



February 18, 2018

Hon. J. Heath MacDonald  
Minister of Finance  
PO Box 2000  
Shaw Building, 2nd Floor  
Charlottetown, PE C1A 7N8

**Re: Provincial Budget Consultations**

Dear Mr. Minister,

As your government concludes consultations on the 2018-19 provincial budget, the Atlantic Chamber of Commerce wishes to offer recommendations on several aspects of the province's fiscal plan.

It should be noted and your government congratulated that economic conditions in PEI are very positive. By working together, business and government have been able to grow the economy, reduce red tape and achieve the highest level of population growth in Atlantic Canada. The following recommendations for the coming year's budget are offered in the spirit of extending and enhancing these positive trends.

**Responsible Fiscal Management**

Above all else, the ACC encourages the PEI Government to extend its record of tabling balanced budgets and begin paying down the provincial debt. Our members believe that future generations should not have to pay for current expenses. Government should limit borrowing to initiatives that benefit future Islanders, like trade-enabling infrastructure, education, and health promotion. Benchmarking to broad economic statistics like debt to GDP ratios obscure the fact that governments in many instances are mortgaging our future to provide for current services.

As guardian of the public interest, the government has traditionally retained responsibility for delivering numerous social and economic programs. Yet opportunities exist for shared responsibility between business and government. We urge government to seriously evaluate opportunities for the private sector to manage and deliver public services where efficiencies can be achieved. The government's decision to prohibit private sector retailing of recreational cannabis represents a missed opportunity engage the private sector and create new enterprises.

## **Competitive Business Environment**

The current costs of doing business in PEI are among the highest in the country and will only grow with increased CPP premiums and a price on carbon. It is essential that the provincial government consider the impact of all costs and adjust tax rates to provide consumers with more money to spend and help business remain competitive.

To accomplish this we recommend the province reduce the corporate tax rate to 12% to align with the majority of provinces and small business rate to 2% to encourage local entrepreneurs. Such reductions do not represent 100% loss of government revenues and will be offset by increased personal and sales taxes.

Equally important is the impact of the current tax regime on wage earners. The ACC recommends an increase and indexing the basic personal exemptions and tax brackets to reduce the impact that inflation has on taxpayers. Increases in income tax thresholds will have a more positive impact on individual prosperity than increasing the minimum wage. This accelerated rate of increase continues to have a notable impact on the cost structure of one of the Island's most important sectors - tourism.

## **Public Education**

As the nature of the economy evolves and the impact of technology increases, our youth require higher levels of literacy and numeracy in order to succeed in securing employment. The results of student assessments indicate that the public school system can do better in providing students with the tools needed to excel in school and the workplace.

Higher reading, math and technology scores will increase success in post-secondary education, workplace productivity and build a stronger economy. A strong education system is also a significant factor in decisions to locate or stay in a specific community. We urge the government to work with all stakeholders (business owners, educators, administrators, and parents) to establish outcome and attainment measures that will inform curriculum development and allocation of educational resources.

In closing, we are encouraged by the efforts of the current government to grow the economy and support its commitment to balanced budgets. Business leaders located in communities across the provinces are willing to collaborate with government in reducing service delivery costs and attracting growth and investment to the PEI economy.

Yours truly,

*Glenn Davis*

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