



HALIFAX CHAMBER  
OF COMMERCE

May 27, 2010

Honourable Graham Steele  
Minister of Finance  
Province of Nova Scotia  
1723 Hollis Street, 7<sup>th</sup> Floor  
PO Box 187  
Halifax, NS B3J 2V3

**Re: Provincial Budget Response**

Dear Minister Steele:

With the passage of the provincial budget on April 26, the Halifax Chamber of Commerce is providing feedback on behalf of the Halifax business community, building on what was already provided in our "Provincial Pre-budget Submission" in February 2010. While we support the Government's vision to balance the budget by 2013/14, the budget is short on details as it fails to provide a clear action plan indicating how this will occur – especially in regards to expense management.

For example, the Chamber was clear in the Pre-budget submission that we, on behalf of the Halifax business community, would support some form of tax increase providing there were clear and corresponding spending cuts. However, the budget was short on details as to how this would be done.

To address the estimated annual shortfall of \$1.4 billion in 2012/13, the government proposes \$1.1 billion of spending cuts and \$300 million of tax increases.

Many of these spending reductions are set to be phased in during 2012-2013. The budget is not clear on what departments will bear the brunt of these cuts and what programs will need to be reduced or eliminated within these departments.

Tax increases were announced with the 2% increase in the provincial portion of the Harmonized Sales Tax (HST) and the new 21% tax bracket on personal taxable incomes above \$150,000. Nova Scotians have an excessive tax burden with the highest combined top marginal tax rate on income of 50% compared to 48.25% prior to the budget, and we also have Canada's highest tax rate on consumption.

There is reference to a 10% smaller civil service in 2013, through attrition, but there is no clear plan presented about how this will be targeted. With health and education making up almost 55% of budget expenditures this year, one would expect to see more discussion now about how this will happen. Because of the sheer scope of the expenditures in these two departments alone, one would expect dramatic changes must be made in these areas if that target is to be met.

While it was stated in the budget address that this budget “marks the first steps on the road back to balance”, there is considerable concern surrounding the general vagueness of this budget. For instance, public service pension reform was mentioned in the budget as a means to cut costs, but it is unclear as to what this ‘reform’ will entail. You stated in the budget that “we will make public service pensions more secure, while saving the public purse between \$150 and \$200 million per year, every year, in pension-related expenses.” We want to know how this will be accomplished.

The budget pushes spending cuts and reserves decisions to future years, yet the tax increases are clear and immediate. For this reason, the Province must provide more detail on expenditure reduction without delay.

In sum, we are asking the minister to clearly demonstrate and clarify:

1. Specific plans for the 2% HST increase; in which areas will this revenue be utilized?
2. How expenditures will be managed, specifically in regards to health care
3. The liabilities to the taxpayer as a result of public sector pension plans, and what this pension plan reform will mean for taxpayers

We look forward to your comments and response and meeting in the near future to discuss further.

Yours truly,



Valerie Payn  
President & CEO

Copy to: Premier Darrell Dexter