

April 11th, 2012

Honourable Graham Steele
Department of Finance
1723 Hollis Street, 17th floor
PO Box 187
Halifax, NS B3J 2V3

RE: 2012-13 Provincial Budget

Dear Minister Steele:

As you know, our annual Provincial Pre-Budget Submission 2012-13 focused on three specific areas: Taxation, Financial Management, and *jobsHere* – the provincial economic strategy.

Taxation

We were pleased with your government's commitment to continue to reduce the small business corporate income tax rate. As you know, we support a continued reduction in this tax rate to 3%, and each year we come closer to attaining this goal. The elimination of the Large Corporation Capital Tax is another encouraging step forward, as this sends the message that we can be a competitive place to do business. However, we need to do more. The fact remains that we still have one of the highest corporate income tax rates among all Canadian provinces. The Chamber maintains that a move towards 12% - the mean of other provincial corporate income tax rates – would result in a more attractive place in which to conduct business.

Financial Management

We are pleased to see that the province maintains its path towards a balanced budget for 2013-14, and that departmental spending for 2011-12 is once again forecast to be under budget. Furthermore, the merging of administrative services for district health authorities and the IWK will save the province over \$7 million. These internal efficiencies and savings should be put towards better program delivery.

That being said, we remain concerned with the fact that the Province still requires a 7% Rate of Return in order to ensure the stability of the public sector pension fund. Will we not be faced with another funding gap in the future? Will taxpayers be expected to step up again? Alternative courses of action must be pursued before taxpayers are asked once again to make up this difference.

jobsHere

The Chamber has been pushing for a specific action plan that demonstrates how *jobsHere* will be executed, along with some greater details regarding the provincial economic strategy. Fortunately, this budget highlighted some specific initiatives as well as the costs associated with those initiatives, such as the announcement that \$9 million will be allotted for the Workplace Innovation and Productivity Skills Incentives program, which encourages companies to invest in skills development and the certification of their employees. This provides businesses with a better picture of what to expect in the coming months.

However, we are still seeking some form of public release that provides us with an annual update on the *jobsHere* Action Plan. Ideally, a date for this release will soon be provided.

Conclusion

Overall, this budget has demonstrated that a return to surplus is within reach for Nova Scotia. While we did see positive movement on most of our key priority areas, the Chamber will continue to push for further amendments to corporate and small business taxes that will create an even more positive and competitive environment for entrepreneurs.

Now that 'Back to Balance' is within reach, it is time to begin considering options for 'Beyond Balance' – whether that means a reduction in the HST or lowering our corporate income tax rates or both, a serious discussion and plan must be put in place so that we can start to reduce our rising debt. While growth in the economy has seen our debt to GDP ratio fall, the debt continues to rise and will continue to do so without a strong plan for debt reduction.

I would be pleased to discuss any of these points with you further.

Sincerely,



Nancy M. Conrad
Senior Vice President, Policy