



## **MEDIA RELEASE**

*For immediate release*

**Tuesday, March 22, 2011**

### **Time to get serious on federal spending**

The federal government's fiscal situation continues to concern the St. John's Board of Trade, even with some good news coming from Ottawa in today's Budget 2011.

"We have said it before – governments can't run deficits," said St. John's Board of Trade Chair Jo Mark Zurel. "Today we're spending more than we can afford. That just means that we'll have to pay out more in the future. That really doesn't make much sense and it's unfair to the next generation."

The Government of Canada's overall budget position still leaves room for improvement – specifically, getting out of deficit. Recent budgets saw hard-fought gains in debt reduction built over tough years of restraint completely wiped out by stimulus spending and general government growth. In 1996-97, government debt was an all-time high of \$562.9 billion; it is budgeted to go up to \$586 billion in 2011-12. Program expenses increased from \$207.9 billion in 2008-09 to \$245.7 billion in 2011-12; this is of concern for the 2011-12 budget because while stimulus spending has ended it appears to have been replaced by other program spending.

"We had really expected to see a lower deficit driven by more control on the expense side," said Mr. Zurel. "But what we do see is a reliance on the economy to pay the bills, spending still growing, and surpluses still a few years away. This is disappointing."

Some positives in the budget for business include:

- Providing a one-time Hiring Credit for Small Business of up to \$1,000 against a small firm's increase in its 2011 Employment Insurance (EI) premiums;
- Providing \$20 million over two years to help the Canadian Youth Business Foundation to support young entrepreneurs;
- Reducing red tape to lessen the compliance burden on small businesses through the Red Tape Reduction Commission and upgrading the BizPal service;
- Providing renewed funding of almost \$100 million over two years for research, development and demonstrations of clean energy and energy efficiency; and,
- Maintaining previously announced tax relief for businesses.

In meetings with a number of federal government officials prior to Budget 2011, the Board pushed for more aggressive measures to return Canada's books back to a surplus position. The Board views surpluses and subsequent debt payment as critical to leaving the country in better shape for the future, for both residents and businesses.

“Every day and every dollar going further into deficit means more Canadians working to pay off interest rather than pay for important programs and services,” said Mr. Zurel. “That’s why we call for restraint, why we advocate for surpluses, why we want structural change in government finances. We want the same publicly as we would have personally – less debt so that we can do the things we really want to do and should do, instead of paying to service our loans.”

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 800 members and their 30,000+ employees in the St. John’s area. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services.

-30-

Media contact: Craig Ennis, Vice President, Policy & Communications, 726-2961, ext. 3 or [cennis@bot.nf.ca](mailto:cennis@bot.nf.ca)

## **BACKGROUNDER – BOARD OF TRADE’S VIEWS ON BUDGET 2011 GOVERNMENT OF CANADA**

### **On debt**

Public debt of approximately \$16,000 per Canadian restricts flexibility to properly fund important existing public programs and services. Public debt charges of \$33 billion annually means that Canadian residents and businesses have to go without \$33 billion worth of programs and services or without \$33 billion of their own money each year.

“With debt increasing, more cost controls have to be put in place,” said Mr. Zurel. “It’s like a Canadian making more money and buying more things but racking up a higher credit card bill; it just doesn’t make any sense and it’s going to catch up with you. Imagine the power of being debt free and being able to use all your money for doing what you really want. That’s why debt payment is so important.”

### **On the global outlook**

The Board’s believes that government action, rather than relying on economic growth, is required to secure balanced budgets. This view is supported by global events which may impact the still fragile global economy, such as trouble in the Middle East and Japan’s natural disaster.

“There are many variables that government cannot control, yet it is largely relying on just those variables to get its books balanced again,” said Mr. Zurel. “We don’t see sufficient planned economic action to reduce the deficit and return to surplus in this budget.”

### **On continued tax cuts**

One area of debate has been continuing with tax cuts while budgets are in a deficit position. The Board recognizes that this is a public policy decision that pits fiscal balance against business investment. The Board’s view is that already agreed-upon and announced tax decisions should be implemented so that business can continue to work with what has been planned.

“Businesses have been working on the assumption that tax cuts implemented by Ottawa will continue to be implemented,” said Mr. Zurel. “Businesses work best when there is certainty – regulatory, taxation, etc. We are pleased that the current tax cuts will remain in place.”

### **On program review**

While the Board recognizes that the Government of Canada has implemented program review to identify savings, these savings are inadequate when compared to the rising costs of government over the past few years.

“The reason we have program review now is because government didn’t watch its growth,” said Mr. Zurel. “Canadians had to belt tighten over the past few years. People and businesses cut costs, went without, put off purchases. Government increased the cost of its operations while Canadians were decreasing theirs. There is a fundamental disconnect there, between Canadian residents and businesses living within their own means and government not following suit.”