



# AIMS Platform for Nova Scotia

**By Jackson Doughart  
and Alex Whalen**



*Halifax, Nova Scotia*

*May 2017*




## The Atlantic Institute for Market Studies (AIMS)

AIMS is a Canadian non-profit, non-partisan think tank that provides a distinctive Atlantic Canadian perspective on economic, political, and social issues. The Institute sets the benchmark on public policy by drawing together the most innovative thinking available from some of the world's foremost experts and applying that thinking to the challenges facing Canadians.

AIMS was incorporated as a non-profit corporation under Part II of the *Canada Corporations Act* and was granted charitable registration by Revenue Canada as of 3 October 1994. It received US charitable recognition under 501(c)(3), effective the same date.

287 Lacewood Drive, Suite 204,  
Halifax, Nova Scotia, Canada B3M 3Y7  
Telephone: (902) 429-1143

 [aims@AIMS.ca](mailto:aims@AIMS.ca)     [facebook.com/AtlanticInstituteCA](https://facebook.com/AtlanticInstituteCA)     [@aims\\_ca](https://twitter.com/aims_ca)

 [www.AIMS.ca](http://www.AIMS.ca)     [/company/atlantic-institute-for-market-studies](https://LinkedIn.com/company/atlantic-institute-for-market-studies)

---

### Board of Directors

*Chairman:* John Risley

*Former Chairman:* John F. Irving

*President and CEO:* Marco Navarro-Génie

*Vice-Chair:* Scott McCain (New Brunswick),

*Vice-Chair:* Don Mills (Nova Scotia)

*Vice-Chair:* Leo Power (Newfoundland and Labrador)

*Secretary:* Fae Shaw

*Treasurer:* Doug Reid, FCA

*Directors:* Paul Antle, Laura Araneda, Lee Bragg, Dr. Robert Campbell, Stephen Emmerson, Dr. Richard Florizone, Nelson Hagerman, Doug Hall, Dennice Leahey, Todd McDonald, Jonathan Meretsky, Andrew Oland, Bob Owens, Peter Woodward.

### Advisory Council

George Bishop, George Cooper, Ivan Duvar, Peter Godsoe, James Gogan, Frederick Hyndman, Bernard Imbeault, Phillip Knoll, Colin Latham, Norman Miller, James Moir, Jr., Gerald L. Pond, Allan C. Shaw, Joseph Shannon.

### Board of Research Advisors

*Advisors:* Ian R. Brodie, Charles Colgan, J. Colin Dodds, Morley Gunderson, Doug May, Jim McNiven, Robert Mundell.

---

The author(s) of this document worked independently, and is solely responsible for the views presented here. The opinions are not necessarily those of the Atlantic Institute for Market Studies, its directors or supporters or of other organizations with which the author(s) may be affiliated. Any errors or omissions remain the responsibility of the author(s).

# AIMS Platform for Nova Scotia

By Jackson Doughart and Alex Whalen

## Table of Contents

Executive Summary	5
Introduction	7
Topic I: Energy	11
Topic II: Municipalities and Economic Development	13
Topic III: Public Finance	15
Topic IV: Healthcare	17
Topic V: Education	19
Topic VI: Immigration	21
Topic VII: Labour	23
Topic VIII: Trade	24
Conclusion	26
Endnotes	27
Bibliography	28

*Halifax, Nova Scotia*

*May 2017*

## About the Authors



**Jackson Doughart**, MA, is Research Coordinator at the Atlantic Institute for Market Studies. He has an academic background in political science, having received a master's degree from Queen's University, where his graduate work focused on political theory and international relations. He writes regularly on regional policy issues, with columns appearing in the *National Post*, the *Charlottetown Guardian*, Halifax's *Chronicle Herald*, and Saint John's *Telegraph-Journal*.

Mr. Doughart has co-authored three papers for AIMS: *Private Sector Investment in Atlantic Canada*, *The Size and Cost of the Public Sector in Atlantic Canada*, and *The Size and Cost of the Public Sector in Western Canada*.



**Alex Whalen**, JD, BBA, is Operations Manager at the Atlantic Institute for Market Studies. He is a graduate of the Schulich School of Law at Dalhousie University, where he focused on business and tax law, and of the UPEI Business School, where he focused on economics, entrepreneurship, and strategic management.

He brings prior experience as an entrepreneur, business manager, and freelance writer, appearing in the *National Post*, *The Chronicle Herald*, the *Charlottetown Guardian*, and the *UPEI School of Business Magazine*. He writes regularly on public finance, taxation, municipal affairs, politics, and economics. Mr. Whalen is a native of Summerside, Prince Edward Island.

## Executive Summary

In the Spring of 2017, AIMS surveyed dozens of leading minds in Nova Scotia about the province's future. Respondents discussed their concerns about Nova Scotia, including its low growth, decaying public institutions and demographic stagnation. To reverse decline, this group proposed many original and helpful insights for public policy reform.

This paper represents the fruit of these discussions as the AIMS platform for Nova Scotia, coinciding with the 2017 provincial election campaign. Its purpose is present ideas from our interviews and from AIMS's own research in a succinct format, with a series of implementable policies for a new government, of any political stripe, to adopt. Keeping with the Institute's mandate, these prescriptions come from a market-oriented perspective.

The paper identifies three central challenges facing Nova Scotia:

1. A sense of disenfranchisement and lack of accountability;
2. Anemic economic growth; and,
3. Unsustainable spending habits.

Authors Jackson Doughart and Alex Whalen make the following policy prescriptions, separated by policy area:



### I. Energy

1. Overturn moratoria on fracking for natural gas and on uranium exploration.
2. Establish a sovereign wealth fund for resource revenues.



### II. Municipalities & Economic Development

1. A back-to-basics approach for economic development.
2. Consolidate provincial services into eight geographic hubs.
3. Implement road tolls to fund highway maintenance and expansion.



### III. Public Finance

1. Lower business tax rates.
2. Freeze overall program spending.

3. End “bracket creep.”
4. Reduce the number of per-capita public servants to the national average.



#### **IV. Healthcare**

1. Allow and encourage communities to hire their own doctors.
2. Review scope of practice rules for doctors and nurses.
3. Consolidate streamlining of services.
4. Grant access of test results to patients.



#### **V. Education**

1. Eliminate school boards and push more administrative control to schools.
2. Implement regular standardized testing for consistency and accountability.
3. Create school vouchers to allow more children to access alternatives to public schools.
4. Focus on improving math and science outcomes.



#### **VI. Immigration**

1. Increase immigrant intake overall to make Nova Scotia’s intake the largest in Canada, relative to population.
2. Expand the federal-provincial pilot project with a focus on attracting American immigrants.
3. Reduce red tape for immigration by creating an Office for Immigrant Affairs.



#### **VII. Labour**

1. Create tax incentives for young people to stay in the province.



#### **VIII. Trade**

1. End the NSLC liquor monopoly and tear down barriers and impediments to alcohol trade.
2. Join the New West Partnership Trade Agreement.
3. Encourage the creation and relocation of export-focused firms.

## Introduction

This policy paper coincides with the 2017 provincial election in Nova Scotia, to be held on May 30th. Election time provides an occasion for discussing the state of the province, the public policy direction, and ideas for the future. To this end, we present the AIMS Platform for Nova Scotia, a “roadmap” for public policy reforms in the province. This roadmap has been compiled after extensive consultations about Nova Scotia’s future with dozens of our leading public policy minds.

While Nova Scotia is a great place to live, the province finds itself on several worrying economic and social trajectories, which public policy must aggressively and inventively reverse. The ability to retain a high quality of life for the population will depend on better policy. Simply put, if we want the good things about Nova Scotia to remain the same, we will have to embrace change.

As an independent think tank, our role is to inject ideas and market-based policy suggestions for Atlantic Canada. We publish regularly on a wide range of topics, from education and healthcare to energy and immigration. The purpose of this document is to provide a succinct description of implementable public policies that coincide with our areas of research.

AIMS endorses no political party or special interest agenda. We welcome any group or party to take up any of our suggestions as their own, in the service of a better overall policy regime and a more prosperous province.

## Methodology

In preparing this document, we consulted with dozens of leading minds in Nova Scotia, interviewing them about economic and social problems that could be addressed through policy reforms. While we guarantee anonymity for these participants, we can divulge that among them were economic development experts, former elected officials from all three major political parties, entrepreneurs and industry representatives, academics, students, and doctors. Also among the group were former Members of Parliament, members of the Order of Canada, and several PhDs. Their responses were instrumental to this project.

We have combined their suggestions with our own research at AIMS, presenting an introductory section noting the three biggest problems facing the province, followed by a section for each of our areas of research with specific, implementable policy proposals. We thank the various participants for their time in assisting us with this project.

## A note about reform

One consistent piece of feedback we received in the survey and in our discussions with stakeholders is a lack of faith in government and waning confidence in “the system.” Specifically, the topic of vision comes to mind. Vision is often thrown about as an abstract concept, and falls quickly into buzzword territory.

However, here we define vision as taking bold, extraordinary steps, involving some risk, to substantially change course. The status quo should not be acceptable for any province — let alone one that is falling behind. Therefore, we place emphasis on the importance of proposing and duly considering “out of the box” ideas. Nova Scotians must consider alternatives not previously proposed, and embrace change and its associated challenges.

This in mind, we have taken care to craft proposals that are not, in our minds, status quo. Our recommendations are designed to create serious change. We encourage readers to be open-minded and not immediately reject any item because it is out of the ordinary course of discussion. Our objective is to present inventive and implementable ideas.

Nova Scotia’s challenges are not ordinary. The demographic cliff coupled with economic stagnation are problems that do not lend to piecemeal solutions or timid reform. To change our collective direction, we must consider bold ideas.



## Three Problems Facing Nova Scotia

In our discussions, three overarching themes revealed themselves as the key challenges facing the province:

### 1. Sense of disenfranchisement and lack of accountability

In our survey of Nova Scotia's leading minds, the subject of accountability was prevalent. There is a sense that figures of power and authority in Nova Scotia are not properly held to account and that the province is falling behind in its economy and society. One could argue that a source of this feeling of frustration is a public policy rut: for decades, the same ideas have been tried, while promises of greater development and prosperity have not been realized. To invigorate the political process and greater participation, the province needs a new set of ideas to unlock its potential. This document aims to promote some of these ideas.

Another way to improve this sense of frustration is to address the economic conditions of the province, such that more wealth and jobs would flow. Focusing on these new ideas, in a non-partisan fashion, should also reveal that no political party or faction has a monopoly on good policy and proposals.

### 2. Anemic economic growth and timid economic policies

Nova Scotia's GDP has grown at half the national rate throughout this century, and we are almost through 20 percent of the century.<sup>1</sup> The province should aim to average two-percent economic growth, or exceed Canada's GDP growth, each year for the next five years. There needs to be leadership shown here, by recognizing that perennial underachievement is not good enough. This is critical. Falling behind a percent or two, whether it be on economic growth or population, adds up to a significant decline when played out over a long period of time. Nova Scotia cannot continue to be so out of step with the rest of the country.

### 3. Unsustainable spending habits

Government dominates the economy. Nova Scotians are highly taxed<sup>2</sup> and the economy cannot grow because of the weight of government. Despite paying some of the highest taxes in Canada,<sup>3</sup> government services are deteriorating. Teachers have been working to rule. Students have lost nearly two weeks of instructional time due to snow days.<sup>4</sup> Many families have no access to a family doctor.<sup>5</sup> Residents are now paying high taxes for inadequate services.

Per-person government program spending has grown considerably in Nova Scotia. Over the past decade, public accounts show that government spending has increased from \$8,464 per person to \$10,812 in 2016 dollars, a 28 percent increase. While the level has stabilized over the past five years, government cannot afford to continue growing in future years — especially without greater economic growth.



## Topic I: Energy

### 1. Overturn moratoria on hydraulic fracturing and uranium mining.

Moratoria on hydraulic fracturing have prevented energy resource developers from extracting Nova Scotia's rich subterranean gas deposits. In a paper last year for AIMS,<sup>6</sup> energy policy expert Andrew Pickford outlined the many natural gas opportunities for Atlantic Canada, including Nova Scotia.

Hydraulic fracturing or "fracking" is a widely-employed method for resource extraction and is needed to harvest onshore gas reserves in Nova Scotia. By reversing the unwarranted ban on fracking, the province would open a fruitful enterprise, creating wealth and jobs. It would also allow for more of the province's energy needs to be met by domestic production, lessening dependence on imported natural gas from Western Canada and the United States.

However, merely lifting the moratorium is not the only needed policy action. Entering the market for liquefied natural gas (LNG) requires a long-term strategy — in particular, one that creates a stable and consistent investment environment. To attract this investment, the province needs to develop a long-term, cross-partisan position on hosting LNG projects.

Investors require confidence that there will not be radical policy changes or that unnecessary bureaucracy, caused by multiple levels of government and regulation, will create a backlog of projects. To this end, the province should reallocate existing resources to appoint a Major Project Facilitator, who reports directly to the premier and coordinates the approval process. This person must also have the authority to deal with disputes between local departments and work with federal counterparts to expedite decisions. This office could also liaise between the project proponent and the government to outline responsibilities and expectations.

Uranium mining was also placed under a moratorium in the early 1980s and later banned outright. It would be beneficial to extract uranium deposits in the province. First, this resource could be traded for economic gain. Second, it could be a preventative health measure, potentially lessening future health effects from uranium exposure. Unfortunately, the climate in which exploration was halted was one of political controversy instead of genuine, scientific and economic inquiry. The next government should reopen mining exploration.

## **2. Establish sovereign fund for resource revenues.**

Opening Nova Scotia to natural resource extraction would produce a financial windfall for the economy and workers, but also to government through resource revenues. The experience of other jurisdictions lends some sobering lessons for what to do with those revenues. Within Canada, Newfoundland and Labrador and Alberta are two provinces whose reliance on resource royalties for government program spending has created public finance difficulties. When permanent spending obligations are financed by volatile resource-based income, governments run the risk of relying on deficit spending and engaging in sudden program cuts, given short-run fiscal difficulties.<sup>7</sup>

We recommend that Nova Scotia's government save 100 percent of resource-based revenues. The province should use these savings to pay down the public debt principal, then use them as an emergency reserve fund.



## Topic II: Municipalities and Economic Development

### 1. Adopt a back-to-basics approach to economic development.

Weak economic growth is a widely-acknowledged problem in Nova Scotia, especially outside the Halifax Regional Municipality, where economic decline has met a demographic downturn to ill-effect.<sup>8</sup> Unfortunately, the common prescription of regional economic development — focused on subsidies and central planning as an economic engine — doesn't work. Ultimately, the economy would be better served by government getting out of the active development game.

Instead, government should focus on a back-to-basics reform agenda, focusing on the most important policy elements: namely, a regime based on competitive tax rates and regulations that are as streamlined as possible. We need to stop seeing government as the captain of the economic ship, who picks economic winners and losers. Business should lead economic growth.

### 2. Employ road tolls to finance highway construction projects, notably twinning of the 100-series highways.

We advocate an aggressive toll road project to expand and maintain Nova Scotia's divided highways. Construction work would create a short-term economic benefit (a recent consultation discussed construction of up to \$2.2-billion dollars in new roads<sup>9</sup>) and a long-term benefit of greater transport capacity for industry, tourism, and commuters.

The project would be a partnership with private equity and the federal government, potentially tapping into the new Canada Infrastructure Bank. With these partners, a toll regime could replace the current fits-and-starts expansion model, which depends on haphazard federal infrastructure money. A properly-structured toll model can stabilize funding and allow for expansion.

Apart from fairly placing the cost of highways on those who use them, this policy would allow the province to address congestion, a particular problem for major thoroughfares in Halifax. With tolls, one has the option of reducing or waiving fees in off-peak times to shift driving habits.

This system would be better for taxpayers. Savings from the infrastructure budget could be used to lower personal taxes. For local residents who are disproportionately affected

by new tolls, we propose either a reduced toll rate or a year-end tax rebate to offset costs. Local residents should pay some tolls, but not be subject to an enormous burden.

The toll price will need to be reasonable. Fees as high as \$21 were discussed in the consultation,<sup>10</sup> which is too high. The present fees for Highway 104 may serve as a good start. On the other end, tolls cannot be too low and should be indexed to adjust for inflation.

### **3. Facilitate the consolidation of provincial service delivery into geographic hubs.**

Provincial government services are too widely administered for Nova Scotia's budget constraints. To cut down on redundancies and improve efficiencies, the province should strategically establish service hubs in the province, with the intention of providing a service zone around the hubs. Over time, this would lead to a helpful concentration of population around the service hubs.

However, the largest benefit of this model would be a reduction in unnecessary duplication of services. In other, more geographically-dispersed provinces, people consider it reasonable to drive longer distances to access government services. Given our fiscal constraints, every small town cannot have a full slate of provincial services. Instead, government should concentrate on service centres that meet the needs of the broader region they serve.

For example, Corporate Research Associates has advocated having eight service hubs across the province. They also note this model as a means of reducing our dependence on seasonal work by bringing more people and jobs to our economic centres. This is certainly an attractive option. Nova Scotians should have the right to live where they choose; however, the necessary counterweight to that right is a rational distribution of government services.



## Topic III: Public Finance

### 1. Lower business tax rates.

The case for lower corporate taxes is straightforward: by taxing business income, the government draws money out of the economy that could otherwise go to greater investment in business and industry.<sup>11</sup> It is also an important matter of provincial competitiveness: lowering a jurisdiction's business tax rate will make it more attractive for creating new businesses, expanding existing ones, and relocating companies from other provinces.

At present, Nova Scotia's small business threshold — the income level at which a business becomes taxed at the upper rate — is the lowest in Canada.<sup>12</sup> This policy serves as a disincentive for small businesses to become large ones that employ more people and create more wealth. Nova Scotia's threshold should increase to at least the national average of \$500,000.<sup>13</sup>

Nova Scotia is tied with P.E.I. as the highest-taxed provinces for business,<sup>14</sup> with an upper rate of 16 percent on income. To improve competitiveness, the province should lower its high rate to 10 percent, which would make it the lowest in Canada.

This is an aggressive step, but we need the province to be aggressive. It also wouldn't significantly affect the provincial budget. Presently, business taxes make up only about five percent of provincial revenues.<sup>15</sup> As such, lowering rates would be affordable, especially with the other reforms we propose about limiting spending. This policy could be phased in over three years, with savings in expenditure going toward a targeted lower tax rate.

### 2. Pass legislation to mandate an indefinite, overall program spending freeze.

It is not enough for governments to commit to deliver balanced budgets, and history shows those promises are rarely kept. With Nova Scotia's spending problem, there will always be the temptation to achieve balance by raising taxes and fees. As such, balanced budget legislation may not be the best way of keeping spending down.

Instead, we propose that a legislated overall spending freeze be applied to program expenditure. The recently tabled 2017-18 budget forecasts \$9.49 billion in program spending.<sup>16</sup> With an estimated current population of 952,024, the per-capita program spending is \$9,965. Legislation would limit government program spending (i.e. excluding

debt servicing, capital spending, and pension obligations) to this figure for future years, indexed to inflation. With a per-capita figure, growth in population would allow for more overall spending as necessary. And as an overall spending figure, government would be able to exchange savings in some areas for increases in others, while maintaining focus on a constant spending level. If government were to hold the line on spending over several years, economic growth would allow revenues to outpace spending, creating surpluses that could be used to pay down debt.

### **3. End bracket creep.**

Nova Scotia is one of three Canadian provinces that mandates static thresholds for provincial tax brackets. As inflation pushes nominal incomes up, citizens can cross into a higher bracket without having earned more real dollars. This is a deeply unfair practice, amounting to a de facto tax hike on people whose income happens to fall near one of the bracket thresholds.

The best solution to the problem of bracket creep is to eliminate tax brackets altogether and implement a flat tax rate on income, coupled with a higher exempt amount for all residents. But short of a flat tax, Nova Scotia should remedy bracket creep by following most Canadian provinces in indexing their bracket thresholds to inflation. This means that the brackets would increase incrementally year-on-year, as inflation does. Such a reform would prevent citizens from being taxed at a higher rate when they have not earned any real increase in purchasing power.

### **4. Reduce the number of per-capita public servants.**

A significant contributor to Nova Scotia's spending problem is its high number of government employees relative to population. Excluding federal, municipal and aboriginal service employees, the most recently-available data from Statistics Canada show that Nova Scotia's government employs 82,550 people,<sup>17</sup> or 87 public servants per 1,000 residents.<sup>18</sup> The same dataset indicates the national average to be 66 per 1,000.

There is no good reason for Nova Scotia's per-capita rate to be so far above the norm, especially considering the burden of using public monies to pay salaries for these employees. By the end of the next government's term, it should reduce the number of persons employed by the province to the national average.





## Topic IV: Healthcare

### 1. Allow communities to hire their own doctors in accord with local demand.

Healthcare rationing is a major problem facing Nova Scotia. In particular, the province struggles to install enough family doctors for all of the population that desire them. Among healthcare challenges, access to primary care is one of the primary grievances.

Ultimately, this problem is a necessary symptom of the centralized healthcare model of the province. As the single payer, governments are in the position of rationing health services. So long as this control remains, chronic mismatching of supply and demand will continue. The central planning approach needs to change, allowing for market mechanisms to help solve our primary care shortages.

One way to alleviate the burden would be to allow and encourage communities in Nova Scotia to hire their own family doctors outside of the provincial health bureaucracy. Communities know their local needs, but are presently stuck with whatever the province decides they should receive.

### 2. Widen the scope of practice for Registered Nurses, allowing them to treat common conditions within the scope of their competence.

Much of a doctor's time is wasted on patients whose health issues could be easily addressed by other health professionals. While it is advantageous for doctors financially to provide the advice a nurse could offer, it is an inefficient use of resources. The province should review scope of practice rules allowing Registered Nurses to take on more responsibilities, freeing doctors to spend more time where their unique expertise is required.

### 3. Consolidate services to streamline spending.

The 2016 Auditor General's report discussed redundancies in health spending, especially about the number of hospitals in the province.<sup>19</sup> In concert with our suggestion above to focus services in municipal "hubs," hospital services should be one example. With health spending taking up nearly half of government program spending, it is necessary to bring costs down where possible.

#### **4. Deliver test results directly to patients.**

Part of making people responsible for more of their own healthcare is to transfer more information to them. Test results are a fine example. There is good reason to send medical tests to patients by e-mail instead of filtering test results through a doctor's office. This reform would prevent the waste of time and administrative errors in delivering results to patients. Sometimes these errors cost lives. Delivering test results to patients would also allow them to better participate in their own healthcare.



## Topic V: Education

### 1. Eliminate school boards and put governance responsibility in the hands of the ministry. Consolidate and coordinate among post-secondary institutions.

Eliminating the board level of school governance would save money and allow for a better system, with more functions pushed down to the school level. Supervisory functions currently undertaken by the school board can be folded into the Department of Education. This approach was recently implemented in Prince Edward Island.

Under this model, the Department would be responsible for setting the school curriculum. But administrative powers would be devolved to the greatest degree possible to school principals, including managing the school's budget, employing teachers and support staff, and delivering outcomes. We like the idea of encouraging schools to compete with one another to produce a better overall system.

The theme of this recommendation is consolidation and efficiency in primary and secondary education. Post-secondary institutions should give consideration to same. There are ten degree-granting institutions in the province, and we agree with the analysis of the Ivany Report that post-secondary education is a key strategic advantage for Nova Scotia.

However, there is a cost to excessive duplication. Consideration should be given to some consolidation of programs and elimination of bureaucracy with an eye to allowing schools to focus on what they do best. Smaller schools often have niche areas they are known for, but also offer a full variety of arts, business, and science degrees. The provincial government should allow for greater consolidation and cooperation between our numerous institutions, to eliminate duplication and funnel more resources to each school's areas of strength.

### 2. Implement standardized testing for each grade from middle school onward. Use test results as a primary accountability measure for schools.

Standardized testing is an important basis for holding the education system to public account. Without a means of quantitatively showing the effectiveness of instruction and student development, there is no way to see exactly which schools and teachers succeed and which ones do not. In pushing more authority down to the school level,

individual schools would be interested in improving their performance relative to the rest of the province.

To start with, the Department should reinstate science, English, and math standardized tests that have fallen off in recent years. Next, it should expand those tests to be a regular part of the academic schedule for middle school and high school students.

### **3. Allow public funding vouchers to finance alternatives to public schools.**

Private education is a luxury afforded mostly to people with substantial means. Given the ability of “charter schools” to provide the benefits of an alternative education with public assistance, Nova Scotia should experiment with a charter model for education. All or a portion of tuition fees for charter schools — weighted based on income — would be available to parents wishing to enroll their children in such schools.

### **4. Focus on improving math and science outcomes.**

Math and science may be widely disliked by students because of their difficulty. But it is crucial that this skill base be established early in life. In a 21st century economy, people need 21st century skills, and the bases of science, technology, engineering, and mathematics will continue to be important in the coming decades.

A 2014 government report on education found that math scores on standardized tests had fallen over a decade.<sup>20</sup> For math and reading, Nova Scotia was below average for Canada, while on science it was in the middle of the pack.

Results such as these should concern Nova Scotians. When it comes to building the human capital necessary for a competitive and modern economy — with an emphasis on technology — math and science ability will be critical. The new Minister of Education must begin a process of aiming for the top of standardized test results, instead of trying to keep pace with national averages. Developing our own talent starts by setting ambitious goals for educational attainment and considering all options for reaching them.



## Topic VI: Immigration

### 1. Collaborate with the federal government to further increase the quota of immigrants to Nova Scotia. Make the province's intake the largest in Canada.

Bringing more people to Nova Scotia is an important tool for addressing the province's demographic problem of low birth rates, outmigration, and an aging population. Recent increases of our immigration levels in Nova Scotia have been encouraging, but more immigration is needed.

The province should build on the project of a growing population, such that Nova Scotia should commit to attracting immigrants at the highest rate, relative to population, of all provinces. This will provide the people we need to curb our demographic challenges, and start to reverse our historical decline within Canada. Population is key.

However, we also recognize that there is more to the issue than simply accepting immigrants: we need to make ourselves a more attractive place and a place that is good to do business. The goal of this recommendation is to make Nova Scotia the most immigrant-friendly province, such that if one is considering relocating to Canada, Nova Scotia should be both the most welcoming of the provinces. We need to create the economic conditions to make immigration work better.

### 2. Expand the new immigration pilot project with a focus on attracting American immigrants.

In 2016, the Atlantic provinces and the federal government jointly announced a pilot project to increase immigration to the region. We believe that this program should be expanded, with an emphasis on attracting more of the best, brightest, and most entrepreneurial immigrants from the United States.

There are several good reasons for doing this. First, Nova Scotia and the Maritimes generally have a long historical relationship with the New England states and greater cross-region exchange, in goods and services as well as people, would be beneficial. Second, Americans already share a common language and culture with the region, making integration and a transition to our region easy. Third, there is much uncertainty in the United States at present, due to political and economic challenges, on which Canada and Nova Scotia should be eager to capitalize.

To this end, the window of opportunity may be time-limited, so Atlantic provinces and

the federal government should move at pace to recruit, attract and secure immigrant transitions to our region.

### **3. Adopt a policy framework to make Nova Scotia the most immigrant-friendly province.**

Nova Scotia should extend a business tax exemption to immigrants as an added incentive for those who wish to start a business. We need to capitalize on immigrants' interest in creating businesses by giving them an incentive to do so.

By law, the Nova Scotia legislature should mandate that attestable foreign work experience count equally in hiring considerations to domestic work experience. This would ensure that qualified immigrants could compete for as many jobs as possible.

The province should reallocate existing resources to create an Office of Immigrant Affairs, with authority to manage all aspects of immigration. The office would also be an immigrant's first contact upon arrival in the province and would house as many administrative and support services as possible. For instance, potential international immigrants should be able to call this office and find out within hours whether their existing credentials will qualify them to work in Nova Scotia. The office would also be the first point of contact for investment, new business creation, and job opportunities. Excessive red tape and slow decision making are barriers to attracting the immigrants that Nova Scotia needs.



## Topic VII: Labour

### 1. Create tax incentives for young entrepreneurs to stay in the province.

It is critical that young people have incentives to remain in Nova Scotia. However, no amount of policy or political will can keep them here if there are no jobs. In conjunction with other initiatives to attract and foster entrepreneurship, the province should create a program focused on our youth. Specifically, government should provide tax relief to those wishing to start a new business. Under this program, anyone between the ages of 22 (typical age of a university graduate) and 32, who wishes to start a new business, should be able to do so free of income tax while becoming established. We propose waiving income tax on the first \$250,000 of earnings. This ceiling allows the entrepreneur to establish a business with a lower burden from the outset; then, after they reach the \$250,000 ceiling, they would begin paying taxes the same as any other business.

The key to this idea is that once a business has been established and hit the cap of \$250,000, it is unlikely to move. Therefore, we provide an initial benefit to the entrepreneur while ensuring a lasting benefit for the province in both tax revenue and jobs for other residents. Any business that has earned up to the cap has a good chance of being successful in the long term. There is indeed a cost to the province waiving those first taxable earnings, but we submit that cost is more than covered by the benefit of new economic activity. Furthermore, the business is still expected to pay HST during the initial phase, so the province collects some money that way.

New business creates economic activity, provides jobs for others, and brings new capital and talent to the province. It is critical that we be aggressive in spurring new business.



## Topic VIII: Trade

### 1. End the provincial liquor monopoly and restrict government's role to regulation only. Abolish all impediments to alcohol imports from other provinces.

A New Brunswick court found last year that restrictions on alcohol sale and transport between provinces are unconstitutional — a proposition to be tested before the Supreme Court of Canada. These barriers to trade are purely harmful, increasing prices against the interests of consumers and emblematic of internal protectionism in Canada.

Nova Scotia should boldly become the first Canadian province to drop all barriers to alcohol trade, allowing Nova Scotians to bring alcohol into the province without a legal quota and opening the market to foreign producers. The province should also examine divestment of the NSLC and consider shifting its role to regulator only and allowing liquor to be sold in grocery stores, convenience stores, etc. The de-monopolization of alcohol should also serve as a jumping-off point for the voluntary tearing down of other barriers to trade from other provinces.

### 2. Join the New West Partnership.

In lieu of creating a free trade area and a common regulatory environment between the Maritime provinces, Nova Scotia should seek entry to the New West Partnership, an agreement between British Columbia, Alberta, Manitoba and Saskatchewan that seeks better economic integration. In the New West Partnership, there is an existing set of standards for labour, credentials, dispute resolution, and safety regulations. Joining this trading zone would start a process of greater integration in Atlantic Canada — once Nova Scotia joins, P.E.I., New Brunswick, and Newfoundland and Labrador would be moved to do so as well. Plus, this action would increase trade with the Western Canadian provinces. In the longer term, this larger partnership could be used to pressure Quebec and Ontario in as well, to the end of resolving Canada's provincial barriers issue.

### 3. Aggressively pursue new export firms.

In line with the Ivany goals, Nova Scotia should attract new export firms by realigning tax incentives. Each full-time, living-wage or higher job created in an export industry would lower, by some formula, income tax payable by the corporation. This policy would have multiple positive effects.



First, it would contribute to fixing the outmigration problem by bringing new firms, which inevitably bring new people. Second, it would create jobs for those already living in Nova Scotia. Third, it would result in no lost revenue, as it is specifically targeted at new firms. Fourth, it is export oriented, thus growing the province's trade capacity to other provinces and international markets.

## Conclusion

As with any election campaign, Nova Scotians have the opportunity to demand more from their political leaders. They should not accept the status quo. The focus of this document followed two themes that will shape our future: entrepreneurship and the structure of critical institutions, namely healthcare, education, and immigration.

Readers might wonder why we are so focused on entrepreneurs. We consider the promotion and support of entrepreneurship to be the most critical economic building block. This is for two reasons. First, the cost versus benefit. Yes, there is cost in that government might have to temporarily forego tax revenues through some of our proposals, but this direction can establish new businesses with decades-long benefit. Second, the upside is enormous. New businesses can enter new industries and increase competition within existing ones. They provide new jobs, help attract people, and create new government revenue. Perhaps most importantly, once businesses develop strong roots here they are likely to stay, keeping jobs and revenue in Nova Scotia.

Elected officials love to pay lip service to supporting entrepreneurship, but concrete action is important. This means the policy framework of high taxes and heavy regulation must go.

The other focus of this paper is our most important government institutions. Healthcare and education are commonly listed as critical frustrations of Nova Scotians. There are too many people without access to family doctors. Our education system consistently underperforms. Yet, we continue to spend more and more money on these items. At AIMS, we encourage citizens and the government to think outside the box and be open to reforming these departments. The third institution, immigration, holds a key to the future. We must achieve excellence in both attracting and retaining immigrants.

Reformed health and education, an immigration system that is the envy of other provinces, and a stronger environment for economic growth would set Nova Scotia on a prosperous trajectory. We encourage all Nova Scotians to demand a better policy regime for this growth.

## Endnotes

1. Statistics Canada, CANSIM Table 384-0038: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3840038>.
2. Mark Milke, *I'll Take New England Any Day!* (2016): <http://www.aims.ca/books-papers/ill-take-new-england-day/>.
3. "CRA FAQ, Canadian income tax rates for individuals - current and previous years": <http://www.cra-arc.gc.ca/tx/ndvds/fq/txrts-eng.html>. See also CRA FAQ, GST/HST rates: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rts-eng.html>.
4. News1130, "Number of snow days in Nova Scotia schools amounts to a crisis: expert": <http://www.news1130.com/2017/03/28/number-of-snow-days-in-nova-scotia-schools-amounts-to-a-crisis-expert/>.
5. CBC Nova Scotia, "25,000 Nova Scotians on wait list for family doctor": <http://www.cbc.ca/news/canada/nova-scotia/health-family-doctor-physicians-wait-list-medicine-1.4015137>.
6. Andrew Pickford, *Gas Opportunities for Atlantic Canada* (2016): <http://www.aims.ca/books-papers/gas-opportunities-atlantic-canada/>.
7. Branden Schaufele, *Taxes, Volatility and Resources in Canadian Provinces* (2016): <https://www.ivey.uwo.ca/cmsmedia/2993975/taxes-volatility-and-resources-in-canadian-provinces-brandon-schaufele.pdf>.
8. Jane Taber, "Rural Nova Scotia faces demographic reality of elderly, declining population," *The Globe and Mail* (2012): <http://www.theglobeandmail.com/news/national/rural-nova-scotia-faces-demographic-reality-of-elderly-declining-population/article4217036/>.
9. CBC NS, "Government has not made a decision' on Nova Scotia highway twinning, tolling": <http://www.cbc.ca/news/canada/nova-scotia/highway-twinning-study-nova-scotia-1.3678537>.
10. CBC NS, "Here's how much drivers might pay for tolls on future twinned highways" (2017): <http://www.cbc.ca/news/canada/nova-scotia/twinned-highways-toll-roads-public-consultation-1.3948597>.
11. Johansson et al., *Tax and Economic Growth*, OECD Working Papers (2008): <https://www.oecd.org/tax/tax-policy/41000592.pdf>.
12. KPMG, *Corporate Tax Rates; Small Business Income Thresholds for 2017 and Beyond*. <https://home.kpmg.com/content/dam/kpmg/ca/pdf/2017/03/small-business-income-thresholds-for-2017-and-beyond.pdf>.
13. *Ibid.*
14. CRA Corporation tax rates: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtns/rts-eng.html>.
15. NS Budget 2016: <http://www.novascotia.ca/finance/site-finance/media/finance/budget2016/Budget-Assumptions-And-Schedules.pdf>.
16. NS Budget 2017. <https://novascotia.ca/budget/>.
17. Statistics Canada CANSIM Table 383-0033: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3830033>. Calculated by subtracting federal, municipal, and aboriginal service employees from government sector jobs.
18. Statistics Canada CANSIM Table 051-0001: <http://www5.statcan.gc.ca/cansim/a26?id=510001>.
19. Auditor General's Report to the House of Assembly (June 2016): <https://oag-ns.ca/publications/2016>.
20. *Disrupting the Status Quo: Nova Scotians Demand a Better Future for Every Student*: <https://www.ednet.ns.ca/docs/disrupting-status-quo-nova-scotians-demand-better.pdf>.

## Bibliography

- CBC Nova Scotia**, "25,000 Nova Scotians on wait list for family doctor": <http://www.cbc.ca/news/canada/nova-scotia/health-family-doctor-physicians-wait-list-medicine-1.4015137>.
- , "Government has not made a decision on Nova Scotia highway twinning, tolling": <http://www.cbc.ca/news/canada/nova-scotia/highway-twinning-study-nova-scotia-1.3678537>.
- , "Here's how much drivers might pay for tolls on future twinned highways" (2017): <http://www.cbc.ca/news/canada/nova-scotia/twinned-highways-toll-roads-public-consultation-1.3948597>.
- CRA Corporation tax rates**: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtnt/rtts-eng.html>.
- "CRA FAQ**, Canadian income tax rates for individuals - current and previous years": <http://www.cra-arc.gc.ca/tx/ndvdl/fq/txrts-eng.html>. See also CRA FAQ, GST/HST rates: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/gst-tps/rtts-eng.html>.
- Johansson, Asa**; Heady, Christopher; Arnold, Jens; Brys, Bert and Vartia, Laura, *Tax and Economic Growth*, OECD Working Papers (2008): <https://www.oecd.org/tax/tax-policy/41000592.pdf>.
- KPMG**, *Corporate Tax Rates; Small Business Income Thresholds for 2017 and Beyond*: <https://home.kpmg.com/content/dam/kpmg/ca/pdf/2017/03/small-business-income-thresholds-for-2017-and-beyond.pdf>.
- Milke, Mark**, *I'll Take New England Any Day!* (2016): <http://www.aims.ca/books-papers/ill-take-new-england-day/>.
- News1130**, "Number of snow days in Nova Scotia schools amounts to a crisis: expert": <http://www.news1130.com/2017/03/28/number-of-snow-days-in-nova-scotia-schools-amounts-to-a-crisis-expert/>.
- Nova Scotia Auditor General's Report** to the House of Assembly (June 2016): <https://oag-ns.ca/publications/2016>, <https://oag-ns.ca/publications/2016>.
- Nova Scotia Budget 2016**: <http://www.novascotia.ca/finance/site-finance/media/finance/budget2016/Budget-Assumptions-And-Schedules.pdf>.
- Nova Scotia Budget 2017**: <https://novascotia.ca/budget/>.
- Nova Scotia Government**, *Disrupting the Status Quo: Nova Scotians Demand a Better Future for Every Student* (2014): <https://www.ednet.ns.ca/docs/disrupting-status-quo-nova-scotians-demand-better.pdf>.
- Pickford, Andrew**, *Gas Opportunities for Atlantic Canada* (2016): <http://www.aims.ca/books-papers/gas-opportunities-atlantic-canada/>.
- Schaufele, Branden**, *Taxes, Volatility and Resources in Canadian Provinces* (2016): <https://www.ivey.uwo.ca/cmsmedia/2993975/taxes-volatility-and-resources-in-canadian-provinces-brandon-schaufele.pdf>.
- Statistics Canada** CANSIM Table 051-0001: <http://www5.statcan.gc.ca/cansim/a26?id=510001>.
- Statistics Canada** CANSIM Table 383-0033: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=3830033>.
- Statistics Canada**, CANSIM Table 384-0038: <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3840038>.
- Taber, Jane**, "Rural Nova Scotia faces demographic reality of elderly, declining population," *The Globe and Mail* (2012): <http://www.theglobeandmail.com/news/national/rural-nova-scotia-faces-demographic-reality-of-elderly-declining-population/article4217036/>.



ATLANTIC INSTITUTE FOR MARKET STUDIES

## Making a Donation

AIMS is a registered charity that operates with the financial support of foundations, corporations and individuals and offers tax receipts for donations. AIMS does not receive government funding nor does it contract itself for specific research projects thereby enhancing the Institute's ability to think freely, to hold decision-makers accountable for the choices they make, and maintain its professional integrity and intellectual independence.

Cost of Research: Each research project has its own parameters with respect to the amount and quality of the information available, the level of expertise required by the researcher and the amount of time that it takes to complete the paper. The total cost tends to range between \$10,000 - \$20,000+ which includes the author's fee, oversight and guidance by our Director of Research, proofreading, time, peer review, formatting, communications, radio ads, and media relations.

AIMS would like to invite you to join our group of valued supporters by filling in the form below. AIMS has been an influential voice in Canada for 20 years and those who support our mission and believe in moving it forward are integral to AIMS' continued success.

Name:

---

Organization:

---

Address:

---

Telephone:

---

Email:

---

Payment Method:    Visa     Mastercard     Cheque   
                                  \$250     \$500     \$1,000     Other

Card Number:

---

Expiry Date:

---

Card Holder:

---

Signature:

---

Please mail this form to:  
287 Lacewood Drive,  
Suite 204, Halifax, NS  
B3M 3Y7

Or you may email it to [aims@aims.ca](mailto:aims@aims.ca).

If you wish to donate using our online portal,  
go to the Support Us page on our website:  
<http://www.aims.ca/donate>