



GREATER CHARLOTTETOWN AREA
CHAMBER OF COMMERCE

Prepare, Persevere, Prosper.

SUPPORTING A RESILIENT ISLAND ECONOMY



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PRESENTED BY

Greater Charlottetown Area
Chamber of Commerce
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INTRODUCTION

The Greater Charlottetown Area Chamber of Commerce is pleased to provide its collective views and suggestions on how the provincial government can work with our resilient business community to recover from the impacts of COVID-19 and achieve economic stability moving forward.

Across every industry sector, regardless of business size, the Chamber advocates for advancing economic interests. While our focus is on the capital region, we are proud to represent businesses in many communities across Prince Edward Island. By leveraging Chamber members' and stakeholders' collective interests, we can all benefit from a focused advocacy approach. The Chamber believes in a collaborative relationship between the private sector and our provincial government to better understand our unique challenges and provide unique solutions.



Prince Edward Island is a leader among the provinces because of our strong entrepreneurial spirit, diverse industries, and willingness to help each other through challenging times. With the government's continued support, businesses in PEI will be able to raise the bar further and strive for excellence despite what is happening elsewhere in the world. It will not be easy, but together, we can prepare, persevere, and prosper as we maneuver through COVID-19 and into a post-pandemic economic environment.

This submission outlines the Chamber's recommendations for the 2021-22 provincial budget.

GROWTH THROUGH CHALLENGING TIMES

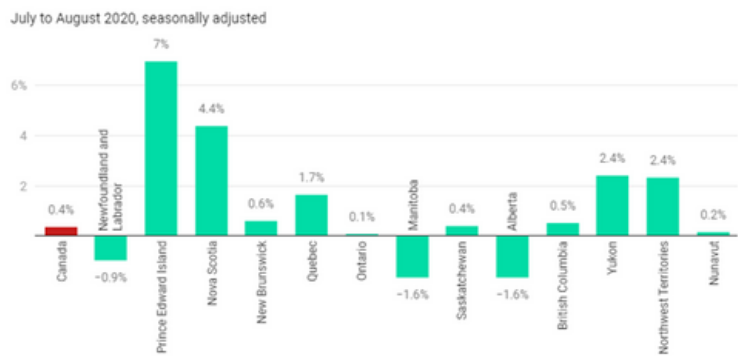
The COVID-19 pandemic has resulted in abrupt changes to our economic well-being. The “new normal” has resulted in anxiety and uncertainty about the future. PEI's impressive record in growth over the past several years has better prepared us for these impacts, but we are far from recovery.

The impact of COVID-19 on PEI's sectors varies from severe to modest, depending on the industry. Tourism and hospitality, some retail, arts and culture, and aerospace were severely impacted for various reasons, mostly due to global travel restrictions and capacity limits. Other sectors that experienced notable disruption from the pandemic include agriculture and fisheries, due to limited demand from restaurants and wholesalers, and challenges with transportation restrictions and supply chain management. Overall, PEI's economy contracted by 3.9% as of September 2020[1].

Nonetheless, Prince Edward Island and its business community have seen some growth areas despite significant negative impacts on our economy. Areas of growth through the pandemic include:

- The population grew by 1.5% year over year, despite a slow-down in immigration in the latest quarter due to international travel restrictions.[2]
- Investment in building construction increased by 7.3% on a year-to-date basis through July 2020, proving that construction of both commercial and residential buildings remains robust despite the pandemic.[3]
- As can be seen in Table 1, retail sales overall experienced the highest rate of growth from July to August 2020 at 7%, compared to a national increase of only 0.4%.[4]

TABLE 1: CHANGE IN RETAIL SALES



- The bioscience sector continued to experience strong growth, increasing export sales and posting over 400 new jobs.[5]

- Exports increased by 3.3% on a year-to-date basis through July 2020. PEI is the only province to experience growth in this timeframe.[6]

While there were some positive indicators for our province's economic performance, we have much work to do to get back on track. The Chamber is aware of the damaging effects that the pandemic has had on Island businesses and believes that our recommendations will provide necessary supports to our business community's recovery.

These immediate recommendations include:



providing funding to businesses negatively impacted by the work-from-home transition



offering supports towards aggressive immigration growth



ensuring sufficient policy, resources and capacity for the Chief Public Health Office and other government departments, so that public health and our economy can co-exist



investing in supports for customized retraining and reskilling, as the workforce and the needs of the labour market evolve



increasing the PEI Basic Personal Amount



lowering the small business tax rate



providing targeted financial aid to hardest-hit businesses and industries

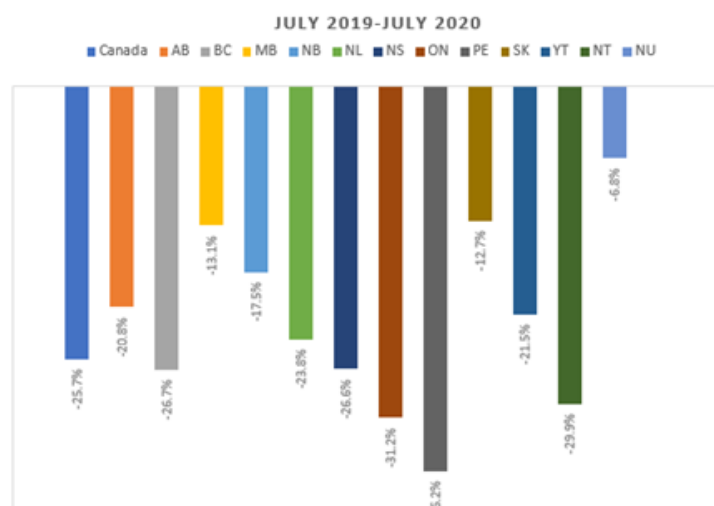


WORK FROM HOME TRANSITION

While the Chamber understands the need to have more Islanders transition to working from home through the pandemic, many businesses require the foot and commuter traffic of these workers, particularly in the downtown Charlottetown core. Many businesses in this area have been negatively impacted by the work from home transition and are unable to make up this lost revenue.

By encouraging Islanders to work from home and offering incentives such as the *Telework Adaptation Fund*[7] there has been a significant impact on businesses who rely on commuter and daytime workers in Charlottetown to support their operations. Due in part to more people working from home, one industry that continues to struggle is PEI's restaurant industry, which experienced the largest decrease in sales in the country at -36.2%[8] as of July 2020 (shown on Table 2).

TABLE 2: DECREASE IN RESTAURANT SALES BY PROVINCE



Source: Statistics Canada

In May of 2020, the Government of PEI announced their intentions to have up to 33% of civil servants work from home to minimize contact and limit carbon emissions[9]. Having one-third of provincial civil servants work from home, combined with an almost overnight work-from-home transition for federal government and some private-sector employees, has drastically limited the amount of foot and commuter traffic in Charlottetown. This has hurt those businesses and jeopardized their future sustainability.

The Chamber recommends developing a fund to assist these businesses in adapting to their new market circumstances. The fund should be of equal or greater value to the Telework Adaptation Fund. This fund will allow businesses to invest in new practices such as e-commerce and other distribution methods to grow sales despite this lack of foot traffic. Simultaneously, we urge the provincial government to work with other levels of government, other Charlottetown business organizations, and the Chamber, on a long-term solution to this new challenge. While we may never fully return to pre-pandemic levels of downtown traffic, we must find a way to help offset the impact on these traditional businesses.

Recommendation #1:

Provide funding to businesses negatively impacted by the work-from-home transition, to enable owners to invest in new business adaptations with the fund being equal or greater to that of the Telework Adaptation Fund.

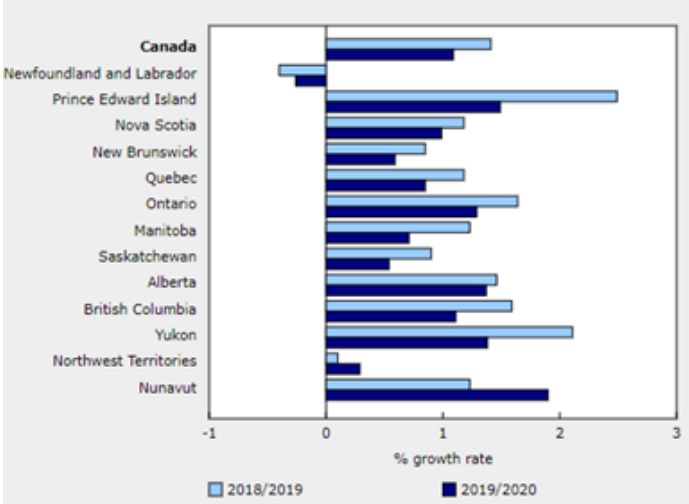


GROWTH THROUGH DIVERSITY

Prince Edward Island has prided itself on its rich diversity and impressive population growth through immigration over the past several years. Despite international travel restrictions due to COVID-19, PEI still led the country in population growth in 2019-20 at 1.5% as shown in Table 3 (for comparison, the 2018-19 growth rate was 2.5% [10]).

Our impressive population growth has been vitally important to our province's cultural and economic development. Adding a high degree of diversity to our Island's communities strengthens our culture and enables us to view solutions in a new light. It is essential that we also have a skilled labour focus on our newcomer recruitment and target based on our diverse sectorial needs to support a working population. Aggressive immigration targets will be crucial to getting back on track in terms of population growth, and strengthening our cultural diversity.

TABLE 3: % GROWTH RATE



Source: Statistics Canada

With the Government of Canada announcing its intention to bring in more than 1.2 million immigrants over the next three years[11], this will bring about a positive change in the trajectory of population growth and bring in more money to stimulate the local economy. With such a massive influx of newcomers, more significant resources will be needed to integrate individuals into our communities.





PEI Connectors, an initiative led by the GCACC, has done exemplary work connecting newcomers with Island employers and helping them advance toward their career goals. They have also helped entrepreneurial newcomers adapt to the local business environment. PEI Connectors has provided a necessary service through the pandemic as newcomers experience stressful and uncertain times both in their careers and businesses. It is crucial to continue funding immigrant-service programs such as PEI Connectors.

Recommendation #2:

Maintain funding for immigration support services for entrepreneurial and professionally-skilled newcomers through programs like PEI Connectors.

Recommendation #3:

Continue with aggressive immigration targets locally to match the Federal Government's effort, while ensuring provincial programs are in place to support this growth.

SUFFICIENT PUBLIC HEALTH RESOURCES

We recognize the leadership that Dr. Heather Morrison and the Chief Public Health Office, as well as the provincial government, have shown in directing public health policy, managing COVID-19 cases, and protecting Islanders. Island businesses have followed public health guidelines and worked diligently to ensure the safety and well-being of their customers and the public is a top priority. It is vital for public health policy and economic policy to co-exist for Islanders to stay safe, and for our economy to remain open and begin the recovery process.

Sufficient resources must be available to the Chief Public Health Office and relevant government departments to ensure they have the capacity to manage cases as they are identified, enforce restrictions that keep people safe, and collect critical data. This will keep our economy open and enable us to eventually open it further as we keep our case numbers low.



One further aspect that government must consider for public health resources is a local procurement policy, to ensure Island companies are recognized by government for their health-related products and services. This would include examples such as testing swabs and sanitization products.



Overall, the government has been responsive to questions from the business community thus far into the pandemic.

The Chamber encourages the government to continue to be communicative, responsive, and flexible when addressing the evolving needs of businesses in PEI.

In addition, as we continue the rollout of COVID-19 vaccinations, the province must provide the proper resources to effectively disburse vaccinations to Islanders as we move towards post-pandemic recovery, in terms of public health and the economy. The Chamber wants to ensure that sufficient provincial government policy, resources and capacity are in place to keep Islanders safe and the economy open and position our province for recovery.

Recommendation #4:

Ensure sufficient policy, resources and capacity are in place so that government can keep Islanders safe, and the economy can remain open and further recover as time goes on.

STRENGTHENED WORKFORCE - SUPPORTING RECOVERY THROUGH LABOUR

Due to our robust economy and substantial growth pre-pandemic, we have come to a crossroads in terms of accessing labour to fill voids within our industries. A labour shortage[12], such as the one we are currently experiencing, means that businesses cannot advance at the pace they should. Before the pandemic, the construction[13] and agriculture[14] sectors were experiencing significant labour shortages, and they continue to face these challenges now. Resources for employers are needed to address these challenges and retain quality employees.

While the pandemic has put pressure on labour needs in some sectors, it has created a displacement[15] for Island workers in other sectors.

Due to several industries being significantly scaled back, many workers are being forced to look for new opportunities in a challenging environment, often without the required skill sets. Resources to help displaced workers gain modern workforce and industry skills are necessary to grow our economy.

With this in mind, we ask that the provincial government consider further supports for Island workers, to strengthen our workforce through the recovery of COVID-19 and fill labour gaps. Investment in the development of a growing, diverse, and skilled workforce was needed prior to the COVID-19 pandemic and will be critical for PEI's economic recovery and future growth. The Chamber suggests establishing sector-specific approaches to workforce development to fill the voids in the labour market such as customized supports for retraining as the workforce evolves.

Recommendation #5:

Invest in supports for customized retraining and reskilling as the workforce and the work across sectors evolve.

STRENGTHENED WORKFORCE - SUPPORTING LOWER-WAGE WORKERS

Prince Edward Island has had a growing workforce for several years, with many workers benefiting from a strong economy. During COVID-19, however, gaps were revealed within the lower-income worker population and many of these workers are now under additional pressure to pay for necessities.



An alternative way to support lower-income workers is by increasing the provincial basic personal amount. Prince Edward Island increased its basic personal amount to \$10,500 for 2021[17], however, Table 4 shows that this is still well below the national average of \$12,534[18]. We recommend accelerating another provincial basic personal amount increase to \$12,000 in 2021 and tying subsequent increases to the Consumer Price Index.

TABLE 4: FEDERAL, PROVINCIAL, TERRITORIAL BASIC PERSONAL AMOUNTS



Recommendation #6:

Increase the provincial basic personal amount to \$12,000 in 2021 and tie subsequent increases to the Consumer Price Index.

COMPETITIVE TAX ENVIRONMENT

The Chamber acknowledges the vital role tax rates play in funding provincial government services like healthcare, education, and social services. We suggest that improving business tax competitiveness will help increase funds for these services and allow more Islanders to start small businesses in Prince Edward Island. If there was ever a year for government to recognize our businesses' contributions to our economy by supporting them and lowering taxes, this is it.



Lowering the small business tax rate to 2% as of January 1st, 2021[20] will lessen the tax burden placed on our struggling owners and operators. The Chamber recognizes government's commitment to a strong and vibrant small business community but also emphasizes that we must continue to create incentives, such as continuing to lower the small business tax rate, for entrepreneurship in PEI. During the 2019 provincial election, the current government committed to lowering the small business tax rate to 1% by 2023. We recommend that the provincial government expedite this election promise and lower PEI's small business tax rate to 1% by the end of 2021.

Recommendation #7:

Lower PEI's small business tax rate to 1% by the end of 2021.

FILLING IN THE GAPS

Our hardest-hit sectors continue to struggle as the country faces a second wave of COVID-19, travel restrictions remain in place, and businesses face much uncertainty for the next fiscal year. These hardest-hit sectors include our hospitality and tourism industry, arts and culture, transportation, aerospace, and meetings and conventions. Once booming industries have felt the negative impacts of COVID-19 and will continue to for the next several years.



In addition to loss of revenue, another challenge faced by impacted businesses is the risk of insolvency. These businesses built up their products and services over decades and have contributed greatly to our economic growth and cultural identity. As a province, we have reaped the benefits of these businesses operating within PEI, and now we must offer them support in their time of need. Realistically, we could be losing their well-developed product, services, and reputations that have taken years to build up. We ask that government provide more targeted financial aid to these industries as we enter what is expected to be another challenging year.

This aid would allow businesses that are ineligible for other programs to receive support for fixed expenses such as property tax, mortgage, insurance, or rent.

In a recent survey, we asked members what they are most concerned about for the coming twelve months – they responded as follows:

- ability to adapt to the new normal,
- access to markets (tourists/visitors),
- consumer confidence, and
- ability to remain solvent.

With no clear forecast for what may occur over the next twelve months, these concerns will continue to grow and cause financial stress on Island entrepreneurs.

The Chamber believes that the provincial government's role is to adequately identify the gaps in the programming distributed by the federal government. This requires our provincial government to implement a gap analysis evaluation for the level of need required for each business across each industry. By identifying the gaps in programming and addressing them with a made-in-PEI response, it will assist these businesses in sustaining their operations.

Recommendation #8:

Following a gap analysis, provide targeted and tailored financial aid to businesses and industries hardest-hit by the pandemic but not covered by existing federal programming.



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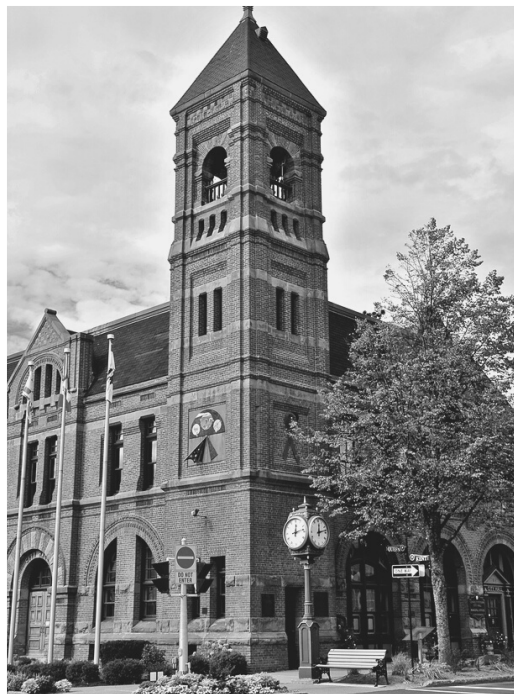
Summarized Recommendations

The Greater Charlottetown Area Chamber of Commerce presents the following priorities in a collective effort to prepare, persevere, and prosper from the damaging impacts of the COVID-19 pandemic:

- ➔ Provide funding to businesses negatively impacted by the work-from-home transition, to invest in new business adaptations with the fund being equal or greater to that of the Telework Adaptation Fund.
- ➔ Maintain funding for immigration support services for entrepreneurial and professionally-trained newcomers through programs like PEI Connectors.
- ➔ Continue with aggressive immigration targets locally to match the Federal Government's effort while ensuring provincial supports are in place to support this growth.
- ➔ Ensure sufficient policy, resources and capacity are in place so that government can keep Islanders safe, the economy can remain open, and further open the economy as time goes on.
- ➔ Invest in supports for customized retraining and reskilling as the workforce and the work across sectors evolve.
- ➔ Increase the provincial basic personal amount to \$12,000 in 2021 and tie subsequent increases to the Consumer Price Index.
- ➔ Lower PEI's small business tax rate to 1% by the end of 2021.
- ➔ Following a gap analysis, provide targeted and tailored financial aid to businesses and industries hardest-hit by the pandemic but not covered by existing federal programming.

PREPARE, PERSEVERE, PROSPER.

The Greater Charlottetown Area Chamber of Commerce recognizes the ever-evolving situation and required response to the COVID-19 pandemic and understands government's responsibility in keeping the health and well-being of Islanders as a top priority. As we move into the new year, the Chamber looks forward to open dialogue with the provincial government on an economic recovery strategy.



END NOTES

- [1] https://www.princeedwardisland.ca/sites/default/files/publications/provincial_economic_update_september2020.pdf
- [2] <https://www150.statcan.gc.ca/n1/daily-quotidien/200929/dq200929b-eng.htm>
- [3] https://www.princeedwardisland.ca/sites/default/files/publications/provincial_economic_update_september2020.pdf
- [4] [https://www.cbc.ca/news/canada/prince-edward-island/pei-retail-sales-august-2020-1.5771080#:~:text=Black%20Dress%20Co.\),P.E.I.'s%20retail%20sales%20took%20a%20big%20jump%20in%20August,0.4%20per%20cent%20in%20August](https://www.cbc.ca/news/canada/prince-edward-island/pei-retail-sales-august-2020-1.5771080#:~:text=Black%20Dress%20Co.),P.E.I.'s%20retail%20sales%20took%20a%20big%20jump%20in%20August,0.4%20per%20cent%20in%20August)
- [5] <https://peibioalliance.com/job-postings/>
- [6] https://www.princeedwardisland.ca/sites/default/files/publications/provincial_economic_update_september2020.pdf
- [7] <https://www.princeedwardisland.ca/en/service/telework-adaptation-fund-online-application>
- [8] <https://www150.statcan.gc.ca/n1/daily-quotidien/200923/t001c-eng.htm>
- [9] <https://www.cbc.ca/news/canada/prince-edward-island/pei-work-from-home-civil-servants-after-pandemic-covid19-1.5570339>
- [10] <https://www150.statcan.gc.ca/n1/daily-quotidien/200929/dq200929b-eng.htm>
- [11] <https://www.cbc.ca/news/politics/mendicino-immigration-pandemic-refugees-1.5782642>
- [12] <https://www.cbc.ca/news/canada/prince-edward-island/pei-apec-labour-shortages-1.5428013>
- [13] <https://www.cbc.ca/news/canada/prince-edward-island/pei-construction-industry-jobs-1.5769153>
- [14] <https://www.cbc.ca/news/canada/prince-edward-island/pei-farm-labour-shortage-1.5722816>
- [15] <https://www.theguardian.pe.ca/business/local-business/standardaero-cuts-staff-as-pandemic-slows-air-travel-495974/>

END NOTES (cont.)

[16] <https://docs.assembly.pe.ca/download/dms?objectId=ebb58bb4-b7db-43b9-9c69-fa59f27aac51&fileName=FINAL%20REPORT%20-%20Special%20Committee%20on%20Poverty%20in%20PEI%20-%20November%2027,%202020.pdf>

[17]

<https://www.taxtips.ca/taxrates/pe.htm#:~:text=The%20PEI%202020%20Budget%20increased,spouse%2Fequivalent%20to%20spouse%20amount>

[18] <https://www.taxtips.ca/nrccredits/tax-credits-2020-base.htm>

[19] https://www.princeedwardisland.ca/sites/default/files/publications/volume_2_2018-2019_final.pdf

[20] https://www.ey.com/en_gl/tax-alerts/canada-prince-edward-island-issues-budget-2020-21



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