



**GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE**

An Agenda for Government Action

Submission to the Honourable Robert Ghiz

Premier of Prince Edward Island

INTRODUCTION

The Greater Charlottetown Area Chamber of Commerce welcomes the opportunity to provide its views to Government on current and future challenges facing Prince Edward Island.

The Greater Charlottetown Area Chamber of Commerce represents 825 member businesses employing over 16,000 or 20% of the Province's experienced labour force. Over 50% of these members are small businesses with five or less employees.

CURRENT AND FUTURE CHALLENGES

The Chamber understands and appreciates the challenges that all governments face, and the difficult decisions that they must make, in today's modern and complex society.

Unfortunately, a combination of factors suggest that these challenges and difficult decisions will only increase over the next few years, and especially here in Prince Edward Island. In particular:

1. Our population is aging as the baby boomers move closer to retirement;
2. Many of our skilled workers are leaving the Province for opportunities in Alberta;
3. Traditional industries and in particular certain of our primary industries are struggling;
and
4. The continued receipt of federal transfers at current levels is uncertain.

All of these (and other) factors foreshadow a significant "day of reckoning" for all Islanders. In short, as more Islanders retire and others move to Alberta, the Island economy will be left with fewer skilled workers to provide services and pay taxes. At the same time, aging Islanders will place more demands upon our health care system. The result will be continued significant increases in our health care budget and fewer taxpayers available to pay. The challenge will only be magnified if traditional industries are not supplemented with newer industries and/or federal transfers decline.

Our view is that, in this context, a renewed emphasis on long-range planning by the Government of Prince Edward Island is key. Preparing today for the challenges of tomorrow is essential and a

fundamental part of the responsibility that comes with leading the Province. Over the course of the next few pages, we will attempt to offer a few of our thoughts on this important topic.

CONSTANT INNOVATION

In private business the most successful businesses are constantly innovating and asking how they can do something better. Government should not be any different. In our view, Government needs to conduct a detailed review of its current activities. The goal should be to deliver better service to Islanders at less cost. Part of the solution may lie in structural change, part may lie in discontinuing certain activities that compete with the private sector, and part may lie in setting a new "tone from the top." We will briefly touch on each of these topics.

Structural Change

Structural change is not an end in itself but can be justified in certain circumstances. For example, structural change can result in a more efficient use of tax dollars, particularly if services are being duplicated in different departments or regions of the Province. Structural change can also, in certain situations, result in greater transparency and accountability to citizens. For both of these reasons, we encourage the Government to consider structural change as appropriate. The simple fact is that Government must become more efficient, nimble and accountable.

Competing with the Private Sector

As we move forward, the ability of Government to provide essential services will become increasingly difficult. Given this reality, it makes sense for Government to carefully review its current activities at this time and to withdraw from any that are not essential. With few exceptions, if a comparable product or service can be provided by the private sector at the same or less cost, there is little justification for the Government to compete. In the past, Government may have had the luxury of spending resources in these areas for job creation or other reasons. That luxury is quickly disappearing.

Tone from the Top

We applaud the Government for its commitment to further professionalize the Province's public service. In our view, in order to ensure the efficient and effective delivery of government services to Islanders, it is essential for Government to attract and retain the best employees,

particularly at the senior level. Salaries at the senior level of government are, in our view, below market and are making it increasingly difficult to attract and retain top talent at precisely the time when Islanders need it most.

On the professional development side, more can be done in collaboration with our institutions of higher learning and the private sector to offer leadership development and training for current and future public service leaders. In order to deliver quality service, it is essential that Government attract and retain the best employees possible.

Finally, the tone from the top is of fundamental importance. The ability to motivate and inspire our public service will be even more crucial as we move forward. Motivation tends to increase when employees feel valued and have a clear understanding (and acceptance) of an organization's goals and objectives. Our public service has to be challenged to "raise the bar" on the efficiency and quality of the services they provide to Islanders.

CHANGING THE CONTEXT

Our comments to this point have focused primarily upon internal change and innovation designed to provide better service at less cost. But there is also, in our view, a very important "external" policy initiative that should be undertaken by Government. Prince Edward Island is fortunate to have vibrant communities across the Province. As we move forward together, we need to commit to greater cooperation (and consequently less duplication of services and infrastructure) on a Province-wide basis.

Similarly, in our view, we need to work more closely with our neighboring provinces, particularly in expensive areas such as health care, infrastructure and energy.

In health care for example, there may be an opportunity for the QEH to focus on certain areas of health care, the PCH to focus on other areas, and hospitals in other parts of the Maritimes in other areas. As the cost of health care increases, the development of these "centers of excellence" may be a more efficient use of tax dollars as opposed to attempting to offer all (or most) specialties in each institution.

Infrastructure is a broad topic area with application to the health care field and many other areas of Government expenditure. In the coming days it will be necessary to carefully consider

whether specific pieces of very expensive equipment can be shared on a regional basis as opposed to each Province having its own.. Similarly, it may be that certain services or facilities can be coordinated on a regional basis as opposed to each Province going it alone.

In the energy field, the continuing development of wind power and the announcement of LePreau 2 are recent and important developments. The need for greater regional cooperation is essential in order to ensure that Islanders continue to receive the best service and price for electricity.

Without doubt, optimizing service delivery, whether on a provincial or a regional basis, can be a controversial and, consequently, is an exercise that must be undertaken with great care and sensitivity. Nevertheless, if the challenges looming on the horizon are to properly planned for and ultimately met and overcome, we must, in our view, begin this exercise today.

SUPPORTING BUSINESS

Government's recognition of the fundamental role played by small business in the economy is more important than ever. Small business, at the end of the day, provides the jobs and generates the tax revenue that Government will increasingly require. In order to ensure a vibrant small business sector, a competitive tax rate is essential. So is access to skilled labor.

Competitive Tax Rate

The Chamber recognizes the recent initiatives taken by the Government to reduce the tax rate for small business, and encourages the Government to continue along this path. Many of our Province's small businesses compete on a national and international level and provincial taxes must therefore, at all times, remain competitive with other jurisdictions.

In Charlottetown a particular concern exists in relation to property taxes. Although the Provincial Government does not set Charlottetown's property tax rates, two matters involving the Province do impact or potentially impact these rates. First, the long-running discussion between the City and the Province over whether the City receives a fair share of property tax revenue is a distraction that should be resolved. Second, the Province's freeze on residential property tax assessments reduces, at least on a practical level, the City's options for revenue and increases the possibility of a hike in commercial tax rates. To the extent that the City feels compelled to

increase commercial tax rates, Charlottetown businesses are placed at a competitive disadvantage relative to neighbouring jurisdictions.

The current discussion on the possible harmonization of the PST and GST is also relevant to the issue of a competitive tax environment. Although the overall economics of harmonization are compelling, the majority of our members have not yet been convinced of harmonization's merits. We feel that further education and discussion on this issue is warranted.

Access to Skilled Labour

Access to skilled labour is also a major issue that isn't going away. Most public commentary to date on this issue tends to focus on "blue-collar" occupations such as plumbers and welders who are leaving the Province for Alberta. Although shortages in these particular trades are of concern, we feel that shortages in skilled labour are growing and have become an issue of general concern across all sectors. Solving or at least reducing this problem will require a coordinated and comprehensive approach between Government, the private sector and our educational system.

The attraction and retention of skilled immigrants is a key part of this issue. The Province has been successful in attracting an increasing number of immigrants to Prince Edward Island via various programs and most significantly the current Provincial Nominee Programme. From the Chamber's perspective, this program has been valuable in not only increasing the presence of skilled immigrants in the Province, but in also providing access to capital to many of our members. In our view, the Programme has value and should be continued, but should be reviewed on a regular basis, and amended as required in order to ensure that the Programme's goals and objective are being achieved.

Although we are having success in attracting immigrants, the Chamber is concerned about the retention rate. In our view, the Province needs to do a better job at developing support systems to ensure that as many of our new immigrants as possible remain in our Province. It may be necessary to conduct "exit surveys" with immigrants who have left the Province in order to determine why they left. By obtaining this information, we will be in a better position to increase our retention rate.

CONCLUDING THOUGHTS

The foregoing is intended as a brief overview of some of the “bigger picture” issues that we see on the horizon for Prince Edward Island. In our view, the need for serious long-range planning for our Province has never been greater than it is at the present time. We no longer have the luxury of business as usual. The demographic and other challenges that we have identified are already making their impact felt, and this impact will only increase with the passage of time. Prudence demands that we act now.

Confronting and overcoming these challenges will require all Islanders to reassess the role of Government in Prince Edward Island society. As Islanders, we have to move past the view (often strongly held) that each community, town, city and country is independent of the others and toward a greater sense of cooperation and interdependence. Similarly, we must embrace the opportunities available for greater regional cooperation, with the goal of providing better programs and services at less cost. A favourable climate for the private sector is essential in order to ensure that adequate tax revenue exists to pay for essential services.

The Chamber is confident that by working together, Prince Edward Islanders can continue to enjoy a satisfying and high quality of life. As always, we remain committed to working with the Government of Prince Edward Island to achieve this objective.