



## Charting a Course in 2018 for Future Economic Prosperity

As 2017 nears its end, Atlantic Canadians have good reason to be proud and optimistic. We have huge, under-exploited potential with our proximity to major markets, top-notch post-secondary institutions, abundant natural resources and energy potential, and vibrant R&D and technology sectors with more innovation taking place each day. But more than anything, Atlantic Canada has an incomparable quality of life—where else can a 20-year-old become rich selling clothes that advertise local pride?

But as we look back at 2017, we must acknowledge indicators signalling the need for positive change if we are to chart a course to prosperity in Atlantic Canada. As many economists have noted, the recent past for Atlantic Canada was not particularly encouraging. Our region has chalked up a decade of economic growth rates 50% below the national average, our population is aging quickly, there are more deaths than births, our youth are leaving the region because they do not believe there are opportunities here, and we are challenged to attract and retain newcomers to the region to help fill the many labour gaps and propel our economy forward.

Governments have taken some positive steps by reducing the tax rates for small businesses which make up more than 75% of all companies. But it continues to reduce their competitiveness by increasing other operating costs through hikes in sales taxes, property taxes, pension plan premiums, as well as new levies on burning fossil fuels. Many of these costs will only continue to increase year after year.

2017 also saw two new concepts introduced resulting in significant controversy: a proposed 15-dollar per hour minimum wage to ensure everyone attains a 'living wage' and the notion of tax fairness. Analysis shows more than 80% of minimum wage earners have family incomes above the poverty line. An accelerated minimum wage increase will result in proportional increases to all wage earners or price increases. By necessity, business owners will, consider automating low-skilled jobs (e.g., self-serve checkouts) resulting in fewer jobs for those who need them most—low-income earners and students.

Tax reform is needed, but the government's quest for tax fairness has not been without contention. Minister Morneau suddenly announced this summer that businesses who have been complying with existing tax rules for decades should no longer be allowed to reduce their tax obligations by incorporating. In response to very vocal opposition, the government acknowledged its initial proposals were flawed; however, they persist in claiming they can rebalance the tax system with only minor refinements. When the top 20% of earners are already providing 50% of tax revenues and the proposed tax changes will impact more than 75% of businesses in the country, it begs the question—what does tax fairness look like? A comprehensive review of our tax system is required to create economic conditions that provide some sense of future certainty and manageability for business.

As we head into 2018, we need our political leaders to embrace the critical realities influencing our future prosperity and ensure we create circumstances for successful, growing businesses in Atlantic Canada. We have seen positive efforts in the form of the Atlantic Growth Strategy as the four provinces align and focus upon key areas to drive growth. It will take collaboration, focus, innovation and agility to

seize the opportunities for new businesses to locate here or for established businesses to invest and grow.

Let 2018 be our turning point in Atlantic Canada's economic history where we push aside party politics, in favor of good governance, policies and practices that build a stronger economy and flourishing communities. Our respective governments should hold true the fundamental goal of providing a predictable and competitive economic environment, by:

- 1. Supporting a private sector-led economy.** Providing economy-wide conditions to encourage businesses to invest and grow, and to encourage a multi-sector investment attraction strategy rather than preferential market support to a limited number of sectors. Diversity is key.
- 2. Thinking global.** Our business cost structure and trade development strategies need to encourage more businesses to exploit new opportunities available under free trade agreements.
- 3. Acting quickly and predictably in development of natural resources.** Facilitate safe and sustainable resource development in a timely manner, rather than lose potential development opportunities to jurisdictions with more agile regulatory processes.
- 4. Helping ensure availability of a skilled workforce.** Work with the private sector and post-secondary institutions to ensure education and immigration programs are in place to improve employability and fill skills and labour gaps quickly.
- 5. Organizing government around sustainable economic zones.** Recognizing economic growth rates are higher in larger communities, focus governance and service delivery in regional zones to provide economies-of-scale and create economic hubs that support growth outside major urban centres.

Our economic potential will be achieved over time, so we need to act now. There are golden opportunities to return Atlantic Canada to prosperity, but we need our leaders to make decisions that promote growth and reduce the costs of governing and providing for our smaller geographically-dispersed population.

Our future and the future of generations to come depend on making smart, strategic, and yes, tough, choices now that transcend election cycles and allow our people, our businesses, and our communities reach their full potential.

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