



**2010 Pre-Budget
submission
to the Minister of Finance
Hon. Tom Marshall, Q.C.**

March 17, 2010



Overview and Context

The St. John's Board of Trade is pleased to bring forward ideas and issues in a productive and positive manner with the Minister of Finance in advance of the 2010-11 provincial budget. We are pleased that the lines of communication are open as we both work together for the benefit of Newfoundland and Labrador.

Government continually faces difficult decisions and challenges, not the least of which is balancing competing demands and managing expectations. We would argue that initiatives which support the business community support the community as a whole. The St. John's Board of Trade has a role to play in public policy matters in this province; on-going engagement can help us create and bring forward solutions to a receptive government that works for businesses and residents. We try to offer solutions in a productive way in everything that we do.

General Policy Considerations

The St. John's Board of Trade encourages, and is encouraged by, prudent management of the province's finances, though there is some concern about the rise in expenditures over the past decade. Government has to be proactive in acting in the long term best interests of Newfoundlanders and Labradorians by reducing unfunded liabilities, eliminating deficit and maintaining a competitive tax position. We encourage government to 'plan for prosperity' by continuing with debt reduction, examination of tax competitiveness, and how its policies and programs contribute not only to wealth creation and generation but to standard of living. We want a higher quality of life for all residents.

To that end, the Board of Trade as a long term policy endeavour will be developing a prosperity plan. We certainly want to take a broad view of prosperity and ensure that it encompasses debt reduction, economic diversification, opportunities for youth, labour market expansion and enhancement and a host of other issues. This is something we are committed to developing and acting on in the interests of not only our members, but the local community, the region, and the province.

In a related vein, government has taken positive steps forward on the counterproductive payroll tax; however, the business community would be supported in business attraction and development efforts by full elimination of this tax on jobs. The current payroll tax puts companies with Newfoundland and Labrador-based head offices at a disadvantage against companies with head offices outside of the province, even when competing for work within this jurisdiction. This would help existing employers and provide strong support to the Department of Business in competing for incoming investment.

Some of our members have volunteered to demonstrate to government how their business is specifically affected by the payroll tax. A few examples:

[Board of Trade note to readers: specific examples were provided to government; however, due to confidential financial information provided by member companies, these examples been removed from this public document]

As a result, if you are a high labour business with thin margins, it would not be prudent to locate your head office in Newfoundland and Labrador as a result of the Payroll Tax.

Budget 2010-11 Recommendations

Government has to balance many things in the Budget, not just the final number. Commodity prices, rural development, demographics, federal actions and many more considerations have to be accounted for. Still, the St. John's Board of Trade is making



specific recommendations on Budget items because we have made a commitment to our members, and to you as a government, to generate ideas and practical solutions that support both business and people.

Labour Market Development

Labour Attraction and Retention: Developing an action oriented labour attraction and retention plan focused on ex-pats, migrant labour, attracting non-participants into the labour force, and in-migration in all forms would be helpful to both labour and business. The Departments of Human Resources, Labour and Employment, and Business could share this work by selecting 2-3 target geographic market to pursue skilled workers in strategic areas such as trades, medical, entrepreneurs, engineers, and energy. On the retention side, the Board suggests that government provide tax credit incentives to companies who train (i.e. apprentice) skilled labour locally in highly sought after, highly targeted skill areas. The system would return taxes to companies that are hiring and can demonstrate some level of retention. This would put the onus on businesses to create employment, and government may not have to spend all of its allocations for the credit in any given year.

- 2010-11 suggested investment: \$1M

Business Development & Continuity

'Local-to-Local': Demographics suggest that a significant cohort of entrepreneurs will look to retire in the next few years; this may create a dangerous vacuum for local ownership of businesses. Local ownership of business means local decisions and investments being made here. In the next two years, the Board strongly encourages investment into incentives, skill and knowledge transfer supports, training and private sector expertise to support the transition of ownership and management of local businesses to a new generation of local entrepreneurs. Government can support this initiative with **'Local-to-Local' Loans**, administered by a third-party. These targeted loans would facilitate the sale of businesses from locals to locals. This would have a positive impact on businesses in urban and rural Newfoundland and Labrador.

- 2010-11 suggested investment: \$2M

Taxation

Direct Equity Tax Changes: Newfoundland and Labrador would benefit from a Direct Equity Tax System that is increasingly competitive nationally. The Board would be quite willing to add to work it understands is on-going to ensure that this tax supports the development of new and local business. We would also be able to bring the resources of the Newfoundland and Labrador Angel Network, and its group of highly influential and dedicated local business people to any work government can undertake on this. A move to a New Brunswick-type system (arms-length private investment, flexible eligible activities, \$250,000 threshold, and a four year holding period) would encourage local as well as extra-provincial investors to move capital into the province to support our home-grown businesses.

Tax incentive study: The Board recognizes and appreciates the largely competitive tax system established by government. The Board suggests that, while advances have been made, more work can be done. We suggest that government commission a study to identify potential tax incentives that could be introduced and maintained for supporting strategic sectors and employee groups such as health care, skilled trades, ocean technology and IT, and entrepreneurship. This study would support future tax policy decision-making.

- 2010-11 suggested investment: \$100K



Transportation and Infrastructure

Air Access: The Board has advocated to both the provincial and federal levels of government that investment in an advanced landing system for the St. John's International Airport can have a demonstrable economic impact on the capital region and can pay back governments' investment. The capacity to service 700 more flights and 70,000 more passengers annually will pay off the province's \$7-8M investment in short order. Installing this technology will also help the city and province reverse our reputation of being inaccessible due to fog. This will have significant impact on the attractiveness of the province for business and tourism. Air access – whether capacity or weather-related – is critical to economic development.

- 2010-11 suggested investment: \$7-8M

Social Policy

Social Progress: The St. John's Board of Trade is very much interested in having a province where all people can prosper. Government has taken excellent steps on initiatives such as prescription drug coverage; we strongly encourage government to continue these improvements. The Board encourages government to develop a comprehensive inventory of policies to determine if there are any that may have a negative economic impact on lower income earners. This inventory can then be used to determine ways to achieve social objectives at low public costs, with a link to labour supply. This would be a continuation of work government undertakes, but a fast-tracked review process might help government fast-track payoffs in social and economic policy.

- 2010-11 suggested investment: \$100K

The St. John's Board of Trade suggests a total investment, to support both business and people, in Budget 2010-11 of \$11.2M, of which \$8M is an investment in needed airport infrastructure that will provide an easily definable return on investment in the very near term. We believe that what we are bringing forward respects government's need to be prudent with spending but contribute positively to the province in a balanced way. We think that specific, practical and cost-effective measures which look at the bigger picture can link social and economic policy and can benefit a range of people.

Forward Looking Issues

In a few months, minimum wage will be \$10/hour. The St. John's Board of Trade would like to part of the discussion on the minimum wage after July. The Board asks the government to engage directly on this topic so that we can bring forward further solutions on minimum wage and other ways to achieve real prosperity for people. Minimum wage cannot be looked at in isolation – either by a set of stakeholders with vested interest or as a singular way to reach any given social policy objective. We ask for government to announce some form of minimum wage consultations, whether public or stakeholder based, in the Budget.

Final Thoughts

The St. John's Board of Trade has been pleased with the financial and program-related endeavours of the Government of Newfoundland and Labrador recently.

We encourage you to continue to be prudent financial managers, move forward aggressively on economic diversification, and be vigilant in continually supporting our competitive tax environment. The right decisions today, made for the benefit of tomorrow, will create an even better province. The St. John's Board of Trade will work with you and will continue to bring forward more practical solutions to support the residents and businesses of Newfoundland and Labrador.