



HALIFAX CHAMBER
OF COMMERCE

Review of Progress in Implementing: “Opportunities for Prosperity...A New Economic Growth Strategy for Nova Scotians”

Submitted by: Stan Fage,
Chairman, Business Environment Committee
and Wayne R. Marryatt, Chairman,
Opportunities for Prosperity Subcommittee

October 19, 2005

BUSINESS CLIMATE

The Chamber congratulates the Province on continuing to meet its goal of balanced budgets. The Province's decision to apply the Federal funds flowing from the new Off-Shore Accord to the Provincial debt is a proper approach from the Chambers point of view. However, the Chamber would like to see a more managed approach to debt-reduction on an annual basis.

The goal of producing the most attractive business tax structure in the region by 2005 remains elusive – this is of major concern to the Chamber and its members. The elimination of the business occupancy tax is an important step in achieving a more level playing field. However, the high level of personal income taxes (second in the country) and Worker's Compensation premiums (third in the country) need to be addressed. The Chamber is pleased that Corporate and Personal income taxes and Property tax and Indirect Tax are among the priorities set by the Province's Action Plan established by the 2004 Business Climate Index.

The Chamber is also pleased by the results achieved as outlined in the "Opportunities for Prosperity: A Progress Report" published in 2003 (the "Progress Report") regarding the Red-Tape Reduction Initiative. In addition to the specific reductions indicated in the Progress Report, the practices initiated within individual departments, such as the submission of Red-Tape Reduction Plans with Annual Business Plans and the use of a Red-Tape Reduction Check-list to assess the need for alternatives to proposed regulations should, if followed, bring simplicity and transparency to the regulatory process for business. The Chamber strongly recommends that a Red-Tape Reduction Commissioner be appointed and that a business consultation process for

new regulations be initiated, as soon as possible.

The Chamber is, by its very nature, an entrepreneurial organization. The Chamber supports entrepreneurship and acknowledges the Progress Report indication that all 64 participants in the Province's Entrepreneurial Skills Program have been involved in small ventures in Nova Scotia. However, in our view, an important measure of the success of the program would be an indicator of the success of the ventures undertaken after an appropriate interval (e.g. 1, 3 and 5 years). The Chamber would like to see more follow-up to determine the long term viability and benefits of these ventures.

We note that progress to resolve the outstanding issues regarding Aboriginal and Treaty Rights has been slow. The Progress Report indicates that a negotiating process is in place to develop a Framework Agreement to outline the process and the topics for negotiation. The Chamber encourages Government and Aboriginal leaders to renew their efforts to make progress in this area.

The Chamber is pleased to have had the opportunity to comment upon the first Nova Scotia Business Climate Index in 2002. Since then, Business Climate Indices have been published for 2003 and 2004. Several of the suggestions that the Chamber made in relation to the 2002 Business Climate Index have not been acted upon. These remain a concern to us and include:

1. The 2004 Business Climate index is still based upon statistics from 2000 and 2001. In our opinion, there is a need for a more current index or scorecard of the current performance of the government's actions. A scorecard including such indicators as: GDP, Growth Rate,

Employment Growth Rate, Unemployment Rate, Business Start-ups and Closings, and Export Growth should be possible on a more current basis;

2. The overall Business Climate Index is based on a unity weighting of the applicable indicators (and only where consistent data is available) and, as such, does not weigh their relative importance to the overall business climate. The consequence is that the aggregate rankings are not easily defended;

3. We recommend the inclusion of the Canadian average in the underlying tables to enable an evaluation with respect to the Canadian average. We note that then Economic Development Minister Clark's letter to the Chamber of November 15, 2002, indicated an evaluation could be expected in the next report, unless there was a significant objection. We are unaware of the nature of any objection may have led to its continued exclusion;

4. The Index is based solely on a comparison with other provinces. It would be helpful if the Province could recommend a basis, perhaps on a much abbreviated set of indicators, for ranking Nova Scotia against selected provinces and other non-Canadian jurisdictions;

5. The Chamber had recommended the inclusion in the index of a "Perception Survey" component, measuring the views of current and potential investors in the Province. This would enable the Province to improve current and future investment attraction marketing programs and help individual Nova Scotians understand how others perceive them. Minister Clark indicated a willingness to be involved in the development and conduct of such a survey. The Chamber periodically surveys its

members and would welcome discussion with the Province to include appropriate perception questions in its surveys.

The Chamber has reviewed the recent Working Paper produced by Voluntary Planning, titled "Closing Our Prosperity Gap" and feels that it adds a needed element of objectivity by relating the Province's economic position to an appropriate peer-group.

INFRASTRUCTURE

The Chamber was pleased that Opportunities for Prosperity identified the infrastructure deficit i.e. unmet infrastructure needs, as a serious contributor to substandard economic growth. While progress has been made in establishing Provincial priorities and plans, this deficit largely remains unchanged. The Chamber recognizes the quandary posed by budgetary constraints (balanced budget versus spending) and encourages the government to examine the possible reallocation of existing resources and to continue to pressure the Federal government to assume some of the responsibility to eliminate the infrastructure deficit. In spite of the focus on planning and priorities, the problems that arose in connection with the construction at Halifax International Airport in early summer 2005 appeared to underscore the province's infrastructure problems, rather than being seen as a positive move to resolve them. We must work cooperatively to address our infrastructure issues.

INNOVATION

The release of "Innovative Nova Scotia -- An Innovation Policy for the Nova Scotia Economy" by the Province in June of 2003 was a positive step. The Long-Term Goals, Short-Term Objectives and Strategic

Directions established by the policy are all necessary for success. In our view, timelines and budgetary allocations must be set if the innovation policy is to be effectively implemented. The Chamber also sees the establishment of the \$15 million Nova Scotia Research and Innovation Trust Fund and the Halifax Brain Repair Centre, which utilized Federal investment, as a constructive move. The Chamber notes several successes, including using investments and loans to encourage investment in new technologies, the appointment of Research and Development liaison officers by universities and increased funding to the Nova Scotia First Fund administered by InNOVAcorp.

LABOUR FORCE

The Chamber acknowledges the efforts made to match business needs and training, in particular the establishment of the Skills Nova Scotia Framework and the corresponding Action Plan. The formation of the Partner's Advisory Council on Skills is a positive development. The Chamber is also encouraged by the Business Plan of the Department of Education, which has as one of its goals the development of a skilled and adaptable workforce. Initiatives such as developing a management plan for the Canada/NS Skills and Learning Framework, developing more accurate Labour Market information, developing plans to address emerging skills needs tied to economic growth and development, enhancing employer engagement in workplace training and certification and implementing a Youth Employment and Skills Development Strategy are positive, proactive approaches to achieving the Skills Nova Scotia Framework objectives.

The Chamber is encouraged by the Province's recognition of the importance of immigration to the economic future of Nova

Scotia. The Chamber has worked extensively on immigration matters in the past and will continue to do so in the future.

The Chamber welcomes the establishment of the NS School for Adult Literacy in 2001 and supports the investment in the Black Business Initiative and Aboriginal Open for Business Centre, indicated in the Progress Report.

INVESTMENT

The Progress Report indicates that Nova Scotia Business Inc. ("NSBI") has developed an investment framework to guide its use of performance based incentives and financial tools to be competitive in the marketplace, yet operate within its material realities. The Chamber welcomes the recognition that Nova Scotia must be competitive in the marketplace, in particular the use of standards developed by the Council for Urban Economic Development and the International Economic Development Council. These standards allow any community in Nova Scotia to be compared with any other community in North America. This ability underscores the need for the Business Climate Indices to address a wider comparative marketplace in determining the Province's competitiveness.

We are pleased with the success of the Community Development Investment Fund Program and with the initiative to establish a Provincial Investment Fund in partnership with organized labour and others, as indicated in the Progress Report. The Chamber encourages further Federal/Provincial co-operation and the synchronizing of actions to attract outside investment, promote cluster development and the development and execution of a focused business retention and expansion strategy.

EXPORTS

The Province established a goal of export expansion by \$2 billion between 1999 and 2005. This was an aggressive target and the Chamber is disappointed to note that according to the NSBI Annual Report for 2003/2004 fewer than 5 % of small and medium sized enterprises were exporting and that this figure had not changed in recent years.

The Chamber supports NSBI's focus on trade missions and the establishment of the Export Prospector program. We encourage the Province to expand awareness of this program to businesses that have not taken up the export challenge. We are pleased to see NSBI collaborating with partners such as Trade Team Nova Scotia. The fact that 80 % of exports go to the United States is a vulnerability, and we recommend a diversification strategy that encourages the development of other export markets.

The Chamber notes that NSBI plans to refine its tracking system to measure individual client achievements in exporting. The Chamber encourages the Province to address issues with the WIN Export Database, such as a lack of distinction between companies that are export ready, or just slightly interested in exporting and the fact that some parts of the economy, such as financial institutions, universities and private sector facilitators may not seek the advice and assistance of government.

REGIONAL CAPACITY

We welcome the new Nova Scotia Development Policy issued by the department on December 9, 2004. The "Community Development Action Plan," which accompanied the policy, identified the following policy objectives, which have always been supported by the Chamber:

1. Clarifying government and community goals and community development;
2. Increasing cooperation, coordination and collaboration among departments/offices, between communities and departments/offices, among levels of government and among communities;
3. Increasing government and community capacity to understand and advance community development;
4. Developing an accountability framework to report on progress, ensure transparency and enable evidence-based decision-making.

MEASURING PROGRESS

The Chamber is pleased to note the progress identified in the 2004 Business Climate Index regarding Employment Growth and GDP Growth. A renewed Opportunities for Prosperity initiative should continue to strive to achieve the goals stated for investment and export expansion. The goal for immigration must be increased. Again, we are pleased to see that immigration is a priority item.

CONCLUSION

In general, the Chamber is pleased with the planning, initiatives and actions undertaken by the government following the release of Opportunities for Prosperity. We are also pleased that the government is prepared to revisit the strategy in light of changing economic conditions. Nova Scotia does not exist in isolation and just as Opportunities for Prosperity called for the development of a flexible adaptive workforce, the

underlying policies must also be adaptable to new circumstances.

The following summarizes key matters identified in this letter, which the Chamber encourages the Province to address as Opportunities for Prosperity is revisited:

1. Implementation of a more managed approach to debt reduction on an annual basis;
2. Reduction of corporate and personal income taxes;
3. Appointment of a red-tape reduction commissioner;
4. Initiation of a business consultation process for new regulations;
5. Establishment of programs to assess the long-term viability and benefit of entrepreneurial skills development programs;
6. Renewed commitment and effort to resolve Aboriginal and Treaty Rights;
7. Use of current data, at least in part, in compiling the business climate indices;
8. Recognition in the business climate indices of the relative value of the applicable indicators;
9. Inclusion of the Canadian average in the underlying tables of the business climate indices;
10. Establishment of a process for comparing the Province to other non-Canadian comparable jurisdictions;
11. Inclusion of a perception survey component in the business climate indices;

12. Renewed focus on the possible reallocation of existing resources and putting pressure on the federal government to assist in the elimination of infrastructure deficit;

13. Continuing commitment to expanding immigration;

14. Increased federal and provincial cooperation to attract outside investment and synchronize economic development activities;

15. Business retention and expansion strategy development/improvement;

16. Expansion of awareness by, and the involvement of new businesses in trade missions and the export prospector program;

17. Development of non-US export markets;

18. Improvement of the export database.

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:

Halifax Chamber of Commerce
656 Windmill Road, Suite 200
Dartmouth, NS B3B 1B8

Ph: (902) 468-7111
Fax: (902) 468-7333

info@halifaxchamber.com
www.halifaxchamber.com