



**GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE**

PROVINCE OF PRINCE EDWARD ISLAND

2008 BUDGET CONSULTATIONS

**SUBMITTED TO HON. WESLEY SHERIDAN
PROVINCIAL TREASURER**

Introduction

The Greater Charlottetown Area Chamber of Commerce welcomes this opportunity to provide comments and suggestions related to the development of the Provincial Government's 2008 Budget. The Chamber appreciates the recognition that pre-budget consultation is an important step in the budget process. It provides a structured opportunity for interested and concerned organizations to offer commentary and advice on the upcoming budget, as well as on the policy framework that the budget reflects.

With roots going back to 1887, the Chamber provides its members with services and opportunities to enhance their ability to do business. The Chamber is **the** voice of business in the capital area. The Chamber's membership knows the realities of the business environment, and has a keen interest in the long-term economic health of the greater Charlottetown area and of the province.

We stress that a strong employment base is the foundation for provincial revenues. When businesses thrive, the result is expanding employment, and a stable and secure revenue base for the province.

The following table highlights the importance of Charlottetown area business and commercial development to the overall economic well-being of PEI.

	Charlottetown Census Agglomeration	Prince Edward Island	Charlottetown CA as % of PEI
Total Experienced Labour Force	31,875	72,930	44%
Manufacturing & construction	4,105	13,020	32%
Wholesale & retail	4,755	9,975	48%
Finance & real estate	1,170	2,035	57%
Business services	4,805	8,250	58%
Source : 2001 Census			

The Charlottetown area has 44% of the experienced labour force in PEI. The Chamber's membership of 825 businesses, employing over 13,000, accounts for approximately 20% of the province's experienced labour force. This is indeed a 'critical mass' whose opinions merit attention as budget and economic policies are being developed.



The Chamber's membership accounts for approximately 20% of the total experienced labour force of the province.

Economic Challenges

It is clear to the Chamber that our provincial economy is being transformed. Our traditional economic drivers are under attack and competition is intense for attracting 'new economy' businesses in bio-science, aerospace, financial services and software development. The Canadian dollar is high. Oil prices are at historic levels. Global competitors are making serious inroads into our domestic and export markets. All sectors of the economy are being affected as are individuals, families and employers. Agriculture is being particularly hard hit and the future of meat processing plants is in doubt.

Is this a temporary situation that will correct itself in the near future? The Chamber is convinced that the answer is no; an appropriate set of policies must be adopted, based on realistic financial and economic trends and information.

Policy Themes

The Chamber has **four themes** around which we focus our comments and recommendations for developing a set of policies which will support business in its efforts to adapt to the competitive realities of today's marketplace:

1. The provincial tax system and its impact on business competitiveness
2. Labour force development and immigration
3. Devolvement of 'business activities' from government to the business community
4. Social policies based on demographic and economic realities

1. The provincial tax system and its impact on competitiveness

The current tax system has evolved over many years. With each budget, incremental changes are made to the province's tax regime, bearing in mind the need to raise revenue, comparisons to other jurisdictions, impacts on individuals and on the competitive environment being faced by producers and the business community. This is no doubt a challenging task. Current economic difficulties, however, and the economic transformation underway, call for a thorough review of tax policy, particularly in light of tax changes in other Provinces.

The review should:

- include all taxes and associated revenue sources
- be a public process and involve submissions and hearings
- identify the impact of each current tax on the competitive positioning of the province's economy vis-a-vis other provinces
- give specific attention to resolving the appropriate sharing of Property Tax revenues with municipalities
- address the impact of provincial tax policy on equalization from the federal government
- identify all tax expenditures, their purposes and impacts
- identify all current tax incentives, their purposes and impacts
- identify possible mixes of tax sources and tax practices that would improve competitiveness, but be revenue neutral

Only through such a comprehensive review can effective tax rates and impacts be identified.^{1 2} The Chamber offers its assistance and the knowledge base of its membership to help ensure the success of this undertaking.

¹ Tax Policy, Competitiveness and Prosperity in Ontario: *Options for the 21st Century*

² Business Tax Reform: More Progress Needed *C.D. Howe Institute e-brief*

2. Labour force development and immigration

The province is experiencing a shortage of skilled labour. Recent analysis suggests that the situation may not only continue, but get decidedly worse.^{3 4 5} This is a demographic given, and an issue of continuing concern to our members. Business cannot grow without access to an expanding supply of skilled labour.

We recognize the efforts of the Provincial Government to cope with this issue and the steps taken to date. There is certainly no shortage of organizational effort pursuing these matters, e.g. sector councils, industry associations, educational institutions, provincial government departments and agencies, and individual businesses. Obviously, this is a key strategic issue for the province and it deserves the highest of priorities. It is easy to lose focus on the importance of this theme in the day to day fray of governing - but there may be no more critical issue facing the province in the medium term. We need to build and educate for tomorrow's workplace, as well as today's.

The Chamber strongly recommends that the Provincial Government continue, and strengthen, its efforts in labour force development and immigration. Perhaps though, it is time to examine existing roles, responsibilities and coordinating mechanisms to determine if efforts are as effective as they could be.

In its simplest terms, addressing the issue of labour force development and immigration comes down to strategies and programs to "attract, train and retain".⁶ Specific targets need to be established against which progress on these can be measured. An annual public reporting would enhance accountability.

³ <http://www.aims.ca/regionaldevelopment.asp?typeID=4&id=1813>

⁴ <http://www.aims.ca/library/helpwanted.pdf>

⁵ <http://www.unb.ca/econ/acea/ACEA2003-Palmer.PDF>

⁶ Understanding Alberta's Labour Force: Looking to the Future

3. Devolvement of ‘business activities’ from government to the business community

The Chamber believes there is a significant opportunity for a transfer of certain ‘commercial like’ activities from government to the private sector, resulting in cost savings (e.g. laundry services). We recognize that additional analysis is required to confirm financial and service benefits/savings. The Chamber encourages the provincial government, as part of its ongoing review of programs and budget preparation, to identify all ‘commercial like’ activities with the potential for transfer to the private sector. If savings can be achieved without any impact on current service levels, then transfer should be actively pursued.

4. Social policies based on demographic and economic realities

While Prince Edward Island is a small, geographically compact province, its population size, age structure and geographic distribution are changing before our eyes. These demographic changes are **real** and should be reflected in social policies and programs . To do otherwise will no doubt lead to higher taxes on individuals and business - and this is in a jurisdiction where tax burden is already a concern.

From the perspective of the Chamber, the formulation of social policy must be based on sound fiscal/business principles. The Chamber recommends that the Provincial Government show leadership on this matter. Doing so may ease public acceptance and adaptation. The actions by proactive parents in the Eastern School District may indicate that the issue of changing demographics is well recognized and understood. At some point, quality must trump quantity.

Fiscal Stewardship

We would be remiss as the representative of business interests in the greater Charlottetown area if we did not comment on the overall fiscal practices and position of the Province. We offer two recommendations:

Balanced budgets must be the norm and not the exception - the occasional deficit is acceptable, but given the lack of tax room, and the demographic reality we have outlined, deficits must be the exception. We should not expect our children to pay for our inability to live within our means. The chamber is encouraged by recent information that the budget deficit for the current fiscal year may be substantially lower than originally indicated.

Timely reporting is an essential element of fiscal stewardship - we would like to see a full commitment to the release of the Public Accounts no later than six months after the end of the fiscal year. This, to the Chamber, is an essential component of fixed-date elections. Fixed-date elections should not be held without full disclosure of the Province's fiscal position.

Energy

Our final comments are on the impact of rising energy costs - on individuals, families and the cost of doing business in the province. While no one can predict the future with any degree of certainty, the upward trend in energy costs is expected by all informed observers to continue. We

have adapted to significant increases since the fall of 2003 (e.g. heating fuel). Can this adaptation continue?

The European experience would suggest 'yes,' as fuel prices there are well above those in North America,

Heating Fuel ¢/l	Nov. 03	Nov. 04	Nov. 05	Nov. 06	Nov. 07
St. John's	51.5	75.1	83.1	76	86.6
Charl't	48.2	71	79.7	68.7	84.5
Halifax	54.7	78.5	91.9	78.6	88.2
Saint John	54.7	77.3	90.7	74.3	96.5
Québec	50.1	73.5	82.3	69.4	88.5
Montréal	47.3	70.5	80.4	71.2	86.7
Ottawa	48.4	70.9	84.1	72.8	88.6
Toronto	51.6	73.1	83.8	75.8	90.9
Source: Statistics Canada					

