



**METROPOLITAN HALIFAX  
CHAMBER OF COMMERCE**

*Strong Business. Strong Community.  
Since 1750.*

Submission to

**The Honourable NEIL LeBLANC**

**Minister of Finance,  
Province of Nova Scotia**

on

*Pre-Budget Brief*

**January 24, 2001**

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## **Introduction:**

Mr. Minister, the Metropolitan Halifax Chamber of Commerce has had an ongoing consultation and dialogue with the Department of Finance and we look forward to continuing this mutually beneficial exchange of idea. We hope this brief will be of assistance to you and your department as you prepare your budget document.

First, we note with pride the significant increase in economic activity in our region. Our members are very confident today regarding the future prospects for their business and the province.

We are also pleased about the improvements seen in the financial accountability of the government. Specifically, the changes to the government's accounting policies help provide the public with a clearer picture of our province's government's finances. As well, we have seen the government take steps towards setting priorities and setting out the financial plan to achieve these goals.

However, there are still a number of challenges that must be addressed, if Nova Scotia is going to achieve its full potential. In this brief, we have identified the following issues that we believe deserve attention:

- 1. Deficit elimination**
- 2. A Debt reduction plan**
- 3. Getting Government Spending Under Control**
- 4. Foreign Debt exposure**

As well, we would like to hear the status of the planned 10% tax reduction in year 4 of your mandate and your plans to ensure we are not faced with bracket creep now that the province has de-coupled its income tax from the federal income tax.

### **1. Deficit elimination**

While we are pleased that the government has a deficit elimination plan in place, it was the view of the Chamber that the government could have eliminated the deficit in two years. Based on the strong economic performance seen to date (\$105 M in additional revenues as of December 14, 2000)), it appears that the government could indeed have accomplished this goal. Had the deficit been eliminated earlier, Nova Scotians could have seen tax decreases as have taken place in our neighbouring provinces or, at the very least, Nova Scotians would have seen the province in a position to keep pace with the federal tax cuts now being offered. This is a serious competitive issue for our province both in personal and corporate taxes.

The provincial government has committed to a viable long term strategy based on prudent management of our fiscal resources - and the Chamber supports that commitment. We need to allocate our scarce resources while working to eliminate the deficit as soon as possible. This requires careful monitoring of all budgets on a year-to-date basis to ensure that overruns are detected early and that they are offset by cuts elsewhere in the budget.

## **2. Debt Reduction Plan**

With the deficit elimination imminent, we are looking to see a plan for debt reduction. The Chamber feels it is critical for the government to address the heavy debt burden facing the Province.

While the annual statements of revenues and expenses provide an interim scorecard to evaluate the Provincial Government, the real measure of success for a government should be the level of its total debt. A high level of debt makes the Province susceptible to adverse changes in the financial markets which can negatively affect borrowing rates, thereby making it even more difficult to meet our debt reduction objectives. As a first step, the Government should establish realistic debt reduction targets. To establish these targets, the Province should consider the measures used by the bond rating agencies to review the Province's debt rating. By using similar processes for evaluating the impact of new spending, the Province could assess how decisions will impact their debt rating.

Once the level of debt decreases, our debt service costs will decrease and the Government will have more money available for other initiatives. Currently we are spending almost a billion dollars a year to service our debt. This is money that could be much better used to support program spending in the provincial priorities of health, education and infrastructure.

## **3. Getting Government Spending Under Control**

The Chamber has continuing concerns with the increased spending as seen in the December financial report released by the province. We wish to reiterate our position in this area as identified in our attached position paper dated February 22, 2000, "Less But Better Government". Our recommendation has been, and continues to be, that spending should be contained until the deficit is eliminated and a debt reduction plan is in place.

Increased spending in the areas of health and education, in absence of an overall plan to achieve the best value for our dollar, continues to be a concern. Public perception is that spending in health continues to decrease when, in fact, the province has increased health spending by over \$ 400 million in the last four years.

We recognize that the reduction in transfers from the Federal Government over the past several years have had a detrimental impact on the Provincial Government's ability to fund important programs such as health care. We look forward to hearing more detail regarding the Premier's "Campaign for Fairness" and what the plan for these additional funds will be if the Premier is successful. However, management of health care is a complex problem that requires a long term approach rather than a quick fix by throwing more money into the pot. We would soon hope to see an overall strategic plan for the management of health care delivery to Nova Scotians with details of and how to manage this plan within the current spending envelope.

When it comes to spending for economic growth, new initiatives should be evaluated as investments in our future. Projects should be ranked in order of return on investment for the Province relative to the priorities that have been established. This means that appropriate and realistic financial calculations would be required to support any funding requests related to economic initiatives. Only the projects with the highest return on investment should receive funding and other projects should be deferred or cancelled.

Since there are limited funds available, when new opportunities arise during the course of a year, they should only be considered if another project can be cancelled or deferred to make way for the new project.

We believe that the Province should continue to improve its methods of measuring performance and outcomes from our public spending. We need to compare our public sector performance against benchmarks for best practices and then strive to provide the best value for the money.

In addition, the Chamber feels that a bolder approach towards privatization could be made in areas such as Nova Scotia Liquor Commission, Nova Scotia Resources Limited, and provincial hotels. Areas such as Transportation Department vehicle fleet for road maintenance, payroll administration services, public office buildings could be out sourced to name but a few.

#### **4. Foreign Debt exposure**

We support the Department of Finance efforts to reduce the province's foreign debt exposure and recommend our debt be repatriated as early as possible. This requires budgeting for the costs of conversion. In earlier pre-budget submissions, the Chamber recommended the foreign debt component of our total debt should be reduced to 20% by July, 2001. We understand that the provincial government have undertaken plans to reach this goal by July 2005. We recommend a more aggressive approach to repatriating our foreign debt. This would give Nova Scotians greater control over our financial affairs and, in the future, fluctuations in the Canadian dollar would have far less detrimental impact on our ability to fund government programs.

#### **Conclusion:**

The Metropolitan Halifax Chamber of Commerce appreciates the opportunity to present our views and share our concerns with you today.

We thank you and the entire Department of Finance, for your support on a number of issues that are important to our members. We look forward to working with you and your department to improve the fiscal affairs of the province. We believe that, by working together, we can develop new economic opportunities for all of our members and a better standard of living for all Nova Scotians.