



January 9, 2025

Sent via email

Honourable Nate Horner
President of the Treasury Board and Minister of Finance
Government of Alberta

Dear Minister,

The Independent Contractors and Businesses Association Alberta (ICBA Alberta) is pleased to provide this supplementary submission in advance of the 2025 Provincial Budget. By way of background, ICBA Alberta is a chapter of the largest construction association in Canada, representing more than 4,500 member and client companies. ICBA is one of the leading independent providers of group health and retirement benefits in western Canada, supporting more than 300,000 Canadians. ICBA is Merit Canada's only affiliate in Alberta.

Economic and Fiscal Setting

Before turning to ICBA Alberta's recommendations for the forthcoming budget, we offer the following comments on the province's economic and fiscal situation and near-term outlook.

The evolving international and North American economic landscape presents significant challenges to Canadian policymakers at all levels of government. Global real GDP growth is likely to be in the 3.0% range in 2025-26, similar to 2024 but down from 3.5-4.0% in the decade prior to the 2020 COVID pandemic. The giant U.S. economy continues to outperform its developed country peers, including Canada, which is positive news for Alberta. However, the macroeconomic picture is clouded by armed conflict in Ukraine and the Middle East, high levels of geopolitical tension, a structurally weakening Chinese economy, and rising global protectionism. These negative factors are somewhat offset by the recent shift to a more accommodative monetary policy stance by the Bank of Canada and other leading central banks.

The Canadian economy has lost steam since a brief post-COVID burst in 2022, with real GDP growth lagging the country's surging population since the end of 2021 and the job market softening markedly over the last year or so. The past half decade has produced a worrisome pattern of sluggish Canadian business investment, stagnant productivity, increasing government-imposed regulatory costs, and the erosion of Canada's relative competitiveness as judged by international surveys. Most forecasters anticipate a slight pick-up in economic growth in 2025-26 after a poor 2023-24, but caution is warranted given the possibility of sweeping American tariffs on all or many Canadian exports to the U.S.

The good news is that Alberta stands out for its relatively robust economic performance at a time when Canada as a whole is visibly struggling. This reflects Alberta's record population and labour force growth, expanding production and exports of energy, a jump in housing starts, and stronger growth in business investment compared to the rest of Canada. As ICBA noted in our year-end economic analysis and forecast:

"...Alberta is poised to lead the country over 2025-26 thanks to rising energy production, continued population and labour force growth, and increased investment.... Within Canada, Alberta has emerged as an attractive location for people to live, find reasonably affordable housing, and develop their careers. With competitive taxes and a provincial government that supports free enterprise and is keen for local businesses to succeed, Alberta is also the best place in the country to establish and grow an enterprise."¹

ICBA Economics sees the Alberta economy expanding in the vicinity of 2.5% in 2025-26, noticeably better than the Canadian average. Employment should increase by 1.5-2.0%, with the unemployment rate dipping but remaining above 6.5% -- in part because of continued brisk labour force growth, fueled by in-migration. Housing starts are expected to come in near 45,000, similar to 2024 and significantly stronger than the rest of the country.

As shown in the Ministry of Finance's Second Quarter Report tabled in late November², the provincial government projects a modest operating budget surplus for 2024-25 and a shrinking net debt/GDP ratio. A jump in bitumen royalties – in part thanks to a diminishing light-heavy oil price differential -- has helped to boost the near-term fiscal surplus. Overall, natural resource royalties and other direct resource sector contributions comprise more than one quarter of all provincial government revenues. This leaves the Alberta budget uncomfortably dependent on the state of global and North American energy markets.

Looking ahead, we see some risk of weaker energy and other commodity prices -- and hence lower government revenues -- in 2025-26. Each one U.S. dollar change in the WTI oil price affects the province's budgetary bottom line by some \$630 million. WTI oil prices dropped below U.S.\$70/bbl between September and November 2024. The province's forecast for WTI oil prices over 2025-26 sits above current market expectations. This points to a potential return to budget deficits.

Recommendations for Budget 2025

ICBA offers the following recommendations for consideration as the Alberta government develops its 2025 budget and revised three-year fiscal plan.

- We continue to support balanced operating budgets, as long as the province's economy is performing reasonably well. In the event of a significant negative external shock, we

¹ Jock Finlayson, "ICBA Economics: 2025-26 Forecast," December 19, 2024.

² Government of Alberta, 2024-25 Second Quarter Fiscal Update and Economic Statement, November 2024.

believe it makes sense to incur short-term deficits – provided the government embraces a longer-term fiscal planning framework that targets balanced budgets in “normal” times.

- The province should keep Alberta’s personal and business income tax rates at their current level. This will cement Alberta’s well-deserved reputation as the most competitive province in Canada for businesses, investors and skilled workers.
- We believe it is essential to ensure maximum value for taxpayers when building and paying for public infrastructure. **For that reason, ICBA recommends that the Alberta government steer clear of existing and future policies that restrict competition in any industry. One particular example to avoid** is the community benefit agreements (CBAs) policy for public sector projects adopted by neighbouring British Columbia a few years back. CBAs exclude about 85% of contractors and their workers from building public infrastructure procured under the CBA model, limiting project teams to just those that are building trades unions certified. The evidence shows that restricting competition and choice in public sector tendering leads to higher construction and taxpayer costs. Fair and open government tendering of public infrastructure will ensure that all contractors and workers have an equal opportunity to bid on these projects and that taxpayers get the best value for their dollars.
- ICBA is deeply concerned about Canada’s waning competitiveness, notably in the traded goods and service industries that play a large role in underpinning our prosperity. Among the factors contributing to this negative trend are higher federal government taxes, increasingly onerous regulatory requirements, inadequate infrastructure, and a failure by many politicians and policymakers to appreciate the pivotal role of energy and other natural resource industries in supporting and advancing Canada’s economic well-being. We urge the Alberta government to continue its efforts to advocate for: 1) responsible Canadian natural resource development, 2) a reduced federal government role in project assessment and industrial permitting, and 3) a balanced approach to setting climate and energy policies.
- To address the ongoing housing affordability crisis, we encourage the province to work with municipalities to streamline regulatory and approval processes for new residential development, particularly in the multi-family segment of the housing market.
- We believe the skilled-trades workforce deficit is inhibiting Alberta’s growth opportunity. To address the workforce challenge, we encourage the government to:
 - Expand the number of apprenticeship seats in high-demand trades occupations and provide additional support for apprenticeship training. At the same time, the province should **double down** efforts to promote careers in the skilled trades in the public school system.
 - Work with the Federal Government to Increase Alberta’s (and every province’s) role and influence in selecting economic class immigrants.

- Encourage the Federal Government to review and overhaul the immigration points system, with the end result that immigrant selection will have greater emphasis on technical and skilled trades experience and qualifications, and less reliance on general university education or family class re-unification.

ICBA appreciates the opportunity to provide these comments and recommendations in advance of the 2025 provincial budget.

Sincerely,

INDEPENDENT CONTRACTORS AND BUSINESSES ASSOCIATION ALBERTA

A handwritten signature in black ink, appearing to read "Mike Martens". The signature is fluid and cursive, with the first name "Mike" and last name "Martens" clearly distinguishable.

Mike Martens

President

ICBA Alberta