

Alzheimer Society Luncheon
March 24, 2004
Halifax, NS

"A Matter of Priority"

Thank you Richard. And thank you all for the invitation to join you today.

In preparing for today's meeting, I was caught off guard to learn that one out of every 13 Canadians over the age of 65 has Alzheimer's disease or a related dementia - and that number increases to one in every three for those over 85! Almost a quarter of all Canadians have someone with Alzheimer's disease in their family. Think about that for a moment. I would venture to say that, as you look around your table, chances are that two or more of your tablemates have encountered this disease in their own family.

So how does this relate to what I'm here to talk about today? Well, I'm here to talk about priorities, and I'm here specifically to talk about the direct connection between these priorities and our economic realities. Let me begin with the following proposition, one that may seem obvious, but that demands re-statement and emphasis: The choices we make today and the priorities we set "collectively" will have a dramatic impact on our economy, now and in the future. And ultimately, the health of our economy is what will determine how much we can invest in the things that are important to us, things like healthcare, education, and the environment.

Is our current economy healthy enough to pay for these priorities? Is it healthy enough to compete in this global economy? And, if the answer to these questions is yes, today, will it be yes in 20 years? I believe that unless we take some specific action in the near future, the answer to these questions is decidedly - NO.

Most experts agree the Canadian economy is improving, but it is doing so slowly. The country battled back from a series of shocks last year, and economic momentum is expected to build in 2004 - largely because the US economy is growing by quite a bit. In the U.S., economists are forecasting 4.2 per cent growth this year. This kind of growth usually means good things for Canada, but currently there are other factors with which we must contend:

- The recent rapid rise in the strength of our dollar.
- Our relationship with the States.
- Our lagging productivity.

All of which have a significant impact on our economic health, but

There are reasons for that optimism. Early this month, the government announced that more than 2,000 new jobs were created in the month of February alone. Fully, 440,000 people are employed in Nova Scotia. More of our citizens are working today than at any time in our history. You can take pride in the fact that Halifax's unemployment rate is lower than Toronto's, lower than Montreal's, and lower than Vancouver's.

Yet, while I am a firm believer in the power of positive thinking, there are some economic realities that must be addressed if we are to sustain economic growth at levels that will support necessary public investments. For example, consider the impact of the rapid rise in the value of the Canadian dollar. Its value grew over 20 per cent in 2003. This kind of growth has hit businesses that export their goods outside of Canada, particularly hard as they've seen their exchange rate advantage melt away in the blink of an eye.

Here in Nova Scotia, the rise in the value of the dollar has had a devastating impact on our natural resources sector - our fisheries and forestry industries. There's a lot at stake here given that the value of Nova Scotia's exports exceeded \$5.3 billion in 2002. In these circumstances, to grow our export markets, we must be more competitive and more aggressive. With our cost advantage eroding, our response must be to improve productivity, add additional value to our exports, and find new markets. Productivity improvements present a significant challenge. Today, Nova Scotia's GDP per capita, a common indicator of productivity, is only about 80 per cent of the Canadian average. This is especially troubling since Canada's GDP per capita is only 80 per cent of that of the U.S.!

So now is the time to increase productivity. Together we must commit to making the investments necessary to upgrade facilities and equipment, to invest in new processes, and to invest in the education of our young people and skills training for our workers.

Only if we take steps collectively to ensure that Nova Scotia businesses are competitive, strong, and growing will we be able to contribute to our economic top line. To achieve this objective, we must pursue a two-pronged strategy:

- encourage and support the growth of our local businesses - both large and small;
- and attract new investment to the province.

Foreign direct investment (FDI) has become one of the most important means by which regions achieve economic transformation and prosperity. FDI brings with it not only capital but also, quite often, new technology, markets, skill, and mindsets - not to mention multinational corporations and expertise. Given the importance of FDI, it is troubling that the relationship with our most important foreign direct investor, the United States, has been a little rocky over the past year - the softwood lumber issue, the summer blackout, the Iraq war, the impact of mad cow disease, and now we're heading into a U.S. election.

How might this impact us? The Democratic presidential nominee, Senator John F. Kerry, openly and aggressively advocates banning foreign outsourcing of state and federal government contract work, not surprising given that the U.S. has lost 2.8 million jobs in past three years, many of which have gone to locations in India and China. Kerry plans to eliminate tax breaks for firms that outsource jobs, and he is the only candidate to have sponsored national legislation on outsourcing. This increasing emphasis on protectionism in the U.S., despite the objections of President Bush and Alan Greenspan, can have a significant impact on Canadian exporters' ability to sell in America. With "outsourcing" now firmly established as a U.S. election "hot button" issue, it is incumbent on us to make Canada and Nova Scotia even more attractive to foreign investors.

The appeal of India and China is undeniable, and the protectionism movement needs to be taken seriously, but a wide open window of opportunity still exists for Nova Scotia to position itself as the most efficient and most secure nearshore center for companies looking to outsource higher value, mission critical functions. Today, even companies with significant Indian operations continue to invest and expand in Nova Scotia - companies such as EDS, Keane, and Convergys, each of which has recently recognized the strengths of the province and announced expansions of their operations here. We do have a great story to tell.

To remain competitive, we must increase productivity. We must improve our ability and willingness to take the brainpower of our universities and research centers and translate it into products, businesses, and jobs. This is commercialization. And we must explore new ways to become more attractive to foreign investors. We must also aggressively market Nova Scotia's business story to ensure that the message reaches America's corporate boardrooms.

The roadmap for economic growth is apparent - so what's stopping us? Well, it's the growing cost of those priorities I alluded to earlier. Let's consider healthcare. The cost of delivering health care in Canada will likely reach \$121 billion in 2004. The Conference Board of Canada predicts that by 2020 some provinces could be spending more than half their budgets on health care! Already in Nova Scotia we are spending nearly 45 per cent of our entire provincial budget on health care, and with yesterday's Federal Budget, this isn't likely to decrease anytime soon.

As Atlantic Canadians and Canadians, we have consistently ranked health care as our most pressing concern. We've made it our number one priority. Now, I'm not contending for one minute that health care should not be a major priority. What I am saying - and it is an undeniable fact - is that this particular priority has an insatiable and growing appetite! If not addressed, health-care costs will continue to spiral out of control, and will consume resources essential for other priorities.

So, if we are so singularly focused on and invested in this one priority, how will we afford its rising costs and also the demands of what may become equally important priorities? Governments set priorities, in large part, on their understanding of what citizens want - and our people have called for access to quality health care now. Certainly, no one can fault governments for responding to the demands of their constituents. It is, after all, their job, but our job as Nova Scotians is to ensure that we do all that is necessary to be self-sustaining as a province, as a region. Our focus must be on driving and expanding the economy, so that as the demand for larger pieces of the pie increase, so does the pie! Collectively and collaboratively, we need to work to ensure that we will be in the economic position to fund our number one priority in 10, 20, and 30 years from now. And the only way we can do that is to recognize all our priorities.

I believe immigration needs to be a priority.

The federal government's skills and learning agenda estimates that soon more than 70 per cent of new jobs created in Canada will require some form of post-secondary education. In addition, Canada has one of the lowest levels of participation in job-related continuing education and training - a key component of lifelong learning. Considering the looming labour shortage, ensuring that our workforce has the right kinds of skills and education is crucial.

I believe education and lifelong learning needs to be a priority.

A Conference Board of Canada economist recently posed this question: "How do we improve our standard of living, and narrow the income gap with the U.S., while maintaining our cherished social aspects?" His answer: "Canada has to become a place where people want to invest."

I believe increasing business investment needs to be a priority.

Obviously to attract foreign investment and help Nova Scotia business to grow, we need the right kind of business environment.

A competitive tax structure fuels business growth. We can't be afraid to make the kinds of changes needed to protect our competitive advantage. A move in this direction would definitely position Nova Scotia as a front-runner in the race to attract foreign investment. We also can't be afraid to reduce red tape and bureaucracy; this will also help fuel business growth by significantly reducing the costs of doing business and accelerating time-to-market. We must be prepared to address this, particularly in industries such as energy and telecommunications.

I believe creating the right business environment needs to be a priority.

Thank you.