

RESEARCH SNAPSHOT

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A Pipe Dream for Small Business?

How regulatory delays are hurting Alberta's small business community

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In Canada, resources and the economy are linked together in innumerable ways. Resource development projects, such as building pipelines, are integral to the health of both the Alberta and the national economy. When these projects are delayed or jeopardized, it can have a profound impact on not just commerce and economic activity, but also funding for important social programs. This research snapshot shows Alberta's independent business owners strongly support responsible natural resource development and highlights how further project delays will hurt their business.

Background

Survey Data

This report uses data collected from the Canadian Federation of Independent Business (CFIB) Alberta 2019 Post-Election Survey, conducted between May 7 and May 22, 2019. The survey received 1,291 responses from independent business owners in Alberta.

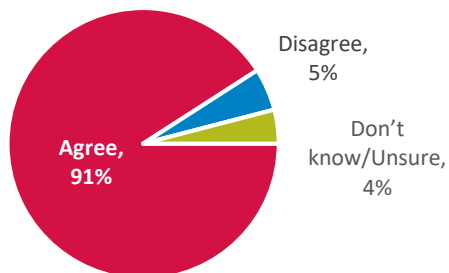
Resource Development in Alberta

Small Businesses: A Microcosm for the Oil and Gas Sector

The vitality of Alberta's oil and gas sector has far-reaching implications for the lives of Albertans. The adverse effects from an ailing oil and gas industry are magnified for entrepreneurs, whose livelihoods depend on a robust economy. Ninety-one percent of business owners indicate the health of Alberta's oil and gas sector is important to their own business (see Figure 1).

Figure 1

The health of Alberta’s oil and gas sector is important to my business



Source: CFIB 2019 Alberta Post-Election Survey, May 7 – May 22, 2019. n=1,291

Although not all businesses are directly tied to the oil and gas sector, many are indirectly impacted by its wellbeing. Alberta’s economy relies heavily on this industry; mining, quarrying, and oil and gas extraction led all industries and accounted for 26.4 percent of the province’s total gross domestic product in 2017.¹ Entrepreneurs in Alberta understand the importance of this industry to the overall economy, which indirectly impacts their own business. At this time, continued promotion and development of the oil and gas industry is necessary to grow an economy that enables local business to thrive.

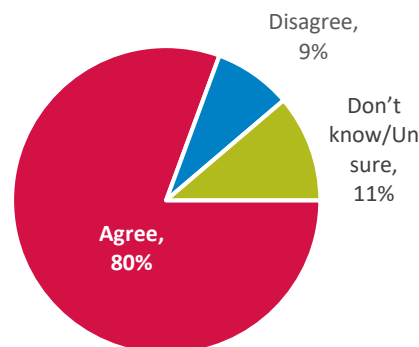
Cost of Doing Nothing: The Certain Costs of Uncertainty

The adverse effects of economic uncertainty are two-fold for small business owners. Uncertainty not only makes it difficult to conduct business and make business decisions, it also creates a less attractive environment for investors. As such, regulatory delays to major natural resource projects can have serious consequences for businesses. In fact, eighty percent of business owners agree that regulatory delays on major pipeline projects hurt their business (see Figure 2).

When natural resource projects are initiated and approved, it is important that both the federal and provincial governments encourage the progress of these projects. Many business owners have made, and continue to make, decisions based on natural resource projects that are expected to grow the economy. When excessive delays occur, Alberta businesses feel the burden either directly, or from lost economic productivity.

Figure 2

Regulatory delays on major pipeline projects hurt my business



Source: CFIB 2019 Alberta Post Election Survey, May 7 – May 22, 2019. n=1,291

¹ [Alberta Government, Economic Dashboard, Gross Domestic Product by industry](#)

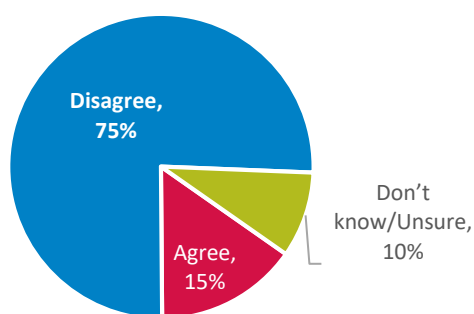
A Brief History: the Trans Mountain Pipeline Expansion Project (TMX)

Regulatory delays are undermining confidence in Canada as an investment destination. The Trans Mountain Pipeline (TMX) expansion project has become a poster child for this problem in board rooms around the world where investment decisions are made. The TMX expansion, which intends to double the existing pipeline, has been in the works for more than half a decade. In 2016 the project was approved by the National Energy Board after extensive consultation spanning several years, and was given a "Certificate of Public Convenience and Necessity" from the Government of Canada later that same year. The TMX project was given the stamp of approval at every level of the process, and yet years later, the project is still in limbo. In the interim, the project has changed owners and been delayed, challenged, and stalled by numerous groups, including the Government of British Columbia. Despite being approved years ago, the fate of the TMX project remains uncertain, with a decision expected on June 18th.

Out of Touch: Misunderstanding of Natural Resource Projects

Figure 3

I feel like the rest of Canada understands the importance of national projects to get natural resources to the market



Source: CFIB 2019 Alberta Post Election Survey, May 7 – May 22, 2019. n=1,291

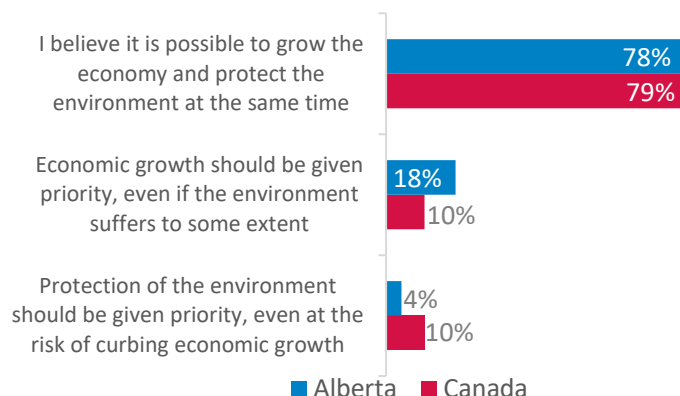
Since the beginning of Alberta's unique oil and gas economy in Canada, many Albertans often feel as if the rest of Canada is unwilling or unable to understand the province's needs. This condition persists in the psyche of Alberta's business owners today. Survey data finds that only 15 percent of small business owners feel the rest of Canada understands the importance of getting national projects off the ground in order to get natural resources to market (see Figure 3). Furthermore, three-quarters of business owners feel as if the rest of Canada simply does not understand the importance.

This reality is unfortunate as Canada remains heavily reliant on natural resources—especially from the oil and gas industry—for our country's economic prosperity and high standard of living. There is a clear disconnect between how natural resources are valued and how they are consumed by Canadians. If Canada continues to undervalue the importance of natural resources to the economy, then it is perhaps not surprising when projects may experience regulatory delays. It is essential governments at all levels work together to better educate Canadians on the importance of responsible natural resource development.

Just as ensuring natural resource projects are able to progress, incorporating environmental considerations into decision-making is obviously important as well. Protecting Canada’s natural beauty and environment is a top priority for Canadians, and entrepreneurs are no different. In 2016, CFIB surveyed 5,982 members across Canada, including 898 in Alberta. Results showed 78 percent of Alberta’s entrepreneurs believe it is possible to grow the economy and protect the environment at the same time (see Figure 4). Further, 79 percent of all Canadian business owners believe the same.

Figure 4

Small business perspective on the economy and environment



Source: CFIB National Environment Survey, July 21 – August 29, 2016. n=5,982. Breakdown for Alberta n=898.

By having a strong economy, businesses and Canadians will be able to use that extra money to invest in better, more efficient technology. From 1990 to 2015, Canada decreased the amount of energy per dollar of GDP by nearly 30 percent.² Having a stronger economy will only allow that to progress further.

All levels of government must work together to ensure we have high levels of environmental standards when developing Canada’s natural resources. These sentiments go hand-in-hand and are not mutually exclusive. Natural resource development is essential to growing the Canadian economy, supporting our local businesses, and ensuring a prosperous future for our country.

Conclusion

Alberta’s independent business owners depend on the health of Alberta’s oil and gas sector, and suffer significant economic losses when there are regulatory delays on pipeline projects. Moreover, they feel alienated from the rest of Canada when federal regulatory delays or disruptive action by other provincial governments prevents Alberta’s getting natural resources to market. Stalling resource development projects that have gone through a rigorous, world-leading regulatory process and been approved by the federal government is not only damaging to small and medium-sized businesses, but to the Canadian public, the Canadian economy, and to Canada’s reputation as a good place to do business and invest. Based on these findings, CFIB makes the following recommendations:

- Governments at every level must encourage confidence in Canada’s investment climate and support our country’s reputation as a place where major resource projects get done

² [Natural Resources Canada, 10 Key Facts on Canada’s Natural Resources](#)

- Regulatory delays on major natural resource projects, including pipelines, must be shortened while maintaining rigorous environmental standards
- Policy-makers must develop a better understand the serious long-term implications of undermining the responsible development of Canada's resources, including a loss of revenue for important social programs such as healthcare and education
- Governments outside of Alberta, both provincially and federally, must show they take the concerns of resource producing provinces seriously by respecting approval processes and outcomes