

WHERE DO WE GO FROM HERE
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Title: Saskatchewan is a Great Place to Invest - but ...

In its second annual study on the province as a place to live, work and invest the Chartered Accountants of Saskatchewan tells us that Saskatchewan has a favourable investment climate, but we have not seen a higher level of investment. "Our comprehensive review analyzing Saskatchewan over the past decade shows Saskatchewan has improved as a place to invest but this message is not reaching the investment decision makers," says Nola Joorisity, CEO for the provinces Chartered Accountants.

Logic suggests it is more likely that this message is reaching the decision makers – it's just not convincing them.

The Premier recently stopped in the middle of a major speech to wonder out loud why people don't invest in Saskatchewan. Why was he not listening when Jim Pattison, an expatriate Billionaire from Saskatchewan, told him his company would not invest in Saskatchewan because it's not business friendly? Regrettably, Mr. Pattison is not alone in his thinking.

The fact is, Saskatchewan does have significant opportunities for growth, but it's not unique and must compete for investment dollars in a global market. Given that people and institutions make investments with a view to getting a reasonable return on their money, they go where the environment for entrepreneurship, investment and trade is the most favourable. Obviously, that's not Saskatchewan.

In *Saskatchewan Check-Up 2003*, the Chartered Accounts say there is an underlying need to encourage a stronger culture of entrepreneurship in Saskatchewan. They go on to say, "We must now become less risk-averse, less nostalgic, more willing to let go of old forms." Clearly we have to quit living in the past and accept that change as a good thing.

In his book *This Year Country – Creating Wealth in Saskatchewan*, (published by the Prairie Centre Policy Institute), economist Dr. Graham Parsons argues that entrepreneurs are critical to wealth creation and economic development because they are the agents of change, the risk takers, the investors in the new technologies and the creators of wealth for the next generation. One central element in an entrepreneurial society is the ability to reward entrepreneurs by allowing them to keep a reasonable amount of what they earned from their risk taking. "The Saskatchewan provincial tax system clearly works against the development of entrepreneurs when compared against other Canadian provinces," says Parsons.

Contrary to what the NDP administration would like you to believe there is plenty of evidence that lower tax rates don't necessarily mean lower revenue. Take the Provincial Sales Tax (PST) for example. Despite a 3% drop in the PST rate (from 9% to 6%), 2002-2003 revenues were \$95.7 million over the 1994-1995 fiscal year. And, higher rates on a something like a consumption tax don't automatically mean higher revenue. When the 1992 Budget raised the PST from 7% to 8%, it projected revenue of \$610.8 million. Actual revenue turned out to be \$550 million, or \$60.8 million less than forecast.

A similar case can be made for other taxes. Personal Income Tax (PIT) rates peaked in 1992-93 when you were paying 50% of Basic Federal Tax, a 2% debt reduction surtax, and (if applicable) a high income surtax. PIT revenues for that fiscal year were \$1,074 million. Fast forward to 2003-2004 when you're paying lower basic Provincial Income Tax rates, the flat tax is gone, as is

the Debt reduction surtax and the High Income surtax. Estimated PIT revenue for the current fiscal year is \$1,275 million, or \$201 more than 2003-2004, when rates were at their highest.

The same applies for Corporate Income Tax (CIT) revenue. Although the CIT rate has dropped from 10% to 6% for small business, revenues have almost doubled over the past ten years.

Around the world competition, free trade, external investment and a restructured role for government have transformed and revitalized economies – creating more wealth, incomes and jobs. Surely it is time to value, not shun, the entrepreneurs who create wealth.

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“Where Do We Go From Here” is a feature service of the Prairie Centre”