

Speaking Points
Bruce Templeton, Senior Vice President
St. John's Board of Trade
Provincial pre-Budget consultations – January 16, 2009

Thank you for the opportunity to be here today at the beginning of a comprehensive and public Budget consultation. Having multiple stakeholders learn more about each other and discuss provincial priorities in a constructive way is a positive thing. We all share the goal and dream of a stronger province.

The St. John's Board of Trade is the voice of the local business community, and we work to advance the cause of our members. We are employers, yes, but also neighbours, volunteers, and family and friends.

We are pleased that, in Budget 2008, the Government of Newfoundland and Labrador:

- increased the payroll tax threshold
- eliminated sales tax on insurance
- decreased the personal income tax rate by one per cent, and,
- reduced net provincial debt.

We would welcome similar initiatives in Budget 2009, as well as other spending initiatives that would support economic development, industry, and the taxpayer.

Taxation

Tax competitiveness is the Board's most important policy and advocacy issue with respect to the provincial government. Our members' ability to do business successfully is directly linked to tax competitiveness. We recognize it is not the only factor, of course, but the Board cannot stress strongly enough that taxation has a significant impact on business success locally.

Specifically, the St. John's Board of Trade is recommending that the province:

- Set targets for reducing Corporate Tax over time to remain competitive
- Protect our position of having the lowest marginal income tax rates for individuals in Atlantic Canada and work towards an improved national position
- Review and enhance or re-focus tax incentive programs, or introduce new strategic incentive programs to immediately stimulate and diversify the economy.

In principle, the Board is also against the Health and Post-Secondary Education Tax; that is, the Payroll Tax. It discourages job creation, business growth, investment and innovation. It is inequitably imposed and is counter productive to government's investment attraction initiatives which focus on large-scale companies. We appreciate that the threshold has increased in the past few years, but the Board would suggest that this tax-on-jobs tax be eliminated.

Minimum wage

An article posted on CBC online about two weeks ago noted that this province's increase in minimum wage was forcing other Atlantic Provinces to follow suit. The Board thinks that this will create a situation where wages will continue to rise as there will be a competition to keep up. An unending, reactionary increase in wages can force costs up, and raise prices for consumers. This causes a situation where people are making more money but are no better off, which is not the end goal of anyone sitting in this room. Unfortunately, we may be setting ourselves up for a situation where other Atlantic Provinces raise

wages to compete for labour in a tightening labour market and creating a cycle where Newfoundland and Labrador tries to stay at the forefront.

The Board is not suggesting capping minimum wage once we hit \$10, or tying our minimum wage to other Atlantic Provinces. We are suggesting that, with 18 months left before the \$10 mark, government undertake meaningful consultations on where we go with minimum wage after July of 2010.

We applaud government for looking at other ways of addressing poverty and related issues. Minimum wage is not the only policy tool the government can use to combat poverty and the like, and we encourage all interested people to bring their ideas to the table on this important issue.

Debt payment

The Board of Trade strongly supports the Government of Newfoundland and Labrador putting significant money towards paying down the long-term debt of this province. We are encouraged by government's actions in this regard and look forward to having much of this year's surplus put toward a goal that will mean a more secure future for our children.

Debt payment has the effect of lowering taxpayer funds spent on interest and raising the capacity of the province to borrow at advantageous rates in the future if necessary. In the short term, the politics may be challenging, but the flexibility and capacity you are providing to your government next year, and the year after and to people with potential tax reductions is immense. Continue on this path.

City priorities

The Board supports equitable treatment of municipalities and wants municipalities to have the capacity to offer services. That said, the City of St. John's provides services to the whole province and can and should be considered in a unique manner. With the oldest infrastructure in the province, and regional infrastructure to a large extent, the province's massive budget allocations for infrastructure renewal over the next few years would be well directed at the capital. The province should also examine grants in lieu of taxes to ensure that it pays a fair share to municipalities which provide valuable services directly to taxpayers.

Federal budget

One last word on the upcoming federal budget. The Board made a submission in the very limited and rigidly defined federal pre-Budget consultation. In it, we ranked 'expediting infrastructure spending' and 'building strong sustainable labour markets and training incentive's as number one and two. Specifically, we told the federal government to get engaged in construction of the Lower Churchill project. We need to build infrastructure to create short term jobs and long term opportunities. And we need to support this with labour market development and training to ensure we can support long term opportunities.

Our third priority was 'other' and we thank the provincial government for allowing us to borrow the idea of an Oceans Development Agency and the Northern Gateway designation for the province. We will be there to support you on these fisheries management, ocean research and arctic sovereignty issues.

Thank you

It has been my pleasure to come here today and I thank you all for your time. Minister, best wishes for a successful first budget, good luck in your deliberations with Cabinet, and we look forward to seeing the results that support a competitive province in which business flourishes.