Alberta’s Recovery Plan Analysis
June 29, 2020
OVERVIEW

• $10 billion infrastructure plan
• Immediate corporate tax cut
• New Investment Alberta Corporation
• New Innovation Employment Grant
• $175 million in the Alberta Enterprise Corporation

Jobs, Economy, Pipelines – that was the focus of the campaign to elect Alberta’s United Conservative government last year, and that was the focus of the unprecedented June 29, 2020 stimulus package announced by Premier Jason Kenney and Treasury Board President & Finance Minister Travis Toews. It marks the most decisive action plan yet towards these goals.

From the near-immediate acceleration of the Job Creation Tax Cut, reducing Alberta’s corporate tax rate to its 8% goal years ahead of schedule, to the creation of a new government agency focused on attracting investment, to the unprecedented $10 billion infrastructure investment (a 40% boost over the recent Budget’s Capital Plan), there’s a lot to unpack.

In the year since the 2019 election, Alberta has faced a series of challenges stopped by the double whammy of the global collapse in the price of oil and the COVID-19 pandemic. As a result, the province and its resource-focused economy have experienced ongoing difficulties.

While other governments across the country have also introduced infrastructure stimulus plans and incentives for businesses in the wake of pandemic closures, nothing comes near the breadth and scope of the UCP government’s ambitious plan. Part of the reason is that Alberta was already at work on an economic recovery plan – Premier Kenney appointed an expert panel, the Premier’s Economic Recovery Council made up of policy and industry experts – back in March.

While some of what was announced on June 29 is immediate or nearly immediate, there’s a lot more to come. The Economic Recovery Plan isn’t just about turning the corner from the difficulties posed by COVID-19, but about re-establishing Alberta as the top of the market for business and investment.

INFRASTRUCTURE

The Alberta government has underscored the importance of infrastructure investment, expanding on the $19.3 billion that had originally been earmarked in the province’s 2020 three-year fiscal plan.

In the form of a $10 billion investment, this new plan includes the largest infrastructure build in the province’s history - and the largest in the country on a per capita basis. This infusion represents a 40% increase over what had been initially budgeted for Alberta’s Fiscal Year 2020/21 Capital Plan and is projected to create over 50,000 jobs in the province.

Shovel-ready projects include roadways and bridges, hospitals and long-term care homes, schools and tourism infrastructure, water projects, drug treatment centres, and pipe and gas lines. With a focus on natural resources, the infrastructure build includes $1.5 billion towards the Keystone XL pipeline, which will support 7,400 Canadian workers in one of Alberta’s most crucial sectors.

CORPORATE TAX CUT

The government’s recovery plan includes acceleration of the job creation tax cut from 10% to 8%, effective starting July 1.

Previously, the plan was to gradually move by one percentage point at a time down to 8% by the end of the government’s first term in office. The government expects the tax cut to help create 55,000 jobs, new full-time private sector jobs and stimulate $13 billion in economic growth for Alberta.
FINANCES
The Economic Recovery Plan is consistent with Budget 2019 and Budget 2020’s fiscal focus on balancing the books. Minister Toews confirmed that “delivering government in the most efficient manner possible while growing our economic capacity and revenues remains our commitment.”

The government is confident that although the incremental costs of announcements and programs for the Economic Recovery Plan (which includes COVID-19-related spending) is projected at around $2 billion, much of the investment will have significant returns.

When it comes to the Corporate Tax Cut, the government projects a revenue loss of $200-300 million in 2020 and $100-200 million in 2021, when the rate was going to be 9%. The purpose of accelerating the tax cut is to send a message to the business community that Alberta is open for business and the most competitive jurisdiction for them to operate.

A full fiscal update is expected later this summer.

JOBS AND INNOVATION
Alberta will launch the Innovation Employment Grant, a new incentive for the technology and innovation sector. Incentives and subsidies created under the previous government came to an end in recent budgets, and it has been long speculated that the Kenney government would bring in alternatives that are expected to function more efficiently.

Alberta will be investing $175 million in the Alberta Enterprise Corporation. This funding will help start-ups and entrepreneurs access funding through venture capitalists, thereby boosting the early stage start-up economy.

INVESTMENT ALBERTA CORPORATION
Another new initiative is the creation of the Investment Alberta Corporation, an investment promotion agency touting the benefits of operating in Alberta to businesses across Canada and throughout North America. With an office to open in Houston, Texas and an eye on the players on Bay Street and downtown Montréal, including large financial institutions, this agency will be focused on proactively making companies aware that Alberta is the ideal location to invest, given the high quality of life and the tax differential that the province offers.

Like many of the announcements today, the government advised that more details will be coming on the structure and mandate of this corporation in the coming weeks.

JOBS AND IMMIGRATION CHANGES
Alberta will be liaising with the federal government to remove certain categories under the Temporary Foreign Workers program, to ensure that Albertans are given priority when it comes to Alberta jobs. This includes a one-third reduction in certificates issued for immigration sponsorship, and an increased focus on a start-up program, to support jobs in the innovation and tech sectors.

This has been a longtime focus for Premier Kenney. During his time as Canada’s Minister of Citizenship, Immigration and Multiculturalism, he introduced a federal Start-Up Visa program. During his time as federal Minister of Employment and Social Development, he overhauled the federal Temporary Foreign Worker program with a priority of ensuring that it wasn’t used to displace Canadian workers.
More details on these changes are expected from Labour & Immigration Minister Jason Copping early in July.

RETURN OF ARTS AND CULTURE

The impacts of COVID-19 run deep and the Economic Recovery Plan recognizes how public health measures and reduced crowds have significantly impacted the arts and culture industry. Many events this year have been canceled but for those that are able to take place in some form, the government has announced a Cultural Event Relaunch Program to support landmark events, performing arts and the music industry as they navigate the new reality of physical distancing requirements. This program dovetails with a commitment to grow cultural industries to $1.5 billion over the next decade, supporting the province’s iconic experiences that also stimulate the local economies in which they perform.

WHAT’S NEXT

Specific details of many programs and announcements outlined in the Economic Recovery Plan are yet to come, including the particulars around immigration program changes and infrastructure projects.

Minister Toews is due to make an announcement later this summer about the state of the province’s finances. There’s no doubt that, like virtually every other jurisdiction, there will be red ink – it’s a question of how much. Alberta’s government has a legislated requirement for quarterly financial updates and while there’s no obligation to revise future projections, they’re nearly always discussed.

The recovery announcement and its various components will certainly put “hope on the horizon” for the next update.

From Alberta’s bold economic recovery plan to the broader implications of COVID-19 on governments, businesses, organizations across Canada, our national Enterprise team is here to help you.