METROPOLITAN HALIFAX
CHAMBER OF COMMERCE
'The Voice of Business'

Submission to the

House of Commons
Standing Committee on Finance

Written Submission:
September 22, 1998

Standing Committee Appearance:
October 7, 1998

Mr. Michael Schmid CA, Chair, MHCC Federal Finance Task Force
Mr. Peter Doig, Chair, MHCC Government Affairs Committee

Background

The Metropolitan Halifax Chamber of Commerce is the Voice of Business for metropolitan Halifax and represents over 1,450 corporate and 2,300 individual members.

In July of this year the Chamber polled its members regarding issues relating to the 1999 federal budget and the federal finances in general. The responses are a clear indication of how important this issue is to our members. We are pleased to present their concerns as follows.

1) Priorities for fiscal dividend

Nearly 50% of the respondents to our poll identified debt reduction as the highest priority for use of any funds which should arise from an annual surplus. This focus on debt reduction is a consistent theme among our members and indicates that it is still not the time for the government to move away from a strategy of fiscal prudence and financial responsibility. We have balanced the books, now we need to get our house in order.

Assuming a continued focus on meaningful debt reduction, our members also recognized the need for additional actions to place our economy in a strong competitive position for the future. In order of priority, our members identified as an appropriate secondary use of any annual surplus:

- tax reductions (initially focused on personal rather than corporate)
- investments in health and education, and;
- infrastructure investment

These investments would support continued economic growth and support our efforts to pay down our national debt, thereby creating needed fiscal flexibility for the new millennium.

2) Strategic investments and tax strategies

As we have stated, our members' priority is for the implementation of a strategy identifying a firm commitment to debt reduction. This strategy would stipulate specific, rather than contingent, debt reduction amounts combined with specific debt reduction targets. Accepting that there were references in the 1998 budget speech to a reduction of the debt to GDP ratio we feel they were not specific enough nor were they aggressive enough.

We feel that an aggressive debt reduction strategy, if implemented now, would allow the Federal Government to address the balance of our members concerns in the future. Lower debt means lower debt service costs - reduced debt service costs mean more money is available for debt reduction, tax decreases, education and health expenditures and, investment in needed Infrastructure.

The Chamber does not support the use of grants or subsidies to business when making these strategic investments. Personal tax decreases and the resulting increase in disposable income would have a stronger and more lasting effect on economic growth and business performance.

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The Chamber is also concerned about the impact the level of debt has had on “made in Canada” fiscal policies and on our ability to implement the strategy outlined above. While we recognize that the recent devaluation of the dollar against US currency is due primarily to variables beyond the control of our government, it is certainly true that if Canada was seen by the world as a higher quality borrower, the impact would have been less severe.

Canada’s high level of foreign debt is of continuing concern and we recommend that the government develop a strategy to reduce the level of foreign debt by replacing it with domestic when possible.

3) Taking advantage of the new era

Real, consistent and aggressive debt reduction strategies will ensure our entry into a new era of fiscal flexibility. The current emphasis, however, must remain on continued reduction in the level of government and government debt or we risk missing out on this new era entirely. Measures such as increased contracting to the private sector and further reductions in the duplication of services both within the Federal Government, as well as between different levels of government, should be a priority.

Our members have indicated that for Canadians to best take advantage of any new era the government must promote a climate and attitude of self sufficiency at the individual level. Government, business and citizens must be responsible for their own well being. Government needs to reduce its dependance on borrowed funds, business must achieve economic viability without government subsidies and, individuals must expand their ability to take advantage of new opportunities as they arise.

Education, job skills development, and personal productivity are the keys to this climate of personal responsibility. Canada’s health and education systems must be designed to achieve and promote these ends. Government and business should continue to invest in a healthy, multi-skilled, and flexible workforce for the future.

4) Ensuring a wide range of opportunities is available

With a falling debt, increased consumer spending and a healthy and skilled workforce Canada would be well positioned to take advantage of new economic opportunities. To ensure that these opportunities are accessible we must continue to build and maintain our national communication and transportation infrastructure.

It is clear that direct subsidization of these types of projects can not be continued. We believe, however, that a strategy of developing infrastructure required for economic growth through the use of loans or loan guarantees to the private sector is acceptable and, in fact, offers the greatest potential for success.

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Conclusion

The Chamber recognizes that an increase in the historical methods of service delivery related to the priorities of health, education and infrastructure investment is not consistent with a commitment to reduce debt - and it is a continued commitment to debt reduction which must remain the focus of any federal fiscal strategy. We believe, however, that more innovative methods of delivery, a reduction in the level of government and increased incentives for consumer spending can satisfy all of our listed priorities in the short term while savings from reduced debt service costs and government restructuring will most certainly do so in the long term.

We have not yet turned the corner on our national debt problem. The strategic fiscal decisions to be made by the government need to be based on sound business reasons, not political calculations, and we believe Canadians are ready for these choices to be made. In the 1980's we were given an opportunity to address fiscal problems with potentially unpopular decisions. The unpopular choices were rejected and, as a result, the government was in a poor position to deal with the economic problems of the 90's.

Canadians are now being given a second chance. It is up to government to provide leadership and to avoid the popular choices in favour of those which make economic sense. We must work together to prepare our Country to better cope with the inevitable swings in the global economic marketplace.

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Supplementary Submission to the

House of Commons
Standing Committee on Finance

October 7, 1998

Mr. Michael Schmid CA, Chair, MHCC Federal Finance Task Force
Mr. Peter Doig, Chair, MHCC Government Affairs Committee

Background

The Metropolitan Halifax Chamber of Commerce is the Voice of Business for metropolitan Halifax and represents over 1,450 corporate and 2,300 individual members.

We would like to add the following item to our general pre-budget submission to the House of Commons Standing Committee on Finance.

1) Employment Insurance Surplus

For the past two years, the Chamber has taken the position that the surplus in the Employment Insurance (EI) account should be capped and that EI Premiums should be reduced in order to promote job growth - We continue to hold this position.

The government's own EI actuary has stated that a surplus of from $10 to $15 Billion would be sufficient to ride out a severe recession and the fund surplus should be capped at that level.

We are gravely concerned about recent suggestions that the accumulated EI surplus will be rolled over into general revenue and used to fund increased program spending.

Our members have told us that the priorities for the federal government must be debt reduction and tax cuts. They do not support increased program expenditure at this time.

The EI fund is money that belongs to the employers and employees who have paid into the fund as an insurance policy designed to support workers in transition. It should not be treated as general revenue by the government.

Certainly, if the government were facing a deficit in the EI account they would quickly turn to employers and employees to make up the current or projected loss through increased premiums.

It is the current employers and employees who have been overcharged, and it is they who should benefit from the present surplus. It is our view that this could most efficiently be done through an immediate reduction in EI premiums to a level recommended by the actuary responsible for the EI plan.

Such a reduction would have real and immediate benefits for small and medium sized businesses across Canada. It is these companies, and their employees, who are the source of the EI surplus and it is only fair that they benefit from the surplus through decreased EI premiums.

By putting their own money back into the hands of working consumers and small business people the government would be strengthening two key drivers of economic growth. Only through real, sustained economic growth will we be able to bring taxes down and address, over the long term, Canada's health, education and infrastructure needs.