



# PROVINCIAL PRE-BUDGET SUBMISSION 2015/2016

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Presented To: The Hon. Diana Whalen and the Province of Nova Scotia

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## Who We Are

The Halifax Chamber of Commerce is a best-practice, business advocacy organization that continuously strives to make Halifax an even more attractive city in which to live, work, and play. Together, the approximately 1,600 member businesses and their over 90,000 employees, act as a single powerful voice to promote local business interests. The volunteer board of directors, and Chamber staff, undertake initiatives on behalf of the Chamber's diverse membership.

With origins dating back to 1750, we are recognized as the first Chamber established in North America. The Halifax Chamber is certified to the ISO 9001:2000 international quality standard, the first and only Chamber in North America to receive this accreditation.

The Halifax Chamber of Commerce offers over 100 events annually, countless numbers of opportunities for exposure through member services, advertising, and sponsorship. It also issues Certificates of Origin for those businesses that export internationally.

### **2013-2018 STRATEGIC PLAN**

The Halifax Chamber of Commerce is committed to enhancing the prosperity of its members and to realizing Halifax's potential to be among the top 3 highest growth city economies in Canada by 2018.

1. To create a positive business environment to be reflected by being among the top 3 highest growth city economies in Canada by 2018.
2. To increase the skilled workforce by 20% from 2012 to 2018.
3. To accelerate prosperity of Chamber members by providing first class networking events, benefit programs, advocacy to governments, education, information and by making connections.

As part of our 2013-2018 strategic plan, the Halifax Chamber of Commerce Board of Directors created two Task Forces to implement the plan. The members of these Task Forces are a diverse group of individuals with significant expertise on key policy issues.

In June 2014, the Halifax Chamber of Commerce Board of Directors and staff agreed to prioritize two elements of its 2013-2018 strategic plan to ensure Halifax becomes a top three economic growth city in Canada by 2018:

- reduce the tax burden
- promote immigration

## Executive Summary

Almost one year ago, the Now or Never Report was released, giving Nova Scotians a grim overview of our economic future if we did not commit to change. Yet, the report also had a strong message of optimism. Change was possible as long as we were willing to embrace it. Almost one year later, we have seen progress in some areas and little in others. In the 2015 budget, we will be looking to the provincial government to redouble their efforts and make headway in the following areas:

1. Taxation and Regulation – Making Nova Scotia More Competitive by Reducing the Tax Burden and Adopting Common Sense Regulations
2. Fiscal Responsibility – Balanced Budgets for the Short and Long Term
3. Education – Shaking Up the Status Quo
4. Immigration – Recruiting and Retaining More Immigrants
5. The One Nova Scotia Coalition – Bringing Nova Scotians Together

By the time the 2015 budget is released, this government will have been in office for one and a half years. The farther a government gets into its mandate the harder it is to make politically challenging decisions. The province received three separate reports last year that called for radical change in Nova Scotia. There can be no doubt. The time to act is now.

***Going forward the Chamber will be looking for:***

1. A provincial spending freeze to get our fiscal house in order
2. Tax and regulatory changes to reduce the burden on businesses and people
3. The province to demonstrate that it can successfully attract and retain more immigrants
4. A detailed plan to improve the education system

## Recommendations

### Taxation and Regulation

- Reduce the tax burden on individuals and businesses – using the *Charting a Path for Growth* report as a starting point
- Strike the multi-disciplinary Tax Reform Working Group, as recommended in the report, to ensure taxation is under continuous scrutiny
- Release a detailed breakdown of how any proposed tax changes will affect businesses and people at different income levels
- Legislate a 10-year tax reform plan to reduce the tax burden, as recommended by the *Charting a Path for Growth* report, starting in fiscal year 2016-2017.
- Fully implement the regulatory recommendations from the *Charting a Path for Growth* report

### Fiscal Responsibility

- Create a credible plan to freeze or reduce program spending for the next five years, based on the recommendation of the *Charting a Path for Growth* report
- Introduce a balanced budget this year

### Education

- Release a detailed action plan to reform the education system in Nova Scotia and set clear timelines and outcomes to measure success
- Ensure that the reforms are consistent with Nova Scotia's ability to pay

### Immigration

- Continue to lobby the federal government to create an immigration system that effectively responds to regional needs, including more provincial nominees
- Approve Halifax City Council's request to let permanent residents vote in city elections
- Adopt the Now or Never Report's immigration goals

### One Nova Scotia Coalition

- Release a bold action plan for achieving the goals of the Never or Never Report
- Help Nova Scotians take a more positive view of private sector-led economic growth

## Taxation and Regulation

### Taxation

The final report of the Nova Scotia Tax and Regulatory Review, called *Charting a Path for Growth*, proposed bold measures for tax reform in Nova Scotia. The report made it clear that Nova Scotia has one of the highest tax burdens in Canada and that it is holding back economic growth in our province. At the same time, Nova Scotia is also facing fiscal challenges. Our province's debt is almost \$15 billion and if debt-servicing was a department, it would be the fourth largest department in the provincial government.<sup>1</sup>

The report is also not without controversy. Many people and organizations have expressed concerns about the impact of certain recommendations. To have an honest conversation about these proposals we need to judge it as part of a broader package. For example, you cannot evaluate the recommendation to eliminate HST rebates on home heating and children's clothing without mentioning the proposals to increase funding for the Heating Assistance Rebate Program by over 60%, provide an extra \$30 million for the Affordable Living Tax Credit, and implement \$112 million in personal income tax cuts targeted at low-to-middle income Nova Scotians.

As stated in the Broten Report, taxation should be subject to continuous assessment, not a once in a generation endeavour. To take a serious approach to reduce the tax burden on Nova Scotians, the Department of Finance should strike the multi-disciplinary Tax Reform Working Group as recommended within the report. The group should be charged with modelling the collective impact of incremental and predictable yearly tax reform measures on individuals, families, and businesses at different income levels and bring forward a 10-year tax reform plan, legislated to begin in fiscal year 2016-2017. More than 80 per cent of Halifax Chamber of Commerce members are small businesses, and they are reflective of the overall business community. Great care must be taken to ensure small businesses benefit from meaningful tax relief.

Still, the status quo will always be more comfortable than change and adopting some of the report's recommendations will not be easy. As Chamber CEO, Valerie Payn, said in a message to members:

*"Far be it from the Chamber to ever be happy with any tax increases which, in this case, take the form of a pollution tax and increase in the small business tax rate. Any costs to business will have to be judged against offsetting tax relief. But most importantly, we each need to decide whether we are willing for each of us to bear some short-term pain to get our province on a sustainable footing toward the future we know we can have."*

Reducing the tax burden without increasing the deficit means making some tough decisions. These decisions will require the understanding and support of Nova Scotians. Because make no mistake, without a commitment and a clear path to change, the underlying problems with Nova Scotia's tax system will not go anywhere.

## Regulation

The Tax and Regulatory Review's report also has a great deal to say about regulation which, according to estimates, cost Nova Scotia \$747 million in 2013.<sup>2</sup> Championing common sense regulations is part of the Halifax Chamber of Commerce's 2013-2018 strategic plan and we welcome government's renewed focus on making change happen on this front.

The report makes 16 recommendations, all of which would contribute to improving the regulatory burden for Nova Scotians. Regulation is a wide-ranging topic. Everything from how often you have to renew your driver's license to fracking moratoriums count as part of the regulatory burden. Government needs to carefully research how all of its regulations affect economic growth and readjust accordingly.

The report stresses that building a good regulatory system is a never-ending job. It requires ongoing work and an organizational commitment to continuous improvement. The report argues that government needs to focus on regulations that deal with health, safety, the environment, and consumer protection. Rules that do not contribute to those goals deserve extra scrutiny.<sup>3</sup> There are many examples Nova Scotia can learn from, but British Columbia in particular was suggested as a model to emulate.<sup>4</sup>

Work on reducing the regulatory burden will improve economic growth and it can begin immediately. We will be looking for a sustained and measurable regulatory reform effort to be a part of the government's budget in April.

### ***The Chamber Recommends that the province:***

- Reduce the tax burden on individuals and businesses – using the *Charting a Path for Growth* report as a starting point
- Strike the multi-disciplinary Tax Reform Working Group, as recommended in the report, to ensure taxation is under continuous scrutiny
- Release a detailed breakdown of how any proposed tax changes will affect businesses and people at different income levels
- Legislate a 10-year tax reform plan to reduce the tax burden, as recommended by the *Charting a Path for Growth* report, starting in fiscal year 2016-2017.
- Fully implement the regulatory recommendations from the *Charting a Path for Growth* report

## Fiscal Responsibility

The government's announcement last April that the 2014 budget would include a \$279 million deficit was certainly disappointing to the business community. Even more so was their projection that they would not be able to balance the budget until 2017.<sup>5</sup> It felt like we were starting back at square one.

Therefore, when the most recent fiscal update revealed that the provincial deficit was at \$220 million it was both a relief that things had not gotten worse and a reminder that the books still need a lot of work.<sup>6</sup> With the provincial debt approaching \$15 billion, it is clear that Nova Scotia can ill-afford more financial setbacks. To reduce the province's fiscal vulnerability, the government needs to move from "managing the store" to bold action.

Arguably, the most critical recommendation of the *Charting a Path for Growth* report is its call to freeze government program spending for the next five years. The report estimates that this will free up over \$1.1 billion in revenue that can be spent on reducing the tax burden, paying down the provincial debt or on transformational investments for public service delivery in Nova Scotia.

There is no hiding the fact that freezing program spending for five years would be a difficult task. The Now or Never report made it quite clear however, that we cannot continue to do things the same way as before and expect different results. Luckily, where Nova Scotia has failed in this regard other provincial governments have succeeded. Roy Romanow's government in Saskatchewan froze or reduced program spending from 1991-1998. During the 1990s, the federal government also faced down a difficult economic situation and succeeded in putting its finances in order.<sup>7</sup> We support the government's program review and urge them to look even harder at how they can find savings.<sup>8</sup>

If Nova Scotia is going to get its finances under control, labour costs, which are 58% of the budget, will have to be part of the discussion.<sup>9</sup> Specifically, the disparity in benefits between the public and private sector needs to be addressed as a long-standing concern for our members. Furthermore, the provincial government needs to be able to control the size of its workforce; and its current Memorandum of Agreement with public sector unions makes that impossible.<sup>10</sup>

Controlling program spending will put Nova Scotia on the path to sustainable balanced budgets and give government the financial flexibility to deal with some of the long-term challenges facing our province. We cannot stress enough how important it is that our provincial government begin doing things differently. It will not be easy; but meaningful change seldom is.

### ***The Chamber recommends that the province:***

- Create a credible plan to freeze or reduce program spending for the next five years, based on the recommendation of the *Charting a Path for Growth* report
- Introduce a balanced budget this year

## Education

Education is the foundation of our collective prosperity and an investment in our future. The Halifax Chamber of Commerce agrees, and has identified growing and nurturing a skilled workforce as one of the major thrusts of our 2013-2018 strategic plan's goal to see Halifax become a top three economic growth city in Canada by 2018. If we want to be a more successful city and province in the future, we need to pay close attention to the education decisions we make today. In the Chamber's pre-budget submission last year, we called on the government to take three main actions on education:

- Launch a comprehensive review of Nova Scotia's education curriculum to ensure that our children have the best possible preparation for the modern workplace
- Review how the province trains its teachers to ensure that the best possible candidates are recruited and teaching graduates have good career prospects
- Make every effort to manage reforms within the education system's existing budget

With the release of the Minister's Panel on Education's (the Panel) final report, we are very pleased to see that the government is making progress on all three of these goals. Overall, the Chamber was very happy with the Panel's report. It is a bold call for change and it clearly argues that to build a better education system we need to change the status quo. In particular, we are very supportive of the Panel's recommendations to:

- Strengthen the curriculum to increase the focus on core skills and provide teachers with more freedom to adjust their teaching methods to fit the needs of students.
- Improve the training, certification, and performance management systems for teachers.
- Increase the resources available in schools by breaking down departmental silos and focusing on delivering services for youth in schools.

It was also good to see that the Panel acknowledged that there will likely be little new money to fund the education system. While we approved of most of the Panel's recommendations, we had hoped to see a stronger focus on preparing students for the careers of tomorrow and entrepreneurship training.

The government has made good progress in this area, but this is just the beginning. Education Minister Karen Casey has promised to release the government's response to the Minister's Panel by January. We are looking for her report to be bold and with a strong implementation plan implement the kind of change that is clearly necessary.

### ***The Chamber recommends that the province:***

- Release a detailed action plan to reform the education system in Nova Scotia and set clear timelines and outcomes to measure success
- Ensure that the reforms are consistent with Nova Scotia's ability to pay

## Immigration

The Now or Never Report was clear that increasing immigration is a critical part of addressing Nova Scotia's demographic problems. Unfortunately, recent surveys have found that there is still significant resistance to bringing more immigrants to Nova Scotia.<sup>11</sup> We have said it before and we will say it again: immigrants do not weaken our economy, they strengthen it. As the Now or Never Report put it:

*"The periods in Nova Scotia's history when the economy grew most significantly correspond to waves of new immigrants – most notably in the early to mid-19th century and the post-WWII period. It is a chicken and egg argument as to which needs to come first: immigration and economic expansion are mutually reinforcing and both are necessary if the future outlook is to improve."<sup>12</sup>*

The Halifax Chamber of Commerce has identified promoting immigration as one of the two major priorities of its 2013-2018 strategic plan for this year. The Chamber's YES! campaign is designed to change people's attitudes on issues like immigration and we will continue to champion the importance of attracting more people to Nova Scotia, no matter where they come from. For example, we strongly support Halifax City Council's motion to let permanent residents to vote in city elections. Permanent residents are fixtures in our community and deserve a voice in how Halifax is run.

Fortunately, evidence shows that Nova Scotia's outcomes for immigrants are improving. Nova Scotia's retention rate is now over 70% and immigrants in our province have an unemployment rate of 7.4% compared to 10% for Canadian immigrants as a whole. Our challenge is maintaining these outcomes while attracting many more newcomers to Nova Scotia each year.<sup>13</sup> The Now or Never Report said that we should be aiming to attract roughly 7,000 immigrants per year, compared to 2,539 in 2013.<sup>14</sup>

The provincial government has undertaken a number of positive initiatives on immigration over the past year including a new provincial nominee stream for international students, the creation of the Premier's Immigration Advisory Council, and expanded settlement services with ISANS and the YMCA. The Office of Immigration has also built an excellent working relationship with business community, and has done good work helping businesses access the immigration system.

Finally, our provincial leaders must continue to be strong advocates for Nova Scotia's needs at the federal level. Nova Scotia is a very small province with unique immigration requirements and we need a flexible immigration system in order to respond to our population challenges.

### ***The Chamber recommends that the province:***

- Continue to lobby the federal government to create an immigration system that effectively responds to regional needs, including more provincial nominees
- Approve Halifax City Council's request to let permanent residents vote in city elections
- Adopt the Now or Never Report's immigration goals

## The One Nova Scotia Coalition

It has been almost one year since the provincial government created the One Nova Scotia Coalition. While the Now or Never Report has seen surprising acceptance among Nova Scotians, there is a strong public perception that the government, and the Coalition, have failed to adopt the necessary sense of urgency.

There are many groups and individuals out there looking to ‘do something’ about the Now or Never Report but there is no coordinated vision on what we need to do to achieve its goals. If Nova Scotia is going to succeed, we need to all be pulling in the same direction. This is why the Coalition’s soon to be released ‘Now to How’ white paper is so important. Nova Scotians need to know, not just where we need to go, but what they can do to help us get there. If the One Nova Scotia Coalition is not the right actor for a certain problem, then they need to identify champions and empower them to lead us forward. At the end of the day what Nova Scotia needs more than anything else is bold action, not another report with suggestions.

The Now or Never Report listed ‘attitude’ as one of the major barriers to success in Nova Scotia. This is an area that the Coalition can make an immediate impact. The Coalition has representatives from all three political parties and from all aspects of Nova Scotia society. They are uniquely placed to say what needs to be said in order to turn our province around.

As a component of its own strategic plan to see Halifax become a top three economic growth city in Canada, the Chamber created a ‘YES!’ campaign. The goal of the ‘YES!’ campaign is to change attitudes around creating a positive business environment, ensuring that our default response to a new idea or business opportunity is yes. Of course, this does not mean that we cannot ever say no to anything, but at least we are beginning the conversation on a positive note, with yes. Specifically, we are calling on Nova Scotians to stand up and say ‘YES!’ to:

- Entrepreneurship
- Retaining new graduates
- Immigration
- Major projects
- Innovation
- Diversity
- Growth

***The Chamber recommends that the province:***

- Release a bold action plan for achieving the goals of the Now or Never Report
- Help Nova Scotians take a more positive view of private sector-led economic growth

## Conclusion

Over the past year, report after report has identified serious problems in Nova Scotia. With the issues clearly identified, now is the time to implement solutions. The issues we have identified in this submission are critical to Nova Scotia's economy – and Halifax's economy which accounts for 50 per cent of the provincial economy – and we look forward to hearing your thoughts. The provincial government needs to reform major aspects of government operations this year and there is little margin for error. Our members are looking for their government to make tough decisions and they will support leaders that take the initiative.

***Going forward the Chamber will be looking for:***

1. A provincial spending freeze to get our fiscal house in order
2. Tax and regulatory changes to reduce the burden on businesses and people
3. The province to demonstrate that it can successfully attract and retain more immigrants
4. A detailed plan to improve the education system

*This submission has been created in collaboration with the Chamber's Task Forces, and includes input from our many Chamber members. The mandate of the Chamber's Task Forces are to support the development of policies on issues of importance to our members that are within the purview of their mandates.*

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