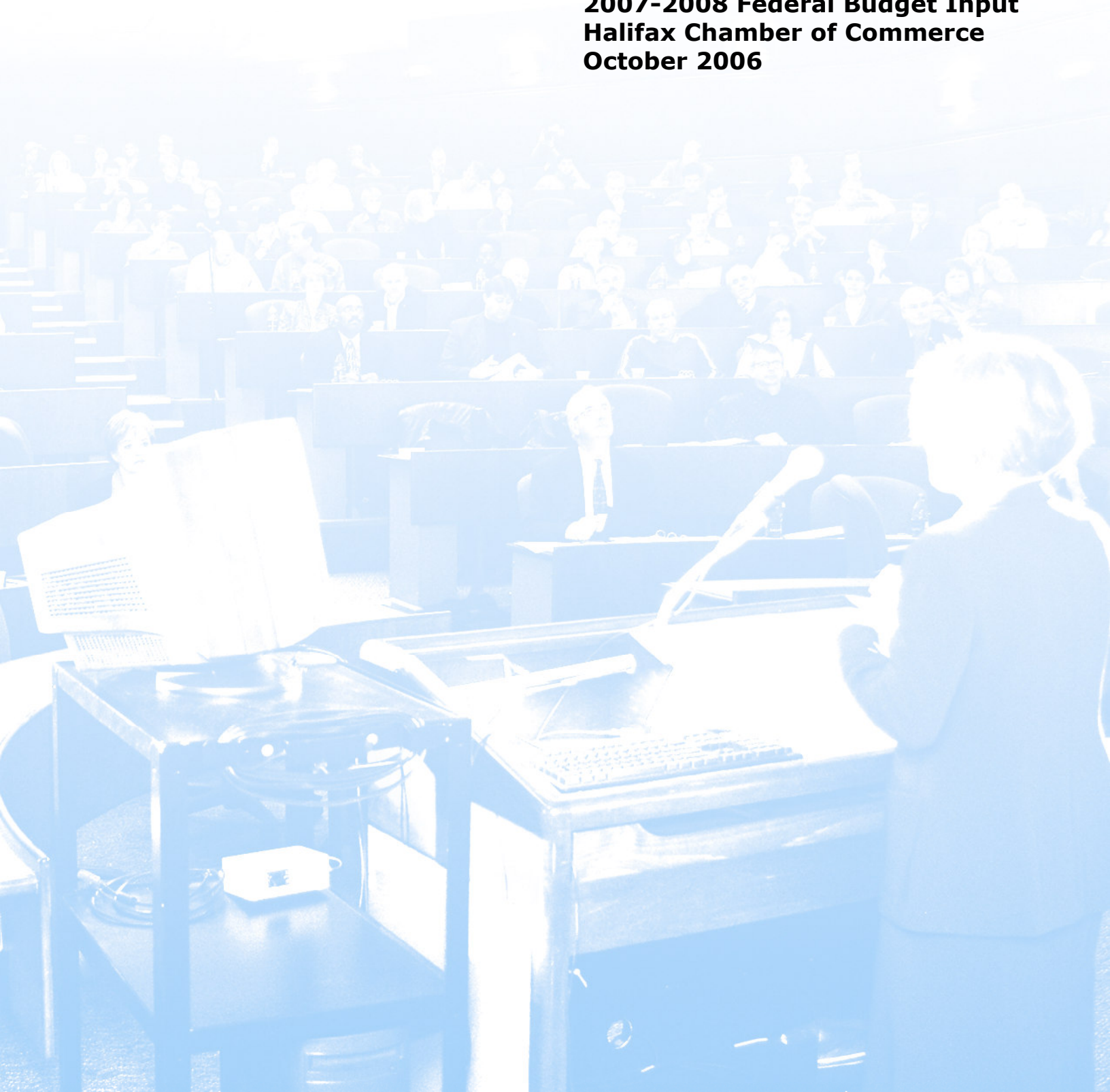




HALIFAX CHAMBER
OF COMMERCE

**2007-2008 Federal Budget Input
Halifax Chamber of Commerce
October 2006**



BACKGROUND

The Halifax Chamber of Commerce is a best practice business organization that continuously strives to make HRM an even more attractive location in which to live, work and play. The 1700 Chamber Members employ approximately 75,000 people in HRM - over one quarter of Metro-Halifax's labour force. It is the first North American Chamber to be certified to the ISO 9001:2000 International Standard of Quality, and it is the oldest Chamber on the continent, with roots dating to 1750. The policy and advocacy work of the Chamber is driven by the efforts of volunteers from committees and task forces consisting of more than 350 leaders from the business community.

PRIORITY ISSUES

The Halifax Chamber of Commerce continues to support three key priorities for fiscal management at the federal level. In order of priority, they are:

- Fiscal restraint;
- Debt reduction; and
- Tax reduction.

FISCAL RESTRAINT

Canada has experienced a strong period of economic growth over the past decade and this growth continues. Furthermore, it is expected to continue, at a slightly slower rate, with real GDP expected to grow in the range of 2-3% over the next number of years.¹ Some significant credit for our economic growth lies with the decision made by past governments to put its fiscal house in order in the 1990s after years of multi-billion dollar deficits and the arrested growth of, and significant payments against, Canada's massive debt.

While past years' federal spending has outpaced the growth rate of the economy the Chamber was pleased to see spending in FY05-06 decline by \$1.1 billion. The Chamber strongly believes that program spending must continue to be kept in check. Indeed, fiscal restraint will only become more important as an aging population puts increasing pressure on social spending and fewer Canadians, on a percentage basis, will be working and contributing to tax revenues.² According to

¹ See for example, Canada's Economic Outlook, in TD Economics: TD Quarterly Economic Forecast. September 18, 2006.

² Statistics Canada, Population Projections for Canada, Provinces and Territories. Catalogue no. 91-520-XIE.

Statistics Canada the working-age population currently represents 70% of the total population and by the beginning of the 2030s, this will decline to 62% eventually leveling off at approximately 60%.

The Chamber urges the government to, wherever possible, re-allocate existing funding to support any new program spending. This means the government must determine priority areas and exercise restraint. From the Chamber's perspective, well managed and strategically appropriate investments in areas like healthcare, education and infrastructure can play an important role in boosting productivity and fostering economic growth.

In particular, programs such as the urban transportation showcase program, that alleviate the infrastructure deficits faced by Canadian cities, while also promoting sustainable transportation contribute to a better business climate.

Another major improvement to Canada's business climate would be the elimination of airport rents. Airports are not assets that the federal government should use to generate maximum revenues. They are important infrastructure, critical to the government's responsibility to maintain a national transportation system. At the Halifax International Airport, the HIAA has spent \$60 million on capital in the last three years; more than was spent by the federal government here in the previous ten years. These investments are being made in assets that continue to be owned by and vest in the federal government, at no cost to the taxpayer. Current and future rent requirements interfere with HIAA's ability to continue to make Halifax an attractive place to do business and visit.

DEBT REDUCTION

We were very encouraged by the federal government's recent announcement that all of the larger than expected \$13.2 billion budget surplus for FY05-06 will go towards the debt.

We encourage the current government to continue the solid work of previous governments in reducing the debt to GDP ratio. The government should develop a plan for targeted, aggressive and regular debt reduction. We support the Canadian Chamber of Commerce position on debt reduction that calls on the federal government to:

- bring down the debt to GDP ratio to below 25% by 2013.

- continue to allocate the contingency fund, if not needed to cushion against unpredictable events, to debt reduction.
- if the economy performs as forecast, the reserve for economic prudence should also be committed to debt reduction.
- Allocate any unanticipated surplus arising at year-end to debt reduction.

Lowering the debt, and therefore the annual cost of servicing the debt, will free additional funding for priority program spending and targeted tax reduction. It is vital to our economic well-being and increasing the country's productivity.

TAX RELIEF

High levels of individual and business taxation are stifling economic growth and productivity in Canada. Consecutive higher than expected surpluses are indicative of higher than necessary taxation, therefore it is likely appropriate to proceed with tax cuts. Reducing the tax burden will make Canada more competitive and productive. For individuals, tax relief will spur both greater investment and saving. Tax relief at the corporate level will increase economic activity and boost overall productivity. The Chamber considers corporate tax relief – particularly lower tax rates on capital to be an excellent means by which the government can spur private sector productivity.

The Chamber notes, however, that tax relief must take a back-seat to, and is a benefit of, fiscal restraint and debt reduction. Any tax relief must be sustainable and responsible in context of the broader fiscal picture. Limiting program spending is first priority, reducing the debt is second, and reducing taxes is third.

ADDITIONAL ISSUES

COMMONWEALTH GAMES

We are very supportive of the bid for the 2014 Commonwealth Games. The games represent great business opportunities, an excellent opportunity to promote sport and a chance to promote Canada on the world stage. The Chamber urges the federal government to support Halifax's bid for the 2014 Games.

EQUALIZATION

We encourage the government to keep in mind the following principles when considering both the equalization formula itself and future budgets:

1. The Offshore Accord is a bilateral agreement with the Federal government and is not part of Federal Equalization.
2. Equalization needs to take into account a needs-based assessment, not just revenues.
3. Equalization should create incentives for economic growth and prudent fiscal management/debt reduction. Equalization should not create disincentives for economic growth.
4. Equalization needs to be based on a fair, objective provincial average.

We urge the federal government to remain firm in its commitment that no province will be adversely affected by changes to the equalization formula.

CONCLUSION

We urge the government of Canada to exercise continued fiscal restraint, develop a meaningful debt reduction strategy and examine opportunities to reduce the personal and corporate tax burden on Canadians.