSociety," https://en.wikipedia.org/wiki/MicroSociety Wikipedia. 10 February 2018.

[11] "MicroSociety", Aspen Heights Powerpoint Presentation. February 23, 2018

251 schools in the United States. Despite the success of the program, there are only 3 schools in all of Alberta utilizing a *MicroSociety model*.

Alberta Education outlines several core competencies by *The Three E*"s; engaged thinkers, ethical citizens, and entrepreneurial spirits. Those core competencies include critical thinking, problem solving, managing information, creativity and innovation, communication, collaboration, cultural and global citizenship, and personal growth and well-being. Students show strong development in the areas of mental health, resiliency, confidence, and financial literacy. Educators and parents have described the M*icroSociety* Program as being an excellent tool in helping students foster and develop these essential skills. Skills that are key to student's future success.[12]

In an analysis comparing 13 *MicroSociety* and 13 regular schools in Florida with similar demographics, the *MicroSociety* schools consistently and significantly outperformed in reading and math with the gap expanding over time.[13] Beyond exceeding standards at basic subjects, students also gain invaluable experience solving real world problems. "During Micro-Time, students often counter unanticipated and messy problems - settling a contractual dispute among students, figuring out how to turn around an unprofitable business, writing and then effectively enforcing legislation to reduce bullying - are dynamic dilemmas which provide opportunities for students to apply their school learning in authentic contexts.[14]"

While *MicroSociety* models do come with some marginal training costs and involve a degree of complexity to initially set up and administer, the program provides a significant net benefit through its ability to attract and retain students while fulfilling and exceeding curriculum requirements.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work with *MicroSociety* to develop and distribute a guide and toolkit for schools that want to have a MicroSociety
2. Encourage Alberta school boards to create *MicroSocieties* in k-8 schools across the province with the goal of at least 1 per district by 2025.

[12] "Red Deer school puts society under the microscope," https://www.teachers.ab.ca/Publications/ATA%20News/Volume%2049%202014-15/Number-5/Pages/Red-Deer-School.aspx Alberta Teachers Association. 10 February 2018.

[13] "Data from 13 MicroSociety and 13 Control schools," http://www.microsociety.org/outcomes-2/

David Kutzik and Associations (2005.)

[14] "Solving Real World Problems," http://www.microsociety.org/how-we-fit/ MicroSociety 12 Feburary 2018.

Elimination of Border Re-Inspections & Associated Fees on Canadian Meat Exports into USA

Issue

Border inspections of Canadian and US meat are simply re-inspections of CFIA and USDA inspected meats. On July 6, 2009 FSIS formally acknowledged that Canada's system of meat testing is equivalent to USDA standards. However every shipment of Canadian meat into USA is subject to **mandatory** re-inspection at the border, with re-inspection fees applicable. This border re-inspection process places the Canadian meat industry at an economic disadvantage to that of the USA.

Background

> *"Food produced under the regulatory systems in both countries (Canada & USA) is some of the safest in the world and it should usually not be necessary to apply additional inspection or testing requirements simply because it is crossing the Canada – USA border.[1]"*

The Canadian Meat Council *(CMC)* advises that Canada's meat industry directly employs 65,000 and ranks number one in our food industry, with total revenues of $24.1 billion annually. On average Canadian processors export 563,000 tonnes of meat (28,150 truckloads) annually into the USA, with each truck subject to border re-inspection, despite a national sampling plan administered by the US Food Safety & Inspection Service (FSIS). Annual meat imports from the USA average 356,000 tonnes (17,800 truckloads).

Based on the recognition of the equivalency of the inspection systems and the Canada-US Free Trade Agreement, Canada adopted a frequency of import inspection at the level of one in ten. Current USDA border re-inspection of all US meat imports are redundant, delay shipments, introduce product and marketing risks, translating into additional costs to Canadian meat processors.

These US border re-inspections are conducted by 10 privately owned Inspection Centres which charge re-inspection fees without USDA oversight. These fees cost our meat processing industry upwards of $3.6 million annually[2]. Furthermore, US border re-inspection requirements significantly increase shipping and handling costs to Canadian meat processors *(i.e. added driver, fuel and vehicle depreciation costs),* and increase market risk when the cold-chain delivery system is disrupted at these US Inspection Centres.

According to the Canadian Meat Council (CMC), many "Inspection Houses" are older non-refrigerated facilities and lack the food safety standards *(i.e. HACCP)* and warehousing programs consistent with

[1] "American Meat Institute (AMI) and the Canadian Meat Council (CMC)." Canada's Economic Action Plan http://actionplan.gc.ca/en/page/rcc-ccr/american-meat-institute-ami-and-canadian-meat Retrieved 3 February 2015.

[2] *Ibid*.

standards applied at the CFIA and USDA facilities from which the meat was originally inspected and shipped. Furthermore re-inspections at these Inspection Houses disrupt the cold-chain delivery process and "could result in temperature shifts of 10 degrees or more ... and a supplier could lose 3 – 10 days of a typical 30 day shelf life .... fresh meats that get delayed can be refused by the customer."

According to the Canadian Meat Council, "every driver loses 2 - 4 hours of driving time when reporting to the Inspection Centres". Once a driver hits 11 – 12 hours behind the wheel, transportation regulations mandate a 10 hour rest time. According to the CMC, at $100 per hour, resulting driver downtime is a significant cost to our meat industry.

US Border Inspection Process: All trucks crossing the US border containing meat from Canadian processors are first screened by US Border Officials, after which they must report to one of only 10 US Inspection Centres located on the international border. All trucks are opened at the Inspection Centres and their import documents are verified with the USDA. Approximately 10% of all trucks are physically re-inspected before they can proceed to a federally inspected US packing plant for further processing.

Canadian Border Inspection: All trucks crossing the Canadian border containing US meats are first screened by Canadian Border Officials, at which time the driver is informed if his truckload is one of the 10% randomly selected for further inspection. If a re-inspection is required, it is not done at the border, but rather at one of the 125 CFIA Registered Establishments. This re-inspection process ensures tighter quality control and improved food safety to the consumer, with reduced shipping costs to the supplier. There are no border re-inspections fees applicable to the US meat processor on imports into Canada. Rather CFIA inspection costs are absorbed by the Canadian processor.

History

On February 4, 2011 the Canada-United States Regulatory Cooperation Council (RCC) was created to facilitate closer cooperation between Canada and the USA with the objective to develop more effective approaches to regulation in order to enhance economic strength and competitiveness of both countries. Prime Minister Harper and President Obama collectively announced support for the 29 point Joint Action Plan *"Beyond the Border: A Shared Vision for Perimeter Security and Economic Competiveness."* Its mandate is to *"enhance security and accelerate the legitimate flow of people, goods and services across our international border*[3]*"*

As part of the "*Beyond the Border Action Plan*"**,** the USDA's Food Safety and Inspection Service (FSIS) and the Canadian Food Inspection Agency (CFIA) committed to implement a pilot project to introduce and evaluate an outcomes-based process for the purpose of eliminating unnecessary and duplicated requirements on cross-border meat shipments. The 12 month pilot project was to conclude in September 2013 following which it would be evaluated. However it was halted by the USDA shortly after its launch influenced by US lobbyists who cited concerns about food safety in the face of the XL Foods massive meat recall.

In August 2014 the *Canada – United States Regulatory Cooperation Council (RCC)* released its *Joint Forward Plan* which focuses on eliminating unnecessary costs and duplication, removing red tape, reducing delays in bringing products to market and providing more predictability for integrated supply chains – all without compromising the health and safety of Canadians and Americans[4]

[3] *Ibid*.

[4] "Canada-United States Regulatory Cooperation Council Joint Forward Plan August 2014." Canada's Economic Action Plan. http://actionplan.gc.ca/en/page/rcc-ccr/canada-united-states-regulatory-cooperation-1 Retrieved on 3 February 2015.

The Alberta Chambers of Commerce recommends the Government of Canada;

1. Achieve the goals identified in the 2014 Joint Forward Plan
2. Support the efforts of the United States Regulatory Cooperation Council in its initiative to harmonize regulatory requirements and practices on meat trade between Canada and the USA.
3. Ensure any re-inspections of Canadian meats exported into the USA be conducted only at USDA sanctioned processing facilities.
4. Maintain current border re-inspection fees on Canadian meats exported into the USA constitute a trade barrier and should be eliminated.

Preparing Alberta for the Legalization of Cannabis

Issue

On April 13, 2017, the federal government introduced legislation to legalize cannabis in all provinces and territories by July 2018. This will make the possession of cannabis for personal recreational use legal across the country. Adults will be allowed to possess up to 30 grams of legally produced cannabis and grow up to four cannabis plants per household.

Background

Although cannabis is being legalized by the federal government, many of the regulatory decisions are being left up to the provinces and territories. The Government of Alberta has released its draft Alberta Cannabis Framework, focused on four policy priorities: keeping cannabis out of the hands of children; protecting public health; promoting safety on roads, in workplaces, and in public places; and limiting the illegal market for cannabis. The Framework outlines the Province's intention to create standalone cannabis retail outlets, but does not indicate who will operate these outlets. Retail outlets might be operated by government, as proposed Ontario and Quebec. Alternatively, Alberta could allow private retail outlets, which would be similar to existing liquor stores in the province.

The Benefits of a Private Retail Cannabis Sector

The pending legalization of cannabis will create business opportunities for those entering the new legal marketplace, especially for small businesses. A private cannabis retail model, based on the model used to oversee Alberta's private alcohol retailers, would provide Alberta with robust business and job creation while supporting economic diversification.

Evidence from other jurisdictions suggests that a private cannabis retail model represents a huge potential market for Alberta's entrepreneurs. Denver's legal cannabis industry now has more than 1,100 business licenses operating out of nearly 500 locations. In 2016 alone, Denver realized more than $500. 1 million in cannabis sales ($288.3M in retail and $211.8M in medical). At the state level, Colorado realized over $1 billion worth of sales in 2016, with $875.3 million generated from the private retail sector.[57]

The overall economic impact derived from the private cannabis model used in Colorado is even larger. It is estimated that legal cannabis activities in Colorado generated $2.39 billion in state output, with over 18,000 jobs (Full Time-Equivalents) created in 2015.[58]

By allowing private cannabis retailers, the Province can capitalize on the administrative expertise of Alberta's private liquor model. Unlike those provinces which sell alcohol in publicly operated retail stores, Alberta does not have the infrastructure to efficiently set up and operate a province-wide retail model.

[57] https://www.denvergov.org/content/dam/denvergov/Portals/782/documents/Collaborative_Approach_PDF.pdf
[58] http://www.mjpolicygroup.com/pubs/MPG%20Impact%20of%20Marijuana%20on%20Colorado-Final.pdf

Transforming the Alberta Gaming and Liquor Commission (AGLC) into a retail operator would require an extraordinary capital investment and a significant organizational shift. Estimating the precise cost of this transition is difficult absent further information from the Province on it's intended retail structure, but existing estimates of these start-up costs range from $168 million to $1.7 billion.[5960] This cost would come at a time where the province's debt is expected to reach $71 billion by 2019-20.

A private retail system could also lead to higher revenues for the Government of Alberta compared to a public system. In 2014, the C.D. Howe Institute reported that provinces with a competitive marketplace for alcohol, like Alberta, saw seven percent higher per-capita provincial alcohol revenues than provinces that had only government-operated retail stores.[61] In the 2015/2016 fiscal year, the AGLC generated $2.26 in return to government for every litre of alcohol sold, whereas the Liquor Control Board of Ontario (LCBO) only generated $1.80 per litre.[6263] This shows the incredible efficiency of Alberta's liquor system, especially considering liquor-related operating costs of the AGLC are mere $34.9 million, compared to the LCBO's operating costs of $870 million.[6465]

Plainly stated, the AGLC made 26% more money for each bottle of liquor sold, with no AGLC-operated retail locations, than the LCBO did with over 650 retail locations.[66]

Private retail systems in other jurisdictions have also been highly successful at raising government revenues. In Colorado in 2015, cannabis was the second-largest excise revenue source, with $121 million in combined sales and excise tax revenues being generated. In fact, cannabis tax revenues were three times larger than alcohol revenues and 14 percent larger than casino revenues. This evidence suggests that a private cannabis retail model can be highly successful at raising government revenues, which can then be used to fund other public programs.

When considering Alberta's lack of public retail capacity, the province's current fiscal position, and the relative efficiency with which a private retail model can generate tax revenue, it is clear that a private cannabis retail model should be established in Alberta.

Workplace Safety

Workplace safety issues continue to be a major concern for businesses in Alberta. A key recommendation from the federally appointed Task Force on Cannabis Legalization and Regulation recommended that the government implement an "evidence-informed public education campaign" as soon as possible.[67] As stated in our February 2017 policy on this topic, this must include encouraging adoption of workplace drug and alcohol policies.

[59] http://calgaryherald.com/news/politics/alberta-party-says-public-cannabis-stores-too-pricey-for-a-debt-laden-province

[60] https://docsend.com/view/k7kxfsk

[61] https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed//Commentary_414.pdf

[62] CANSIM Table 183-0025

[63] CANSIM Table 183-0023

[64] *ibid*

[65] https://www.aglc.ca/sites/aglc.ca/files/aglc_files/2015-2016%20AGLC%20Annual%20Report.pdf

[66] http://www.lcbo.com/content/dam/lcbo/corporate-pages/about/pdf/LCBO_AR15-16-english.pdf

[67] http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php

A considerable concern for employers is the lack of best practices on how to develop and enforce policies regarding workplace impairment. Law enforcement protocols and provincial rules and programs on impairment exist but are not well known. These best practices could help employers to develop policies on impairment in general, in addition to addressing specific considerations for cannabis-related impairment in the workplace.

The Province's recent framework lacks detail on workplace policy, education, and other resources to help employers prepare for legalization and to understand their responsibilities and rights in dealing with impairment both generally and specifically regarding cannabis. It also lacks details on how the Province intends to deal with conflicts between employer rights and the privacy rights of their employees. The Framework states that "…before July 2018 we will review occupational health and safety regulations and work with employers, labour groups, and workers to ensure the rules continue to address impairment issues."[68] The intention to collaborate on workplace safety is appreciated but these intentions need to be put into action now to ensure businesses are as well-prepared as possible and are equipped to guarantee their employees safety.

Addressing Indoor Growing Operations

The Province has proposed allowing each household to grow up to four plants. While this is consistent with federal guidelines, it creates considerable issues related to indoor growing in commercial rental units, residential rental units and multi-family units. Growing cannabis inside a unit can create considerable mold-related damage to the property, can lead to the invalidation of insurance or skyrocketing insurance costs, and can create unwelcome odors for neighboring homes and businesses.

The issues related to indoor growing cannot be mitigated by simply growing outdoors, as the proposed Alberta Cannabis Framework prohibits outdoor growing.

The Province has proposed using landlord-tenant agreements and condo bylaws to limit the smoking of cannabis in rented or multi-family dwellings, as is done currently for tobacco. The Province should also allow these agreements to restrict the growing of cannabis in rented or multi-family dwellings. Just as buildings are currently allowed to prohibit pets or smoking tobacco, they should also be allowed to prohibit the growing of cannabis.

Public Use

Current regulations on tobacco have helped to create smoke-free work environments across Alberta. This includes smoke-free indoor areas and limits on smoking and vaporizing tobacco within prescribed distances from doorways, windows, and air intakes. The Province should extend these rules to the smoking or vaporizing of cannabis.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Create a defined private retail model for the physical and digital sale of legal cannabis in Alberta, with government oversight and consumer education.
2. Expedite the review of occupational health and safety regulations to ensure businesses can establish workplace safety policies relating to impairment and cannabis use.
3. Develop policy templates and best practices resources on workplace impairment detection and management in consultation with stakeholders.
4. Use a portion of revenues from the taxation of cannabis to develop and provide expanded education, resources, and programming to support safe workplaces and impairment policies.

[68] https://www.alberta.ca/cannabis-framework.aspx#p6241s8

5. Allow landlord-tenant agreements and condo bylaws to prohibit the smoking, vaporizing and growing of cannabis subject to the Alberta Human Rights Act.
6. Excepting appropriately licensed establishments, prohibit the smoking and vaporizing of cannabis in non-residential indoor spaces and within prescribed distances from doorways, windows, and air intakes.

Returning Alberta to Balanced Budgets

Issue

The Government of Alberta's *Budget 2018* puts forward a path to return to balanced budgets by 2023. However, this plan is predicated on factors outside provincial control, and will leave Alberta with a debt of $96 billion. The Province needs to establish a credible plan to restore to fiscal stability and balanced budgets.

Background

Dependence on Oil & Gas Revenues

Provincial revenues, like the Alberta economy itself, are heavily dependent on oil & gas. Resource revenues represented nearly 20% of total revenue in 2014/15. The decline in global oil prices between 2014 and 2016 saw non-renewable resource revenue drop from $8.9 billion in 2014/15 to $2.8 billion in 2015/16.[4546] While prices have rebounded slightly since their February 2016 low of $16.30, Alberta's oil still sells for roughly 30% less than its five-year average price.[47]

Operational Spending

Budget 2018 represents a 4.3% increase in operating expenses compared to *Budget 2017.*[48] This continues the trend of growing government operating expenses well above population growth and inflation, which is forecast at 3.5% for 2018/19.[49]

If the Province continues down the path set out in *Budget 2018*, Alberta's debt will reach $96 billion in 2023.[50] Alberta's debt servicing costs will reach $2.9 billion by 2020.[51] This is larger than ministry budgets for Energy, Culture and Tourism, Environment and Parks, Economic Development and Trade, Labour, and Infrastructure combined.[52]

This continued trend of growing government spending without a clear plan to address the deficit was a major factor in Alberta's credit rating being downgraded by credit rating agency Standard and Poor's.[53]

[45] Government of Alberta Annual Report 2014-15, Executive Summary, Page 3
[46] Government of Alberta Annual Report 2015-16, Executive Summary, Page 3
[47] http://economicdashboard.alberta.ca/OilPrice
[48] *Budget 2018* Fiscal Plan, page 143
[49] *Budget 2018* Fiscal Plan, page 14
[50] http://www.cbc.ca/news/canada/edmonton/alberta-budget-2018-reactions-1.4589249
[51] *Budget 2017* Fiscal Plan, page 143
[52] *Budget 2018* Fiscal Plan, page 139
[53] http://finance.alberta.ca/business/investor-relations/credit-ratings/Standard-and-Poors-2016-0519-Credit-Analysis-Report.pdf

With little fiscal restraint, the absence of a credible plan to end deficits, and no path forward on how the growing debt will be repaid, Alberta's current fiscal path is not sustainable.

Back to Balance

Considering local and global factors and the cumulative impact of policy decisions influencing Alberta in the coming years, the Alberta Chambers of Commerce urge the provincial government re-examine its fiscal priorities. The Province should focus on long-term economic sustainability, enabling businesses to remain competitive and confidently plan for the future.

Budget 2018 set out a plan to return to balanced budgets in 2023-24. This plan, however, depends heavily on factors outside the Province's control, including the completion of Trans Mountain and a resulting increase in royalties paid to the Province. Given the vocal and ongoing opposition to this project, and continued uncertainty surrounding future oil prices, growing oil royalties should not relied-upon for increasing public spending.

The Province should instead focus its path to balance on factors which are within government's control, like the growing operating costs of government. To that end, the Alberta Chambers of Commerce recommend the government consider all options for an appropriate mix of revenue tools and a sustainable program of expenditures without disadvantaging businesses. This begins with a review of programs and services. While results-based budgeting and other internal processes have been conducted in the past, with mixed results, municipalities are showing a new path forward.

Cities including Edmonton, Medicine Hat, and Calgary have undertaken extensive reviews of their programs and services. These reviews are aimed at ensuring municipal services are well-run, providing quality public services for residents while remaining cost-effective. When cost-saving measures are found, City administration is expected to implement those measures. A key element to this process is the inclusion of external stakeholders to participate in reviewing and improving City services. The Alberta Chambers of Commerce recommend the Province undertake a similar review.

The Alberta Chambers of Commerce recommends the Government of Alberta engage in meaningful consultations and work collaboratively with chambers of commerce and other relevant business, industry, community organizations, and municipalities to develop a fiscal plan that meets the following objectives

1. Establish a long-term plan to achieve a balanced budget by eliminating operational expenditure growth.
2. Adopt an ongoing position of fiscal restraint and controlled spending by launching a full program and service review, including input from external stakeholders, as is being done in Alberta's largest cities, and report publicly on the results of this review.
3. Consult broadly with external stakeholders regarding the optimal approach to stabilize government revenues and expenditures, including an assessment of all available revenue options and tools, as well as cost containment, service level examination and fiscal restraint measures.
4. Negotiate government labour agreements due for renewal with a target of no staffing increases and zero percent increases in salaries until the currently depressed labour market has turned positive and rebounded sufficiently to justify wage growth.

Small-Scale Renewable Energy

Issue

AESO (Alberta's Electricity System Operator) is pursuing a complex transition to move Alberta's energy market from an EOM (Energy Only Market) to a CM (Capacity Market). One of the goals of this new market is to achieve 30% renewable energy generation by 2030. The chief obstacle to encouraging the kind of growth and diversification of generation required to move the energy market away from traditional carbon-based generation systems to renewable sources is a historically low market price for electricity combined with a government commitment to cap consumer power prices at 6.8 cents per KwH for the foreseeable future. (The pool price for generators is currently about 1/3 of this). This challenging price market has made it difficult for small-scale renewable energy projects to enter the market. However, there are distinct advantages to promoting the growth of small-scale renewable energy projects across the province. This paper will argue in favor of measures which will enable that growth.

Background

Due to new initiatives by the Government of Alberta, the province's electrical systems are facing major changes over the next decade, changes that bring with them their share of challenges, as well as opportunities. Acting on the recommendations put forward by the Climate Change Advisory Panel, the government has directed AESO to pursue a target of "30 by 30", or 30% renewable electricity generation by 2030, with the goal of eliminating coal-generated electricity by 2030. Furthermore, the very structure of the electrical market will be changing from an Energy-only Market, a market model where power plants are paid only for the energy they actually produce, to a Capacity Market Model, where generators are paid for having generation available to supply, whether or not any energy is actually produced and supplied. This market change is being made in the expectation that it will develop an energy grid that is more reliable and resilient.

These changes are being made in a very challenging environment. For one, the operator is looking to phase out coal-generation, while growing renewable capacity, in a rapid-growth market. According to AESO, the demand for electricity in Alberta is projected to grow by 2% per year, for the next 20 years. That's equivalent to adding a city the size of Red Deer each year. Furthermore, Alberta is coping with a historically low energy price, a situation that is great for consumers, but which makes attracting investment – especially small-scale investment – a real challenge. In November 2016, the provincial government also capped energy prices at 0.068$ per KwH (about double what it is now) in order to provide consumer protection in the event of rising prices.

The result is that while the government is looking for new renewable energy generation projects to diversify the market, add capacity, and offer clean alternatives to traditional Firm Generation methods, market forces make it infeasible for new projects to be pursued. Even utility-scale projects cannot be attracted without the supports designed into the current Renewable Electricity Program to make them viable. The result is that investment is constrained and will be isolated into a small number of large-scale projects rather than diversified into numerous smaller projects.

There are distinct advantages to encouraging the development of small-scale renewable energy projects through regulatory means. First, most large-scale renewable energy projects are Intermittent Generation

facilities, meaning that they do not generate energy continuously, but rely on environmental factors such as wind or sunshine to produce electricity. With a growing portion of the electrical grid relying on these generation methods, and insufficient battery facilities available to distribute power production over time, it is important for AESO to explore ways to encourage Firm Generation methods that rely on renewable technologies. These facilities do exist in the form of biogas generation plants, geothermal generation, and several others, however they are relatively expensive to construct and operate, are more difficult to scale up, and most fall in the range of small-scale renewable energy projects (up to 5MW). However, encouraging the development of these facilities and technologies will build reliability, stability, and capacity into the electrical grid, while contributing to the '30 by 30' target. Investments in this sector will also encourage innovation in renewable energy production, as enterprising operators seek ways to make the processes more efficient, scalable, or pursue new methods of renewable production. Smaller generators such as these will necessarily be distributed more evenly around the province, creating local system dependability, relieving capacity pressure on expensive long-range transmission systems, and building firm generation capacity into local grids to offset dependency on Intermittent Generation.

In the current policy environment, while investment money exists in public coffers, it only makes sense to hedge our public bets by diversifying into the small-scale renewable energy market.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Create a program or carve-out for small-scale renewable electricity generators (0.1MW - 5MW) to specifically address the gap in market regulations and programs for renewable electricity generators exporting to the grid with a plant capacity of < 5MW.
2. Use a levelized cost approach to subsidize electricity prices at a fixed price for these small generators in order to make the industry viable, as an investment in capacity building and innovation within the sector. The carve-out would allow project developers to apply to sell electricity at this price, within this carve-out, which would be fixed and guaranteed for 20 years in order to provide the necessary investor confidence. This fixed price system within the carveout would foster investor confidence, ensure investment return and continued plant operation, while allowing small-scale renewable generators to operate, innovate, and contribute to the climate leadership plan and AESO's '30 by 30' targets.
3. Grandfather existing small-scale renewable generators into the new program or carve-out to support their continued operation.
4. Prioritize grid connection for small-scale, renewable (low-carbon) generation capacity. Grid connection costs, metering and infrastructure costs should be reduced or subsidized.
5. Fund this program through an appropriate source, such as revenue generated from the Climate Leadership Plan.

Water for Sustainability

Issue

The Canadian Chambers of Commerce is concerned about how best to deal with the significant pressures Canada is facing on its water resources, both surface and ground water. There are ever-increasing demands for the water resource. The limits of available water have been reached in the southern portion of the province, and concerns are rising about the adequacy of water resources to support continued economic development in the central and northern parts of the province.

Background

The past several years has provided us with numerous examples of the need for better water management throughout Canada. The floods, the droughts, the pollution problems in Canada's rivers and lakes, the waterborne infectious diseases, the issue of water exports, the variability of our climate and the impact of human activities on the climate all speak to the need for federal, provincial and municipal governments to develop appropriate and integrated strategies for managing one of our most precious resources. Towards this end, and to sustain quality of life, healthy water quality and economic well-being, the Canadian Water Resources Association (CWRA) has circulated "sustainability principles" for water resources management. In addition, CWRA has also created a roadmap report titled Toward a Canadian National Water Strategy, illustrating a method to develop a Canada-wide water strategy.

Historically and economically Canada has been shaped by our waterways and infrastructure. The benefits we have derived from water are diverse. Canada has more lakes than any other country. We have more water per capita than any other large country. Unfortunately, we tend to take water for granted and undervalue it. Canada's per capita water withdrawals are among the highest in the world, and twice as much as the average European.

Despite the fact that Canada possesses nine per cent of the world's fresh water supply, Canada is not necessarily a water-rich country. Viewed globally, Canada's land mass is proportional to its water supply. Approximately 60 per cent of Canada's fresh water drains north, while 90 per cent of our population lives within 300 km of the 49th parallel. Recent droughts and shortages indicate the relative scarcity of water in some regions at certain times of the year and demonstrate the importance of developing strategies to minimize the adverse effects of potential future shortages.

In 1987 the federal fresh water policy was tabled in Parliament. This policy outlined five strategies: water pricing, science leadership, integrated planning, legislation and public awareness. Since 1987, water quality has become an important issue and it should be added as a sixth strategy.

It is time to revisit and update the federal water policies to identify how the federal government can better work with provinces and territories to identify and achieve common water management principles, objectives and/or outcomes, especially for watersheds that cross provincial boundaries, or whether there is a joint federal-provincial interest.

The following is a quote from a report prepared by CWRA and released in the fall of 2010:

Recognizing the need for an integrated and over-arching national water strategy, Canada's water stewards are initiating the development of a vision-based strategy aimed at harmonizing policy and management objectives across jurisdictional divides, enhancing the effectiveness of management at all levels, selecting the priority actions requiring immediate attention and strengthening local watershed-based water management to deal with these issues.

Sectors that are encouraging increased co-ordination, collaboration and integrated resource management include:

- *International and bi-lateral organizations i.e., U.N., International Joint Commission;*
- *Council of Great Lakes Mayors;*
- *Federal Agencies – Agriculture and Agri-Food Canada, Department of Fisheries and Oceans, Environment Canada, Health Canada, Transport Canada, Natural Resources;*
- *National Governmental Collaborations and Councils – e.g. CCME, Federation of Canadian Municipalities;*
- *Provincial and Territorial governments and agencies;*
- *Canada's Aboriginal leadership;*
- *Watershed organizations (e.g. Watershed Authorities, River Basin Councils, Ontario Conservation Authorities);*
- *National and local non-government organizations;*
- *Business, Industry and Labour Organizations and Corporate Champions; and*
- *Transboundary Watershed Management – e.g. Prairie Provinces Water Board.*

Each sector is contributing independently to this National Water Agenda. It is timely to put our minds together to develop this essential overarching strategic framework or Vision of a Canada Wide Water Strategy.

Significant threats to water resources exist across Canada. Climate change is an emerging challenge in all parts of the country, but numerous long-term problems also exist, with serious implications for Canada's environment, economy and society.
Canada does not currently have an overarching national water strategy that facilitates more effective responses to current and emerging challenges and threats. The benefits of having such a strategy are numerous. Examples include the following:

- *More consistent and effective responses to concerns with national dimensions, such as water exports and climate change;*
- *Increased accountability due to broader stakeholder participation in governance;*
- *Enhanced environmental protection and a stronger foundation for economic productivity;*
- *Stronger national capacity to respond to threats and crises;*
- *Better positioning to meet growing international expectations and obligations; and*
- *Greater public acceptance and support for water management decisions.*

The Canadian Water Resources Association (CWRA) believes that a Canada Wide Water Strategy (CWWS) is an effective way to address the water management challenges we face, and that such a strategy is within reach.

CWRA supports a CWWS that has the following broad characteristics:
A CWWS for Canada must be developed and implemented through the participation of all stakeholders. The federal government must be a full and active participant, as must all the provinces and territories. However, initial lack of participation by some provinces/territories should not preclude initiation of the process. Indigenous people should have leadership roles.

Common goals and principles endorsed by all participants should be at the core of a CWWS. These should be comprehensive in their scope and should be sufficiently specific that they can guide the policies and actions of participants.

Water touches all our lives and is a significant factor in the economy of all sectors, but good information about the water resource base and various uses as well as economic value is lacking. The development of an effective water policy and strategy can only be undertaken with full knowledge of the quantity and quality of total water supply along with comprehensive information on water use. As well as knowing the value of water and its contribution to the Canadian economy. Reporting of water impacts, uses and return flows is an essential part of adopting a watershed approach to water resource management.

The Alberta Chambers of Commerce recommends that the Government of Canada:

1. Participate in any national initiatives that bring the provinces and territories together in addressing water issues of national importance. These initiatives should be undertaken by the Canadian Council of Ministers of the Environment.
2. Continue work with the provinces, territories and the United States to ensure there is consistent and effective management of watersheds that cross provincial and international borders, including agreements on water sharing and water quality.
3. Continue to provide expertise and financial requirements to Watershed Planning and Advisory Councils for developing and implementing water management plans for each basin and ensuring that these costs are not downloaded as primary responsibilities of municipalities:
    a. Take a proactive role with respect to feasibility studies, infrastructure development, water supply, and conservation projects.
    b. Support research and data collection for proper forecasting of stream flows and possible long-term flow changes, which may impact development activities in the areas of water management.
4. Encourage all federal government departments with an interest in water to participate in any activities related to the development of a Canada-wide water management strategy and to use a cross-ministry team approach to develop such a strategy.
5. Continue to communicate and promote conservation measures and watershed protection, and to increase public awareness of the water management roles and responsibilities of municipalities, provinces, territories, irrigation districts, basin councils and watershed groups throughout the country.

6. Continue to use partnerships and provide funding that will support and promote regional, place based, stakeholder-driven solutions.
7. Encourage a nation-wide database of water risk information and an eco-service asset assessment.

Addressing the Impacts of Marijuana Legalization on Workplace Safety

Background

As part of his party's 2015 election platform, Prime Minister Justin Trudeau committed to "legalize, regulate and restrict access to marijuana." [137] Following through on this commitment, Justice Minister Wilson-Raybould announced the creation of a Task Force on Cannabis Legalization and Regulation (The Task Force), led by former Deputy Prime Minister Anne McLellan. The Task Force published its recommendations to government on December 13, 2016, with legislation expected to follow in Spring 2017.

Prevalence of Marijuana Use

Regardless of its legal status, marijuana use is prevalent in Alberta. Health Canada data shows that 44.3% of Albertans have tried marijuana, with 11.4% having used at least once in the past year.[138] Health Canada data also shows the rapid rise of legal medical marijuana use – from 7,914 individuals in June 2014 to 98,460 by September 2016.[139] While the pending legalization creates greater awareness around the issues with marijuana use in the workplace, these statistics make clear that employers have been dealing with marijuana use for some time.

Safe Workplaces

In safety-sensitive workplaces, drug use can lead to serious injury or death. In its submission to the Task Force, national oil and gas safety association EnForm stated that "marijuana use is incompatible with working in a safety-sensitive environment."[140] Employers have both a legal and a moral obligation to provide safe workplaces. This legal requirement is enshrined provincially by the Occupational Health and Safety Act, and federally by Section 217.1 of the Criminal Code. Ensuring workers in safety sensitive roles are not impaired by legal or illegal substances is a key component of fulfilling that obligation.

Limitations on Testing

Marijuana is a substance with complicated effects on the body, and legal substances like alcohol do not provide useful comparisons. Testing for alcohol impairment is straightforward – the quantity of alcohol in the bloodstream is a reliable indication of how intoxicated an individual is at the moment of testing. THC, the primary psychoactive component of marijuana, can remain in the blood stream of users for days or weeks after the intoxicating effects have worn off. Furthermore, there is no "breathalyzer" equivalent for marijuana, which would provide a clear indication of current intoxication and impairment. Complicating

[137] https://www.liberal.ca/files/2015/10/New-plan-for-a-strong-middle-class.pdf

[138] http://www.hc-sc.gc.ca/hc-ps/drugs-drogues/stat/_2012/tables-tableaux-eng.php#t2

[139] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/market-marche-eng.php

[140] http://www.psac.ca/wp-content/uploads/Ltr-Marijuana_legalization_commission.pdf

matters further, there is no ".08" for marijuana, no standard legal limit or cutoff that can be used in impaired driving cases, for example.

The limits of testing technology have significant impacts on Canadian workplaces. *Entrop v. Imperial Oil* allowed random alcohol testing for safety sensitive positions, but not random drug testing – as a breathalyzer can reliably prove current impairment, whereas drug testing techniques cannot.[141] This is further confirmed by the Canadian Human Rights Commission's (CHRC) Policy on Alcohol and Drug Testing, which considers random drug testing an unreasonable infringement of privacy rights, as it cannot reliably determine current levels of impairment. [142] Under these guidelines, drug testing can only be carried out as a bona fide occupational requirement in safety-sensitive positions, with reasonable cause or after an accident has occurred.[143]

Enforcement Measures Needed

As federal and provincial governments have not yet researched and established legal limits for marijuana impairment, or the necessary testing protocols, the validity of workplace testing has largely been left to the courts to decide. Given the implications that legalized recreational marijuana use will have on law enforcement and impaired driving, it is highly likely that a standard roadside testing protocol, and a legal limit for marijuana impairment will be developed – similar to a 0.08 BAC for alcohol impairment. The Task Force recognized the need for this limit, and recommends further investment and research into both a *per se* impairment limit and the development of a roadside testing protocol. [144] These innovations would serve as a major step towards rationalizing the conflicts that currently exist between an employer's obligation to provide a safe workplace, and an employee's right to privacy. We recommend that the research and development of impairment limits roadside testing protocols be used to develop legal limits and testing protocols for safety-sensitive workplaces.

The Importance of Workplace Drug and Alcohol Policies

Another key recommendation from the Task Force recommended that the government implement an "evidence-informed public education campaign" as soon as possible.[145] In our view, this must include encouraging adoption of workplace drug and alcohol policies. Given the normalizing effect of legalizing marijuana use, we can expect employers will see increased instances of use in the workplace. This will create difficulty for employers, who have a legal duty to accommodate medical marijuana users, a duty to accommodate individuals struggling with addiction, and a duty to provide a safe work environment. In *Calgary v CUPE, Local 37* management's poor understanding of medical marijuana considerations, and poor application of workplace drug policies, led to a medical marijuana user being reinstated as a heavy equipment operator.[146] This case demonstrates the importance of a workplace drug and alcohol policy that is reasonable, clearly sets out expectations to employees, and is consistently enforced.

Intergovernmental Collaboration

Marijuana legislation will be introduced federally, and occupational health and safety legislation falls under provincial jurisdiction. Both levels of government will need to collaborate with industry to ensure

[141] http://www.canlii.org/en/on/onca/doc/2000/2000canlii16800/2000canlii16800.html

[142] http://publications.gc.ca/collections/collection_2009/ccdp-chrc/HR4-6-2009E.pdf

[143] *ibid*

[144] http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php

[145] *ibid*

[146] http://www.canlii.org/en/ab/abgaa/doc/2015/2015canlii61755/2015canlii61755.pdf

that workplace safety considerations are met. The Task Force highlighted this need for cooperation within its recommendations on workplace safety – which encourage further research on impairment, collaboration between industry and both levels of government to understand occupational health and safety considerations, and the development of workplace impairment policies[147].

The Alberta Chambers of Commerce recommend the Government of Canada and the Government of Alberta:

1. Create a standard testing protocol to detect marijuana impairment, with legal limits for both traffic safety and workplace safety prior to the legalization of marijuana.
2. Engage in Government-funded education programs for employers, outlining their rights and responsibilities related to marijuana use.
3. Encourage the adoption of workplace drug and alcohol policies.
4. Allow a two-year implementation window to address the workplace safety recommendations contained within the *Framework for the Legalization and Regulation of Cannabis in Canada.*

[147] http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php

Alberta Labour Relations Code

Issue

Updates to Alberta's Labour Relations Code should ensure a level-playing field that respects democratic freedoms and the pursuit of opportunity for both employers and employees. The Government of Alberta is currently undertaking a review of the *Labour Relations Code.* As this code governs how unions, employers and workers interact, Alberta's business community is concerned with the outcome of this review.

Background

Reform of the labour policy environment in Alberta has been on the legislative agenda for successive governments in recent years. In 2013, a review of the Alberta Construction Labour Legislation resulted in the "Sims" Report and a review of the Employment Standards Code was initiated. In 2015, Bill 6 was introduced to amend the Occupational and Health Standards for Farmers and Ranchers, and in 2016 a review of the Workers Compensation Board was launched.

The last time the Labour Relations Code (the Code) was amended was in 1988. This code represents a significant facet of the labour policy and regulatory framework in the province. The current Code has established a stable regime of peace between employers and employees for nearly 30 years, particularly outside of the public sector. Labour-related conflicts have been rare in the private sector, and created an environment of reasonable dialogue and negotiation. Should updates to Alberta's Labour Relations code be undertaken, it is important the outcomes of any updates maintain a "level playing field" between employers and employees to ensure economic growth, business viability and democratic freedoms are respected.

There are three areas of concern regarding the Labour Relations Code:

- How employees can unionize and de-unionize through the certification process
- The use of first contract arbitration
- When can employers utilize replacement workers during strikes

If an update were to occur, (a) current issues regarding the code should be addressed to maintain a level playing field and (b) certain changes that have been implemented in other jurisdictions should be avoided as they could negatively impact democratic freedoms and economic growth.

Review Process

The public review period on the *Code* took place from March 13 to April 18, 2017, and legislation is targeted for introduction in June 2017. Compared with the ongoing Workers' Compensation Board review, which began in March 2016, the timeline for consultation and legislative changes is very brief. Given the importance of this legislation to Alberta's economic growth, the Province should provide greater opportunity for consideration and feedback from all stakeholders and the public-at-large.

As noted by Labour Minister Christina Gray in her mandate letter to Mr. Andrew C.L. Sims, QC, "This is not a full-scale review of the *Code*; something that could not be accomplished within this session."[1] Given the *Code* has not been significantly updated since 1988, a complete review at this time would be preferable to a limited one to ensure a thorough and holistic evaluation. It is unclear how the items included in the review were selected. Labour relations depend on good faith, fairness and balance. The lack of transparency in the review process risks undermining the confidence of Albertans in the outcome of the review.

Mr. Sims has advised the Edmonton Chamber that recommendations being provided to the Province will take the form of advice to the Minister; that is, no written report or publicly-available statement of recommendations will be provided as a result of the *Code's* review. This is a significant departure for the Province. The Province has conducted reviews of Alberta's royalty system, climate regulations, energy efficiency, the buy-out of coal-powered generators, the Workers Compensation Board, amendments to the *Municipal Government Act,* and the development of city charters for Edmonton and Calgary. For each of these reviews, reports and recommendations have been made available to the public. This is a best practice for government – conduct a review using experts in the field, and provide an opportunity for relevant stakeholders and the public-at-large to comment on findings prior to introducing legislation. Prior work with the Province on essential services legislation in 2016 and construction industry labour relations in 2013 included publicly available reports.

If the Province does not provide a report of findings and recommendations, trust in the process will be eroded. Providing a report and recommendations that are available to the public demonstrates respect for the principles of good faith, fairness and balance, which lie at the heart of labour relations.

Card Check Certification

Alberta, alongside most other provinces, requires a two-step process to certify a union as the exclusive bargaining agent for a unit of workers. First, a union must show evidence that at least 40% of workers in the unit support certification, usually through workers holding union membership cards. If the 40% threshold is reached, the Alberta Labour Relations Board (ALRB) conducts a secret ballot vote. If a majority vote in favour, the union is certified.

A likely proposal is to amend the current system, eliminating the need for a vote if a significant percentage of workers buy membership cards. This is commonly known as card check certification, and most provinces have at some point used this system.

Maintaining the secret ballot vote protects the right of workers to make their decision anonymously, as is done with other democratic decisions in Canadian society. As pressure can be applied when workers are urged to sign a membership card by union organizers and co-workers, the secret ballot vote ensures workers can vote their conscience with anonymity. Furthermore, legislation already exists to prevent employers from using coercion, intimidation, threats, promises or undue influence to prevent certification. Maintaining the secret ballot is also consistent with mainstream Canadian policy on labour

[1] *Labour Relations Code* Review Mandate Letter, March 13, 2017 (Appendix A)

relations, with six of ten provinces using a mandatory secret ballot vote. Many of these provinces have used card check certification in the past and have returned to a secret ballot vote.[2345]

However, if the Province decides to move to a card check model, we recommend the membership threshold for automatic certification be set at 65%. This threshold would be consistent with both the Manitoba and Newfoundland card check systems, which were in place until 2016 and 2014, respectively. We also recommend that the ALRB conduct a secret ballot vote in instances where support lies between 40% and 65%, and in instances where there is cause to question the validity of membership support.

Also, changes made to the certification process should be mirrored with changes to the revocation process.

First Contract Arbitration

It is likely that the *Code* will be amended to require arbitration for first contracts that cannot be reached within a certain timeframe, as opposed to using mechanisms such as strikes or lockouts to break intractable disputes. The Edmonton Chamber of Commerce does not support the use of arbitration for first contracts.

As the first contract reached through collective bargaining sets the "floor" for all future negotiations, employers are rightfully concerned about having arbitrated decisions imposed on them. It is always preferable for both sides to come to an agreement on the first contract, as opposed to having one imposed.

If the Province decides to require arbitration for first contracts, we recommend that this be used as a tool of last resort. The ALRB should be the decision-making authority on applications for arbitration and should only approve applications if intensive mediation has already taken place. The ALRB should only consider applications for arbitration after both sides in the dispute have rejected a mediator's recommended terms for settlement as per section 65 of the *Code*. This will ensure that first contract arbitration is only used when all other options have been considered.

The Role and Authority of the Alberta Labour Relations Board

Currently, the Board has discretionary authority on certain matters. This authority creates uncertainty for employers and inhibits the ability for businesses to plan for growth. Moreover, this discretion seems to favour the facilitation of certification rather than maintaining a neutral position.

As an example, the Board may reduce the mandatory 90 day waiting period for unions making a second application for certification after their first application was dismissed or withdrawn. This allows for applications aimed at harassing employers and disrupting worksites.

Some Board rulings have indicated that employers are not allowed to communicate the impacts they perceived certification could have on their business, even when this information is honest and factual. If such communication is deemed to be an unfair labour practice, employers' ability to maintain business viability following certification is significantly reduced.

[2] http://www.cbc.ca/news/canada/manitoba/secret-ballot-union-votes-finalized-as-legislative-session-ends-1.3846503

[3] http://www.cbc.ca/news/canada/newfoundland-labrador/labour-leaders-hammer-premier-on-union-certification-bill-1.2664192

[4] https://www.fraserinstitute.org/article/should-bc-revert-back-card-check-procedure-certifying-unions-no

[5] http://labourlawblog.typepad.com/managementupdates/2005/02/cardbased_versu.html

First Contract Arbitration

Once a union is certified, it must negotiate a collective agreement with the employer. Under the current provisions of the Code, employers and unions who reach an impasse in the negotiation of a first contract must use the traditional tools of a strike or lockout to break the impasse. Furthermore, the employees are able to decertify the union on the basis that it has failed to negotiate a collective agreement.

Some jurisdictions have implemented legislation which imposes mandatory arbitration on an employer and union in cases where the union becomes certified to represent employees but the parties are unable to negotiate a collective agreement. First contract arbitration undermines the competitiveness of businesses while also limiting the rights of employees to sober-second thought regarding certification.

Replacement Workers

"*When a trade union is unable to negotiate a collective agreement, they sometimes choose to strike an employer… Similarly, employers may choose to lockout their workers... Strikes and lockouts are often accompanied by picketing at the employer's place of business*."[6]

When a union commences a strike, employers are currently permitted to hire temporary replacement workers in order to ensure that the business is able to continue operating. Employers are not permitted to permanently replace striking workers with replacement workers and must guarantee striking workers their positions once a settlement is reached.

This fallback position ensures that a business' viability is maintained while it negotiates with its broader workforce and therefore, maintains employment levels. Studies have shown that legislative bans on the use of replacement workers have a negative effect on employment levels.

It is important for the long term competitiveness of Alberta's economy that labour legislation and regulation maintains a balance between employer and employee's rights and freedoms.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Protect an individual's right to vote their conscience by maintaining a secret ballot vote in the certification process.
2. Should the Province introduce first contract arbitration, grant the Alberta Labour Relations Board decision-making authority to consider applications for arbitration from either unions or employers.
3. Maintain that portion of current legislation that precludes the use of first contract arbitration.
4. Require both unions and employers to participate in mediation, including consideration of a mediator's recommended terms of settlement, prior to either party applying for arbitration.
5. Amend the code to clarify that employers can freely distribute information on how to revoke a certification without violating the code.
6. Require the board to apply the same "free and voluntary" rules to both revocation and certification applications.
7. Eliminate board discretion to revoke a certification if employers have had no employees for three years.

[6] Alberta Labour Relations Board. (1996). Frequently Asked Questions: Strikes and Lockouts: Strikes, Lockouts & Picketing. Retrieved August 22, 2016 from http://www.alrb.gov.ab.ca/faq_strikes.html .

8. Prohibit new applications for certification for a fixed and longer period after the first one is dismissed or withdrawn.
9. Amend the code to make it clear that the board cannot relax the “appropriate bargaining unit” rules merely to facilitate certification.
10. Make the code clear on the fact that employers can communicate the impact of certification on their business without committing an unfair labour practice, as long as their comments are honest and factual.
11. Prevent business closures and job losses by maintaining the employer’s right to hire temporary replacement workers during labour action.
12. Provide the Alberta Labour Relations Board with marshalling powers to direct labour complaints to the appropriate forum.
13. Provide the Alberta Labour Relations Board with new powers to address nuisance and vexatious duty of fair representation complaints.
14. Extend the *Labour Relations Code* review timeframe to ensure affected stakeholders can participate in a thorough and transparent consultation process.
15. Publicly disclose recommendations made to the Minister as part of the *Labour Relations Code* review.

Grown-in-Canada Label: Marketing Alberta's Livestock

Background

The Alberta Chambers of Commerce recognizes the contribution of agriculture to the provincial economy and that enhancing the strength of the sector is an important priority. Several organizations, including the Canadian Chamber of Commerce, have initiated "branding Canada" proposals to enhance our country's image and advantages.

It is particularly important for Alberta's livestock sector to join in this drive to overcome the effect of adjusting currency values, provide a market-based incentive to increase value added in the farm and food processing industries, and to provide a marketing link between grown-in-Canada product and the very strong Canadian standards for food safety and environmental stewardship.

In August 2006, Meyers Norris Penney was commissioned to do a market assessment of consumer demands for a Canadian label. Some of the significant results were:

- 90 per cent of Canadian consumers felt Canadian-grown product should be easily identifiable in stores
- 95 per cent of consumers would prefer to buy Canadian-grown product that is competitively priced
- 80 per cent of those surveyed felt a "Canadian label" concept was a good/very good idea, with the most appealing aspects being its connotation of quality attributes and ease of identification
- 46 to 50 per cent of consumers were willing to pay premiums for "labelled" beef, pork, poultry, grain, vegetable, and fruit products
- 73 per cent of consumers were willing to pay more of a premium if they knew the premium would go to Canadian farmers
-

Overall the results showed strong support by Canadian consumers for Canadian-grown products.

Further, the Agricultural Policy Framework (APF) and Growing Forward policies of the federal, provincial, and territorial governments both feature branding Canada as a theme. However, much more progress needs to be made on this file.

The Canadian Chamber of Commerce in its January 2008 report *Easing the Burdens, Unleashing our Potential: Fostering Growth and Investment in the New and Changing Global Commercial Environment* states that our position in the world and export growth should be tied to "a pan-Canadian brand, with common logos, images and themes."

Commercial Environment states that our position in the world and export growth should be tied to "a pan-Canadian brand, with common logos, images and themes."

Alberta's livestock and value-added meat products are an ideal place for the government of Alberta to start vigorously implementing the mandate of APF and Growing Forward to label Canada, promote locally grown and processed product, and brand our exported livestock and meat products.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Work to achieve the goal of the Agriculture Policy Framework and Growing Forward to create a voluntary "Grown-in-Canada" label, logos, images, and themes that would identify with 100-per-cent Canadian-grown product.

2. Oppose mandatory country-of-origin labelling requirements that can be used to promote protectionist agendas and technical barriers to trade, especially within the World Trade Organization Technical Barriers to Trade rules and Codex standards and ensure that any Grown-in-Canada regulations uphold the spirit of this opposition.

3. Ensure Growing Forward works to develop branding skills and knowledge among farmers and processors.

4. Support the Canadian Chamber of Commerce in advocating a bold initiative by the federal government to create a pan-Canadian brand.

Institute an Appeal Process for Labour Market Opinions

Background

Labour shortage, skilled and otherwise, continues to be a significant challenge to Canadian businesses. For the 2nd year in a row, the Canadian Chamber of Commerce has listed skills shortage as a top 10 barrier to competitiveness for 2014. While attempts to remedy the shortage through skills training programs and immigration programs such as the Expression of Interest system are steps in the right direction, these are far from being overnight fixes. Thousands of jobs continue to go unfilled as Canadians are either unwilling or unable to fill these in demand jobs. As a result, Canadian productivity continues to languish far below its potential. The Temporary Foreign Workers Program (TFWP) is the short-term solution businesses need, but suffers from poor administrative standards.

Having a smooth-functioning administrative process with clearly defined rules and regulations, along with predictable outcomes, are key components to the success and ongoing viability of government programs. It ensures applicants to the program receive the desired and deserved outcome and prevents potential abuses that could be made by administrators and applicants. This is especially important for the TFWP now that businesses are paying $275 per LMO application; a fee that is costing businesses thousands of dollars. Unfortunately, when reviewing Labour Market Opinion (LMO) applications, it is necessary for the administrative decision-makers (ADMs) to utilize some level of discretion. Subject to numerous rulings under Canadian administrative body of law, discretionary decisions must be exercised via a standard of reasonableness and subject to procedural fairness.

> "The Supreme Court of Canada in Southam [1997] considered the standard of reasonableness applies where a decision is a matter of law, a mix of fact and law or a **discretionary decision,** it is said that the decision is unreasonable where the decision is '*not supported by any reasons that can stand up to a somewhat probing examination.*''[1]

Discretionary decisions made by the administration should be relevant, reasonable, and consistent, with the process free of any abuse. Unfortunately, this has not been the case. It is imperative to the overall success and economic well-being of Canadian businesses, that the ADMs of the TFWP be subject to the standards outlined under Canadian administrative law, and that decisions made be subject to review and appeal when necessary.

The Alberta Chambers of Commerce recommends that the Government of Canada:

1. Institute an appeal process for denied Labour Market Opinion applications.

[1] ***Canada (Director of Investigation and Research) v. Southam Inc.***, [1997] 1 S.C.R. 748

Ontario and Quebec (AOPPOQ), the problems persist and are an obstacle to the growth and profitability of Canadian businesses.

The Alberta Chambers of Commerce recommends that the Government of Alberta:

1. Work collaboratively with provincial/territorial and federal inspection agencies to effect positive changes to food safety outcome inspections, enabling processors to compete more efficiently in both domestic and international markets:

    a. To support a single industry outcome that can be implemented with consistency and cost-effectiveness across Canada by the provinces/territories, with each provincial/territorial regulator subject to Canadian Food Inspection Agency oversight.

    b. To review the food safety regulations for relevancy and modified/broadened if current criteria are unnecessarily restrictive and insensitive to sound business interests.

    c. To ensure the implementation is consistent and cost-effective throughout the food distribution chain, without compromising Canada's reputation for high food safety standards.

    d. To encourage the Canadian Food Inspection Agency and provincial/territorial agencies to shift away from a rules-based regulatory regime to an outcomes-based food safety discipline, with the onus on the processor to meet targeted safe food standards.

2. Reassess inspection and regulatory costs and how they are allocated, to enable processors to trade across provincial or national borders, without being at a competitive disadvantage.

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Investing in Market Access for Southern Alberta Business

Issue

Global commerce is increasingly reliant upon the ability for goods to reach local, regional and international markets. As such, it is imperative to consider the crucial role that transportation networks play in economic development. Current infrastructure in and around Southern Alberta requires serious upgrades and advancements to maintain and leverage a competitive edge in advancing business success in Southern Alberta.

Background

Recent refocusing of economic priorities within the province of Alberta, combined with a growing international demand for high-quality foods and agri-food products, has positioned Southern Alberta to be a global leader in the distribution of products to local, regional, and international markets. Moreover, the relative economic stability of the region, combined with low infrastructure and land costs, and the proximity for major producers and distributors to raw agricultural products, has cast an attractive light on Southern Alberta as a place to invest. The opportunity currently exists to leverage these advantages to help diversify and grow the Canadian economy by improving local transportation infrastructure.

Located at in Southern Alberta's agricultural heartland, is a growing network hub for the export and import of large quantities of goods. Goods flow east and west through the region via Highway 3, and connect to Highway 1. Additionally, several major north-south corridors (Highways 6,2,62,4,889, 41 and Interstate 15) move goods through the region, particularly into the United States thru the twenty-four hour Coutts/Sweetgrass border crossing. Furthermore, an extensive rail network (Canadian Pacific) exists, with lines moving goods both east/west and north/south.

Yet despite this not-inconsiderable network, there is the distinct impression amongst the business community of Southern Alberta that clear opportunities will be missed by not investing now, at this crucial time in redirecting the Province's economy, in improving or expanding local transportation networks to encourage the growth of key industries. The development of Lethbridge and region as an agricultural and manufacturing hub would be encouraged by the accelerated twinning of major highways that pass through the region (eg. Highway 3), the development of an inland, intermodal port, which would open new possibilities for producers and industry stakeholders, and significant development to local airports, which would enable new opportunities for international and inter-regional trade and commerce.

These possibilities are real, and are highlighted by several recent large investments in the region, including an expansion by Richardson Oilseed ($120 Million), and by Cavendish Farms ($350 Million). Lethbridge is a growing centre, with a population of almost 100,000, and a larger catchment area of almost 500,000. (EDL Study). Moreover, the recent crash in commodity prices left Southern Alberta largely unaffected, due to the diversified nature of the local economy. Stability, in uncertain economic times, encourage

investment, and a commitment from public sources to expand local transportation networks could easily tip the scales for major stakeholders who may be considering this region as a viable option.

The Government of Alberta's 2016 Capital Plan has earmarked approximately $4.6 billion for roads and bridge networks across the Province – with a clear lack of expenditure on these vital networks in Southern Alberta. Compounding this, five-year funding projections do not show distribution of funds to large-scale development in the region's road network. It is the Lethbridge Chamber of Commerce's view that this represents a critical oversight, which if corrected, would immensely aid the Government of Alberta's clearly stated mission to invest in the diversification of the provincial economy.

In short, Southern Alberta is well positioned to become a major Agri-food and Manufacturing center, and a global leader in the distribution of goods to local, regional and international markets. With access to major highway infrastructure, extensive rail infrastructure, and growth potential to localized airports, Southern Alberta is ready to become a leading economic force in a retooled and refocused economy.

The Alberta Chambers of Commerce recommends the Government of Canada:

1. Work with rail operators to ensure open and fair access to rail transportation, through the reduction in regulations affecting wider usages of rail as a preferred form of transportation for Canadian goods to:
    a. National and International Markets,
    b. Shipping Ports; and,
    c. Transportation Hubs.

The Alberta Chambers of Commerce recommends the Government of Alberta:

2. Expedite the twinning of Highway 3, considering the economic impact and growth-potential of opening up access to Highway 1 and national markets across Canada.
3. Work towards a plan for sustainable growth in local airports as a portion of local economic progression, with an eye to growing international and inter-regional opportunities

Measuring the Effects of Increased Minimum Wages in Alberta

Issue

The Alberta NDP platform states that an elected government "would ensure the benefits of better economic policies are more widely shared, by increasing the minimum wage to $15 per hour by 2018" . However, studies are inconclusive regarding minimum wage increases having a long-term economic benefit for addressing poverty. Alberta businesses are concerned with the operative outcome of this policy. The Government of Alberta has moved forward with the implementation of these increases without clear measurements in place for the effects on business, employment and poverty.

Background

Employers in Alberta are mandated by the Employment Standards Regulation to pay a minimum wage. Anything below this limit is unlawful and anything above this limit is the decision of the employer. Currently the hourly minimum wage in Alberta is set at $12.20 for most employees, with a weekly minimum wage of $486 for salespersons, inclusive of land agents and certain professionals; and a monthly minimum of $2,316 for domestic employees.

An overview of minimum wages across Canada will show that Alberta has the third highest minimum wage, next to Nunavut and the Northwest Territories. With the scheduled increases to Alberta's minimum wage, employees across the province are soon going to be the benefactors of the highest minimum wage mark across the country. This is a troubling fact for Alberta businesses, especially as the province is facing a further estimated 2.9% retraction in its already contracted GDP and is further compounded by rising unemployment rates in Alberta. In October of 2015, when minimum wage increased to $11.20 per hour, unemployment sat at 6.6%, which rose to 8.5% by October 2016, when minimum wage became $12.20 per hour. The law of demand states that the demand for a good or service will fall as its price increases. This can be applied directly to the current minimum wage structure in Alberta.

The Alberta Chambers of Commerce released the findings of the second phase of its Minimum Wage survey in March of 2016. Through nearly 800 qualified respondents, 80% of Alberta businesses indicated negative direct impacts from the October 1, 2015 wage increase. These impacts were identified as: reduced profits, increased prices, reduced workforce, increased pay for those earning more than minimum wage, and limited advancement or promotions of existing employees.

This survey also showed a dramatic difference in the number of respondents in rural areas where cost of living is lower and the impact of minimum wage increases immediately translates to a small business's bottom line. Vacancies have also increased in positions that have typically been paid more than minimum wage, but now are experiencing ride up effects.

From the study compiled by the Alberta Chambers of Commerce, respondents indicated an average cost increase to their business of $21,456.05, with an average cost per employee of $835.76 per employee. For those with 50 or fewer employers, the cost per employee is $1,224.91. This figure is projected to grow

by 285% at a $15 per hour minimum wage. This alone can be interpreted as a direct hit to the bottom line, and overall viability, of every employer that has to increase their wage structures to meet legislation. Introductory economics states that businesses that have higher costs are overall less competitive. It has been suggested that competition ensures a fair market for consumers. Whether reducing labour costs, or increasing the cost burden on the consumer, employers will look for ways in which they can remain competitive, while reducing their cost burden.

Defined as "the state of one who lacks a usual or socially acceptable amount of money or material possessions" , poverty is a complicated combination of economic, social and political elements. Together, these inputs play against individuals, preventing their wider participation in society. Currently the minimum wage discussion in Alberta, and various other jurisdictions around the world, pull on the idea that those earning a minimum wage should be able to live an adequate lifestyle.

As of September 30, 2016 it was approximated that 296,000 Albertans earned below $15 an hour , which represents the lowest percentage of low wage earners across Canada . Considering this number, it is important to assess the end point of the Alberta minimum wage discussion. The plan of the Alberta Government to implement a minimum wage of $15 an hour is to reduce poverty throughout the province, while simultaneously ensuring that unemployment does not rise. However, data and research do not indicate that this is possible. In the Alberta Chambers of Commerce Phase II Minimum Wage Survey, "a majority of respondents indicated that they will have to lay more employees off" should their labour costs continue to increase. Less opportunity for work, increased unemployment and competition for the remaining employment all run contrary to the goal of a minimum wage increase.

Academics David Neumark and William Wascher have studied the cumulative effects of minimum wage increases on employment extensively. Through the plethora of data and analysis from decades worth of research on increases to minimum wage, they conclude "the literature – when read broadly and critically – [is] largely solidifying the conventional view that [increasing] minimum wages reduce[s] employment" . Further, they state that the "weight of evidence [on increasing minimum wages] points to disemployment effects" . As was stated above, unemployment in Alberta has risen to the highest levels since the mid-nineties.

Employers are concerned with the impacts that this legislation will have on their ability to remain viable. Increased costs across all levels of government have layered increasing pressure on all businesses, without a reduction in demand. Policies such as increased minimum wage attempt to solve social issues that are more complex than just a minimum wage increase. With a 17.6 % increase in food bank usage from 2015 to 2016 and a projected national increase of 3-5% in 2017 food costs for the average family , Albertans are feeling the cumulative effects of low oil and commodity prices, and increased taxation.

To achieve the government's social goals without disrupting business competitiveness it would be better to use an outcomes based approach to position Alberta as the national minimum wage leader by enhancing the Alberta Family Employment Benefit and implementing a provincial version of the federal Working Income Tax Benefit. This approach would raise the effective minimum wage for adult earners and enable job creators to focus on addressing other pressures hurting Albertans' labour market outcomes.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Halt all further increases to Alberta's minimum wage until a system of metrics has been implemented to measure the impact of minimum wage increases since October 2015 in areas such as, but not limited to the following:
    a. Poverty in Alberta,

   b. Cost of Living in Alberta,
   c. Food Bank Usage across Alberta,
   d. Unemployment across Alberta,
   e. Cost of doing business,
   f. Employment vacancies, and;
   g. Business start-up and closure ratios.
2. Provide an alternative plan to the scheduled Minimum Wage increase for 2017 (at $13.60 per hour, Alberta will have the highest minimum wage in Canada) and 2018 if the Provincial economy, measured in GDP, does not meet a scheduled level. This should be a percentage equal to the percent change in the Alberta Consumer Price Index.
3. Consider a regional minimum wage based on cost of living to allow for differences in rural and urban areas, to allow doing business in all regions to remain viable.
4. Collaborate with business to establish an ongoing research program for data and information gathering and its subsequent analysis to address policy-relevant minimum wage issues, as well as alternative poverty reduction strategies.

Promote Agribusiness Growth Opportunities by Reducing Barriers to Interprovincial and International Trade

Background

Current federal legislation does not allow for meat, poultry, eggs, dairy products, fruits and vegetables to cross provincial/territorial borders, or to be exported out of Canada unless these products are processed in a federally licensed facility. The new Safe Food for Canadians Act will expand this to include all foods shipped out of province/territory. The Canadian government claims that this is required to ensure that Canada fulfills its commitments under current world trade agreements.

Currently, implementation of Canadian Food Inspection Agency (CFIA) regulations and licensing requirements is cost prohibitive to many small to mid-sized processors, and therefore constitute a major barrier to interprovincial and international trade, particularly for Small and Medium Enterprises (SME's). Furthermore the processor's share of these costs is excessive when compared to costs incurred by their competitors for similar services in other jurisdictions, notably in the USA. This places Canadian processors at a potential disadvantage to some domestic and foreign competitors.

SME's advise that current CFIA food safety regulations are outdated and need to be revised to remove unnecessary regulations that lack adequate scientific validation of enhancing food safety outcomes, but constitute significant impediments to sound business interests. There is also a need to minimize duplication of administration costs between provincial/territorial and federal regulators.

Facility construction requirements, along with steep inspection, licensing and testing fees all constitute major obstacles for processors that want to trade interprovincially or internationally. Unified provincial/territorial standards and regulations, with increased accessibility to federal licensing would be of significant financial benefit to small and medium sized processors that want to increase their business through interprovincial or international trade. Easy to implement, cost-competitive, and uniform food safety standards and regulations, for both interprovincial and export markets, are required, without compromising food safety standards.

With the current CFIA modernization in progress under the Safe Food for Canadians Act (SFCA), it is important to protect the competitive advantage of Canadian businesses by reducing these barriers to

trade and business growth opportunities. This is especially important with the impending impact of the Comprehensive Economic and Trade Agreement (CETA).

Canadian processors trading interprovincially or internationally operate at a disadvantage to international competitors. For example, the United States Department of Agriculture Food Safety and Inspection Service (USDA FSIS) does not levy licensing and inspection fees on their food processing plants (up to the first 40 hours per week[1].) As a comparison, the Province of Alberta charges $4 per hour for the first 7.25 hours per day[2]. CFIA inspection stations cost from $9,855 per year for one red meat station to $16,218 per year for a poultry station. If an abattoir is processing more than 25 cattle/hogs per hour or 28 birds per minute, they must purchase an additional table. There is also the requirement to pay for inspection fees and various tests for Listeria, Salmonella, and E.Coli.

Before food products are imported into Canada, the CFIA conducts an initial inspection of the processing plant from which these products originated, and then conducts random inspections of the imported products. This same oversight and outcome-based approach should be applied to all interprovincial and international trade.

Interprovincial trade of agriculture and food products comprises a major portion of the Canadian agri-food business. "From 2000 to 2005, interprovincial exports of agricultural and food products were higher than Canada's agri-food exports to the United States. Interprovincial exports of agri-food products rose by 20% during this period, increasing from $21 billion to $25 billion in value. During this period, the value of agri-food exports to the United States was between $16 billion and $20 billion.3"

While the exact cost of interprovincial trade barriers caused by differing food regulations is not known, the Canadian Chamber of Commerce estimates that internal barriers to trade cost the Canadian economy up to $14 billion each year[4]. While much of this loss can be attributed to the limited potential customer base, there is also a 55% overlap of administrative and regulatory service between Canada and Alberta[5].

Despite numerous efforts to reduce interprovincial trade barriers such as the Agreement on Internal Trade (AIT) and regional trade agreements such as the New West Partnership Trade Agreement (NWPTA), the Atlantic Procurement Agreement (APA), the British Columbia – Alberta Trade, Investment, and Labour Mobility Agreement (TILMA), and the Agreement on the Opening of Public Procurement for

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[1] United States Department of Agriculture. (2013). *Applying for a Grant: General Information. Retrieved from* http://www.fsis.usda.gov/wps/wcm/connect/01ede099-849e-4ed5-bb9b-f6759b0d5487/Grant_of_Inspection.pdf?MOD=AJPERES on Jan 3, 2014.
[2] Province of Alberta, *Meat Inspection Act 2009.* Web. 3 Jan 2014. http://www.qp.alberta.ca/1266.cfm?page=2009_116.cfm&leg_type=Regs&isbncln=9780779740383
[3] Aïcha L Coulibaly. "Does the Agreement on Internal Trade Do Enough to Liberalize Canada's Domestic Trade in Agri-food Products." *Library of Parliament.* 26 August 2010. Publication No. 2010-25E
[4] Canadian Chamber of Commerce. (2013). *Internal Barriers to Trade.* Retrieved from http://www.chamber.ca/advocacy/top-10-barriers-to-competitiveness/internal-barriers-to-trade/ on Jan 8, 2014.
[5] Parsons, Graham. 1996. *The Distant Realities of Free Trade in Canada.* Calgary: Canada West Foundation.

Federal Policies

Commercial Border Crossing Access

The country relies heavily on accessible transportation corridors and border services to facilitate the ever-growing economy, particularly in expanding natural resource investments, development of supply chain manufacturing and applicable service sectors. Although Alberta continues to have a very prosperous trading relationship with its neighbors in the U.S. it is the only province in Canada with access to only one 24-hour border crossing with a disparity to the trading relationship and access to adequate border facilities to facilitate efficient trade between Canada and the U.S.

Canada and the U.S. enjoy one of the most prosperous relationships in the world, with a staggering volume of bilateral trade totaling $1.2 trillion in 2019[1] as well as close to 400,000 people crossing our shared borders each day. In particular, Montana and Canada continue a profitable trading relationship with bilateral trade flows totaling $4.68 billion USD in 2018[2]. Moreover, Canada continues to be Montana's most important customer with total Montana exports to Canada at $680 million USD in 2018 while total Montana imports from Canada totaled $4 billion USD. From 2011-2015 Alberta's exports to Montana have averaged $2.52 billion annually with exports to Montana in 2015 totaling $2.02 billion. These exports consist of primarily oil and natural gas, fertilizers, food wastes and cereals[3].

While 75 percent of Alberta's exports to the U.S. were carried by pipeline, 11 percent was carried by truck, representing a value of $8.67 billion. Almost 78 percent of all exports to the U.S. were destined for the central, northeast and southeast parts of the country. In the same year, 42 percent or $7.54 billion worth of imports from the U.S. were carried by truck. Almost 76 percent of this total originated from the central, northeast and southeast U.S.

With the fewest number of highway/land border crossings within Canada, Alberta is also currently the only province bordering the U.S. to have one 24-hour border crossing, situated in Coutts, Alberta.

	24-Hour Crossings	Total Crossings	Population (2019)
British Columbia	8	19	5,071,000
Alberta	1	6	4,371,000
Saskatchewan	2	12	1,178,000
Manitoba	3	16	1,373,100
Ontario	13	14	14,659,000
Quebec	21	30	8,522,000
New Brunswick	12	18	780,000

It is critical that we encourage the government to remove any barriers or encumbrances on imports and exports of our key sectors between Canada and the U.S. and work to improve international trade by removing pressure and congestion on a single 24-hour commercial port and corridor. To achieve these goals, it is important for the Canadian and U.S. Governments to work together to mirror expansion efforts on both sides of the border. For example, at the Port of Wild Horse in Alberta, the U.S. Customs and Border Protection (CBP) agency and the Canadian Border Services Agency (CBSA) consistently extend their operating hours in the summer, but frequently have had disparity in when the extended hours begin and end for the season. Additionally, when the opportunity arose for CBP to expand the border facility at the Port of Wild Horse and move forward with an enhanced facility, CBSA had not mirrored the expansion or evaluated the opportunity for a shared port facility. CBP was able to celebrate the opening of a new facility on April 1, 2011 and the facility on the Canadian side is aging and does not mirror the same facility standards.

Inadequate border facilities and a lack of technology is an impediment to the efficient movement of goods. By ensuring that facility standards mirror adjacent port facilities in the United States and that port facilities have

[1] https://www.international.gc.ca/economist-economiste/performance/monthly-mensuel.aspx?lang=eng

[2] https://www.tradecommissioner.gc.ca/tcs-sdc/united-states-of-america-etats-unis-amerique/business_fact_sheets-fiches_documentaires_affaires.aspx?lang=eng#montana

[3] http://open.alberta.ca/dataset/9269de23-6d7a-448e-867e-293b4b0568e1/resource/7bd5fe74-c023-4388-99e0-17bde9e5c6db/download/2016-Montana-Alberta-Relations-August-2016.pdf

Electronic Data Interchange (EDI) systems to facilitate electronic transmission and interchange of cargo would ensure a more efficient process in the movement of goods.

Transportation access is fuel for economic development. Regions with flexible, efficient transportation networks can access product markets, suppliers, vendors, workers and customers more efficiently and more cost effectively than those that do not. We need to encourage the further development of north/south trade and remove delays, restrictions and limitations on crossing times and access. Investment leads to trade, as companies' activities increasingly become part of the global value chain, necessitating not only clear and open investment rules, but also ensuring that goods and services produced have easy access to markets in both countries and internationally.

Increased border access would enhance economic development, investment and security as well as address growing safety concerns. It would also assist truck traffic by providing an alternate route, easing lineups and delays and it would improve tourism travel by allowing increased travel service between Canada and the United States.

It is in the best interest of Canada to expand trade linkages with the United States through transportation crossings and corridors that link Canada to the United States to facilitate a growing trading market. A continued effort is needed to eliminate the obstacles that continue to prevent the expansion of 24 hours commercial port facilities and promote this as access to a north-south trade corridor.

Recommendations

That the federal government:

1. Accelerate dialogue with U.S. counterparts to ensure that the hours of Canadian border crossings consistently match the U.S. border hours in both traveler and commercial service hours and that facility standards are equivalent on both sides of the border.
2. Work to accommodate shared port of entry facilities where the opportunity exists.
3. Ensure that provinces with high volumes of bilateral trade and corridor traffic have access to sufficient 24 hour commercial border services and provinces with high volumes of trade and traffic volumes have more than a single 24 hour full-service commercial port of entry.
4. Improve the structures, facilities and technology in port facilities to better serve present needs.

SUBMITTED BY THE MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Improving Risk Management for Agriculture Producers

Issue: Current risk management programs are not meeting the changing needs and requirements within agriculture and the lack of education and awareness around risk management strategies is limiting the growth and success of agriculture producers.

Background

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be. As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, both government and producers groups have identified that improvements to agricultural risk management solutions and tools are needed. With federal priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

Government's Role

A December 2019 news report from *Food in Canada*[1] stated that federal, provincial, and territorial Ministers of Agriculture met face-to-face to initiate action on a number of key proposals to improve support to Canadian producers, following what has been a difficult year for many producers due to a series of impacts including bad weather, the CN work stoppage, and market access issues. Further compounding the agriculture sector is the COVID-19 pandemic which has also added pressures on the agriculture industry with the need to modify work processes.

Ministers recognized that the risks facing producers have changed, particularly with respect to climate and international trade, and that current programs may need to evolve to meet their needs. To start to address these changing risks, Ministers made targeted improvements to the AgriStability program and Ministers asked officials to change the treatment of private insurance for the 2020 program year.

In addition, understanding that administrative burden is an issue for many, in particular for smaller producers, Ministers agreed to launch a pilot in select jurisdictions to make applying for support easier, by using tax return information to simplify the application process.

Ministers' engagement on key business risk management programs signaled a direct response to the changing risks faced by producers. The business risk management programs aim to provide producers with tools to ensure the viability of their operations and to manage risks largely beyond their control. As a result, officials are to develop options to make the programs more effective, agile, timely, and equitable for producers. In particular, officials are to evaluate the impact of changes to the reference margin limit and changes to eligible expenses under AgriStability.

[1] Ministers outline improvements for AgriStability program, December 18, 2019: https://www.foodincanada.com/food-in-canada/ministers-outline-improvements-to-agristability-program-143373/

In the mandate letter of the Federal Minister of Agriculture and Agri-food[2], there was specific guidance to work in collaboration with the provinces and territories to undertake a review of risk management programs, with a special focus on AgriStability in order to help producers manage environmental and business risks by providing faster and better adapted support, drawing from lessons from recent trade disputes and evidence-based research.

Producer Concerns

Less than 1% of Canadians are farm operators, with the number of farms in Canada declining and the land base of each farm increasing. Add to this the increases to average inputs per acre, increased labour and fixed costs and a declining net income and the result is that the dollar value for risk is substantially more than it used to be.

As a result, producers require risk management solutions to create greater certainty and mitigate risk in order to improve farming options and opportunities. However, there is much needed improvement required to agricultural risk management solutions and tools offered, as identified by both government and producer groups.

Current programs are limiting and don't allow for new opportunities such as the ability to expand intercropping. As there is a lack of insurance coverage for these opportunities, it prevents diversification through new cropping opportunities.

In addition, current programs often require specific fertility, seed treatment and irrigation levels, without taking into account the producers management practices. Modern farming practices and management systems often require lower inputs to produce a crop than more traditional practices. By having minimum input levels built into the program without consideration of the producers farming practices, it can mean higher costs, and restricts the producers ability to follow best practice farming methodology.

Limiting in programs has also left collateral damage because liabilities were going up and the Government's concerns over costs resulted in significant impacts to producers.

In addition, there have been significant changes to weather patterns, incidences of drought, amount of moisture and extreme weather events, requiring a need to adjust with them, taking into consideration seasonality and length of time draught happens, along with overall impacts of rain and whether there are benefits or negative implications as a result[3]. While clients may choose one, two or three weather stations to best represent conditions on their farm, and within proximity of their land base, weather station information may be subject to change and weather systems are also changing. Therefore, more emphasis should be placed on the use of various technology tools to assess crops and pastureland to increase accuracy in the assessment and assist producers in addressing weather events.

Since AgriStability is a margin based program that provides whole farm protection[4], there are also limits to this. Under the Canadian Agriculture Program, there have been improvements to the Margin Limit with it being adjusted now to ensure a more equitable level of support for participants impacted by the limit. However, participants are subject to limiting of at least 70 per cent of their calculated Olympic Average Reference Margin, known as the Adjusted Reference Margin Limit. The reference margin limit impacts about one third of participants to varying degrees. The reference margin used to calculate benefits (the applied reference margin) is the lower of the Olympic and the average adjusted expenses for the same three picked years as the Olympic. Therefore, if a producer's average adjusted expense for those three years was $200,000, the applied reference margin (used for calculating benefits) would be $200,000, which

[2] Minister of Agriculture and Agri-Food Mandate Letter https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-agriculture-and-agri-food-mandate-letter

[3] Agriculture Adaptation to Climate Change in Alberta Focus Group Results, 2005: https://www.canadianfga.ca/wp-content/uploads/2013/12/AAFRDAdaptationfinalreport.pdf

[4] AgriStability program: https://afsc.ca/income-stabilization/agristability/

may only actually end up being 40% of their Olympic average. This type of example may seem extreme, but we have seen situations where limiting has impacted producers by a substantial amount.

Another limit is livestock price insurance. Currently, there are few truly effective risk management instruments that allow Western Canadian livestock producers to manage their risk. Cattle and hog producers in western Canada face volatile market prices and the Western Livestock Price Insurance Program is designed to be market driven to reflect the risks a producer in Western Canada faces when selling livestock. Livestock producers are typically 'price takers', with prices varying greatly year to year, due to many factors impacting the market. Having a tool available to help protect against the unknowns of the market and associated price volatility can assist a producer with being more profitable[5]. While the current program helps with the risk at the time of selling, there is currently no program to help protect the producer against the unknowns of the market at the time of purchase. A reverse of the current program, allowing producers to lock in a ceiling price at the time of purchase, would go a long way to help alleviate the impacts of market volatility throughout the livestock ownership period.

There is also concern over claims processing, timelines for claims, adequate and educated staff resources for processing claims and the often long window of time from application to reimbursement, which often has an impact on financial yearend timelines for producers.

Another impact affecting availability of alternate risk management solutions is the application of a premium tax and fire prevention tax, which is applied by the provincial government on private agriculture risk management insurance products, exempting provincial agriculture insurance and AgriStability programs. This tax treatment is inequitable and creates an unfair playing field and disincentive for producers to obtain the best risk management solutions available to them.

With federal and provincial priorities focused on agriculture and agri-food, there is a need to work directly with agriculture producers and industry stakeholder groups to help meet the outcomes and objectives desired and to hear first-hand about potential opportunities and areas for improvement.

The Canadian Chamber of Commerce recommends the Government of Canada:

1. Consult with industry and stakeholder organizations to determine improvements and solutions for all agriculture risk management options;
2. Create greater simplicity in risk management programs and ensure equitable coverage across all producer types;
3. Provide education tools for the creation of risk management strategies through toolkits, workshops, webinars and online sessions;
4. Provide education on the cost of production per acre by providing a cost of production toolkit to producers;
5. Provide transparency in risk management solutions and budgets, disclosing how much is made available for claims;
6. Provide more flexibility and options in risk management solutions to allow for new cropping and diversification opportunities;
7. Remove requirements that force specific treatment plans that may not be needed, assessing outcomes based on results of the producer's implementation plans;
8. Utilize various technology methods to assess crops and pastureland in a more localized method in order to create greater accuracy in assessments;
9. Remove 'limiting' on AgriStability program or increase the reference margin up to 85% for all crops and cattle;
10. Provide livestock producers with an insurance tool similar to the Western Livestock Price Insurance Program to lock in a ceiling price when purchasing livestock.

[5] Western Livestock Price Insurance Program Handbook: https://afsc.ca/wp-nfs/wp-content/uploads/2020/01/WLPIP-Handbook-2019.pdf

11. Re-evaluate pasture and perennial programs to create equity in the crop insurance programs available;
12. Provide better response time in assessments, claims and processing through service level agreements, ensuring adequate staffing levels and contracting third party adjusters and verifiers to assist where needed;
13. In order to minimize year end impacts resulting from payments at the end of a fiscal year, take into consideration financial requirements of producers and year end timelines when processing payments, providing the option to defer insurance claims and AgriStability payments to the next fiscal year;
14. Remove the premium tax on private insurance to create a level playing field in risk management options.

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Date approved:

Promoting Canada's Agriculture Industry

Issue: With greater attention around food sustainability and the environmental foot print of agriculture, there is a need to raise awareness and provide fact-based education focused on where our food comes from, recognizing the sustainability of agribusiness and its vitally important role in our economy as a natural resource.

Background

Greater awareness around food sustainability and the environmental foot print of agriculture has become progressively more important. As a result, there is an ever-increasing need to provide fact based education in order to bridge the information gap between agriculture producers and consumers. Educating Canadians about the agriculture industry ensures citizens of all ages are informed about where food comes from, the importance of agriculture to our economy and the future sustainability of our food.

The 2016 Census of Agriculture found less than 1% of Canadians are farm operators, yet all Canadians participate in the agri-food sector when they go grocery shopping and make food choices[1]. The disconnect between the producers who grow the food we eat and consumers is widening due to urbanization[2], growing misperceptions and a lack of factual information around this vitally important industry.

Farmers and ranchers feel increasingly under attack because of the public scrutiny and misinformation around the industry. In a report from the Next Agriculture Policy Framework (NAPF), there is strong support from the agriculture industry to enhance public perceptions about the quality, safety, and sustainability of the agriculture sector.[3]

Even though the agriculture industry plays a critical role in our eco-system, there is no requirement to educate the public about the role the industry plays in our economy or give the facts and information around the sustainability of our agri-food sector. A Canada-wide public education campaign can ensure that Canadians not only understand the industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food but also recognize the economic impact of the agriculture industry.

'Canada's Economic Strategy Tables' on Agri-food reports that Canada has the opportunity to be "recognized as the most trusted, competitive and reliable supplier of safe, sustainable, high-quality agri-food products and an innovator in value-added products to feed the dynamic global consumer" but requires a unified campaign focused on marketing the agri-food industry both domestically and internationally.[4] With the agri-food industry target set to increase by over 27% to $225 billion dollars in 2025[5], all sectors must be given the opportunity to reach their full potential through a unified public education campaign.

One mechanism that can be used to educate Canadians of the agriculture industry's role in sustainable and high-quality agri-food products is Country of Origin labelling (COOL). COOL is a critical mechanism to help ensure consumers can correctly connect with products, enable producers to adapt production to meet consumer demands and expectations and promote social or political economic objectives.[6] Informing consumers of the origin of food products via labelling recognizes that geography is correlated with a product's overall quality[7] and would reinforce that the superior ethical and environmental standards of the

[1] Canadian Agriculture at a Glance, Statistics Canada: https://www150.statcan.gc.ca/n1/pub/96-325-x/96-325-x2019001-eng.htm
[2] Demand for Convenience, Government of Alberta: https://open.alberta.ca/dataset/b5d936eb-2127-424e-b1b8-818c486d12aa/resource/5d7a504d-ab10-4f1c-843c-79801cf0d412/download/af-consumer-corner-54-demand-for-convenience-2019-11.pdf
[3] Next Agricultural Policy Framework: What We Heard Report – 2 https://cap.alberta.ca/CAP/download/AGUCMINT-4795873
[4] Canada's Economic Strategy Table: Agri-food': 2 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf
[5] Canada's Economic Strategy Table: Agri-food': 3 https://www.ic.gc.ca/eic/site/098.nsf/vwapj/ISEDC_Agri-Food_E.pdf/$file/ISEDC_Agri-Food_E.pdf
[6] Consumers' Preferences for Geographical Origin Labels: Evidence from the Canadian Olive Oil Market
[7] (Barham, 2003; Josling, 2006). In consumers preference

Canadian agriculture industry often results in better quality agri-food. Additionally, products with a regulated COOL can command between 21% - 39% higher price premiums compared with non-regulated labels.[8] Championing a 'Canada Brand' will increase value and provide a marketing link between the agriculture industry and the strong Canadian standards for food safety and environmental stewardship.

The 'Canada Brand' program provides a good start for the agriculture industry to market their products and practices but is not yet widely used. A unified label, logo, image, and theme, will show Canadian consumers the depth of the role of the agriculture industry in the food we consume and the products we use. Additionally, it can educate the public through larger media networks such as television and radio with factual information from a distinct, recognizable and unified source. Finally, it provides the opportunity to expand the domestic market, increase awareness among the public of the high standards in the agri-food industry, and signify products that are 100% Canadian.

However, a public education campaign would also be incomplete without informing the next generation of the importance of the agriculture industry and their role in our Canadian ecosystem. Many studies have highlighted the looming skills and labour crisis in Canada's agriculture and food industry.[9] Therefore in order for Canada to remain competitive, and to lead the way globally, we need to ensure that the next generation's best and brightest minds are knowledgeable about agri-food.

We recognize the Federal government does not have jurisdiction over education. But through grants and programming, the Federal government can influence the direction and opportunities of agriculture education for students. By educating the next generation with current fact based information, we can further educate the public by embedding this into our everyday conversations at school and at home.

In the world of misinformation, a factual public education campaign can help to dispel incorrect beliefs and inform Canadians about an industry that passes the highest ethical and sustainable standards. Now, more than ever, it is important that the education gap between producers and consumers is bridged so that the agriculture industry can continue to champion reliable, sustainable, and high-quality practices.

The Canadian Chamber of Commerce recommends the Government of Canada:

1. Develop a unified public education strategy showcasing the agriculture industry's practice of environmental stewardship resulting in reliable, sustainable and high-quality agri-food and value added products.
2. Expand on the "Canada Brand" program to create a single unified label, logo, image, and theme
3. Ensure the next Agricultural Policy Framework works to develop branding skills, knowledge and awareness of opportunities within the agriculture industry.
4. Facilitate fact-based agriculture education learning opportunities, resources and connections through grant programming, such as the Canadian Agriculture Partnership.

[8] A Meta-Analysis of Geographical Indication Food Valuation Studies - 214

[9] Canada's farm labour shortage is costing billions and expected to rise: report https://business.financialpost.com/commodities/agriculture/canadas-farm-labor-shortage-is-costing-billions-and-expected-to-rise-report

Streamline Size of Government

Issue

There is a relationship between the size of government and economic growth. While government spending is needed, there are studies that have shown that when government grows beyond a certain size it can hinder economic growth and lead to lower living standards for citizens.

Background

There are a variety of methods that size of government is measured. One method is per person spending. Another is to compare government spending as a percentage of GDP, while also factoring in measures for tax expenditures and regulation[1]. These measures have shown that the size of our federal government has grown more in the 2018-19 fiscal year than ever in the history of Canada.[2]

While events such as wars and the introduction of federal social programs have seen the per person figure increase for obvious reasons, in the fiscal year of 2018-19, the federal government spent more money per person in program spending than ever before, including the Second World War and the more recent Great Recession. Adjusted for inflation, per person spending reached $8,869, more than the previous all-time high record, with no related historic event like a war or economic recession to account for such an elevated amount.[3]

Using the second measure of calculating size of government, comparing government spending with the size of the economy, the share of the economy has risen by 14.6 percent which means that the government spends a little more than 40 per cent of GDP. When tax expenditures and price regulation is added to this calculation the size of government increases to an alarming 64 per cent of GDP.[4] Research shows that the optimal size of government is between 26 to 30 per cent of GDP after which economic growth rates decline.[5]

While the growth of the size of government can at times seem inevitable there is a solution in Canada's not so recent past. Canada has successfully navigated out of a position where size of government and its related spending had seriously impeded the growth of the economy and put Canadian's prosperity at risk. Steps to put Canada back on a road of fiscal sovereignty were taken by successive governments starting in the mid 80's and culminating in the Government of Canada initiating a Program Review in 1994 which was implemented over five years. This program review rejected the concept of across the board cuts and a view that a sizable deficit could be eliminated through increased productivity. Instead it focused on the roles and importance of government programs and services within the overall fiscal framework. The program review wasn't about "what to cut" but more about "what to preserve" in order to put the country on a footing that would allow it to prosper in the future while using methods of fiscal restraint.

The foundation for this review used a series of six questions when looking at the services and programs administered by the federal government.

1. Does the program or activity continue to serve a public interest?
2. Is there a legitimate and necessary role for government in this program area or activity?
3. Is the current role of the federal government appropriate or is the program a candidate for realignment with the provinces?
4. What activities or programs should, or could, be transferred in whole or in part to the private or voluntary sector?
5. If the program or activity continues, how could its efficiency be improved?

[1] Macdonald-Laurier Institute – Estimating the True Size of Government in Canada: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[2] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[3] Fraser Institute Blog – Size of Government Matters: https://www.fraserinstitute.org/blogs/size-of-government-matters

[4] Macdonald Laurier Institute – Estimating the True Size of Government: https://www.macdonaldlaurier.ca/size-of-government-in-canada/

[5] Fraser Institute – Measuring Government in the 21st Century : https://www.fraserinstitute.org/sites/default/files/measuring-government-in-the-21st-century.pdf

6. Is the resultant package of programs and activities affordable within the fiscal restraint? If not, what programs or activities should be abandoned?

The result of this ongoing process looped back on itself if the overall proposal did not generate significant savings.[6] In addition, this process ensured that the federal government used only the resources it needed in order to deliver on services that were strictly the purview of the government. As a result of this program review Canada's total government spending as a share of GDP fell from a peak of 53 percent in 1992 to 39 percent in 2007, and despite this more than one-quarter decline in the size of government, the economy grew, the job market expanded, and poverty rates fell dramatically.[7]

The rationale behind having a government that is scaled properly to deliver essential services is not just one borne from a budgetary stand point. When a government functions efficiently and uses its resources to their maximum potential it could be argued that it is on a much better footing when the economy or market forces pose challenges. Ensuring that government has the ability to adapt, maneuver and respond is dependent on how its resources are allocated and the ability to absorb temporary budgetary increases if needed can help weather economic head winds.

This is not to be confused with across the board cuts and freezes that affect programs and services or by strictly asking departments and agencies to do more with less. What is needed is a repositioning of the role of government within the collective means of citizens[8] using the criteria above. An essential component of this course of action would be a comprehensive review of the regulatory environment, using the recommendations set forth by the Canadian Chamber of Commerce in the Regulate Smarter report, Death by 130,000 Cuts: Improving Canada's Regulatory Competitiveness[9]. The recommendations laid out in this report mirror the reasoning behind a comprehensive full program review. By modernizing Canada's regulatory systems and reducing duplication and misalignment within regulations, competitiveness and a well-functioning regulatory regime will ensure a government ready and able to meet the challenges and respond to opportunities that present themselves in a more integrated global economy. This would ensure that protective measures would be balanced with a regime that is navigable and preserves economic growth and competitiveness.

Another essential step in the road to streamlining government will require serious tax reform. Currently, our tax system is a culmination of a disjointed tax code that has been the product of successive governments making adjustments, additions and cuts based more on election promises rather than a clear vision or strategy. Recommendations, set out by Canadian Chamber in its report 50 Years of Cutting and Pasting: Modernizing Canada's Tax System[10], stress the need for a comprehensive reform of our tax system. By using the same mindset set forth with a program review and regulatory reform, a modernized tax system would allow for competitiveness, simplicity, fairness and neutrality and support Canadians in their pursuit of prosperity.

However, the longer the process of streamlining government is delayed the harder it is to reset. External factors beyond the government's control can take precedence and make needed changes that much more difficult. An immediate first step is to aim for a federal budget that is balanced which will then set a solid foundation allowing for a re-visioning of size of government. Canada needs to ensure that it is set on a firm fiscal footing in order to allow for flexibility should market forces beyond its control create an economic downturn and stimulus spending is needed come to the aid of struggling Canadians. It is not only good fiscal policy but responsible governing to create a safe cushion for the country.

[6] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study: https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf
[7] Fraser Institute – Proper Size of Government: https://www.fraserinstitute.org/article/proper-size-government
[8] Institute for Government – Program Review: The Government of Canada's experience eliminating the deficit, 1995-99: a Canadian Case Study:
https://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdfhttps://www.instituteforgovernment.org.uk/sites/default/files/publications/Program%20Review.pdf
[9] Canadian Chamber of Commerce - Death by 130,000 Cuts – Improving Canada's Regulatory Competitiveness:
http://chamber.ca/media/blog/180703-in-discussion-death-by-130000-cuts/180620DeathBy130000Cuts.pdf
[10] Canadian Chamber of Commerce – 50 Years of Cutting and Pasting: Modernizing Canada's Tax System:
http://www.chamber.ca/download.aspx?t=0&pid=fb9a4d42-d42e-e911-9d4c-005056a00b05

As in the past this exercise will be one that requires a long term vision that spans government administrations and political parties. Good government is not a question of ideology, right or left, but rather a commitment to a government structure that is more accessible, navigable, competitive and streamlined so that all Canadians benefit and prosper.

The Alberta Chambers of Commerce recommends the Government of Alberta and Government of Canada:

1. Initiate a Program Review of all ministries based on a set of criteria that looks at what role is appropriate for the federal government and looks at possibilities to realign programs with provincial and private or voluntary sectors.
2. Commit to comprehensive regulatory reform based on cost-benefit analysis and a focus on economic competitiveness.
3. Commit to serious tax reform with an overarching vision and strategy focused on competitiveness, simplicity, fairness and neutrality.
4. Pursue a path to a balanced budget in order to ensure fiscal flexibility.
5. Set and maintain a target of total government spending as a share of GDP at 26 to 30 per cent.

EMERGENCY SLAUGHTER - UPDATE TO THE TRANSPORTATION OF ANIMALS PROGRAM

Issue
In order to reduce food waste, and to keep beef stock off the black market, producers and licensed abattoirs need the ability to work with the Canadian Food Inspection Agency (CFIA) and veterinarians to assess both compromised and unfit animals for possible transport to slaughter facilities.

Background
The health and welfare of all animals is of the utmost importance to all sectors of the meat producing industry. The Canadian Food Inspection Agency states "Protecting animal welfare in Canada is a shared responsibility between governments (federal, provincial, and territorial), and industry (producers, transporters and staff in registered slaughter establishments).[1] With this statement in mind, industry currently has a concern regarding the transportation requirements for compromised animals. With the current regulations in place that deem 'unfit' animals only available for transport to a veterinary establishment there is the potential for food waste, as well as undue costs being placed on producers to send these animals to the veterinarian.

Industry states that certain compromised animals can be humanely transported to a slaughter facility using specialized provisions for transport to ensure the animals do not incur any undue suffering, however this transport provision does not include animals deemed 'unfit' who are only allowed to be transported to a veterinary establishment. The CFIA "recognizes that some degree of suffering by all animals is inevitable"[2] and in these cases the animal would incur the same amount of discomfort being transported to a veterinary clinic as it would being transported to an approved slaughter facility, and would be treated with the same utmost care upon arrival. Federally inspected slaughter plants are already required to follow policies related to handling of non-ambulatory animals as referenced in the *Transportation of Animals Program Compromised Animals Policy*.

The 'Rationale' section of the Canadian Food Inspection Agency's *Transportation of Animals Program Compromised Animals Policy* states:

> "Loading and unloading a non-ambulatory animal with the intent of providing veterinary diagnosis or treatment does not expose the animal to unjustified and unreasonable suffering. In fact, veterinary diagnosis or treatment has an associated animal welfare benefit for either the transported animal or the herd of origin.
>
> In this regard, the suffering that the animal will endure is not undue. The Regulations refer to "undue suffering," recognizing that some degree of suffering by all animals is inevitable. The qualifier "undue" prevents the word "suffering" from being taken literally. Therefore, the loading of a non-ambulatory animal can be carried out in accordance with the Health of Animals Regulations to provide veterinary diagnosis or treatment."

With this rationale in mind, it can also be argued that transportation of an unfit animal to an approved slaughter facility does not cause 'undue suffering' as the animal will receive an ante-mortem inspection from a licensed

[1] Canadian Food Inspection Agency
http://www.inspection.gc.ca/animals/terrestrial-animals/humane-transport/eng/1300460032193/1300460096845
Accessed June 1, 2016

[2] Canadian Food Inspection Agency
http://www.inspection.gc.ca/animals/terrestrial-animals/humane-transport/compromised-animals-policy/eng/1360016317589/1360016435110#aboutthecfia
Accessed June 1, 2016

inspector which will be beneficial to the producer and potentially the herd of origin, and the animal can be salvaged for processing which solves a food waste issue that is also of concern with compromised animals.

Current Health of Animals Regulations prohibit the movement of some compromised animals to an accredited slaughter facility, allowing these animals to only be transported for veterinary treatment. Part X11, section 138, point 2 states:

> "(2) Subject to subsection (3), no person shall load or cause to be loaded on any railway car, motor vehicle, aircraft or vessel and no one shall transport or cause to be transported an animal:
>
> (a) that by reason of infirmity, illness, injury, fatigue or any other cause cannot be transported without undue suffering during the expected journey;
>
> (b) that has not been fed and watered within five hours before being loaded, if the expected duration of the animal's confinement is longer than 24 hours from the time of loading; or
>
> (c) if it is probable that the animal will give birth during the journey.
>
> (2.1) For the purpose of paragraph (2)(a), a non-ambulatory animal is an animal that cannot be transported without undue suffering during the expected journey.
>
> (2.2) Despite paragraph (2)(a), a non-ambulatory animal may be transported for veterinary treatment or diagnosis on the advice of a veterinarian."

According to a CFIA guidance document entitled *Livestock Transport Requirements in Canada* certain compromised animals may be transported directly to an "appropriate slaughter establishment" if steps are taken to prevent additional injury or undue suffering; however this excludes animals that are deemed "unfit". Excluding an entire section of animals from being transported to a slaughter facility, but allowing them to be transported to a veterinary establishment does not assist the animal from any suffering during transport. Unfit animals can be humanely slaughtered at an approved abattoir and not endure any more suffering than would be incurred being transported to a veterinarian.

Oftentimes an animal being transported to the nearest approved slaughter facility is the way to have the animal addressed as quickly and humanely as possible, and this is the ultimate objective when considering animal welfare.

Recommendations

That the federal government:

1. Update and expand the *Health of Animals Regulations Act Part XII – Transportation of Animals*, to include transportation requirements for animals deemed 'compromised', animals deemed 'unfit', and animals deemed 'non-ambulatory" to remain consistent with definitions provided in the Canadian Food Inspection policy titled *Transportation of Animals Program Compromised Animals Policy.*
2. Work with the Canadian Food Inspection Agency to update all documents regarding the transportation of compromised animals including but not limited to the *Health of Animals Regulations*, *Transportation of Animals Program Compromised Animals Policy* and the guidance document *Livestock Transport Requirements in Canada* to include that compromised animals and unfit animals may be transported to a licensed abattoir if steps are taken to prevent additional injury or undue suffering of the animal, for humane euthanization and inspection of the meat product.

SUBMITTED BY THE MEDICINE HAT & DISTRICT CHAMBER OF COMMERCE

Policy Title: Removing Excise Tax and GST on Medicinal Cannabis

Issue(s): *On October 17, 2018, the federal government implemented an excise tax on all cannabis products, including medical cannabis authorized by a physician.*

EXECUTIVE SUMMARY

With the legalization of cannabis, an excise tax has been placed on all cannabis products, including medical cannabis authorized by a physician. This new tax disproportionately effects patients who can least afford this increase and who are often some of the most vulnerable Canadians. Medical cannabis requires a prescription like other medications but is subjected to a different tax treatment. Removing the punitive and unfair excise tax on medicinal cannabis would encourage and incentivize patients to maintain interaction with their physicians as opposed to 'self-medicating' or substituting other prescription pain killers with significant harms, such as opioids.

BACKGROUND

Medical cannabis users are provided prescriptions and oversight from registered physicians. For example, in Alberta, these patients are required by the College of Physicians and Surgeons to follow-up with their physicians every 3 months. Physician oversight is beneficial to positive health outcomes, harm reduction and treatment plans among medical cannabis patients.

Prior to October 17, 2018, the 269,000 registered medical cannabis patients in Canada paid GST/PST/HST on their products to relieve symptoms from various conditions, including chronic pain disorders, arthritis, insomnia, multiple sclerosis, Crohn's disease, and epilepsy. However, applying any tax to medically prescribed cannabis is inconsistent with the taxation of all other prescription medicines, which are tax exempt. Patients already pay sales tax on medical cannabis and aren't eligible for reimbursement under most insurance plans in Canada.

Many of these patients are often economically disadvantaged due to enduring chronic and/or debilitating illnesses, which make them unable to continue regular employment. Companies such as Aurora and MedReleaf provide patients with compassionate pricing for low-income households, provincial or federal disability assistance recipients, Canadian Veterans and members of Canadian Association of Retired Persons (CARP) to help offset the current federal tax and provincial taxes applied. Unfortunately, any further tax burden will put this medicine out of reach for many patients and some may need to turn to the black market for their medicinal cannabis.

ANALYSIS

Medical cannabis is regulated by Health Canada and distributed directly to clients from licensed producers. The rationale behind fees and surcharges imposed by Health Canada is to cover their costs related to medical cannabis. Therefore, there are no new regulatory or distribution touchpoints to the medical cannabis system and governments are not incurring additional costs related to it since the excise tax was implemented.

For this reason, this new excise tax can be construed as a revenue generation tool with no cost rationale or evidence provided. Suspending the implementation of this tax on medical cannabis would not reduce current revenues, as medical cannabis was in the market prior to the legalization in October 2018.

As a result, costs will increase for these patients, many of whom are society's most vulnerable (seniors, disabled, veterans, and the severely ill) and rather than increasing costs, the federal government should be exploring ways ease the financial burden of Canadians who use medicinal cannabis.

A further increase in costs will push patients out of the medical system and into the black market where costs are lower, but products are not tested or regulated, and any profits would continue to flow to criminal enterprises.

From a general population viewpoint, a February 2018 survey found that while the majority of Canadians support an excise tax on recreational cannabis, the majority do not support an excise tax on medical cannabis.[1]

RECOMMENDATIONS

The Medicine Hat & District Chamber of Commerce recommends the Government of Canada:

1. Exempt medical cannabis from any excise or revenue generating taxes.

2. Eliminate the GST on medical cannabis, aligning overall tax treatment with other prescription medications.

Date Drafted: December 9, 2018
Date Reviewed: December 19, 2018
Date Approved: December 19, 2018

[1] Navigator, February 2018. An online, national quantitative study was conducted among a representative sample of 1,200 Canadian adults, 19 years of age or older. Quota sampling was employed to ensure that the composition reflects that of the actual Canadian population in terms of age, gender, and province, according to the latest StatsCan findings.

Strengthening Canada's Workforce through Tax Indexing

The Canadian Department of Finance began indexing personal income tax brackets on every Canadian's tax return in 1988. However, the Finance Department has failed to index a number of deductions which, in effect, has Canadians paying unfair taxes in certain areas. Two specific examples that affect the business community are the deduction of child care costs and Canada Pension Plan contributions.

The practice of indexing was implemented to prevent "bracket creep" where, as a result of a cost-of-living increase, the taxpayer was bumped up into the next tax bracket and, as a consequence, took home no additional monies.

Current deductions for child care, only applicable for children under six years of age, are capped at $8,000 per year. While this deduction limit was recently increased from the 1998 level of $7,000 per year, the amount of the increase is neither in line with inflation nor the substantial rise in child care costs. (Average annual rate of inflation 1998-2014 – 1.96%)[1]. A parent returning to the work force must make a financial decision of how much their take-home income is benefiting the family versus the cost of being away from the children and paying for care. This chart demonstrates the average cost of full time child care across Canada[2].

If families across Canada are paying an average of $872 per month on child care, the median Canadian monthly wage is $3,279 before tax, and the maximum deduction is $8,000 ($667/month), there leaves little incentive for that person to enter the workforce unless absolutely necessary[3]. With chronic skilled labour shortages across Canada persisting, it is incumbent upon government to make workforce engagement as appealing as possible to young parents. According to a study from the University of Sherbrooke, lower costs for child care in Quebec have had a significant positive economic impact[4].

On the other end of the workforce lifecycle is the issue of Canada Pension Plan (CPP) contributions. Recently, the new CPP contribution limits were announced recognizing the inflation-indexing adjustment to the contribution limits[5].

Since 1997 the maximum annual pensionable earnings has increased due to indexing by $17,800. The basic exemption has increased by a comparative number of $0. The employee/employer matched contributions have increased by $1,480.72, a 162-per-cent increase over the past 18 years.

Canadians and their employers are paying an ever-increasing cost to fund CPP. The government has taken credit for holding the contribution rate on CPP steady through the recent downturn in the financial markets and world economies. However, the indexing of the maximum contribution amount and the non-indexing of the basic exemption has actually raised payroll taxes substantially at a time where few can afford it.

There are a number of specific tax credits that are indexed, along with the tax brackets, yet there are some glaring areas where indexing is not applied. This adds to the complication of the Canadian tax system and weakens Canada's workforce by discouraging labour force participation.

Recommendation

That the federal government apply indexing to all exemptions, deductions and contribution limits applicable in the *Tax Act* so Canadians and businesses are not unfairly taxed.

[1] "Inflation Calculator." http://www.bankofcanada.ca/rates/related/inflation-calculator/ Bank of Canada. Retreived on 10 February 2015.
[2] "Child Care Costs in Canada." http://www.godaycare.com/child-care-cost Go Day Care. Retreived on 10 February 2015.
[3] "Median total income, by family type, by province and territory." http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil108c-eng.htm" Retrieved on 10 February 2015.
[4] Pierre Fortin, Luc Godbout, Suzie St-Cerny. "Impact on Quebec's Universal Low-Fee Childcare Program on Female Labour Force Participation, Domestic Income, and Government Budgets," University of Sherbrooke: Sherbrooke, Quebec. Retrieved from http://www.oise.utoronto.ca/atkinson/UserFiles/File/News/Fortin-Godbout-St_Cerny_eng.pdf 28 May 2015.
[5] "CPP contribution rates, maximums and exemptions." http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/cpp-rpc/cnt-chrt-pf-eng.html#nt1 Canada Revenue Agency. Retreived on 10 February 2015.

REGULATORY AND INTERNAL TRADE

42. Addressing Barriers to Interprovincial Trade

DESCRIPTION

Despite recent trade agreements, many barriers continue significantly impede the movement of goods, services and labour between Canadian provinces and territories, creating ongoing uncertainty that harms Canada's reputation as a secure place to invest and do business.

These challenges create barriers to international competitiveness, as Canada will be under increased pressure to resolve its own internal trade barriers as foreign direct investments resulting from international trade agreements such as CETA, and ongoing negotiations around NAFTA and CPTPP, will no longer tolerate bad behaviour from its partners.

BACKGROUND

The movement of goods, services and labour between Canada's provinces and territories represents a significant cornerstone of the national economy. While international exports constitute roughly 30 percent of Canada's GDP, more than $1 billion in trade moves within Canada every day as interprovincial trade reaches approximately $385 billion per year and constitutes roughly 20 percent of GDP . Indeed, for most provinces, the two types of trade represent very similar percentages of their own GDP. However, interprovincial trade issues have traditionally received disproportionately less attention from legislators: while calls continue to be loudly made for greater trade liberalization and less protectionism within international trade agreements such as NAFTA and TPP, it is abundantly clear that the same approach is also sorely needed within Canada.

IMPACT OF INTERNAL TRADE BARRIERS AND THEIR REMOVAL

Interprovincial trade barriers unnecessarily constrain the growth of the Canadian economy in ways both big and small.

The effect of these protectionist measures is keenly felt by provincial small and mid-sized producers, which commonly lack the volume and financial resources to sell to provincial liquor boards. As a result, many provincial liquor producers are limited in their ability to establish demand for their products in a national domestic market, which makes competition against large international producers more challenging. Interprovincial protectionist measures are also a drag on all producers who would benefit from internet-based sales and direct-to-consumer buying programs that provide better margins and enable more efficient supply management.

Perhaps most importantly, barriers to individual import of wine, beer and spirits are a hindrance to Canada's tourism industry. Many out-of-province Canadian tourists now cannot bring BC's and Ontario's fine wines home to share with their friends and are unable to participate in the wine clubs operated by many provincial enterprising wineries. Wineries lose because they are challenged to build long-term, loyal relationships with out-of-province customers. Consumers lose because their favourite label wine is not available to them at home.

Other examples abound: food safety regulations vary across the country and provinces have separate marketing boards for dairy and poultry, which can result in agricultural products produced in one province not able to be on the supermarket shelves of another. The transportation sector faces differing provincial regulations, as tires sizes and safety regulations for commercial trucks hauling large or dangerous goods are not harmonized across Canada. Refiners also face differing rules, as the ethanol mix allowed in fuel changes province to province.

Moreover, the country also lacks a single securities regulator and some barriers to labour mobility still exist. The myriad of differing regulations that exist across the country make Canada a complex market to do business with, and add to the cost of doing business.

According to Statistics Canada, these collective barriers have essentially amounted to a 6.9 percent tariff between provinces, and have a particularly acute impact on trade relating to direct business inputs. Estimates indicate that trade barriers are unnecessarily constraining growth, constraining Canada's economy by an estimated 7 percent.

Removal of these barriers could therefore have a significant impact for Canadian businesses and consumers alike, as recent studies indicate that meaningful liberalization of internal trade could add $50 billion to $130 billion to Canada's overall GDP. Using a mid-range estimate of $100 billion, these economic gains represent more than $7,500 per household per year ; this would also serve to cut the Canada-U.S. productivity gap by as much as one-third. The scope of this issue, and the considerable gains that could emerge from its resolution, has led the Canadian Chamber of Commerce (CCC) to repeatedly identify this as one of the country's top 10 barriers to growth ; the CCC also identified this issue as a central impediment to Canada's regulatory competitiveness in a May 2018 report.

PRIOR EFFORTS TO ADDRESS INTERNAL TRADE BARRIERS

The provinces themselves have made some efforts to address these via regionalized agreements, and while these have frequently offered a framework for discussion, their overly broad nature have traditionally failed to effectively address ongoing concerns. In an attempt to rectify these and other such regulatory misalignments, the federal, provincial and territorial governments signed the Canadian Free Trade Agreement (CFTA) in April 2017.

While it provides some progressive relief measures on specific areas such as procurement, much of the 300-page document is dedicated to exemptions, creating opt-out measures on many key files that continue to pose significant issues at the sub-national level. Moreover, there exist many persistent regulatory concerns that fall outside of the CFTA's intended purview. Conversely, Australia sought to achieve the same goals of the CFTA in 1992 with the Mutual Recognition Act, a 17-page document that simply stated that goods and workers regulated in one state could freely flow to another.

In the wake of the CFTA's announcement, many business organizations, including the CCC , indicated that the long-term success of this agreement would depend upon concerted efforts by the signatories to view it as a framework to engage in active regulatory reconciliation and cooperation. However, many examples of the CFTA's insufficiency on this front have emerged since its passage, as parties have continued to engage in on-again, off-again trade conflicts both public and private -- conflicts which this agreement was theoretically designed to address and avoid.

Additionally, unlike measures Canada has built into its international treaties, the CFTA fails to institute meaningful tools for dispute resolution. The associated monetary penalties that have been updated within the CFTA are equally inconsequential, with the maximum being $10 million for the largest of the provinces; this is arguably insufficient, given that the previous maximum penalty of $5 million under the previous 20-year-old Agreement on Internal Trade, not to mention the potential billions at stake.

This system for settling disputes under the Canada-EU provides recourse for companies that feel they have been unfairly treated to take action directly against the offending state. The lack of truly meaningful efforts of this nature withi Canada means that unless the federal government takes action now to eliminate internal trade barriers, European companies bidding on Canadian government work will gain an institutionalized edge over Canadian businesses trying to win similar contracts outside their home province once CETA is enforced.

Additional challenges to the goals and the effectiveness of the CFTA have since arisen through the Supreme Court of Canada's April 2018 ruling on the Comeau case – a case in which the CCC served as intervenor -- which effectively declared that Canada has no constitutional guarantee of free trade between provinces. This was considered to be a significant blow to the pursuit of a common market within Canada via the courts, confirming that the critical work of ongoing modernization of the rules governing interprovincial trade must be advanced by the federal, provincial and territorial governments.

In the words of Chamber President and CEO Perrin Beatty, "We have to decide at this point in Canada whether we are one country or 13."

RECOMMENDATIONS

That the federal government:

1. Work with the provincial and territorial governments on the mutual recognition of regulations, rules and policies to allow for the free movement of labour, goods, and services in Canada and the reduction of exceptions as currently established within the Canadian Free Trade Agreement.
2. Conduct a full review of the CFTA with a view to further eliminating barriers to trade, investment and labour mobility, ensuring that the agreement:

    - Covers all sectors of the economy and includes all government entities including ministries, crown corporations and regional and local governments, without exception;
    - Institutes a dispute resolution mechanism for persons that includes access to a panel with binding and enforceable powers, includig the ability to impose higher financial penalties that are more appropriately reflective of the stakes inherent in interprovincial trade;
    - Include a specific focus on the removal of barriers to inter-provincial trade in wine, beer and spirits; and
    - Ensures that the agreement includes the elimination of non-tariff trade barriers to encourage competition and ensure a level playing field for signatories and their respective businesses.

SUBMITTED BY LONDON CHAMBER OF COMMERCE
CO-SPONSORED BY TIMMINS CHAMBER OF COMMERCE, KELOWNA CHAMBER OF COMMERCE

THE SPECIAL ISSUES COMMITTEE SUPPORTS THIS RESOLUTION

59. Canada Revenue Agency Audit Requests Costly for Business

DESCRIPTION

In the past two years, small businesses have noticed a significant increase in Canada Revenue Agency (CRA) Business Audit Requests[119] asking for additional evidence or information to substantiate claims made on filing documents. Some of the requests are for tax returns of previous years. These requests provide a deadline to comply or assessments will be re-adjusted. To gather the required information and subsequently upload on the website takes between two to ten hours per request. With the number of audit requests increasing, the cost of complying is subsequently increased. For small businesses, it is becoming unreasonable.

BACKGROUND

Small businesses are expressing concern regarding the sudden increase in the past two years of time-consuming audit requests. For example, an audit request received by one small business in late 2017 asked for the following for a line item reported in 2015:

"On your Schedule 125, Income Statement Information, you reported one or

more amounts for professional fees (field codes 8850 to 8863) for the above tax year(s). To support these expenses, please send the following:

- A detailed list of the transactions included in the accounts related to the professional fees or the relevant general ledger entries;
- A copy of the invoices and receipts supporting each transaction.

Please return this letter with the information asked for within 45 days…"

The example request for detailed receipts two years after a tax return was filed for a line item engendered up to ten hours of work for the small business, with the business client paying for that time in both fees to the accountant and lost productivity time in his own business with the threat that his taxes will be re-assessed if he fails to comply.

In all cases reported by small businesses that brought the issue to the attention of the board of trade, the result is no change to the original tax assessment. The conclusion that can be surmised is that the original income tax return was correctly submitted. If that is the case, then the sudden increase in audit letters are not necessary.

The CRA has stated in their own literature and the Taxpayers Bill of Rights that they are committed to streamlining filing processes and minimizing costs for small businesses, as evidenced below:

[119] https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/changes-your-business/business-audits.html

Our Commitment to Small Business[120]

1. The CRA is committed to administering the tax system in a way that minimizes the costs of compliance for small businesses
2. The CRA is committed to working with all governments to streamline service, minimize cost, and reduce the compliance burden
3. The CRA is committed to providing service offerings that meet the needs of small businesses
4. The CRA is committed to conducting outreach activities that help small businesses comply with the legislation we administer
5. The CRA is committed to explaining how we conduct our business with small businesses

Those flagging the concern of increasing business audits recognize the need for the CRA to ensure that all tax returns are factually accurate. Further, given that there are numerous reports regarding tax cheats costing the government[121], it is understandable why auditors may be increasing their vigilance. According to a Globe & Mail article, the federal government has invested nearly $1 billion to combat tax havens to recoup $25 billion.[122]

In the meantime, auditors appear to be targeting micro expenses and costing the small businesses much in fees and lost productivity to comply with years old returns. Given that the businesses reporting this issue to the board of trade gave their results – zero reassessments to date – very little of the "missing" revenue will be recouped by this costly strategy. An argument could be made that the sudden increase in letters is a "fishing" strategy, rather than taking the time to revue and target actual errors.

It may prove to be more efficient to consider what supporting evidence is needed for future tax returns and provide an efficient and effective means for businesses to comply going forward rather than expending a great deal of time, effort and money attempting to recoup a small business expense. If the CRA did that, then they would be living up to the Taxpayers Bill of Rights.

[120] Sample of stories: Canada losing billions more than estimated to offshore tax havens, November 2017, https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens_a_23269548/; Canada misses out on nearly $50 billion in tax, February 2017 https://www.thestar.com/news/world/2017/02/13/canada-misses-out-on-nearly-50-billion-in-tax-each-year.html; Tax cheats: What Canada is missing out thanks to offshore banking, 2016 https://globalnews.ca/news/2955132/tax-cheats-what-canada-is-missing-out-on-thanks-to-offshore-banking/;

[121] Sample of stories: Canada losing billions more than estimated to offshore tax havens, November 2017, https://www.huffingtonpost.ca/2017/11/07/paradise-papers-canada-losing-billions-more-than-estimated-to-offshore-tax-havens_a_23269548/; Canada misses out on nearly $50 billion in tax, February 2017 https://www.thestar.com/news/world/2017/02/13/canada-misses-out-on-nearly-50-billion-in-tax-each-year.html; Tax cheats: What Canada is missing out thanks to offshore banking, 2016 https://globalnews.ca/news/2955132/tax-cheats-what-canada-is-missing-out-on-thanks-to-offshore-banking/;

[122] Revenue Minister steps back from claim Ottawa is close to recovering $25 billion in unpaid taxes, December 2017 https://www.theglobeandmail.com/news/politics/revenue-minister-steps-back-from-claim-ottawa-is-close-to-recovering-25-million-in-unpaid-taxes/article37189606/

RECOMMENDATIONS

That the federal government direct the Canada Revenue Agency to:

1. Provide evidence that the strategy to substantially increase small business audit requests is necessary to be balanced with the cost to businesses and the Canadian economy to comply;
2. Only send out business audit requests where there is clear evidence of an error;
3. Instead of asking for evidence of compliance years after a return is filed, determine what evidence is required from businesses well in advance to ensure compliance and provide an effective and efficient manner to submit requested documents with the tax return; and,
4. Live up to the spirit and intent of the Taxpayers Bill of Rights to minimize costs of compliance

SUBMITTED BY THE SURREY BOARD OF TRADE

THE SME COMMITTEE SUPPORTS THIS RESOLUTION BUT RECOMMENDS THAT IT BE COMBINED WITH OTHERS ADDRESSING TAX POLICY (I.E., FAIR TAX PROCESS FOR SMALL BUSINESS AND CANADA REVENUE AGENCY IMPACT ON SMALL BUSINESS).
THE TAXATION COMMITTEE DOES NOT SUPPORT THIS RESOLUTION BECAUSE LOCAL CHAMBERS DECLINED TO COMBINE A NUMBER OF SIMILAR PROVISIONS IN AN OMNIBUS RESOLUTION

63. Canada Revenue Agency Impact On Small Business

DESCRIPTION

Small businesses and accountants report frustration and a need to commit significant time, often at considerable expense, to deal with taxation and filing issues with the Canada Revenue Agency.

BACKGROUND

As small business accounts for 98 per cent of business in Canada, employing 71 per cent of the labour force in the private sector, it is apparent that small businesses are the backbone of Canada's economy.

There are few businesses that at some point in time have not had to correspond with the Canada Revenue Agency (CRA) over matters related to their business, whether by letter, fax, telephone, online or in person. Inquiries typically centre around issues related to corporation income taxes, the goods and services tax, payroll taxes, customs and excise taxes, or even personal income taxes.

Although there is one basic number for business inquiries and one for inquiries regarding personal income tax, which should make for efficient, effective interaction with the CRA, many small businesses find themselves spending exorbitant amounts of time dealing with them. When a business makes an error in filing, there are strong timelines placed on correction and response; however, when the tax agency is in error, a small business person may invest significant amounts of time communicating or attempting to communicate with them and being transferred from department to department. In many cases an accountant is required to handle the matter, creating more cost and more red tape.

The CRA has held a number of consultations through 2012, 2014, and 2016 with the goal of reducing red tape and improving service for small and medium businesses. Across the country and through the years the feedback provided to the CRA has remained remarkably consistent. Businesses want to:

- Reduce the frequency of small business interactions with the CRA
- Improve how and when it communicates with small businesses
- Make "burden reduction" systemic within the CRA

In the fall of 2017 the Auditor-General tabled a report in the House of Commons that found the CRA actively blocked calls from taxpayers in order to falsely say it met its service standards of keeping people waiting less than two minutes. Between March 2016 and March 2017 the CRA answered only 36 per cent of calls. The report also found that the number of errors made by CRA agents was drastically underreported. The CRA reports an 6.5 per cent error rate compared to the 30% error rate observed by the Auditor-General's office.

Despite ongoing efforts at reducing red tape and improving service, frustration and complaints about dealings with the CRA remain. Reports of significant administrative burden, lack of timeliness, professionalism and predictability when dealing with regulators, lack of coordination between regulators, and a lack of fundamental understanding of the realities of small business continue to hamper business prosperity and growth.

RECOMMENDATIONS

That the federal government:

1. Instill flexibilities into Canada Revenue Agency (CRA) systems to allow frontline staff to manage communications amongst CRA streams on behalf of small business owners, and take initiative to resolve small businesses' issues in a timely fashion, maintaining a client-oriented, customer-service approach.
2. Assign a case officer, with the appropriate training, to small business files to make compliance faster, cheaper, and simpler.
3. Instruct the CRA to correct and respond regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.
4. Hold the CRA accountable for its actions and decisions by implementing open government practices, and by correcting and corresponding regarding CRA errors within 30 days of notification by the taxpayer or taxpayer's representative.

SUBMITTED BY RED DEER & DISTRICT CHAMBER OF COMMERCE

THE SME COMMITTEE SUPPORT THIS RESOLUTION AND SUGGESTED IT BE COMBINED WITH OTHERS ADDRESSING TAX POLICY (I.E., CRA AUDIT REQUESTS COSTLY FOR BUSINESS AND FAIR TAX PROCESS FOR SMALL BUSINESS)
THE TAXATION COMMITTEE DOES NOT SUPPORT THIS RESOLUTION BECAUSE LOCAL CHAMBERS DECLINED TO COMBINE A NUMBER OF SIMILAR PROVISIONS IN AN OMNIBUS RESOLUTION.

64. Excluding Real Estate From Passive Asset Taxation in Private Corporations

DESCRIPTION

The availability of affordable residential real estate has become a concern in many local communities and is now a priority for both our provincial and national governments. Likewise, small business owners rely on the availability of commercial real estate, which has increased in value in many of our communities. An opportunity exists for the federal government to support private corporation investment in both commercial and residential real estate rental projects. However, the opposite has happened. The Income Tax Act ("ITA") deems income earned from the rental of real estate to be "income from property" or "passive income" rather than business income, subjecting it to a different tax treatment that may create a disincentive for investments in real estate assets that can contribute to housing solutions and economic growth.

BACKGROUND

Income earned from the rental of real estate ("rental incoe") is generally deemed "passive" under the ITA unless it meets certain criteria to be "active business income". Active real estate assets or "active" income generally includes:

- Provision of other goods or services with the real estate – for example, a hotel, B&B, etc.;
- Use in an active business operation – for example, office, factory, retail store, warehouse;
- Property that meets the exclusions of "specified investment property", for example, where more than 5 full time employees are employed by a corporation involved in commercial real estate management or development; and
- Rental of real estate to an "associated" corporation – deemed as active.

Unfortunately this definition can lead to significant differences in how real estate income will be taxed in situations that are not fundamentally different to warrant a different treatment. For example:

- the 5 employee requirement is problematic as it creates a size test that is not relevant, nor can it be met even in a large company if that company chooses to contract out all of its services or hire part time employees rather than employ full time staff, or if it needs to structure its affairs to manage risk (for example – one property per company)
- the same piece of real estate can be classified differently from passive to active or vice versa, with or without changes in ownership of the real estate or whether corporations are "associated" for tax purposes. The TABLE below illustrates some common examples.

TABLE (in all examples, assume less than 5 full time employees)

Type of real estate rental	**Active or Passive**	**Explanation**
Long term residential real estate for investment purposes	Passive	
Residential real estate purchased for employees • But rented to other tenants / not needed for your own employees	Active Passive	Housing needed for staff is used to support your active business No longer used in your active business (if very brief periods of time between housing your own employees you may be able to argue that the 3rd party rental is incidental to the main purpose of providing employee housing, but risky)
Commercial real estate rented to third parties	Passive	
Commercial real estate in one corporation you own (RealCo), rented to another corporation you own (OpCo) • If OpCo sold to third party, you retain RealCo now rent to a third party	Active Passive	Deemed active – associated companies. Allows business owners to segregate their active real estate assets from their active operations without being penalize No longer associated or "deemed active" (in many business transitions, purchaser cannot afford to buy both OpCo and RealCo)
Commercial real estate in corp. owned by 3 equal shareholders (RealCo), rented to another corporation the 3 own (OpCo) • But if 1 shareholder buys out his 2 partners from the OpCo; with all 3 still owing RealCo	Active Passive	Associated, Deemed active, as above The companies are no longer associated as the remaining shareholder in OpCo only owns 1/3 or

		RealCo; therefore, not deemed active.
Commercial real estate in corp. where portion is rented to an associated corp. with the other portion to a third party	Both	Portion rented to associated corp. is "deemed active" Portion rented to third party is "passive" (Note this is an example where an active business has both active & passive real estate and now be subject to SBD grind down)
Corporation has the opportunity to purchase the real estate it leases from landlord, for its own active business but landlord insists that more units or sq.ft. must be purchased than what the corporation needs. Corporation buys all the real estate to secure its operating business with plans to rent out the space that is not needed to third parties	Both	Prorated as above Purchaser is subject to the SBD grind down

From an economic and policy perspective, these situations should not be the determinant of whether real estate is considered to be used in a business. In fact the definition of a business is quite broad and can include any situation where goods and services are or are intended to be exchanged for consideration – a definition that would include property rental. It is time to remove the passive treatment in the ITA to encourage more investment in real estate, to increase supply of both housing stock and commercial real estate, which in turn should improve affordability for both employees and employers and make it easier to attract and retain labour, and to manage the cost of business succession.

Treating net rental income as business income in all circumstances will have the following tax benefits to private corporations:

- Simplify the tax treatment and provide clarity and fairness of how the income will be taxed
- Eliminate the 4% added tax cost of flowing passive income through a corporation
- Eliminate the need to "dividend" out passive income to trigger the "dividend refund", which is currently necessary to offset the refundable tax and maintain the tax cost at 4%
    - Cash retained can be used for necessary debt servicing or new investments

- Effective for 2019 and future years, avoid a grind down of the small business tax rate where passive income exceeds certain thresholds (currently set at $50,000 based on a notional 5% return on $1,000,000 in assets, with a prorated grind down between $50,000 - $150,000, and a full loss in excess of $150,000)
    - These thresholds are too low and do not reflect the current value of real estate in many Canadian markets or the rental yield they may earn

RECOMMENDATIONS

That the Federal Government:

1. remove net rental income from passive income, making it subject to normal corporate taxation rates for business income

2. Until this change happens, specifically exclude net rental income from investment income subject to the thresholds that grind a private corporation's access to the small business tax rate.

3. If it is necessary to include net rental income as part of the passive investment income subject to the new proposed thresholds, then:
    a. Significantly increase thresholds to reflect economic reality and debt servicing requirements;
    b. Provide exclusions for investments that provide access to affordable residential housing or subsidized employee housing;
    c. Provide exclusions for commercial real estate that is connected to or attached to an operating business, or subject to a business succession plan; and
    d. Provide more appropriate criteria around what is active vs. passive as the "deemed as active" rules are not able to (nor intended to) identify real estate ownership situations and changes in circumstances that should qualify as active

SUBMITTED BY WHISTLER CHAMBER OF COMMERCE

THE TAXATION COMMITTEE SUPPORTS THIS RESOLUTION

60. Fair Tax Process for Small Business

DESCRIPTION

Canadian courts, through an area of common law rights called Administrative Law, hold most government agencies accountable to basic procedural safeguards to ensure that all Canadian citizens benefit from a fair and due process when denied or granted government benefits.

While rigorous enforcement of tax laws is imperative since taxes are critical for the maintenance of public services that allow for a prosperous Canadian society, small businesses require some form of intermediary assistance to understand and navigate issues and deal with the Canada Revenue Agency (CRA). This assistance should be structured to enable greater effectiveness and should not require the additional expense of a tax accountant and lawyer to resolve.

BACKGROUND

The problem is quite widespread. The following comments made by Chief Justice Gerald Rip in Pytel v. The Queen, 2009 TCC 615 provide the best explanation for prevalence of the problem:

[42]The vast majority of informal appellants in this Court act for themselves or are represented by persons without any legal background. This, the Tax Court has in common with all other Canadian courts. Employees of the Tax Court try to assist the appellants and prospective appellants in getting their appeal to trial. The Court has produced a video describing the conduct of an appeal. Judges try to help the taxpayers subject to their limits of judicial impartiality. Nevertheless taxpayers and their lay representatives are often intimidated by the process and are unable to fully prosecute [defend] the appeals. This is what happened here.

[43] I am informed that the Legal Aid programs of the provinces do not provide assistance to taxpayers who cannot afford legal representation in income tax appeals. The rationale, I could only guess, is that if a person has a tax problem, the person must have money. There are appeals before the Court that are family related matters, such as Canada Child Tax benefits, and if disputed before a Family Court judge, may entitle the parties to legal aid. There are also appeals claiming medical expenses, Unemployment Income benefits, Canada Pension Plan benefits, among others, that impact upon low income persons.

[44] A need for taxpayers to be better prepared for their appeals before this Court is obvious. Legal Aid programs must consider extending their assistance to taxpayers, notwithstanding current budgeting issues. Dealing with a government bureaucracy, the CRA, for example, and then with a court is very stressful even on the most experienced persons. Unjust tax assessments may cause strain on the family relationship and ought to be challenged with public support when appropriate. Law firms and law schools also have the capacity to help.

Subsequent to the Pytel case, Chief Justice Rip wrote a letter to every law dean in Canada to see if there was anything they could do within the law schools to help address this growing problem. He also raised the issue in a meeting with the Canadian Bar Association's tax court bench and bar committee.

RECOMMENDATIONS

That the federal government:

1. review the Canada Revenue Agency's (CRA's) internal policies for small business so that there is assistance for small business to resolve conflicts with the CRA.

SUBMITTED BY BURLINGTON CHAMBER OF COMMERCE

THE SME COMMITTEE SUPPORT THIS RESOLUTION AND SUGGESTED IT BE COMBINED WITH OTHERS ADDRESSING TAX POLICY (I.E., CRA AUDIT REQUESTS COSTLY FOR BUSINESS AND CANADA REVENUE AGENCY IMPACT ON SMALL BUSINESS).
THE TAXATION COMMITTEE DOES NOT SUPPORT THIS RESOLUTION BECAUSE LOCAL CHAMBERS DECLINED TO COMBINE A NUMBER OF SIMILAR PROVISIONS IN AN OMNIBUS RESOLUTION

TAX POLICY

58. Reforming Canada's Tax System

DESCRIPTION

In a time when our largest trading partner has implemented sweeping tax reform that substantially simplified the U.S. federal tax code, Canadians face a dauntingly complex federal tax system that is filled with 'boutique tax credits' and is complicated by a collection of piecemeal changes implemented by successive governments based on tax changes driven by short term political issues rather than good tax policy. The resulting federal income tax system threatens Canada's economic competitiveness and is a barrier to success for Canadian businesses in the global race for talent where the best and brightest are highly mobile.

BACKGROUND

The United States tax reforms are expected to have an overall negative economic impact on Canada with the most significant impact on Canada's tax competitiveness. Other countries like France and the United Kingdom are creating attractive environments for businesses looking to expand or invest by dramatically reducing business taxes and taking measures to reduce red tape.

A December 20, 2017 opinion column in The Vancouver Sun by Fraser Institute staff Charles Lamman and High MacIntyre noted that "neither the federal government, nor any of the provinces, has presented a plan to maintain Canada's competitive position on business taxes. To the contrary, some provinces in the past two years have actually raised their corporate tax rates, making us less competitive compared with the U.S."

Furthermore, current federal and provincial finances particularly in Alberta and Ontario make short-term tax relief highly challenging without running larger deficits.

Jack Mintz of the University of Calgary argues that Canada's competitive edge in attracting business investment has rested on two pillars – a lower corporate tax rate and free trade. One pillar is gone with the second highly unstable for Canadian businesses exporting into the United States. In a December 19, 2017 Financial Post article Mintz further observed that Canada's competitive position is about to get rocked, making it harder for Canadian governments to push costs onto businesses through higher taxes and regulations. Federal and provincial authorities will need to change course and if politicians sit on their hands, Canadians will see investment, jobs and profits flowing to the United States.

It has been over 50 years since the release of the report of the Carter Commission, formally known as the Royal Commission on Taxation, which in 1966 released its report which was the country's last major undertaking to review and reform the country's tax policies and ensure a fair and equitable tax system for all Canadians. In that time, the

country's tax system has become extremely complex due to the piecemeal reforms implemented by successive governments driven by the then-current political agenda rather than considering goals of fairness, efficiency and economic competitiveness. As National Post columnist Andrew Coyne notes "Put simply, the Canadian tax system is a creaking, productivity-killing wreck: hugely over-complicated, and riddled with unjustified deductions and exemptions that distort economic decisions and bleed the government of revenues, recouped by much higher tax rates than would otherwise be the case." (National Post, Dec. 15, 2017)

For example, the political backlash faced by the federal government for their series of July 2017 proposals to implement tax changes that disproportionately impacted Canadian small and medium-sized businesses under the guise of promoting 'fairness' in the tax system highlighted a problem created by decades of 'in the moment' political tax policy decisions. In justifying its proposals, the government pointed out the sharp trend upward in private corporations apparently motivated by the benefits of tax deferral and income sprinkling to name a few. Yet, that same government had just finished quickly and quietly implementing a 4% increase in the top marginal personal income tax bracket to well above 50% while lauding its efforts to make the wealthiest Canadians pay more. By doing so, the government effectively increased the impetus for Canadians to incorporate in a perfectly logical, legal and purely economic-driven attempt to reduce the substantial tax burden faced by them by taking advantage of the substantially lower small business tax rates afforded to private corporations for which successive federal governments have taken credit. The political uproar that resulted from businesses and professionals across the country succinctly demonstrated the effects of attempts to implement piecemeal tax changes rather than undertaking an overall review and reform of the country's tax system.

Manufacturing is vital to the Canadian economy. In 2016, it accounted for 10.4 per cent of the country's entire Gross Domestic Product (GDP). However, when the demand for goods and services generated by manufacturers are included, or the consumer spending from all the jobs created or maintained by manufacturers, nearly three of every ten dollars in wealth created in Canada can be traced back to the manufacturing sector.

Manufacturing businesses also invested an estimated $15.9 billion in new capital in 2016, including $12.1 billion in machinery and equipment. No other sector of the Canadian economy invests more in machinery and equipment. In addition, manufacturers account for one third of all research and development activities in Canada. Nearly 60 per cent expect to increase their investment in research and development over the next three years.

The personal and business tax changes in the U.S combined with the change that allows companies in all sectors to immediately write off the full cost of new machinery and equipment could affect the outcome of many companies' tax planning and investment location decisions, shifting growth and some companies to the U.S. This accompanied with the additional red tape and regulations borne by employers is

reducing business investment. In fact, Canada is now the second lowest among 17 advanced countries.

Beginning in 2019, the expansion of the Canada Pension Plan (CPP) will further reduce funds available for domestic investment. This leaves less money available in Canada to finance innovative start-up businesses, the maintenance and expansion of existing operations and investments in new machines and technology which is critical for the economy.

Allowing Canadian companies to deduct cost of certain capital assets, such as machinery and equipment, over an accelerated period of time (such as one year) would increase capital spending and economic activity.

Canada can and should create an internationally competitive system of small business taxation as well as personal income tax rates that encourages business to invest in the technologies, skills, and capacity they need to grow while attracting highly qualified people from around the world.

The calls for a comprehensive review and reform of the Canadian tax system have substantially increased recently including a call from the federal Minister of Finance's Advisory Council on Economic Growth which in its third and final report to the Minister recommended that "we need to conduct a targeted review of our tax system to ensure that the tax regime fosters the development and adoption of innovation, and secures Canada's position as a global magnet for investment and talent. It is worth noting that it has been decades since the last significant review of Canada's tax systemâ€"years before the emergence of mobile phones and the internet, and the rise of the digital economy." (The Path to Prosperity: Resetting Canada's Growth Trajectory, Report of the Advisory Council on Economic Growth, December 1, 2017) Recently, the Royal Bank of Canada's CEO, Dave McKay, raised concerns of a 'significant investment exodus already underway' and suggested that Canada must take immediate steps to address the issue of competitiveness with the United States in its tax policies (Financial Post, "Investment dollars are already flowing out of Canada in 'real time', RBC CEO warns", Andy Blatchford, April 1, 2018). The Organization for Economic Co-operation and Development ('OECD') recognized the need to improve the global system for taxation in light of the digital economy and released a report in 2015 addressing Base Erosion and Profit Shifting ('BEPS'). This report included 15 action items to reform the global mechanisms through which tax is assessed and countries interact. These global changes need to be understood and woven into the Canadian domestic tax legislation.

As a result of the foregoing, it is time for the Canadian tax system to once again be reviewed from the ground up.

RECOMMENDATIONS

That the federal government:

1. Immediately appoint an independent, non-partisan commission or committee of tax policy experts to conduct an accelerated, comprehensive review of Canada's tax system to produce recommendations for reforms with the following aims:
    a. Promoting fairness and reasonable integration between the personal and corporate tax systems.
    b. Simplify and streamline the tax system to promote efficiency and ease of compliance for all individual and business taxpayers.
    c. Promote Canada's competitiveness in the global market and reward risk-takers, growth and innovation.
2. Adjust the tax mix (across the entire tax spectrum of business taxation, personal taxation, VAT, digital taxation, and property taxes) to encourage the attraction and retention of the investments, businesses, people, and skills needed to compete in today's global economy;
3. Allow businesses to fully expense the cost of new machinery and equipment in one year to support productivity, investment, and innovation;
4. Reduce the administrative burden of the Canadian tax system.

SUBMITTED BY LONDON CHAMBER OF COMMERCE
CO-SPONSORED BY OAKVILLE CHAMBER OF COMMERCE; GREATER KITCHENER-WATERLOO CHAMBER OF COMMERCE; NEWMARKET CHAMBER OF COMMERCE; VAUGHAN CHAMBER OF COMMERCE

THE TAXATION COMMITTEE SUPPORTS THIS RESOLUTION

Marijuana and the Workplace: Ensuring the Safety of Workers and Businesses

Introduction

Drug impairment on the job is a complex challenge for employers at the best of times. With the pending legalization by the Federal government of recreational marijuana usage, employers are reviewing what they know and what they need to know to be prepared. With that purpose at the forefront, these recommendations encompass general and specific requests for clarity and guidance for employers large and small, unionized or not, safety-sensitive or not.

Background

A preliminary review of recent (within the past 5 years) and relevant (Canadian) literature (including peer reviewed academic literature) reveals three general foci: adolescent usage concerns, non-alcoholic drug-impaired driving, and accommodation for medical marijuana usage. Workplace research is minimal and tends to be reliant on case law findings arising from appealed dismissals.

The recently released report of the Task Force on Cannabis legalization and Regulation, "A Framework for the Legalization and Regulation of Cannabis in Canada," likewise concerns itself with adolescence and impaired drivers. The section on workplace safety is 1½ pages and from which, three of the Task Force's 83 recommendations are relevant:

- Facilitate and monitor ongoing research on cannabis and impairment, considering implications for occupational health and safety policies,
- Work with existing federal, provincial and territorial bodies to better understand potential occupational health and safety issues related to cannabis impairment, and
- Work with provinces, territories, employers and labour representatives to facilitate the development of workplace impairment policies. (P. 29)

In April the Federal government introduced Bill C-45 respecting cannabis and set out the purpose of the Act to protect public health and public safety but does not specifically refer to the workplace.

In B.C., both the B.C. Human Rights Code[90] and WorkSafe BC have bearing on employment guidance. In the Human Rights Code, there is no specific definition for impairment; however, Section 13 (1) states "A person must not (b) discriminate against a person regarding employment or any term or condition of employment because of … physical or mental disability...; nor can any person discriminate in regard to accommodation (Section 8) based on physical or mental disability without reasonable justification." This is relevant to marijuana usage as drug dependence (addiction) is considered a disability.[91] Accommodation is required up to the point of undue hardship, where the cost of reasonable and practical steps are too difficult or expensive.[92] The bar for employers to prove this is very high.[93]

Worksafe BC regulations provides some guidance:[94]

4.20 Impairment by alcohol, drug or other substance

(1) A person must not enter or remain at any workplace while the person's ability to work is affected by alcohol, a drug or other substance so as to endanger the person or anyone else.

(2) The employer must not knowingly permit a person to remain at any workplace while the person's ability to work is affected by alcohol, a drug or other substance so as to endanger the person or anyone else.

(3) A person must not remain at a workplace if the person's behaviour is affected by alcohol, a drug or other substance so as to create an undue risk to workers, except where such a workplace has as one of its purposes the treatment or confinement of such persons.

Note: In the application of section 4.20, workers and employers need to consider the effects of prescription and non-prescription drugs, and fatigue, as potential sources of impairment. There is a need for disclosure of potential impairment from any source, and for adequate supervision of work to ensure reported or observed impairment is effectively managed.

While various guidelines exist and templates can be found for employers to use to develop onsite alcohol and substance use policies, (with caveats in the literature regarding which ones would be better), what is lacking in all the literature is clarity in definitions and clear guidelines for employers.

There are two separate issues to consider: medical marijuana users and recreational usage on the job. For medical marijuana, the rules are quite clear regarding accommodation. Insofar as an employer can, those with appropriate medical documentation are accommodated and only actual impairment at work, not usage, would be grounds for further action up to dismissal. The challenge is determining what constitutes impairment.[95] Under current Federal criminal law, the Access to Cannabis for Medical Purposes Regulations (ACMPR), medical marijuana patients must have a medical document from a health care practitioner to legally purchase and consume marijuana:

8 (1) A medical document provided by a health care practitioner to a person who is under their professional treatment must indicate

a) The practitioner's given name, surname, profession, business address and telephone number, facsimile number and email address, if applicable, the province in which the practitioner is authorized to practise their profession and the number assigned by the province to that authorization and, if applicable, their facsimile number and email address;

b) The person's given name, surname, and date of birth;

c) The address of the location at which the person consulted with the practitioner;

d) The daily quantity of dried marihuana, expressed in grams, that the practitioner authorizes for the person; and

e) The period of use.[96]

For medical marijuana usage, therefore, the challenge for an employer is to determine whether the documentation and allowable amounts can lead to impairment up to the point, as expressed by WorkSafe BC, of undue risk. This does not address potential decreased productivity, the impact of usage and/or accommodation on other employees, and the overall costs of accommodation even if not up to point of undue hardship. What employers and employees need is a workable definition of impairment, and a tool to assist in determining impairment, such as a universally applicable checklist for non-medically trained supervisors. Further, employers and employees, particularly those without an in-house Human Resources department – such as small and medium sized entities – would greatly benefit from having a readily identifiable regulatory authority that could provide consistent, standardized documentation and up to date information.

Recreational users (legalized or not) would be treated as other substance users and potential abusers, according to the literature.[97] However, again, it is the level of impairment, rather than usage itself, that provides grounds for employer action up to and including dismissal. Key to whether employers have any sway is the existence of written policies outlining a clear statement of drug usage on the job, the levels of graduated disciplinary steps, and an invitation for disclosure with accommodation considered. Recreational users may or may not be addicted – a determination that is difficult without self-disclosure; and addiction is considered a disability requiring accommodation. Until that point, an employer's "duty to accommodate does not extend to the point of accommodating an employee that is not properly medically authorized."[98]

Safe Workplaces

In safety-sensitive workplaces, drug use can lead to serious injury or death. In its submission to the Task Force, national oil and gas safety association Enform stated that, "marijuana use is incompatible with working in a safety-sensitive environment."[99] Employers have both a legal and a moral obligation to provide safe workplaces. This legal requirement is enshrined in provincial occupational health and safety legislation, and in Section 217.1 of the Criminal Code. Ensuring workers in safety-sensitive roles are not impaired by legal or illegal substances is a key component of fulfilling that obligation.

[90] BC Human Rights Code http://www.bclaws.ca/Recon/document/ID/freeside/00_96210_01 and http://www.bchrt.gov.bc.ca/human-rights-duties/index.htm

[91] Lynch QC, Jennifer. Human Rights and Employer Responsibility to Accommodate Disability in the Workplace, Visions: BC's mental Health and Addictions Journal, 2009, 5 (3), pp 9-10. http://www.heretohelp.bc.ca/visions/workplaces-vol5

[92] http://www.bchrt.gov.bc.ca/glossary/index.htm#undue-hardship

[93] Bhalloo, Shafik, and Alisha Parmar. Medical Marijuana in the Workplace—Don't Weed Out Your Employees Just Yet! The Advocate. 74, 2016. Pp 687-696

[94] https://www.worksafebc.com/en/law-policy/occupational-health-safety/searchable-ohs-regulation/ohs-regulation/part-04-general-conditions#SectionNumber:4.20

[95] Brown, Shelley. Road Map to Weed in the Workplace: legal Considerations as Legalization Approaches. Canadian HR Reporter; Oct 31, 2016. 29, 18 ProQuest. P.16

Limitations on Testing

Marijuana is a substance with complicated effects on the body, and legal substances like alcohol do not provide useful comparisons. Testing for alcohol impairment is straightforward – the quantity of alcohol in the bloodstream is a reliable indication of how intoxicated an individual is at the moment of testing. THC, the primary psychoactive component of marijuana, can remain in the bloodstream of users for days or weeks after the intoxicating effects have worn off. Furthermore, there is no "breathalyzer" equivalent for marijuana, which would provide a clear indication of current intoxication and impairment. Complicating matters further, there is no ".08" for marijuana, no standard legal limit or cutoff that can be used in impaired driving cases, for example.

The limits of testing technology have significant impacts on Canadian workplaces. *Entrop v. Imperial Oil* allowed random alcohol testing for safety-sensitive positions, but not random drug testing, because a breathalyzer can reliably prove current impairment, whereas drug testing techniques cannot.[100] This is further confirmed by the Canadian Human Rights Commission's (CHRC) Policy on Alcohol and Drug Testing, which considers random drug testing an unreasonable infringement of privacy rights, as it cannot reliably determine current levels of impairment.[101] Under these guidelines, drug testing can only be carried out as a bona fide occupational requirement in safety-sensitive positions, with reasonable cause or after an accident has occurred.[102] As the federal government has not yet established a legal limit for marijuana impairment, or the necessary testing protocols, the validity of workplace testing has largely been left to the courts to decide. Federal legislation includes new provisions which would allow Cabinet to set *per se* limits for marijuana-impaired driving, similar to a 0.08 BAC for alcohol impairment. This is consistent with the advice of The Task Force, which recommended further investment and research into both a *per se* impairment limit and the development of a roadside testing protocol.[103] These innovations would serve as a major step towards rationalizing the conflicts that currently exist between an employer's obligation to provide a safe workplace, and an employee's right to privacy. We recommend that the research and development of impairment limits and roadside testing protocols be used to develop legal limits and testing protocols for safety-sensitive workplaces.

There are many guides and helpful suggestions available online. What is lacking, however, is clarity for employers along with guidance that provides assurance that the information by which they operate is best practice and in line with legislation in existence and anticipated.

Recommendations

That the federal government:

1. Create a standard testing protocol to detect marijuana impairment, with legal limits for both traffic safety and workplace safety prior to the legalization of marijuana.
2. Work with provinces and territories to ensure consistent regulation across Canada.
3. Provide clarity for employers by developing regulations concerning the use of medical marijuana in the workplace and its impact on health and safety procedures in conjunction with relevant provincial and territorial regulators,
4. Consult with industry, business and their representative associations to identify standardized policies and processes to deal with medical marijuana requirements and recreational usage that may lead to impairment in the workplace, in a manner that balances the rights and responsibilities of employers with the privacy and rights of employees.
5. Allow a two-year implementation window to address the workplace safety recommendations contained within the Framework for the Legalization and Regulation of Cannabis in Canada.

[96] http://laws.justice.gc.ca/PDF/SOR-2016-230.pdf
[97] Brown, Road Map. P.16
[98] Bhallo and Parmer, The Advocate. P.691
[99] http://www.psac.ca/wp-content/uploads/Ltr-Marijuana_legalization_commission.pdf
[100] http://www.canlii.org/en/on/onca/doc/2000/2000canlii16800/2000canlii16800.html
[101] http://publications.gc.ca/collections/collection_2009/ccdp-chrc/HR4-6-2009E.pdf
[102] Ibid.
[103] http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/framework-cadre/index-eng.php