



ELECTION 2021 NB POLICY PRIORITIES

# Competitiveness and Fairness



## **Election 2021 Policy Brief**

### Competitiveness and Fairness for New Brunswick and Canada

Prepared by the Canadian Manufacturers and Exporters - NB/PEI Division, the Chamber of Commerce for Greater Moncton, le Conseil économique du Nouveau-Brunswick, the Fredericton Chamber of Commerce, the New Brunswick Business Council and The Saint John Regional Chamber.

#### **Executive Summary:**

We are a group of six New Brunswick business organizations with a common goal of advocating for sound policy that addresses the unique economic challenges and opportunities our province currently faces. Together we represent the interests of businesses across the province. We are passionate about reinvigorating the New Brunswick economy as we recover from the Covid 19 pandemic. Atlantic Canada was already behind the rest of the country in terms of growth, so concerted effort is needed to alter our trajectory moving forward.

To make New Brunswick on par with other provinces and nationally competitive, we need the Federal government to prioritize competitiveness and Fairness for our province. A policy tailored to achieve competitiveness and fairness for our province is key to achieving any level of success. To achieve this, the federal government must:

- Adopt a regional policy lens to address unique challenges of all regions, consider Atlantic-specific platform commitments.
- Provide incentives, tax credits, or program funding to help SMEs with the costs of decarbonization and the transition to a green economy.
- Work with provinces to remove remaining barriers to free trade.

#### **Context:**

COVID-19 has been a transformational change to all aspects of our lives. However, it has become increasingly clear that at their foundation, most public policy challenges that lie ahead are the same that existed before the pandemic - but have now been exacerbated in many instances. As we move out of the acute effects of Public Health restrictions, we must turn our attention to the need for economic growth to fuel the recovery, create jobs and generate the revenue required to fund government services, and pay the national debt.

The relationship between government finances, the ability to deliver services and economic development are symbiotic and inextricably linked. It's why our businesses and industries must be competitive on a global stage. The pandemic itself has also shone a light on regional differences. Just as a one-size-fits-all approach was eschewed regarding federal Public Health interventions, recovery-focused policymaking must consider regional realities.

We use “competitiveness” broadly, generally referring to the environment in which business operates - including costs, red tape, appropriate infrastructure, and of course, COVID-19 Public Health restrictions and related support programs from governments.

Fairness, for New Brunswick and Atlantic Canada generally, will require tailored policymaking from the federal government that reflects the current realities of our economy, geography, and population and the challenges that are often dissimilar to more populated, urban areas of the country. Canada is a big country with diverse and distinct regions – this is already recognized through organizations like ACOA and programs like the AIPP. Those are regionally-focused success stories, and we can continue to build on those models. Great potential for growth exists here, but applying Ottawa-centric policies that do not reflect current demographic and economic conditions is unfair and detrimental to growth.

Two examples of federal policy that, if applied on such a regional basis, would have a disproportionately positive effect on our economy are health and climate policy.

### **Recommendations:**

#### *Regionality as a Policy Priority*

Not all regions of Canada are the same. The federal government has recognized this in some of the signature programs of the past several years, including climate change and child care, where provincial governments have been allowed to use federal money to develop their own programs which fit their own unique circumstances.

Policymakers have come to realize that policies can affect specific categories of people differently. As a result, the federal government began to apply gender-based analyses to ensure that one gendered group was not inadvertently impacted negatively by a particular policy initiative. The federal government has now shifted beyond this in the GBA+ analysis, which explores factors such as race, ethnicity, religion, age, and mental or physical disability, in addition to gender.

Canada’s regions vary significantly in terms of climate, the makeup of their economies, their degree of urbanization, their demographic makeup, to name just a few. Considering the impacts in different regions alongside these other factors could improve the quality of federal policies.

In the same vein, we would encourage Canadian political parties to consider an Atlantic-specific platform or set of commitments that recognize our region’s unique challenges, needs, and characteristics.

### *Incentives for Green Transition*

Implementing the Clean Fuel Standard uniformly across the country will significantly impact New Brunswick businesses and residents while adding little additional value to our already successful carbon-reduction results. This is not to say that New Brunswick does not support the Clean Fuel Standard. We see the importance of preserving our natural resources and building a green future for the next generation. However, we ask that this future be built with the economic restriction of Atlantic Canada and New Brunswick in mind.

As it currently stands, the Clean Fuel Standard is expected to unfairly impact New Brunswick's economy, businesses, and residents. The current plan does not adequately account for regional differences and places a further burden on a province like New Brunswick with a smaller population that is more rural than most. With fewer transit options – even in our urban areas – the ability to further reduce carbon emissions through behavioural change is limited.

The Atlantica Center for Energy recently submitted a document to the ECCC examining the effect of the Clean Fuel Standard on Atlantic provinces. They found that Atlantic Canada already leads the country in terms of greenhouse gas emission reductions and has met or is well on track to achieve its 2030 targets. Furthermore, our region is the only one that relies exclusively on regulated gas prices due to our cold winter climate.

The Clean Fuel Standard poses issues related to infrastructure and industry, two areas already struggling due to the COVID-19 pandemic.

Businesses in New Brunswick and across Canada are staring down historic investments as part of their green transition. Once made, these investments will put Canada on a path towards clean growth and increased competitiveness in the Green Economy. Still, many businesses will not survive the transition due to the substantial investments required. This is why the Canadian Chamber of Commerce recommended in their platform that small businesses develop a strategy to provide Main Street SMEs with incentives and opportunities to participate in Canada's plan to achieve net-zero emissions. The Government of Canada must support small and medium-sized businesses with investments required as part of the green transition, either through a green investment tax credit, dedicated program funding, or other incentives.

### *Free Interprovincial Trade*

In 2019, University of Calgary economist Trevor Tombe estimated that administrative barriers to trade goods across provincial borders cost the country the equivalent of 3.8% of annual GDP.<sup>3</sup> Then Bank of Canada Governor Stephen Poloz estimated that removing these barriers would generate \$2,000 per person of new income and about \$20 billion in additional annual tax revenue.

The provinces themselves have made some efforts to address these via regionalized agreements. While these have frequently offered a framework for discussion, their overly broad nature has traditionally failed to manage ongoing concerns effectively. In an attempt to rectify these and other such regulatory misalignments, the federal, provincial and territorial governments signed the Canadian Free Trade Agreement (CFTA) in April 2017. While it provides some progressive relief measures on specific areas such as procurement, much of the 300-page document is dedicated to exemptions, creating opt-out measures on many vital files. There are many persistent regulatory concerns that fall outside of the CFTA's intended purview.

We recommend that the federal government conduct a full review of the CFTA to further eliminate trade, investment, and labour mobility barriers. According to Alvarez, Krznar and Tombe's analysis conducted for the IMF in 2019, and our national forecast model, removing non-geographic trade barriers could result in an initial 3.8%, or \$80 billion lift in Canada's GDP.

The impact on GDP varies by province, and smaller provinces like New Brunswick would benefit greatly. Projected numbers see New Brunswick grow by 6%. Reexamining this policy would have hugely positive effects on the province and the country. It is in the federal government's best interest to work with provinces to remove existing trade barriers.

### **Conclusion:**

We believe creating the conditions in which New Brunswick is treated fairly and is able to be competitive is of the utmost importance. Competitiveness and fairness in federal and regional policy will drive economic growth and help the province and the country recover from the effects of COVID 19. To ensure this happens:

- Make policies more regionally inclusive.
- Support companies through the green transition with financial incentives
- Eliminate interprovincial trade barriers