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Alberta best province for investment, Ontario fifth: Report

Presented by



Mario Toneguzzi,

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Alberta is the best province in the country at creating a positive investment climate while struggling Ontario is fifth overall, says a report released Thursday by independent research organization the Fraser Institute.

The organization looks at various provincial policies from tax rates to regulation, transportation, infrastructure and fiscal prudence, said Niels Veldhuis, Fraser Institute director of fiscal studies and co-author of the report.

"If you look comprehensively across all of those measures, Alberta ranks first among all the provinces," he said, adding it has been the national leader now for a number of years.

He said the Canadian Provincial Investment Climate Report will certainly change next year, as the report is based on historical data on how governments have managed their budgets.

"I would agree that over the course of the next four to five months is a critically important time for all the Canadian provinces, and in fact the Canadian government as well," said Veldhuis. "And you're going to see all sorts of governments trying to spend money to stimulate their economies out of the trouble that they're in. Something that taxpayers and indeed investment managers have to look at is how prudent are governments being in a time when it actually calls for increased prudence."

Meanwhile, another report released Thursday by James Marple, an economist with TD Bank Financial Group, said Canada will enter a recession beginning in the fourth quarter of this year and will not see much improvement until 2010.

The report said booming commodity prices have been a key support to income growth in Canada over the past several years. The fall in commodity prices as a result of the global economic downturn will result in a striking pull back in export prices over the next several quarters.

"Falling prices in addition to declining real activity will lead to nominal GDP in Canada to contract for the first time on record," said the report.

Also, government revenues, which are based on nominal GDP, will also fall dramatically, raising significantly the risks of deficits, particularly in commodity-rich provinces, said the report.

Alberta was Canada's top province this year with a score of 8.5 out of a possible 10 in the Institute's annual index, which objectively evaluates the public policies that create and sustain a positive

investment climate. Saskatchewan and British Columbia ranked second and third in a virtual tie (Saskatchewan scored 5.9 out of 10, B.C. 5.8).

But Ontario, Canada's most populous province and largest economy, ranks fifth overall with a score of 5.0, behind fourth place Newfoundland and Labrador, which scored 5.4.

The remainder of Canada's provinces all scored below 5.0, indicating relatively poor performance in terms of creating and maintaining a positive investment climate. Manitoba scored 4.3; New Brunswick scored 3.7; Quebec scored 3.5; Nova Scotia scored 3.3 and Prince Edward Island ranked last with a score of 3.1.

Keith Godin, Fraser Institute senior policy analyst, was co-author of the study.

The index is composed of seven areas identified by Canadian investment managers as the most important policies contributing to investment climates: corporate income tax, fiscal prudence, personal income tax, transportation infrastructure, corporate capital tax, labour market regulation, and burden of regulation.

Alberta ranked first on most indicators including corporate income taxes, corporate capital taxes, personal income taxes, fiscal prudence, and labour market regulation. It ranks second on the overall burden of government regulations or "red tape." However, Alberta ranked seventh out of 10 on transportation infrastructure with a score of 5.7 out of a possible 10. This component assesses the transportation infrastructure in each province, including highways, urban transit, air, rail, and marine service by examining the extent, use, accessibility, accessibility, cost, and condition of each mode of transportation.

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