

The Chartered Accountants of Newfoundland and Labrador

Presentation to the Minister of Finance and President of the Treasury Board, Honourable Thomas W. Marshall, Q.C.

The Chartered Accountants of Newfoundland and Labrador are pleased to present to Government our pre-budget submission for the 2012 – 2013 budget consultation process. Our 750 members; working in business, education, government, and public practice; are seen as business leaders and trusted advisors and therefore, we welcome the opportunity to provide our comments for the upcoming provincial budget.

Once again, our submission will revolve around the themes of debt reduction, spending control and economic development.

Debt Reduction

First, we commend the government for reducing the Province's Net Debt per Capita from a high of \$22,900 per person in 2004 to a current low of approximately \$15,500 per person in 2011. However, the next two budgets are expected to reverse this trend. We still have the highest debt per capita in the Atlantic Provinces and one of the highest in the country, second only to Quebec.

We are very pleased you took our last year's suggestion of applying the unexpected surplus to paying down the provincial debt. Regardless of our financial position, an ad hoc basis of debt repayment is not sufficient. The Provincial government should have a **stated "plan" or systematic program** for reducing the provincial debt while we have the oil revenues to do so.

Spending Control

Much of the Province's recent economic successes can be traced directly to offshore oil royalties. As you noted in your Fall Update, Newfoundland and Labrador is one of three provinces taking advantage of high commodity prices and continued strong demand from emerging markets. This has led to the strong surpluses we have enjoyed over the past number of years.

However, Government spending is increasing at a rate far in excess of inflation. This is not sustainable. As we commented last year, and given the projected deficits in the next two years, the Government should continue to review all provincial spending. The Government needs to identify cost savings and increased efficiencies, particularly in the largest spending area of health care. Demographics indicate health care demand is only going to increase and therefore, health care programs need to be delivered more efficiently.

Economic development

Now that the Department of Business has been folded into the new Department of Innovation, Business and Rural Development the myriad of business incentive programs, including EDGE (which was studied last year) should be clarified and publicized. As Chartered Accountants we consistently find our clients have difficulty accessing these programs because they are either unknown or the application process is too cumbersome and time consuming.

In addition, we in Newfoundland & Labrador know about the exceptional business environment in our province but others outside the Province still seem to have negative perceptions. The province has done an excellent job advertising tourism and it seems only logical an advertising campaign extolling the virtues of our business environment should attract more businesses and employees to this province. Attracting more business is key to fueling future growth. We have a stable political environment, competitive taxes, a booming resource sector, and a quality of life second to none. Why not promote it.

In closing, we recognize that you cannot do this alone. The entire Cabinet must be more involved in public consultations regarding spending control, and encouraging economic development. Given the current stable political environment the “time is now” to address the challenging, dual responsibilities for debt reduction and prudent fiscal management. “Carpe diem”!

We appreciate the opportunity to provide these comments.