



PROVINCIAL PRE-BUDGET SUBMISSION 2014/2015

January 23rd, 2014

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 1,700 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 – ASPIRATIONAL SENTENCE AND GOALS

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 the 2013-2018 Strategic Plan, the Halifax Chamber of Commerce created two Task Forces to provide input on the Plan's implementation. The members of the Task Forces are a diverse group of individuals with significant expertise on key policy issues.

Executive Summary

The beginning of a government's mandate is an exciting opportunity. Without the pressures of a campaign, it gives our legislators a chance to start fresh and to focus on big issues rather than sound bites. For too long we have seen topics critical to both our members and our province sidelined by short-term thinking. Our population is declining, our test scores are decreasing, and our debt is rising. These are serious problems that demand thoughtful, well-researched solutions.

This submission outlines the Chamber's views on some of the critical issues facing our province.

1. Education – Giving our children the best start in life
2. Immigration – Growing our skilled workforce through increased immigration
3. Fiscal Responsibility – Living within our means
4. Taxation and Regulation – Creating a positive business environment

We understand that some of these issues will take time and we hope that the government gives them the thought and attention they deserve. We want to see now however, is a plan. Where does the government want to go and what steps will they take to get us there?

Education

It is difficult to overstate the importance of education to our province's economy. Our ability to innovate and thrive in the future will depend in large part on the education decisions we make today. The Chamber wholeheartedly supports the government's proposed P-12 curriculum review and encourages the government to be bold in its ideas. The availability of a highly skilled, well-rounded workforce is critical to all of our members. Any review must focus on the core literacy and numeracy skills that will prepare students for the high-skill careers that will fuel our economy's growth.

Unfortunately, there is worrying evidence that Nova Scotia's students are moving backward rather than forward. The 2012 results of the OECD's Programme for International Student Assessment (PISA) demonstrated that student performance in Nova Scotia has either stagnated or declined in all subject areas. Particularly worrying are the results for math where scores have declined from 515 in 2003 to 497 in 2012.¹ Even more concerning is the gap between Nova Scotia students and Quebec, the top performing province. In 2012, Quebec students scored 536, 39 points better than Nova Scotia and roughly equal to a year's worth of education.² Significant gaps also exist in reading and science scores where Nova Scotia students scored 27 points worse in reading and 28 points worse in science than top-performing British Columbia.³

When considering its options the province must remember that improving the education system does not automatically require more money. From 2003/2004 to 2012/2013 school board expenditures in Nova Scotia increased by over 16% after inflation while enrolment declined by over 17%; all while student performance either stagnated or declined.⁴ Clearly, there is room within the education system to do more with the resources we have.

There are also continuing imbalances in the supply and demand for teachers that are creating too much lost opportunity for both students and aspiring educators. In 2014-15, the government is projecting that there will be 3,833 certified teachers looking for full-time work and only 327 new full-time teaching jobs. A newly certified teacher in Nova Scotia will have an 8.5% chance of getting a regular teaching position that year.⁵ By undertaking reforms to bring the supply of teachers in line with demand we can not only better match our graduates to our economy's needs, but ensure that those who do enter the teaching profession are the best of the best and have good career prospects.

Taking a hard look at how our province educates our children is a fantastic opportunity. We encourage the province to be aggressive in adopting the best practices of top performing provinces and countries. This kind of initiative is neither easy nor quick, but it is critically important.

The Chamber Recommends:

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

Immigration

In 2013, Nova Scotia's population declined by 4,272 people. This is over four times as many people as New Brunswick, the next worst province, leaving us with a smaller population than we had in 2010.⁶ Simply put, we need more people to maintain our standard of living. While we must continue to work to convince our youth to stay and thrive here in Nova Scotia, the reality is that even if we succeed we will need much more immigration to fill the population gap. If nothing changes, the share of our population in the prime working ages of 18-64 will decline from 65.2% in 2011 to 55.1% in 2036, posing a serious threat to our future economic growth.⁷

The Chamber understands that substantially raising our immigration rate is not an easy proposition; but we see little alternative. There will be concerns that we cannot bring in more immigrants because our economy is growing too slowly or that there are not enough jobs, but experience tells us differently. Manitoba, whose GDP and employment growth have been similar to Nova Scotia's over the past 30 years, has been successfully integrating four to seven times the number of immigrants as Nova Scotia for almost a decade despite having a similar population.⁸ This is in part thanks to Manitoba's highly successful Provincial Nominee Program. Unfortunately, while Manitoba has an allocation of 5,000 nominees per year, Nova Scotia was limited to only 600 in 2013.⁹ To its credit, the provincial Office of Immigration and its stakeholders have done a good job using the existing quota and raising our overall immigration retention rate to roughly 70%.¹⁰ Unfortunately, the province's total level of immigration has been slowly declining, from 2,715 in 2006 to 2,242 in 2012.¹¹

Reversing this decline deserves to be one of the province's top priorities. We strongly encourage the government to collaborate with the business community to help connect immigrants with labour shortages and engage the many highly trained international students that graduate from Nova Scotia universities each year. Transforming our province into a more welcoming place for immigrants will be no easy task, but there is no time to start like the present.

The Chamber Recommends:

- Making a significantly higher level of immigration one of the government's main goals
- Lobbying the federal government to permanently increase the number of immigrants the province can select under the Provincial Nominee Program
- Expanding the government's collaboration with Nova Scotia employers and post-secondary institutions to recruit and retain high quality immigrants who can fill key labour market shortages
- Raising the province's immigration retention rate from 70% to 80%
- Aggressively adopting proven recruitment strategies from high performing provinces such as Manitoba

Fiscal Responsibility

The Chamber was disappointed to learn that Nova Scotians will have to wait a little longer for the government to balance its budget. Getting back to the surpluses that our province enjoyed from 2000-2008 is critical for our long-run economic health.

While the deficit presented by Finance Minister Whalen in the December 2013 fiscal update is concerning, the problems it presents are solvable. Since much of the deficit is due to a one-time pension charge and prior-year adjustments from the federal government, it would be reasonable to expect a significantly improved fiscal picture in the coming budget without any changes to the province's current fortunes.¹² With a consensus forecast for significantly higher growth next year and an increase in major projects activity, there is reason to be optimistic.¹³ Our members feel very strongly that the government should balance the budget this year and certainly no later the next budget in 2015. Pushing this target too far into the future will add too much to the province's already considerable debt. If a surplus is not possible in the coming budget then the government should, at a minimum, reduce the province's debt-to-GDP ratio. As well, the pension charge presented in the fiscal update serves as a stark reminder that pension costs need to be on a sustainable footing if we are to feel confident in the government's fiscal forecasts.

While higher economic growth will help balance the budget, it will likely not be enough on its own. We support the government's election promise to reduce departmental expenses by 1%, excluding health and education. Spending tax dollars prudently is a critical exercise and we strongly support taking a fresh look at what is working and what is not. As health and education comprise well over 50% of the provincial budget however, a surplus will be difficult to achieve without spending restraint in these areas.¹⁴ With this in mind, we encourage the government to hold health and education spending increases to no more than the rate of inflation. While the most recent fiscal update was discouraging, it serves as a reminder that complacency is not an option if we want to get our province back to fiscal health.

The Chamber recommends:

- Achieving a budget surplus this year and certainly no later than next year's 2015 budget
- Reducing departmental spending increases by 1% exclusive of health and education
- Restraining growth in health and education spending to no more than the rate of inflation
- Placing public sector pensions on a sustainable footing

Taxation and Regulation

As the province moves toward a balanced budget it is important to start thinking about what the next priority issues should be. The Chamber strongly believes that a competitive tax and regulatory regime is critical for building the strong economy we all desire. We agree with the government that it is time for a comprehensive review of Nova Scotia's tax system, and we look forward to working closely with the province as it fulfills this critical election promise. For our members, moving the small business rate threshold and the corporate tax rate closer to the Canadian average, as well as revising the Capped Assessment Program would actively improve their competitiveness.¹⁵ Such measures would also help offset the \$75 million in costs Nova Scotia employers will incur from the new February holiday.¹⁶

As this is a time of fiscal restraint, we firmly encourage the government to focus on reducing the regulatory burden. It has been too long since the province has done a thorough review of its regulatory regime. Creating a positive business environment through pro-growth regulatory reform is critical to our future prosperity. We also suggest building a culture of entrepreneurship by making Nova Scotia the easiest place in Canada to start a business. This would be a strong first step that would encourage Nova Scotians to start our next generation of great companies.

Nova Scotia businesses currently face an uncompetitive tax regime and too many unnecessary regulations. Fortunately, the government can do a lot to help without hurting their bottom line. Seriously reviewing the tax system, promoting entrepreneurship, and implementing pro-growth regulatory reform will all improve the business climate without sacrificing current revenue.

The Chamber Recommends:

- Undertaking a comprehensive review of Nova Scotia's tax system to improve business competitiveness
- Offsetting the costs for businesses from the new February holiday through future tax reductions
- Thoroughly reviewing the regulatory burden in Nova Scotia and establishing firm timelines and targets for reductions
- Making Nova Scotia the easiest place in Canada to start a business

Conclusion

The government can count on the Chamber's full attention over the coming months. We believe that governments deserve to be recognized when they succeed, and held to account if they falter. Given the importance of the issues outlined in this submission to the business community and our province as a whole, we look forward to your response. We will also look to the government to engage with the business community on these issues. These topics are too large for the government to tackle itself and we are happy to help where we can.

Going forward the Chamber will be looking for:

1. Education reforms that put our children first
2. Increased immigration to build our skilled workforce
3. The government to live within its means
4. Reforms to promote entrepreneurship and foster business growth

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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