



HALIFAX CHAMBER OF COMMERCE

stronger together

Annual Provincial Pre-Budget Submission 2013-
2014

January 10th, 2013





WE ARE

A not-for-profit business organization that takes a business - like approach to its operations.

Objective and non-partisan; we do not lobby for specific interests.

Funded exclusively through membership fees and fees for services we provide.

Specialists in the development and advocacy of public policy.

Experts in running conferences, publishing and disseminating information, helping people network, developing leadership skills, and building community capacity.

Not a government department or agency.

Independent from, but affiliated with, the Nova Scotia, Atlantic Provinces, and Canadian Chamber of Commerce.

Introduction

The Halifax Chamber of Commerce is a best practice business advocacy organization that represents over 1,700 members and strives to make Halifax an even better place to live, work and play. It is the oldest Chamber in North America with roots dating to 1750 and was the first Chamber in North America to become ISO certified. The Chamber is an active voice for business at the federal, provincial and municipal level.

The Chamber's strategic priorities for 2011-13 are to:

- 1) Enable Chamber members to gain competitive advantage from major infrastructure projects in the region; and
- 2) Make Halifax more competitive.

The following submission outlines positions of the Halifax Chamber of Commerce on issues that are critical to the local business community and fall under our two main strategic priorities. It aims to bring policies and strategies to the forefront and to inform and assist the Province in developing its 2013-14 provincial budget.

Executive Summary

Our province is experiencing a transformation. This transformation is not only economic; it is cultural as well. This economic and cultural shift will only take place if our attitudes shift towards a more progressive, open for business mentality. However, the pace at which we are moving can be improved.

This submission will provide an overview of three central programs that the Chamber has been monitoring. Those programs are:

- jobsHere
- Back to Balance
- Expenditure Management Initiative (EMI)

Proper execution of these focus areas is not only important to our members, they are crucial to the economic well being of our province.

This time of change *cannot*, and *should not be solely* left up to government. Businesses, large and small, community groups, all levels of government and community leaders need to work together. The Chamber extends its support to work in collaboration with all stakeholders in an effort to enable our province reach its potential.

On behalf of the business community of Halifax, we provide comments on the following areas through the lenses of economic competitiveness and fiscal management.

- 1. *Economic Competitiveness (jobsHere)***
- 2. *Fiscal Management (“Back to Balance” Expenditure Management Initiative & Taxation)***
- 3. *Chamber Support***

Economic Competitiveness: jobsHere

On November 2010, the Government of Nova Scotia released [jobsHere](#). jobsHere is a three year \$200 million commitment that consists of three key priorities:

- *Learning the right skills for good jobs,*
- *Growing the economy through innovation; and*
- *Helping businesses compete.*

Below is an overview of each priorities.

Learning the right skills for good jobs, (Nova Scotia Workforce Strategy). The purpose of the strategy, as articulated by government, is to retain young Nova Scotians by offering tax rebates, to attract more immigrants, to enhance education programs to allow for more disadvantaged individuals to brighten their future through literacy and essential skills training, and to offer better resources for employers and entrepreneurs.

Growing the economy through innovation, the second priority as articulated by the government focuses on improving productivity across the province and supporting investment in research, new ideas, new processes and new equipment through a productivity and innovation partnership. The plan of this partnership is to support and assist with the adoption of new technology, clean energies and recruitment of talented employees. Other initiatives include a 10-year farm strategy, an aquaculture plan, clean technology fund and an innovation and competitive fund.

Helping businesses be more competitive globally, the third and final priority as articulated by the government focuses on encouraging Nova Scotia's businesses to become more competitive in the global market, increase foreign direct investment and international trade, and continue to improve productivity. This includes a number of programs/entities that are currently underway, such as Nova Scotia Business Inc. which assists businesses in expanding and relocating, and Trade Team Nova Scotia, a team of federal, provincial and private sector leaders who seek potential opportunities abroad.

jobsHere is promising, in that it targets specific areas for government to focus on instead of spreading funds thinly over many different areas. The Chamber also commends the government for following through on implementing and funding measures and numerous programs to assist in stimulating growth. Such as the Productivity and Investment Program. However, what is lacking is a clear articulation of what success has been achieved in the rollout of the strategy. Are the desired outcomes and being achieved for jobsHere? In the 2009 election campaign, one central piece of

the platform stated that 2,200 secure jobs would be created by investing in Nova Scotian companies. Have these jobs been created? If so in what industries. If not, what is the strategy to reach the committed goal?

The Chamber believes that in order to strengthen the credibility of jobsHere, transparent measures, that ensure accountability, such as a regular progress reports are required to ensure that the strategy is on track, and if not, what can be done to improve it? Below is a list of key economic indicators.

Economic Indicators	2009	2012
Population	940,565	948, 482
Labour Force	497,000	500,964
Employment	451,400	456,155
Unemployment Rate	9.2%	8.9%
Average Weekly Wage	731.16	785.59
Immigration Rate (Permanent Residents)	2,424	Unavailable at time of writing
Real GDP Growth	(\$m chained 2007) 35,581	Unavailable at time of writing
Provincial Debt Level	\$12.2 Billion as of March 31 st , 2009	\$13.1 billion as of March 31 st , 2012

Source: Nova Scotia Department of Finance December 2012

As one can see, Nova Scotia’s labour force has grown since 2009. If this is due to the jobsHere what industries are these jobs in? Are they good jobs? A good job can be defined as: “a job with a paycheck from an employer and steady work that averages 30+ hours per week (Clifton, 2012, p.2). If they are good jobs, what are we doing to stimulate further growth in these areas to create great jobs, defined as: “one with unlimited growth opportunity, a manager who is interested in your development and that gives you a sense of mission (Clifton, 2012, p.22).

Fiscal Management: Back to Balance

In January 2010, the former Minister of Finance, the Honourable Graham Steele embarked on the most extensive financial consultative process in the province's history, all in an effort to reduce the province's growing debt and deficit, and bring the province *Back to Balance*. The government laid out a 3-5 year timeframe to reach this goal. The justification for this time frame was that balance could be reached in three years. Allowing for economic circumstances, on the same token, if the economy were to stall or regress, the two additional years would act as a buffer to reach the goal.

When the government took power in May 2009, the province had a deficit of \$592.1 million for the 2009-2010 fiscal year. We acknowledge the government for the progress made in the 2010-2011 fiscal year; which saw the deficit reduced to \$222.1 million. With an increase forecasted for 2011-2012 fiscal. The expected forecast was correct: in 2011-2012 the deficit rose to \$389.6 million. For the 2012-2013 fiscal year, the deficit unexpectedly increased to 277.2 million, an increase of \$66 million. The 2013-2014 fiscal years is the final year of *Back to Balance* and according to projections the government should be out of the red and into the black with a fiscal surplus of \$15 million, and expected growth in the following fiscal year. See April 2012 chart below.

Back to Balance Projections

2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
-\$592.1 m	-\$222.1 m	-\$389.6	\$-277.2m	Forecasted \$+\$15m surplus

Source: Nova Scotia Dept of Finance

The Chamber will be monitoring this upcoming fiscal year closely to ensure that the projections remain on track. Overall, the government has generally done a fair job reducing the deficit under the economic circumstances of the past couple years and deserves acknowledgement for their efforts.

Fiscal Management: Expenditure Management Initiative (EMI)

During the 2009 election, the government committed to “living within its means” by reducing or cutting spending, reducing the size of the public service and by strategically aligning programs. Essentially, every program and service was to be reviewed for effectiveness, efficiency and affordability.

The Expenditure Management Initiative was officially launched in the 2010-2011 Budget the purpose of which was to ensure the government does in fact live within its means. Annual savings according the Department of Finance are: 2010- 2011, \$54 million, 2011-2012, \$198 million, 2012-2013, just under \$247 million and 2013-2014 will see \$273 million in saving.

EMI – 4 Year Targets (in \$ millions)

	2010-11	2011-12	2012-13	2013-14
Year 1	\$ 54	\$ 54	\$ 54	\$ 54
Year 2	-	\$ 198	\$ 198	\$ 198
Year 3	-	-	\$ 247	\$ 247
Year 4	-	-	-	\$ 273
Total	\$ 54	\$ 252	\$ 499	\$ 772

Source: Nova Scotia Treasury Board, June 2010

Although officially launched in the 2010 budget, we acknowledged the government for making reductions and cuts sooner. In 2009, the government reduced cabinet from 18 to 12 which saved taxpayers \$850,000. In addition to freezing the wages of MLAs, political staff, and senior public servants for at least two years, as well as cutting tax free severance packages for retiring MLA's and banning March Madness spending.

Overall, the government is on track in reaching its EMI targets. Reaching these targets is critically important to bring the province back to balance. In 2012-2013 Budget Address, then Finance Minister Graham Steele stated: “We are entering into the third year of the fiscal plan, and the government’s expenditure management strategy is on track.” The Chamber will be monitoring the upcoming budget closely to ensure that the 2013-2014 targets are achieved.

Fiscal Management: Taxation

The main theme throughout the 2009 election campaign was *making life better for today's families*. One key component to this was taxation, in particular, the 8% tax on home energy. According to the 2009-2010 budget, on October 1, 2009, the provincial HST portion was removed from basic home electricity.

Although the government eliminated the tax on home energy, the government also increased the HST. On July 1st, 2010 the government increased the HST to 15% which increased \$215 million in revenue to pay down the deficit; at the same time making our province less competitive.

With the imposed HST hike from 13% to 15%, businesses now also find themselves facing rate increases from Nova Scotia Power Inc. Moreover, business are still feeling the impact of the earlier recession – the province must look to mitigate additional pressures on business by tightening its budget to ensure further tax increases are not needed and minimizing, where possible, their regulatory burden. Nova Scotia must remain competitive not only to grow and strengthen our local business climate, but our economy as well.

Also of critical importance to Chamber members is the Small Business Tax. The Chamber commends the government for reducing the corporate income tax for small business from 5 to 4.5 percent in 2010-2011, a further reduction from 4.5 to 4.0 in 2012-2013 and another reduction of 0.5 effective January 1st 2013.

Corporate Tax Rates in Canada

Province or territory	Lower rate	Higher rate
<u>Newfoundland and Labrador</u>	4%	14%
<u>Nova Scotia</u>	4%	16%
<u>Prince Edward Island</u>	1%	16%
<u>New Brunswick</u>	4.5%	10%
<u>Ontario</u>	4.5%	11.5%
<u>Manitoba</u>	nil	12%
<u>Saskatchewan</u>	2%	12%
<u>British Columbia</u>	2.5%	10%
<u>Yukon</u>	4%	15%
<u>Northwest Territories</u>	4%	11.5%
<u>Nunavut</u>	4%	12%

Source: Canadian Revenue Agency 2012. The lower rate applies to the income eligible for the federal small business deduction. One component of the small business deduction is the business limit. Some provinces or territories choose to use the federal business limit. Others establish their own business limit. The higher rate applies to all other income.

Chamber Support

The Chamber acknowledges the government when commitments and targets are achieved. Furthermore, the Chamber will also hold the government to account when commitments and targets are not met, and seek justification as to why. The Chamber also believes, as stated earlier, that this transformation cannot take place solely by the government. That is why the Chamber offers its continued support on behalf of its members, all in an effort to make Halifax more competitive.

Going forward the Chamber will be looking for:

- Focus on paying down the debt
- Strengthening the working relationship between the province and municipality
- The government to continue to live within its means

This submission has been created in collaboration with the Chamber's Provincial Affairs Committee, as well as input from our many Chamber members. The mandate of the Chamber's Provincial Affairs Committee is to support the development of policies on issues of importance to our members that are within the purview of the Provincial Government. For more detailed analysis of the current Provincial Governments commitments and priorities see the [Chamber's 7 Commitments Review](#)

Contact:

Nancy M. Conrad
Senior VP, Policy
Tel. (direct): 481-1231 Email: nancy@halifaxchamber.com

Aaron MacMullin
Policy and Research Analyst
Tel. (direct): 481-1351 Email: aaron@halifaxchamber.com