

2019 Policy Pillars for Growth

Pillar I: Reduce the Public Debt

Atlantic Chamber of Commerce (ACC) Position

All governments must organize their finances to allow repayment of the accumulated provincial debt.

Why it is Important

Decades of borrowing have resulted in the highest per capita public debt which must be serviced at the expense of essential services such as health, education and maintaining public infrastructure. Even as some provinces record surplus budgets, the public debt continues to climb. Emphasis on measures of borrowing capacity like debt to GDP ratio are not effective in reducing debt payments. As provinces acquire more debt, they run the risk of destroying their credit ratings, reducing their ability to provide services, and becoming less attractive to potential immigrants and investors.

What can be Done

Control Costs

The most effective way to increase revenues is to find less expensive ways to accomplish objectives. The Atlantic Provinces must accept the challenges associated with providing services to a dispersed population, set equitable service standards, and allocate resources in the most effective manner.

Eliminate Deficits

There are two occasions when our governments should consider acquiring additional debt—when the economy is in recession or when the government needs to acquire assets that produce positive long-term economic benefits. Under current conditions (the highest taxes and debt per capita in the country), we should only borrow to support projects that have a net financial benefit to a province.

Economic Growth to Provide New Revenue

As some of our provinces inch closer to fiscal insolvency, it is clear we need to reduce the portion of the provincial budget spent on debt service by expanding the tax base and reducing the size of government.

Private Sector Service Delivery

Consideration needs to be given as to whether the private sector, instead of the government, is the appropriate entity for delivering specific services, including regulation, inspections, and retail operations.

Recommendations

Atlantic Chamber of Commerce recommends provincial governments:

- acknowledge Atlantic Canada has reached its limit in the level of taxation and fees, and emphasize policies resulting in new business creation and economic growth;
- recognize higher taxes can result in lower overall tax revenue;
- not burden future generations with the cost of current government operations; and
- commit to paying down the provincial debt except in times of economic contraction.