



May 26, 2009

Ms. Nancy Bray
Policy & Research Analyst
Halifax Chamber of Commerce
via e-mail: nancyb@halifaxchamber.com

Dear Ms. Bray:

Thank you for the chance to respond to the Chamber's questions on issues of importance to all Nova Scotians.

1. THE ECONOMY: What specific measures would your government take to stimulate our economy?

The Progressive Conservative Party is the only one in this election with a solid, comprehensive plan to stimulate the province's economy. Building for Growth is our three-year, \$1.9 billion action plan to create or maintain 20,000 jobs and grow our economy.

Building for Growth invests in what people and businesses need to succeed - better roads and infrastructure, and providing better opportunities for education. But it's not just bricks and mortar. Building for Growth invests in our people by giving our workers the skills they need to compete and succeed in this difficult economy.

Over the next three years, - through Building for Growth - a Progressive Conservative Government will invest \$1 billion in roads, highways and bridges, \$50 million in green energy projects, \$480 million in schools and information technology, \$380 million for healthy, safe communities, and \$24 million to train and retrain workers.

All of this will be done within the confines of a balanced budget as presented May 4, 2009.

To find out more about Building for Growth, visit www.gov.ns.ca/buildingfornovascotia.

2. DEBT: What in your view, is an acceptable debt level as a percentage of GDP for the province (35%, 25%, 10% or 0% of GDP)? In 2008-2009 Debt to GDP was 35%.

Only 10 to 12 years ago, the province was struggling with deficits that were in the hundreds of millions of dollars. We were simply living beyond our means. Our Progressive Conservative government put an end to deficit financing and delivered eight consecutive balanced budgets.

While the long-term goal of my government is to reduce the debt burden on Nova Scotia, to help get us through these difficult global economic times we are taking steps to ensure the debt remains affordable.

Affordability of debt is based on how the size of our debt compares to our ability to pay for it. Economists call this our net debt compared to gross domestic product. Since 1999, Nova Scotia's net direct debt—as a percentage of gross domestic product—has declined from 48.7 per cent to 36.7 per cent. Nova Scotia is currently only one of two provinces expecting a positive growth rate, according to the Bank of Canada.

At the end of three years, under Building for Growth, we will no longer add to the total debt. In fact, the economic growth made possible by our action plan will have increased our ability to pay for the debt. As a result, our debt will be as affordable in 2011-2012 as it is today - or in economic terms, our direct debt compared to our gross domestic product will be no more than 36.7 %.

3. PROVINCIAL SPENDING: Since provincial revenues are declining, tough choices are needed. Please rank each of the following as to how your government would address declining revenues:

3 - Cuts to Program Spending

1 - Cuts to Departmental Spending

2 - Tax and Fee Increases

4 - Deficits

To illustrate our priorities, I am attaching an excerpt from our government's budget address made on May 4, 2009.

“Our belief in this province—and its people is unwavering. That's at the heart of our vision for 2020, and a strong, prosperous and sustainable economy. At this time however, like every jurisdiction around the globe, we are feeling the effects of the economic downturn.

A recent report of the International Monetary Fund projected world economic growth in 2009 to be the lowest in 60 years. But, we are also looking ahead...to an era of success, growth and prosperity. It will take time. But we have a solid foundation on which to build, and we have many advantages. We have a diverse economic base. Our strong education and health service sectors are much less exposed to the global ups and downs experienced in more cyclical industries.

And we have put in place one of the largest infrastructure programs in the history of the province. Under Building for Growth, in partnership with the federal government, we will invest \$1.9 billion in provincially-owned infrastructure projects over the next three years. This investment will keep about 20,000 Nova Scotians working....This budget will help to get our economy moving. It allows us to leverage almost \$200 million in federal funding this year alone. This budget allows us to make critical improvements to our roads, schools and hospitals. And, Mr. Speaker, it gives us the chance to keep our skilled workers here at home. Simply put, this budget puts us in a position to better weather the storm.

It provides the cushion our economy—and the people—of this province need.

This government prides itself on its responsible approach to fiscal management. That's why we have brought forward our eighth consecutive balanced budget.

It takes strong leadership to do that. That's why we were able to ensure that Nova Scotians remain the principal beneficiaries of our offshore resources, following the success of John Hamm in signing the Atlantic Accord.

It is also why we were able to work with Nova Scotia's Conservative MP's to settle the long-standing dispute on the crown share...which returned \$234 million to the taxpayers of Nova Scotia as a first payment and another \$95 million last year.

It's that same leadership that ensures we manage our finances wisely. We're keeping our operating costs in line. We are keeping our debt affordable.

We are not laying off public servants. And, we are leading by example. Our government will be asking all MLAs to agree to a wage freeze. We will also immediately freeze the wages of Deputy Ministers and Assistant Deputy Ministers—and, as well those of all political staff.

We know other Nova Scotians are tightening their belts and making sacrifices during these challenging times. It is only right that we do the same. We will bargain in good faith with our public sector unions, however the realities of these economic times must be considered. The same principle must also apply to all public sector employees. ...In these challenging times, there are those who urged us to run a deficit. We will not. Deficit financing will simply add to our challenges. As story has taught us, it's far too easy to spend today...without thinking of the costs we will bear tomorrow. We must proceed with caution. And we will.

Our debt must remain affordable, and it will. We are revising our debt management plan. We are able to do this because of the impressive gains we have made in managing our debt in the last number of years. Since 2001 our net direct debt—as a percentage of our gross domestic product—has declined from 46.8 per cent in 2001 to 36.7 in 2008. This is indeed an impressive drop, as is recognized by the bond rating agencies. But because a stimulus package is now so vital to our economic health—we will allow our net direct debt to grow over the next three years.

After the stimulus package is complete, we will no longer add to the total debt. That means that our debt will be as affordable in 2012 as it is today. In other words, our direct debt compared to our gross domestic product will be no more than 36.7 per cent on March 31, 2012. We also intend to use the surplus funds from our offshore differently. These funds—known as our offshore offset—will not be put towards the debt but will be used to help finance the programs and services important to Nova Scotians. While debt repayment remains a priority for us—we believe that suspending our repayment plan is the most prudent approach...and the one that makes most sense in these uncertain economic times.

The only alternative to using the offshore money would be to significantly raise taxes or cut programs. We will not. The legislative changes needed to support this plan have already been introduced. As promised, this approach will be temporary. We fully intend to see our debt decrease once again in 2012–2013.”

4. HEALTH: Health care costs now make up more than 38% of provincial expenditures. How would your government control health care costs and how would that impact the current standard of care?

My Government is taking action on all 103 recommendations from a provincial health system operational review to transform Nova Scotia's health care system and make it more effective, efficient and sustainable for all Nova Scotians, now and in the future.

The recommendations cover every aspect of the health care system. It notes that Nova Scotia's system is heavily focused on hospital-based care, which is the most expensive way to deliver health care services. It recommends a focus on community-based care and restructuring across the system.

In my government's response to the reports, we outlined actions for four key areas: helping people stay healthy, addressing the changing needs of seniors, supporting health professionals, and investing for better results. Specific initiatives include establishing a selfcare/telecare phone line for 24/7 health advice, establishing a health human resources strategy, reviewing pharmacy and laboratory services, improving flow of patients throughout the hospital system and the use of non-clinical support services.

In particular, we will be engaging citizens in consultation on the development of a rural health strategy for the province, which will include addressing the issue of emergency health care.

For more information about my government's plan to transform Nova Scotia's healthcare system, visit www.gov.ns.ca/health/transformation.

5. TAXES: What specific changes to Nova Scotia's tax system would your government make?

Progressive Conservatives know it's important to put money in the hands of Nova Scotians - particularly in this economic climate. That's why our government has reduced more than 10 different taxes and that's why our latest budget provides a significant amount of tax relief.

The basic personal amount exempted from personal income tax and other associated credits continue to increase. This year the exemption rises to \$7981 from \$7731 and on January 1, 2010 it will rise to \$8231 - an increase of \$1,000 over 2006 amounts. This measure has returned \$51 million to Nova Scotia taxpayers and we expect this year it will return another \$19.1 million more than last year to taxpayers.

During this campaign, the Progressive Conservative Party has committed to extend this measure for a further four years, increasing the basic personal amount another \$1,000.

We continue to reduce the large corporations capital tax in our budget. Effective July 1, the rate will fall to 0.15 per cent, saving business \$9.1 million this year. This tax will be completely eliminated by 2012.

To assist the 12,000 small and medium sized businesses in Nova Scotia, we intend to cut the small business tax rate in half. Beginning January 1, 2011 and over a three year period, the small business tax rate will fall from 5 per cent to 2.5 per cent. When fully implemented, the cut will return \$25 million annually to business.

Our budget also extended the time limit on using the graduate tax credit from three years to five. This credit was first introduced in 2006 and provides savings up to \$2,000 on provincial income tax payable for those who stay and work here at home.

To ensure every eligible student can use this credit, students can now carry unused credits forward to reduce their taxes even further. This means graduates can claim tax credits in the year of graduation as well as the four subsequent years.

We are also increasing the tax credit amount for Volunteer Firefighters and Ground Search and Rescue team members from \$375 to \$500.

The Seniors Property Rebate Tax will see a rise in the cap from \$400 to \$600 this year.

In our on-going work to improve the tax climate in this province we will complete our Nova Scotia Tax Review project to find best practices from other jurisdictions to lower the overall personal and business tax burden for Nova Scotians toward 2020.

6. TRANSPORTATION: Would your government support an amalgamated transportation authority for Halifax?

Our government made a commitment to improve coordination of transportation planning. This is being achieved through co-ordinated efforts between our Department of Transportation and Infrastructure Renewal and HRM. They are working together on a number of initiatives. A few examples of the outcome of that co-operation between the province and the municipality on mutually beneficial improvements for HRM roadways and its citizens include:

- The two large interchanges underway at Margeson Drive and Larry Uteck Blvd. as well as the extension of Mount Hope Boulevard. These projects progressed thanks to regular discussions from the Joint Regional Transportation Committee.
- Other items include a commitment from Transportation and Infrastructure Renewal around pedestrian sidewalks on all bridges within the HRM core.
- Progress has also been made on ‘Park and Ride’ lots - eg: Tantallon, Margeson and William Porter Connector.

Again, thank you for these questions and the opportunity to address the concerns of your membership on behalf of the Progressive Conservative Party of Nova Scotia.

Sincerely,



Rodney MacDonald
Leader, PC Party of Nova Scotia