

Annual Provincial Issue Note

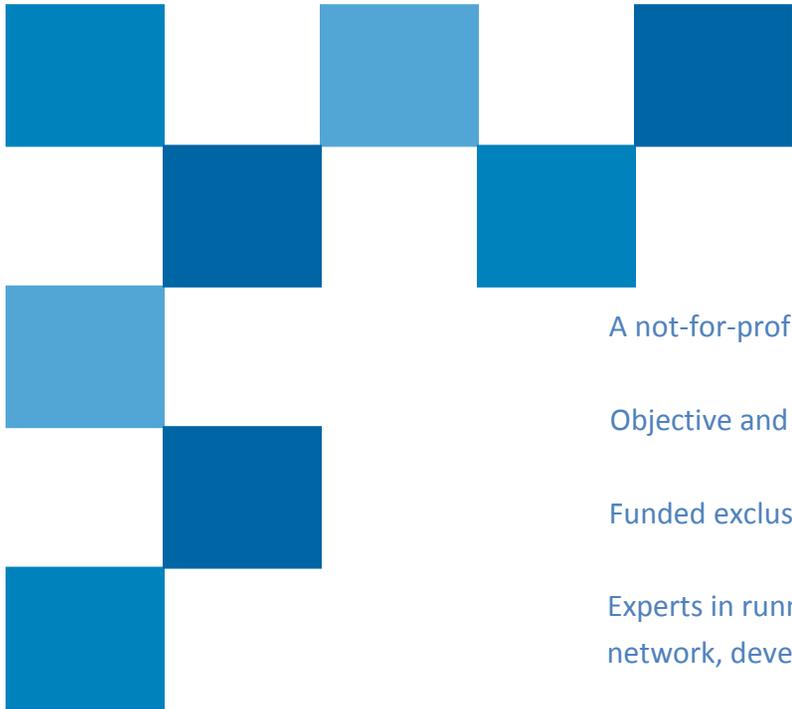
August 2009



HALIFAX CHAMBER OF COMMERCE

stronger together





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.

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

Specialists in the development and advocacy of public policy.

Not a government department or agency.

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

A diverse organization made up of businesses that mirror the Halifax, Nova Scotia and Canadian economies.

EXECUTIVE SUMMARY

The Halifax Chamber of Commerce is a best practice business advocacy organization that 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.

This note outlines key Chamber advocacy areas that are provincial in scope. Based on member surveys, the Board has identified the following key priority areas for the Chamber this year:

- Sustainability (financial management, health, energy)
- People (population, education and training)
- Economic Development (competitive positioning, taxes)

In support of these priorities, this paper outlines the Chamber’s current position on some of the key issues facing businesses and the Province in 2009. All of the issues relate back to the Chamber’s current number one priority – sustainable competitiveness. In these uncertain times, it is essential that government do all it can to ensure that Halifax is a competitive place to do business, now and into the future.

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SUSTAINABILITY

FINANCIAL MANAGEMENT – DEBT AND SPENDING

WHY THIS ISSUE IS A FOCUS

In recent years, the Chamber has been advocating that all three levels of government pay down their debt. This is because Chamber members are directly impacted by the current and future strength of our Province. Although our economy has proven to be rather resilient, the global recession has finally caught up to Nova Scotia. The Conference Board of Canada predicts that our Provincial real GDP will shrink 0.3% in 2009 due to weak demand for goods and services.¹ Halifax is expected to have 0% growth in GDP this year. In addition, our Provincial unemployment rate in June was at 9.4% and Halifax was at 6.3%.²

- Currently Nova Scotia's debt to GDP ratio is 34.9% and ranks 7th among the ten provinces.^{3, 4}
- Government spending growth continues to be high, although declining at 8.4% in 06/07, 6.5% in 07/08 and 5.06% in 08/09.
- Program spending has exceeded budget in each fiscal year 1999-2008.
- Paying interest on the debt currently costs the government over \$900 million annually.⁵ The debt estimate presented in May for 2009-2010 was over \$12 billion.⁶
- Given the current state of the economy, the Chamber supports re-direction of debt reduction dollars on a short-term basis.
- The Chamber does not support these re-directed funds going towards normal operating expenses; rather, towards strategic spending, targeted to stimulate the economy and increase our capacity.

SUGGESTED ACTION FROM THE PROVINCE

- In the spring of 2010, when the economy is expected to recover, the Province should re-commit to applying offshore funds and savings from debt servicing costs to the debt.⁷

¹ Conference Board of Canada Economic Insights Into 27 Canadian Metropolitan Economies (Outlook 1) Spring 2009

² <http://www.gov.ns.ca/finance/publish/lmm/LMM0906.pdf>

³ <http://www.dbrs.com/intnlweb/openpdf?fileName=21647109653927.pdf&docid=216471>

⁴ <http://www.gov.ns.ca/finance/site-finance/media/finance/highlights.pdf>

⁵ Department of Finance, *Nova Scotia Fiscal Overview: 2007* (Halifax: Government of Nova Scotia), p.22.

⁶ http://www.gov.ns.ca/finance/site-finance/media/finance/09_highlights.pdf

⁷ http://research.cibcwm.com/economic_public/download/nsbud09.pdf

- The Chamber was pleased to see the changes that were made to the Province's Pension Plan in July 2009. While increasing contributions for employers and employees does take one step towards making the pension plan more sustainable, it doesn't go far enough. We recommend that the Province phase out the defined benefit pension system and replace it with a defined contribution system for public sector employees, including teachers.
- This year as in the past, the Chamber asks that the Province legislate, not only annual deposits to the Debt Management Fund, but also that the monies in this fund be allocated against the debt at least once every 5 years.
- We urge the Province to consider legislating improving targets for the Debt/GDP or debt servicing cost/total revenues, setting realistic benchmarks and being publicly accountable regarding their ability to meet them.
- The Province should continue to strive for improved credit ratings, positioning itself to weather any future economic downturn.
- Effectively communicate the results of the current financial review in clear language, so Nova Scotians understand current spending commitments.

SUSTAINABILITY

HEALTH

WHY THIS ISSUE IS A FOCUS

The Chamber is concerned about health care in Nova Scotia for two reasons; one, health care spending currently represents almost 40% of the province's total expenses and two, health care spending continues to grow. Nova Scotia is the second highest health spender among the provinces as a portion of GDP, at 14.6%.⁸

The Chamber completed an analysis of the Corpus Sanchez report for members, supported the necessary transition process and was encouraged at a meeting in July 2008 with then Deputy Minister Doiron concerning progress of recommendations contained in the report. However, not much has been heard since that time from the Health Transformation Office on the status of progress towards the 103 recommendations.

Note: the Chamber's review is available at www.halifaxchamber.com/images/policy/Corpus_Sanchez_Review_Feb72008.pdf.

^{8 8} http://secure.cihi.ca/cihiweb/dispPage.jsp?cw_page=media_13nov2008_e#3

SUGGESTED ACTION FROM THE PROVINCE

- Accelerate all 103 recommendations contained in the Corpus Sanchez Report.
- Act on emerging opportunities with new policy and strategic focus. For example, utilize web based booking systems, electronic records and related technology to gain efficiencies.
- Use best practices and aim for continuous process improvement.
- Reward decisions for smart investment decisions.
- Modernize job descriptions throughout the Department of Health and reassign talent to match new realities.
- Invest more in preventative health care.
- Realize economic opportunities related to health care.

SUSTAINABILITY

ENERGY

WHY THIS ISSUE IS A FOCUS

The Chamber believes that the energy sector has huge potential for growth in Nova Scotia and that it is crucial to develop the sector in order to create sustainable prosperity for the Province. Our neighbours in New Brunswick are already using energy as a marketing tool, branding Saint John as the “energy hub” of Canada. It is important that Nova Scotia not be left behind – we must find ways to work with our neighbouring provinces and take a regional approach to energy solutions. The Province’s Green Grid Initiative is one step in this direction, but we need to do more. An example of how this issue directly impacts business was shown in the July 10th edition of the Chronicle Herald, when the author of a study sponsored by the Canadian Wind Energy Association stated that “The Maritime provinces will have to speak with a “united voice” to take advantage of the huge potential of selling wind generated electricity in the U.S.”

- Nova Scotia aims to “demonstrate international leadership by having one of the cleanest and most sustainable environments in the world by the year 2020”⁹
- As stated on page 11 of the Province’s Energy Strategy, Nova Scotia’s energy consumption has been increasing at an average rate of 1% a year – we now use 14% more energy than we did in 1990.

⁹ Nova Scotia Government Bill No. 146. 2007. *Environmental Goals and Sustainable Prosperity Act*, 4(1a).

SUGGESTED ACTION FROM THE PROVINCE

Focus on Energy Security

- Use “energy security” in the future as a major framework upon which to build provincial energy strategies and policies. The Chamber uses the term “energy security” broadly, to refer to an energy supply that is available, reliable, affordable, clean and therefore, sustainable.
- The World Bank suggests four pillars to increase energy security: avoid disruption of energy supplies; diversify energy supply sources; maintain energy infrastructure; and reduce dependence on imported energy supplies through technology.
- Address space heating and transportation energy uses as part of efforts to increase energy security.
- Utilize the “Four Rs” of energy security (Review, Reduce, Replace and Restrict) as a best practice.
- Create a “Plan B” to prepare for the fact that connection to Lower Churchill Falls might not take place.

Balance Energy Supply and Demand

- Aim for a sustainable balance of energy supply and demand.

Realize the Economic Benefits of Energy Developments

- Accelerate the “green grid” initiative and identify aggressive milestones for the next five years.
- Support renewable energy equipment manufacturers and service providers.
- Develop an enhanced regulatory framework to provide tax credits/incentives and rebates for businesses and home owners to purchase clean energy systems.
- Support local energy entrepreneurs.

Use Best Practices in Energy Planning and Policy Making

- Take a regional approach to energy development in Atlantic Canada. This includes an inter-provincial collaboration framework, maximizing use of indigenous, clean energy resources.
- Incorporate community energy concepts into future plans.
- Follow best practices and start to prepare for the deployment of feed laws in Nova Scotia.
- Examine best practices in order to create policies and procedures to establish benchmarks and monitor the energy performance rating of existing businesses.

To read the Chamber’s review of the Province’s Renewed Energy Strategy, visit:

[HTTP://WWW.HALIFAXCHAMBER.COM/IMAGES/POLICY/ENERGY STRATEGY REVIEW EXEC SUMMARY JUNE 2009 FINAL.PDF](http://www.halifaxchamber.com/images/policy/energy_strategy_review_exec_summary_june_2009_final.pdf)

PEOPLE

POPULATION

WHY THIS ISSUE IS A FOCUS

Chamber members are concerned about future population projections for the Province. For example, in November of 2008, Bob Mussett, Atlantic Vice President with CB Richard Ellis, told a business crowd that there is \$84 billion worth of projects pending in the region that will require thousands of skilled workers “that we don’t have...we are still going to need to attract new talent. The absence of skilled labour is going to keep companies away.”

The Chamber has embarked on a “people strategy” project in conjunction with the Department of Labour and Workforce Development. The Chamber will be producing several products related to this endeavour this fall. The government must act aggressively to ensure Nova Scotia’s population is secure into the future. Action is needed now, not only to prevent labour shortages, but also to ensure: that we have the tax dollars and level of federal transfer payments required to run expensive health care programs for an aging population; that we have people to attend our post-secondary institutions which are so important to our economy here in Halifax; and that we have a diverse population which will add vibrancy to our communities.

It is projected that between 2001 and 2026 in Nova Scotia¹⁰:

- The seniors population will increase by 70.8%
- The primary to twelve grade school population will decline by 31.5%
- The university age population will decline by 29.8%

SUGGESTED ACTION FROM THE PROVINCE WILL BE DETERMINED AS PART OF THE CURRENT PEOPLE STRATEGY PROJECT.

¹⁰ “The Developing Workforce Problem”, AIMS, McNiven January 2009.

PEOPLE

EDUCATION AND TRAINING

WHY THIS ISSUE IS A FOCUS

A standing committee on education has now been operational for two years, headed by Cheryl Hodder, a partner with McInnes Cooper and former educator. The standing committee has a particular focus on P-12 education and school board governance issues. This year, the Committee established a program to create links between the business community and guidance councillors in HRM. The program has been successful, in exposing guidance councillors to information concerning career options for their students. The Committee has also strengthened relationships between the business community, the Halifax Regional School Board and the Department of Education.

SUGGESTED ACTION FROM THE PROVINCE

- Make affordable education for all Nova Scotians at every level, a government priority.
- Continue to inject funds into education that are preventative in nature, specifically funds into the P-12 stream for literacy and numeracy.
- In order to prepare students for the workforce and in order to encourage them to stay here, stronger links between the school system and the business community are required. Investment into co-op programs at the high school level and programs for guidance counsellors helps to strengthen these links.
- Invest more in research and development funds to create co-op job opportunities in the engineering and technical sectors.

ECONOMIC DEVELOPMENT

COMPETITIVE POSITIONING

WHY THIS ISSUE IS A FOCUS

In the Chamber's 2009 Spring Issues Survey, when asked "what are the top three issues that the Chamber should working on " the top three selections were:

1. Economic Development
2. People/labour force
3. Sustainability

Looking at Canadian Business magazine's annual "Best Places to do Business in Canada" survey, Halifax ranked 9th out of 40. However, when looking at the operating costs component of the survey, Halifax was the most expensive city in Atlantic Canada to do business in, other than St. John's Newfoundland.¹¹

Our members are telling us that it needs to be cost effective for them to continue to do business in Halifax. What can the Province do to assist with this?

SUGGESTED ACTION FROM THE PROVINCE

Provincial Tax Reform (for more detail, see the "taxes" section of this report)

- End the practice of gas regulation. The findings of the Gardner Pinfold study released in November of 2008 stated that gas regulation was meeting its objectives. However, the Chamber feels the objectives of gas regulation are hurting business; is it worth paying more for

¹¹ <http://list.canadianbusiness.com/rankings/best-places-to-do-business/2008/Default.aspx?sp2=1&d1=a&sc1=7>

gas, in order to have price stability? This practice is ultimately hurting the competitiveness of our businesses throughout the province and is doing little to help independent gas retailers.

- Finish the tax review and embark on provincial tax reform.
- The Province should continue to work with HRM closely to ensure that the municipality is proposing a reformed taxation system that is fair and equitable to tax payers and one that complements the current tax reform work underway by the Province.

Investment in Growth Industries

- Invest in growth industries, such as energy and life sciences. There may be opportunities to partner with the Federal Government for matching funds, or access to programs which normally would not be accessible.
- Invest in the Atlantic Gateway. The Chamber believes that Atlantic Gateway opportunities are significant and that the Province must exercise leadership on this initiative by sending a strong signal to the private sector that Nova Scotia is serious about the Gateway and the economic advantages to be obtained from it. The Province must also ensure that the federal government is a full partner in the Gateway, contributing to any infrastructure costs and implementing policies and regulations that do not create barriers to the economic success of our port.

Infrastructure and Transportation Investments

- Infrastructural spending is an investment in the province's future. The province has lobbied the Federal Government continually for increased funding for major infrastructure projects. This lobbying must continue.
- Invest in transportation infrastructure. In addition to traditional transportation initiatives, government should consider investing in: municipal transportation, utility infrastructure, (including connection to Lower Churchill Falls) and other renewable power generation projects. These investments contribute to the business climate over the long term.
- Increase the percentage of public transit funding in order to bring it within the funding levels of other provinces and territories. Better urban transportation is an engine of economic growth. The province should view any expenditure on urban transportation as an investment in its future.
- Amalgamate the various municipal transportation bodies and the Halifax Dartmouth Bridge Commission.
- The Province should begin immediate negotiations with HRM to consider more provincial funding for immediate transit improvements.
- Dedicate active transportation funding towards all the municipalities, including HRM.

ECONOMIC DEVELOPMENT

TAXES

WHY THIS ISSUE IS A FOCUS

With a declining and aging population, increased regional competition and the current economic climate, it is incumbent upon Nova Scotia to generate an environment in which our economy and tax base will grow. The Chamber fully supported and still supports the province's decision to conduct a tax review.

Nova Scotia currently has two corporate income tax rates: a 5% small business rate and a 16% corporate rate (the 16% rate applies to taxable income earned above \$400,000).¹² New Brunswick's general corporate rate was cut from 13% to 12% as of July 1st 2009 and will be cut further to 8% by 2012. New Brunswick's small business rate of 5% has a higher income threshold than Nova Scotia, at \$500,000, as of July 1st, 2009.¹³

SUGGESTED ACTION FROM THE PROVINCE

- Complete the tax review as soon as possible.
- Avoid new personal tax cuts at this time as such cuts would likely not stimulate the economy, but only increase savings.
- Take advantage of the offered federal incentive to eliminate capital taxes on financial institutions by 2010
- Faster phase-out of capital taxes for non-financial institutions. On the current schedule, Nova Scotia's phase out will be complete two years later than all the other provinces, with total elimination scheduled for 2012.
- Accelerate the phase-out of the business occupancy tax, for complete elimination in 2010 or sooner.
- Reduce the small business tax rate from 5% to 3%.
- Reassess the Cap Assessment Program (CAP) on property taxes.

The Chamber remains concerned about the capped assessment program and linking the CAP to the Consumer Price Index (CPI). By limiting the increase of residential assessments while commercial assessments continue to rise with the market, we are concerned that even if the municipality leaves commercial tax rates stable, the eventual relative tax burden on the commercial sector will rise. We are also concerned

¹² <http://www.gov.ns.ca/finance/en/home/taxation/businessstax/corporateincometax/default.aspx>

¹³ <http://www.gnb.ca/0162/tax/Corporate-e.asp>

about the potential effect on the real estate market - new homebuyers may see dramatically higher tax bills than their long-term counterparts, which would dampen the real estate market and discourage new home buyers.

CHAMBER ADVOCACY WORK

More information about the Chamber and its advocacy work can be accessed by contacting the office or visiting the Chamber web site at www.halifaxchamber.com.

Contact:

Nancy Conrad
Senior Vice-President Policy
Tel. (direct): 481-1231 Email: nancy@halifaxchamber.com

Current Members of Provincial Affairs Committee:

Chair, Gavin MacDonald, Cox & Palmer
Tom Skinner, RKO Steel Ltd.
Marco Wood, Dynamex Inc.
Michael Kemp, Mills Painting and Sandblasting
Kenzie MacDonald, Avison Young (Nova Scotia) Inc.
Alice McCarron, Stericycle Inc.
Leo Van Dijk, Merck Frost Canada Ltd.
Peter Allen, Bank of Montreal
Mike Uberoi, Melford International Terminal Inc.
Colin Gillis, IPECC
Don Grant, Boyne Clark
Tom Stroud, Yellow Cab Ltd.
Marli MacNeil, BioNova
Cheryl Stewart, NSCC
Craig Merriam, CIBC

