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May 9, 2017

The Honourable Kevin Doherty, Minister of Finance
Room 312, Legislative Building
2405 Legislative Drive
Regina, SK
S4S 0B3

Re. Government Direction in Light of Provincial Budget

Dear Minister Doherty,

The NSBA is a member-driven and focused organization that serves, promotes, and protects business throughout Saskatoon and beyond. From its grassroots origins of a handful of businesses, today's NSBA consists of a membership in excess of 700 companies. Members range from single owner-operator proprietors to large multinational corporations.

Our Budget Day news release stated that the 2017-18 Provincial Budget was a bitter pill for business to swallow. While this saying often takes on a negative connotation, the NSBA feels that the commitment to strategically eliminate the deficit while promoting growth is an appropriate cure even if the medicine tastes bad on the way down.

To this end, the NSBA commends you and your colleagues on the initial efforts made in terms of transformational change regarding fiscal restraint and curbing expenditures in government. Businesses have been forced into similar restraints. We understand that this process can hurt but, if done correctly, can help an organization become more efficient and poised to capitalize when the economy rebounds. Having said that, however, we believe there is still work to be done to lower expenditures to a sustainable level given that budgeted expenditures have risen from \$9.1B in 2008-09 to \$14.8B presently. We believe further expense reduction is necessary, and given the substantial growth of expenditures in such a short time, believe a variety of options should be relatively apparent.

We also applaud the efforts taken to not stifle growth in the province; as it would be a very easy fiscal decision to raise taxes. We commend your acknowledgement that to do so would deter investment and growth. We are relieved that you and your colleagues have lowered the corporate income tax rate, begun the transition to consumption taxes, and widened the tax base before considering further taxes on income or investment. We are also pleased to see continued investment in infrastructure which, when combined with a Best Value approach to procurement, will offer many opportunities to Saskatchewan businesses.

Combined, these aforementioned items – along with the commitment to returning to a balanced budget instead of running ongoing deficits – give us hope that there is light at the end of the tunnel. Despite this, there are some specific changes that give us pause and that we would encourage the government to reconsider in the future.

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“Supporting Saskatoon’s Business Community”



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While we commend you for widening the tax base, we have concerns about the consequences of some PST exemption eliminations in the long-term. Notwithstanding the changes implemented regarding tax-free materials for construction companies, there will be impacts felt at the consumer level, which will likely impede development and investment. For example, the costs of PST on new homes will affect the affordability of homes which in turn will decrease the demand in the market. Not only does this have an impact in terms of dollars and cents but it will also impact the ability to attract and retain talent, which is a priority for government as well as business.

Secondly, we are concerned about the ability of Saskatchewan companies in sectors such as manufacturing and modular home construction to compete with out-of-province companies. Out-of-province competitors who sell an end product – such as a vessel or modular home, for instance – can avoid paying PST on their inputs, including labour. They therefore have an inherent advantage over their Saskatchewan counterparts and this is a long-term danger to the province's economy.

We are also very concerned about the decision to apply PST to insurance premiums, which will ultimately hurt workers as companies scale back benefits plans or cut them altogether. At the very least, it will add significant overhead to companies that provide benefit plans to their employees, as they will now be taxed on the employer-paid portion of the premiums. This decision will be detrimental to attracting and retaining talent and will harm companies' ability to invest in the province.

We understand the reality that the province faces in light of a large deficit; we have been longtime supporters of balanced budgets and strong fiscal management. To borrow our metaphor from above, we are happy to see that a cure (a plan) has been prescribed, but we are also keen to ensure that the pill we are swallowing is treating the correct symptoms.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Moen', written in a cursive style.

Keith Moen
Executive Director

Cc: The Honourable Brad Wall, Premier of Saskatchewan

"Supporting Saskatoon's Business Community"