

# THINKING BIG



A PLATFORM FOR SMALL BUSINESS SUCCESS

PRINCE EDWARD ISLAND PROVINCIAL  
ELECTION 2019



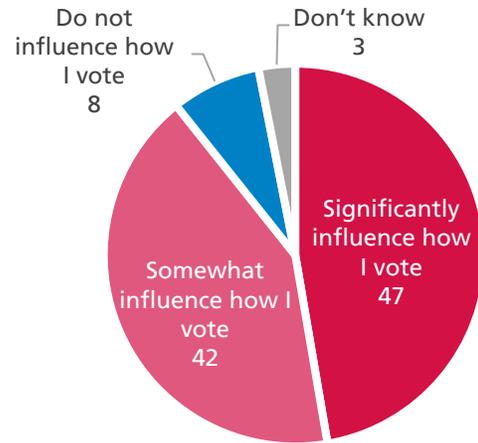
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## Small business owners as voters

Small business owners are active in their communities and have a vested interest in the economic success of PEI. As such, it should come as no surprise that 90 percent of Island CFIB members plan on voting in the upcoming provincial election.

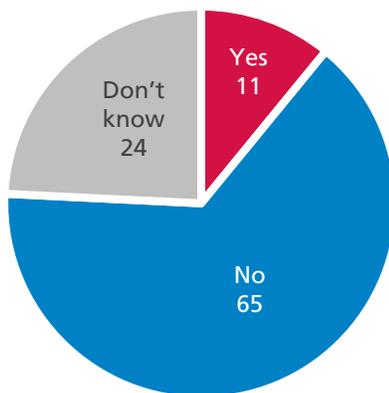
While small business owners care about the same issues as their neighbours, business and economic issues are also incredibly important considerations for them when they decide how they will cast their ballot. For 89 percent of CFIB members, business issues either significantly or somewhat influence how they vote (see Figure 1).

Figure 1:  
**How much do business issues influence how you vote?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

Figure 2:  
**Are you confident small business concerns will receive sufficient attention during the provincial election campaign?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

In spite of the importance of having their business issues addressed by political leaders looking for their vote, many anticipate disappointment. Only one in 10 felt confident that their concerns would receive sufficient attention in the upcoming provincial election campaign (see Figure 2).

So when small business owners say they are looking for action on business and economic issues, what is it they are looking for?

## 1. AN ENVIRONMENT TO SUCCEED

Building a private-sector driven economy that allows Island entrepreneurs to succeed with a tax system that encourages investment and a modern, streamlined government.



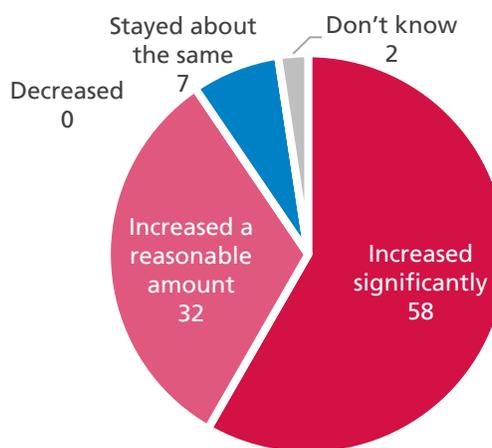
While recent economic indicators show the economy of PEI is performing relatively well, growth has been historically hard to come by and PEI continues to lag behind the rest of Canada in terms of actual returns like GDP per capita and average earnings. It is vital we build on recent growth and create an environment for entrepreneurs that fuels long-term growth.

### A tax system that encourages investment

For many Island entrepreneurs, costs have been increasing significantly in recent years (see Figure 3). Affordability is becoming a key theme as many small business owners feel increasingly squeezed by balancing those growing costs and the pressure to keep prices low for their customers and clients. While some cost pressures may be outside of government’s control, many costs directly related to government decisions like increases to Canada Pension Plan increases, carbon pricing, and changes to the tax system which limit access to the small business tax rate.

Figure 3:

**Overall, would you say that the costs facing your business over the past three years have...**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

The single best measure small business owners say parties should adopt in their platforms to make running a business on PEI more affordable is to lower the tax burden. While there have been some recent cuts to the small business tax rate, it remains the highest in the Atlantic region and second highest in Canada and is still far from the pre-recession rate of one percent. Since small businesses invest profits back into their operations in productive ways like

increasing wages and purchasing new equipment, tax relief targeting small businesses is an economic win which actually stimulates further government revenues. For instance, while the reduction from 6.5 to one percent was being phased in from 2006-2011, revenue from corporate income taxes actually trended upwards.

### SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: TAXES

- Immediately move to make PEI's small business tax rate the lowest in Atlantic Canada.
- Phase in future decreases to the small business tax rate to return to a rate of one percent.
- Put a freeze on all tax increases at least until CPP and carbon pricing plans have been phased-in.
- Provide clarity around any future carbon pricing costs and the value of any offsetting measures for businesses.

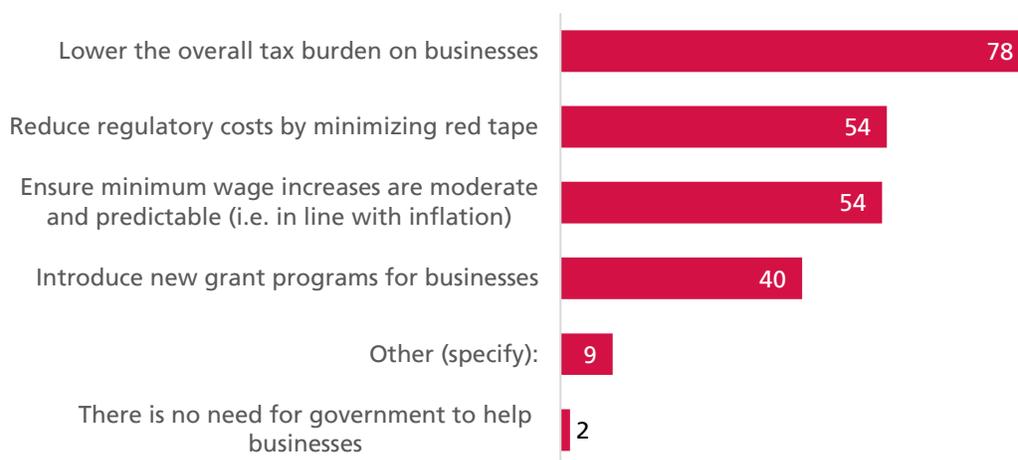
### A modern, streamlined government

Red tape is frequently cited by small business owners as a priority for government action. While there have been some positive initiatives that have reduced red tape on small businesses, there has yet to be any significant government-wide effort to modernize the way government interacts with small businesses or reduce the regulatory and administrative burden placed on Island entrepreneurs.

Small business owners see so much positive potential for red tape reduction they ranked it second only to tax reductions as a measure that parties should adopt in their platforms to help make running a business more affordable (see Figure 4).

Figure 4:

**Which of the following policy options do you think the political parties should adopt in their election platforms to help make running your business more affordable?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

### SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: RED TAPE

- Implement best practices to measure the current regulatory burden and set targets for reduction.
- Make customer service a priority across all government departments by expanding a client-centered service model to business-facing departments.



## 2. PEOPLE & TALENT TO GROW

Being proactive to combat a retiring workforce by focusing on tax changes that boost take-home pay, immigration of all skill levels, and a top-notch education system.

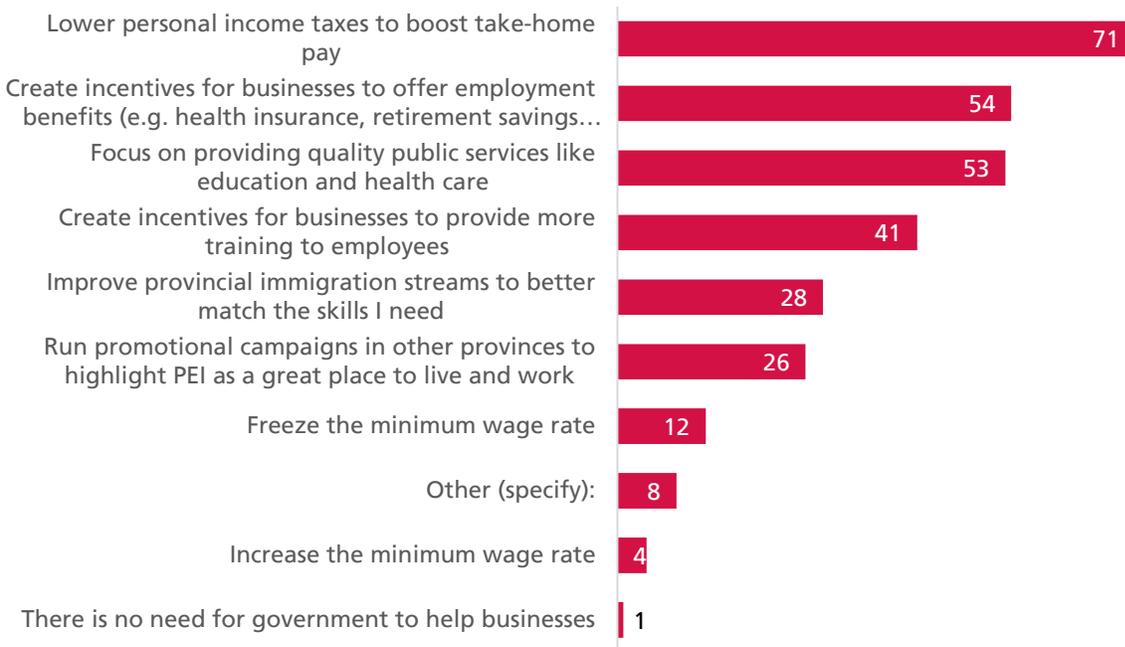
If you ask any business owner they will tell you their employees are a vital part of their success. However, with an aging workforce and decades of outmigration, more and more businesses are finding it increasingly difficult to find the workers they need. In some cases, labour shortages may mean struggling to get enough workers, particularly for seasonal industries. In others, it's finding people with the right skills to fill highly-technical jobs or replace retiring workers with years of experience. Either way, labour challenges are not expected to go away soon.

### Attracting and retaining workers

While small business owners are doing what they can to compete in areas like wages and attractive working conditions (e.g. flexible working arrangements), they also see a major role for government to play in terms of making PEI an attractive place for people to live and work. Top of their priority list: helping boost the take-home pay of workers by reducing personal income taxes (see Figure 5). While there have been increases to the basic personal amount in recent years, tax brackets have not kept pace with inflation and tax rates remain high.

Figure 5:

**What are the best ways for the provincial government to help you attract and retain the workers you need to run your business?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

While immigration is seen by small business owners as being part of the solution, they also feel political parties should focus on policies that help them provide benefits that employees find attractive (e.g. health insurance, retirement savings) and focus on providing high quality public services that make Island communities attractive places where people want to work and live.

**SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: ATTRACTING WORKERS**

- Over a four-year electoral mandate, move PEI’s personal income tax structure to align with the national average for tax brackets, exemptions, and rates.
- Implement policies that can help Island employers create attractive employment packages including employee benefits like health insurance and retirement savings.
- Focus on high-quality public services like health care and education to ensure Island communities are attractive places to work and live.
- Continue to leverage immigration to help offset the impact of outmigration and retiring workers at all skill levels.

## Skilling up for the future

Educating the future workforce for the job market is seen by small business owners as being crucial to future economic success. While analytical and problem-solving skills are cited by many as being critical for preparing workers for the economy of tomorrow, small business owners also see a need for job-ready “soft skills” (e.g. interview and resume skills, customer service skills) to be part of educational curriculum beginning in the K-12 education system.

### SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: JOB-READY YOUTH

- Ensure analytical and problem-solving skills feature prominently in the K-12 education system so that youth are able to adapt to the changing workforce.
- Introduce a strong “job-ready” component to junior & senior high school curriculum that focuses on the soft skills necessary to excel in the work force.
- Launch a Business Education Council comprised of business community stakeholders to help integrate not only entrepreneurship into the curriculum as well as skills that are in demand by the private sector.

## 3. OPPORTUNITIES TO COMPETE

Expanding markets for local businesses by ensuring competitive tax and regulatory systems, removing trade barriers, and expanding access to quality high-speed internet.



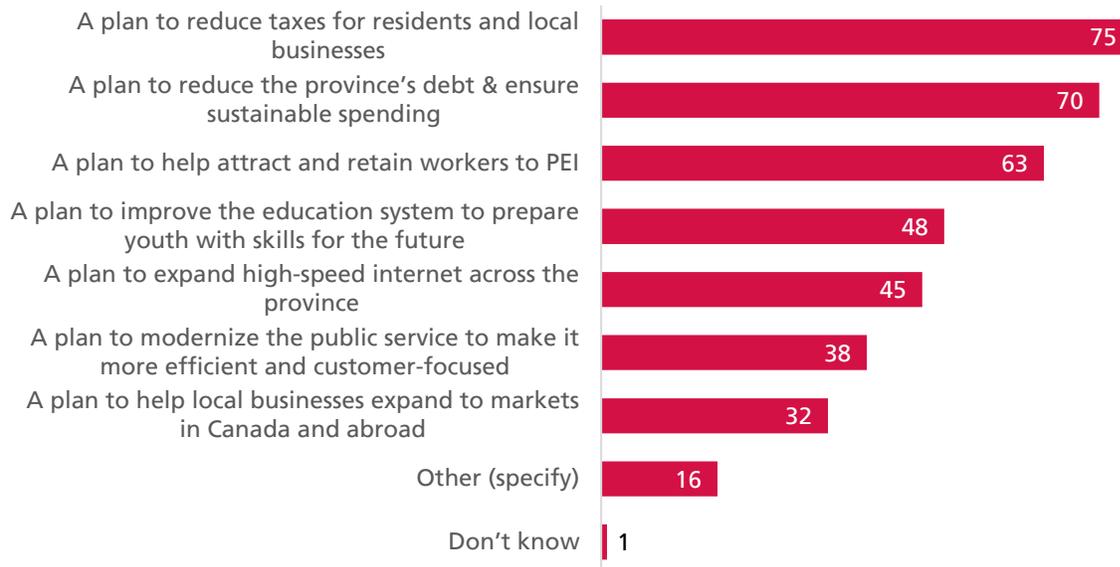
Many Island small businesses are competing in the global market on a daily basis, either as exporters within Canada and abroad or with off-Island companies doing business or bidding for work in PEI. While a tax and regulatory environment that support entrepreneurship and growth is important for all businesses, it is even more critical for those that need to compete with businesses from other markets with a lower cost of doing business.

### Finding and competing in new markets

Given that many industries have limited markets within provincial borders, access to off-Island markets is vital for future growth. Almost one-third of CFIB identified a plan to help local businesses expand to markets in Canada and abroad as a key priority for election platforms (see Figure 6). International free trade agreements are important but for many small businesses and those just beginning to look at different markets, it is barriers to the flow of goods and services between provinces that has the largest negative impact. New agreements like the Canadian Free Trade Agreement and regional Joint Office of Regulatory Affairs and Service Effectiveness have been positive but much work remains.

Figure 6:

**Thinking of the economic future of PEI, what would you like to see in political platforms during the next provincial election?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

In terms of infrastructure to support entrepreneurs looking to expand, access to high-speed internet is a frustration throughout much of rural PEI. Solutions may not be simple but a plan for the expansion of high-quality, high-speed internet to un- or under-served parts of the Island is top of mind for many Island entrepreneurs.

**SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: NEW MARKETS**

- Ensure PEI's tax and regulatory environment allows Island firms to compete nationally and globally.
- Leverage new trade agreements, including those focused on expanding market access within Canada and Atlantic Canada, to improve access to off-Island markets for local firms.
- Create a plan to expand cost-effective, high-speed internet across PEI.



## 4. A FOCUS ON THE FUTURE

Setting up the Island for a sustainable future by focusing on spending restraint, debt reduction, and long-term analysis of spending, economic and environmental considerations.

PEI is now in a balanced budget position thanks to strong economic and population growth. However, high tax and per capita spending levels, significant debt load, high reliance on federal transfer payments, and an aging all mean PEI's long-term fiscal outlook will be challenging.

### Focusing on future fiscal health

While Island entrepreneurs hope to see recent economic growth numbers continue, they also understand the need to prepare for times when markets are not as strong. Given that elections tend to bring new spending promises, small business owners want to see parties also focusing on spending restraint and debt reduction to ensure the province doesn't return to deficit spending if and when an economic downturn hits.

To support longer-term planning outside of economic or electoral cycles, longer term analysis is critical. While the federal Parliamentary Budget Office conducts some high-level fiscal analysis, there are many international examples of long-term analysis of fiscal demands that account for population changes and different economic projections. Without understanding long-term trends and projections, it is difficult to make the type of policy and spending decisions that will put PEI on a sustainable path.

#### SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: FUTURE FISCAL HEALTH

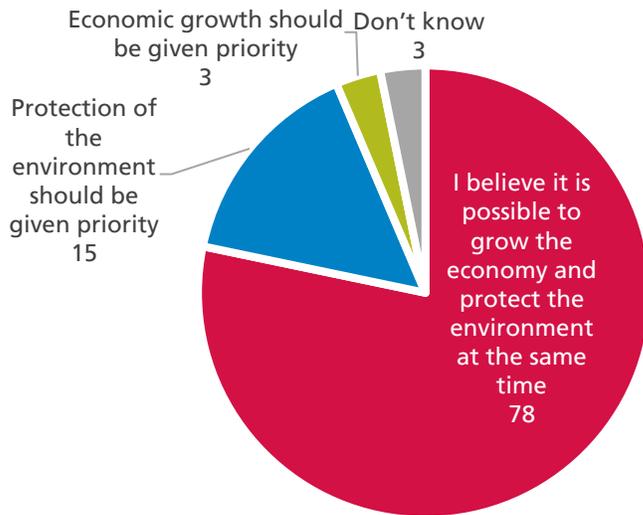
- Commit to balanced budgets and make debt reduction a key future of the budget process.
- Commit to publishing a long-term analysis of the impact of current spending and program decisions that accounts for economic cycles and an aging population.

### Environmental sustainability balanced with economic growth

Island entrepreneurs live and work in the same communities as other Islanders and environmental considerations are just as important to small business owners as they are to their neighbours. Many small business owners are already taking steps to reduce their environmental footprints such as improving their energy efficiency or reducing waste. When it comes to balancing environmental considerations with economic ones, small business owners overwhelmingly believe it is possible to grow the economy and protect the environment at the same time (see Figure 7).

Figure 7:

**Which of the following statements best describes your own point of view about the environment and the economy?**

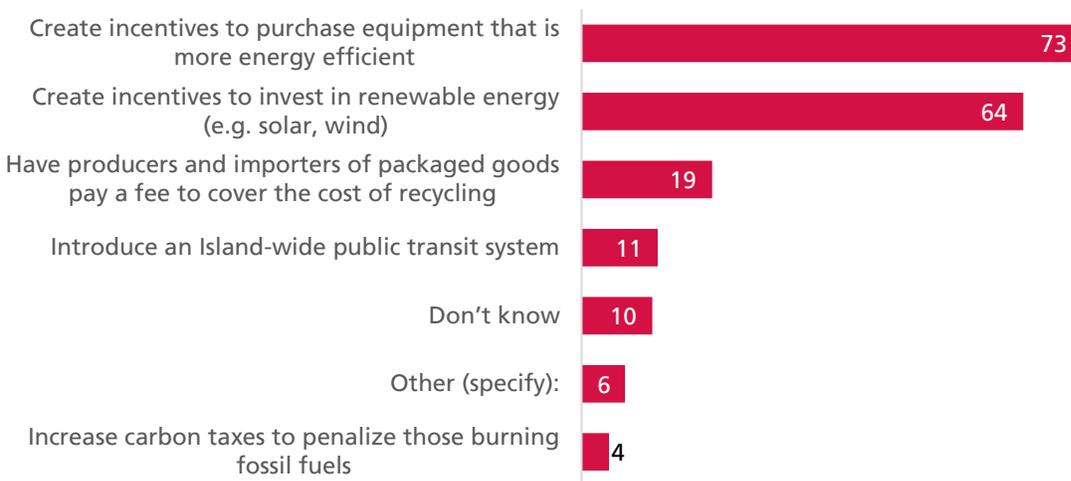


Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

With that in mind, small business owners favour incentives to help them invest in things like energy efficiency and renewable energy (see Figure 8) rather than punitive measures that would increase costs for Island small businesses and leave them with less money to put towards such investments.

Figure 8:

**What are the best ways for the provincial government to help you reduce the environmental impact of your business?**



Source: CFIB, PEI Pre-election Survey. February-March 2019. N= 133

**SMALL BUSINESS-FRIENDLY PLATFORM ELEMENTS: FUTURE ENVIRONMENTAL HEALTH**

- Commit to measure that improve rather than reduce small business' ability to continue investments in energy efficiency and carbon reduction.

# RESULTS: PEI Pre-election Survey

Survey method: Web  
 Survey period: February 11 – February 26, 2019  
 Tabulation date: February 26, 2019  
 Total responses: 133  
 For comparison purposes, a probability sample with the same number of respondents would have a margin of error of plus or minus [5.0] per cent, 19 times out of 20.

% Response

According to fixed-election date legislation, the next provincial election is scheduled for October 7, 2019. However, the election can occur before or after that date.

## 1. Do you plan to vote in the upcoming provincial election?

(Select one answer only)

- 90.2 Yes
- 4.5 No
- 5.3 Don't know

## 2. How much do business issues influence how you vote?

(Select one answer only)

- 47.3 Significantly influence how I vote
- 42.0 Somewhat influence how I vote
- 7.6 Do not influence how I vote
- 3.1 Don't know

## 3. Thinking of the economic future of PEI, what would you like to see in political platforms during the next provincial election?

(Select as many as apply)

- 70.3 A plan to reduce the province's debt and ensure sustainable spending
- 75.0 A plan to reduce taxes for residents and local businesses
- 32.0 A plan to help local businesses expand to markets in Canada and abroad
- 62.5 A plan to help attract and retain workers to PEI
- 45.3 A plan to expand high-speed internet across the province
- 48.4 A plan to improve the education system to prepare youth with skills for the future
- 37.5 A plan to modernize the public service to make it more efficient and customer-focused
- 16.4 Other (specify) \_\_\_\_\_
- 0.8 Don't know

## 4. Are you confident small business concerns will receive sufficient attention during the provincial election campaign?

(Select one answer only)

- 10.9 Yes
- 64.8 No
- 24.2 Don't know

## 5. Overall, would you say that the costs facing your business over the past three years have:

(Select one answer only)

- 58.3 Increased significantly
- 32.3 Increased a reasonable amount
- 7.1 Stayed about the same
- 0.0 Decreased
- 2.4 Don't know

## 6. Which of the following measures do you think the political parties should adopt in their election platforms to help make running your business more affordable?

(Select as many as apply)

- 78.0 Lower the overall tax burden on businesses
- 53.5 Ensure minimum wage increases are moderate and predictable (e.g. kept in line with consumer price increases)
- 54.3 Reduce regulatory costs by minimizing red tape
- 40.2 Introduce new grant programs for businesses
- 8.7 Other (Please specify) \_\_\_\_\_
- 1.6 There is no need for government to help businesses

## 7. What are the best ways for the provincial government to help you attract and retain the workers you need to run your business?

(Select as many as apply)

- 71.0 Lower personal income taxes to boost worker's take-home pay
- 4.0 Increase the minimum wage rate
- 12.1 Freeze the minimum wage rate
- 28.2 Improve provincial immigration streams to better match the skills I need
- 25.8 Run promotional campaigns in other provinces to highlight PEI as a great place to live and work
- 53.2 Focus on providing quality public services like education and health care
- 54.0 Create incentives for businesses to offer employment benefits (e.g. health insurance, retirement savings plans)
- 41.1 Create incentives for businesses to provide more training to employees
- 8.1 Other ( Please specify) \_\_\_\_\_
- 0.8 There is no need for government to help businesses

## 8. Which of the following statements best describes your own point of view about the environment and the economy?

(Select one answer only)

- 78.2 I believe it is possible to grow the economy and protect the environment at the same time
- 15.3 Protection of the environment should be given priority, even at the risk of curbing economic growth
- 3.2 Economic growth should be given priority, even if the environment suffers to some extent
- 3.2 Don't know

**9. What are the best ways for the provincial government to help businesses reduce their environmental impact?** (Select as many as apply)

- 64.3 Create incentives to invest in renewable energy (e.g. solar, wind)
- 73.0 Create incentives to promote energy efficient upgrades to buildings (e.g. insulation, lighting) and equipment
- 4.0 Increase carbon taxes to encourage less use of fossil fuels
- 19.0 Have producers and importers of packaged goods pay a fee to cover the cost of recycling
- 11.1 Introduce an Island-wide public transit system
- 6.3 Other (Please specify) \_\_\_\_\_
- 10.3 Don't know

**Question 10. What would you like political leaders to know about what it is like to run a small business in PEI?**