



THE PREMIER
HALIFAX, NOVA SCOTIA
B3J 2T3

January 7, 2019

Mr. Patrick Sullivan
President and CEO
Halifax Chamber of Commerce
32 Akerley Boulevard, Suite 100
Dartmouth, NS, B3B 1N1

Dear Mr. Sullivan:

It is an exciting time for Nova Scotia and Halifax. We have seen two years of population growth in the capital, exceeding the national rate and contributing to Nova Scotia's total population hitting a record high. Immigration has, and continues to be, strong. Young people—a large majority of which hold a post-secondary degree—are choosing to call Halifax their home and contribute to its future. The Halifax Convention Centre is complete and recent amendments to the Act support Events East in attracting visitors and building economic vibrancy. GDP growth is steady. And in the last two years, business confidence has reached an all-time high. Hopefully, this conviction reflects a shared belief that organizations like yours, and the private, academic, and government sectors are relentlessly working together toward a common vision of prosperity for Halifax and our province.

I must commend the Halifax Chamber for its leadership in advancing our capital city and province. The areas you have identified as important contributors are aligned with government. We share your aspirations, and welcome the Chamber and its members' partnership in, and contributions to, inclusive economic growth. I thank you for taking the time to consult your members and share their thoughts. We have looked to the private sector for insights on optimizing the environment for business growth and have carefully reviewed your submission in that light.

Re: Optimizing the Impacts of Government

The first four years of our Mandate, my government placed considerable focus on returning the province to stable financial ground by aligning spending with public financial resources. As one of government's largest fixed expenses, we worked to better align labour costs with the economic growth rate and tax payer's capacity to pay.

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This approach has allowed my government to balance Nova Scotia's budget—including a \$29.4-million surplus—for the third successive year. It has created fiscal space for priority investments in the economic ecosystem supporting business, health care, education, and creating opportunities for young people. The last two, contribute to our shared goal of a well-equipped talent pool on which business can draw. Nova Scotia recently received its highest-ever credit rating from Standard and Poor's, which cited strong fiscal management as the rationale for the long-term upgrade from A+ to AA- with a stable outlook. Our debt-to-revenue ratio is also expected to be the lowest in the country.

Regarding increasing opportunities for revenue generation, population growth is a key factor and the historic highs are encouraging. Increasing the number of young, high-growth, innovation-driven firms and other businesses in Nova Scotia, and accelerating growth in sectors in which Nova Scotia enjoys comparative advantage, as well as creating opportunities for new sectors to gain a foothold, are also important in terms of lighter distribution of any corporate tax burdens.

We understand the need growing businesses face to free funds for reinvestment. Effective January 2017 we increased the threshold for the small business tax rate from \$300 thousand to \$500 thousand, enabling hundreds more businesses to benefit from the lower rate. Effective January 1, 2019, Nova Scotia will have the lowest cost to incorporate in the Federation.

The Department of Municipal Affairs continues to monitor the impacts of the Capped Assessment Program and investigate opportunities to improve property tax relief for rate payers. In 2017, the Minister of Municipal Affairs passed a bill allowing municipalities to support commercial property owners by phasing increases to assessment (and thereby property tax bills) over a maximum of 10 years. Subsequently in 2018, HRM was provided the authority to establish separate commercial tax rates in areas it designates, separate commercial rates based on frontage, and established tiered commercial property tax rates.

Re: Creating a Frictionless Business Environment

As a former small business owner myself, I recognize the importance of reducing the burden on business. Making it easier to start or grow a business is not only the right thing to do, it is the smart thing to do. Government believes efforts to reduce burden on business can improve Nova Scotia's competitive position and better enable businesses to induce economic growth. We're not content to stop at our target and will continue to press forward. As of March 31, 2018, Regulatory Burden Initiatives approved and where implementation was complete or underway are estimated to reduce burden to business by \$23 million (net), representing 93% of the \$25 million (net) burden reduction target. We will report final results early in 2019, and fully anticipate meeting or exceeding the target. Nova Scotia's entrepreneurs now also have the lowest incorporation fees in the country following amendments to eliminate the annual registration fee in the first year of incorporation and reduce the incorporation fee. And we will continue to add services that support businesses where opportunities are found. For instance, the business navigation service—the first of its kind in Canada—is on track to serve 3,000 mostly small and startup firms by year end, saving each client about 10 hours.

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Re: Municipal Issues

We agree in the importance of vibrancy. Nova Scotia must be an attractive place to live and work to maintain and improve on our population gains. Government is supporting several projects that help older Nova Scotians live safely, enjoy good health and stay involved in their communities. We are making investments to ensure our tourism sites remain iconic. Through the \$500,000 Beautification and Streetscaping Program, the Province is contributing up to 50 per cent of the costs of municipal projects. Recently, Wentworth Valley Wilderness Area was designated to maintain the beauty of our natural landscape, and create recreation, education, research, tourism, and business opportunities. These—and the infrastructure, highway, and sport and recreation projects you mention—are only a few of the initiatives we are undertaking.

As you note, provincewide internet with enough speed and capacity is vital for innovation, rural business, increased productivity and export, and is a focus of government. It is also essential to tap into the full capacity in our province and create equity of opportunity in the digital economy regardless of an individual's geographic location. While many Nova Scotians have access to minimum service levels, some rural areas lack the speeds, reliability, and bandwidth to fully participate in the digital economy. In a time when intellectual capital drives growth, Nova Scotia's highly educated population is well positioned to compete globally. To do so, tools are required.

The CRTC has set new national targets for internet speeds (50 Mbps download and 10 Mbps upload for 90% of Canadian homes). Additional investments to achieve these targets will be needed. Like the CRTC, we expect to meet them through a combination of federal funding mechanisms, private investments, partnerships, and government funding at the provincial and municipal levels. Public investments are being made because a commercial business case for rural areas of Canada and Nova Scotia cannot be made by private service providers. As a jurisdiction with a large rural footprint, our investments in rural internet will benefit HRM.

Turning to your question concerning Natural Person Power. In July of 2018, the Department of Municipal Affairs consulted HRM on a proposal to increase autonomy over how municipalities can expend money—consistent with the principles of NPP. HRM has provided positive feedback on the proposal, and Municipal Affairs intends to bring this forward at the earliest opportunity.

Re: Our Skilled Workforce

Between 2006 and 2014, many of Nova Scotia's youth were departing for opportunities elsewhere. We have undertaken a concerted, collective effort to reverse this, and we have seen a notable turnaround. Since mid-2014, we've seen net gains of at least 300 working age Nova Scotians staying in the province each year; more working age people from other provinces are moving here, and some Nova Scotians are returning home. In just the first quarter of 2018 alone, we saw 1,182 people migrating to Nova Scotia.

Increasing the number of young, local, high-growth firms is central to growing Nova Scotia's economy. Government's role in economic development is to contribute to an environment in which business can innovate, grow, and thrive. To this end, we have made investments in strengthening the ecosystem including increasing available venture capital (+323% over the last few years), supporting accelerators and incubators like the Centre for Ocean Venture and Entrepreneurship and Volta, increasing our capacity for research through the creation of Research Nova Scotia, and working with universities to align efforts and teaching.

In the last few years, we have taken Nova Scotia's school system through its most significant period of reform in more than 25 years. Curriculums have been updated, pre-primary and skilled trade centres have rolled out, a focus on inclusion has been implemented, outcomes have been streamlined, and millions invested—as we re-orient the system to meet the modern needs of children, the labour force, and the changing nature of work. Automation, digitalization, and the gig economy are having significant impacts. Our children must be prepared with a host of new skills and transferable competencies, including entrepreneurship, in this new world. Technological driven inequality must also be addressed.

Entrepreneurism related skills and competencies have been incorporated into the new curriculums at several grade levels. In addition, programs like The Minister's Entrepreneurship Award of Excellence, open to students in grades six to 12, offer an opportunity to develop entrepreneurial skills and receive \$1,000 to turn a business idea into reality. We are also offering programs that enable students to gain real-world, hands-on work experience. The Career Rising program, for example, delivers skill development camps and work experience within the agricultural and resource sectors.

Nova Scotia has been successful in increasing the number of new immigrants. Since 2012, over 10,000 immigrants have settled in Nova Scotia, including the one-time influx of 5,542 Syrian refugees in 2016. In the first quarter of 2018, 1,625 immigrants made Nova Scotia home, with 5,137 in the last year. Many of these new Nova Scotians are starting families, opening businesses, and building long-term futures here.

With respect to student and immigrant retention, labour force attachment is key. This begins prior to graduation. Recently, two-hundred new positions were added to the Co-operative Education Incentive Program for a total of more than 700 work placements. Wage subsidies are also being provided for another 800 jobs with non-profit community organizations through the Student Summer Skills Incentive Program. Graduate to Opportunity, Innovate to Opportunity, and government initiatives to hire are helping young people make the critical first step into the labour market. The Connector Program is expanding to regions across the province to help more recent graduates and new residents make meaningful connections to employers and find jobs in their fields. We have also taken significant steps to modernize and strengthen the apprenticeship system to better support the skills and safety of those who work in the skilled trades, and support youth in connecting with opportunities at home.

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We appreciate your member's support of our efforts to make our province fully accessible by 2030. Nova Scotians rely on businesses to access goods and services, and the work of your members to make this easier is commendable. To help them, we are offering grants under the Business ACCESS-Ability program to cost share these accessibility-related improvements.

In each of these areas, we continue to look for opportunities to build on progress.

Re: Further Questions and Concerns

Standard Household Rate Wage Exemption

Regarding the Standard Household Rate, this was planned as a two-part implementation.

In October, the Department of Community Services implemented part one of a Standard Household Rate, to allow people on income assistance to keep more of the money they earn before seeing a reduction in their assistance. The new wage exemption will help people stabilize their income while they transition into the workforce. It will also make it easier for them to work. The more they work, the more financially stable they will become.

In 2019, the department will introduce part two of the Standard Household Rate, which is an increase in the rates for all people on income assistance to the maximum level they are eligible for, as well as a further increase in the rate by 5 per cent for some recipients and by 2 per cent for all others.

Support for business growth – in addition to regulatory burden reduction

During the last sitting of the legislature alone, 25 bills were passed, including legislation to reduce red tape for entrepreneurs who want to start new businesses, remove interprovincial trade barriers, and formalize Develop Nova Scotia's role to drive inclusive economic growth and strategic economic infrastructure. This work will continue, but it is only one aspect of the work needed to grow our economy.

As I mentioned, research supports the need for more local, young, innovation-driven, high growth firms in Nova Scotia. They play a vital role in innovation and economic growth. Research also supports the need for cluster development to grow our high-potential advantages, including those provided by our ocean sector and the Ocean Supercluster win. Government can most effectively contribute by allowing the private sector to lead in firm and job growth, within a supportive innovation-based ecosystem. We are focused on activities that shore up the ecosystem, including the creation of Research Nova Scotia, COVE, as well as support for sandboxes, accelerators, incubators, and mentoring programs. Increases in available venture capital including \$30 million in provincial investments contribute. The establishment of Regional Innovation Hubs and Districts in rural Nova Scotia, Sydney and Halifax is also central to efforts to drive innovation and enhance programming for entrepreneurs across the province. To support businesses in incorporating innovative ideas, programs such as the Invest Nova Scotia Fund, are funding smart, innovative projects that grow our economy.

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Export to diverse markets is vital. Continuing to build the strong trading relationships the province has recently built in Asia will lead to increased investment opportunities. Efforts are resulting in China becoming our fastest growing trading partners. As part of this work, we are offering numerous forms of support to Nova Scotia businesses and educational institutions pursuing the Asian market. The establishment of sister cities is opening partnering opportunities in key sectors, including seafood, agri-food and the ocean economy. I am hopeful this work will also boost our efforts to establish a direct flight between Halifax and China. Associated, is ongoing work to promote sectors and build on—for example—Nova Scotia's reputation as Canada's leading seafood exporter through improved branding and international exposure.

Enhancement of internal trade opportunities is likewise a priority. Over half of Nova Scotia's trade is interprovincial, totaling over \$8.4 billion in exports of goods and services in 2016. Our government will continue to reduce trade barriers and enhance the flow of goods and services, investment and labour within Canada.

Access to a skilled workforce remains a focus. At home, we will continue efforts to improve preparedness starting as early as pre-primary, where experiences impact life-long achievement. The education system will continue to evolve to meet the needs of the modern and future economy. New immigration streams including the Labour Market Priorities Stream will help address market demands by proactively seeking skilled professionals in specific sectors with recognized needs. Continued investments in settlement and labour force attachment are necessary and ongoing.

In 2016, the federal government announced all provinces and territories must put a price on carbon pollution or the federal government would impose its own approach. This would have had a negative and severe impact on many Nova Scotia businesses. In October, the federal government accepted Nova Scotia's cap-and-trade program, which will cost businesses far less than the proposed federal approach to carbon pricing.

It is through efforts such as these, and many others, that we will continue to support the growth of Nova Scotia's businesses and our economy.

Thank you again for your input. I hope this note answers many of your questions. I look forward to continuing to work together to advance our Province.

Sincerely,



Honourable Stephen McNeil, M.L.A.
Premier

Copy To: Nova Scotia Ministers
Nova Scotia Deputy Ministers