



ELECTION 2021 NB POLICY PRIORITIES

Recovery and Self Sufficiency



Election 2021 Policy Brief

Recovery and Self-Sufficiency 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 get New Brunswick back on track, we need the Federal government to prioritize economic recovery and self-sufficiency. Below are three steps that we have identified as necessary for long-term economic growth.

- Grow the labour force through a multi-pronged approach, including return-to-work for individuals on EI, national child care and specific funding through ACOA for automation, digitization, and HR recruitment and retention.
- Fund research and development in critical areas to identify necessary investments in infrastructure projects focusing on housing.
- Support piloting a special Atlantic investment tax credit that encourages inter-provincial investment in exporters, SMEs and start-ups within the Atlantic Region.

Context:

New Brunswick's economic growth over the previous decade was derailed by the economic recession of 2008-2009, and it did not get back on track until 2016. From 2007 and 2015, our real GDP was a paltry 0.2 per cent per year, lowest by a wide margin in Canada¹. There was little private sector growth, a shrinking population and workforce, and mounting public debt.

The period between 2016 and 2019 marked a shift in provincial fortunes. Real GDP grew by an average of 1.2 per cent, still well below the Canadian average, but a hopeful sign. That growth stalled in March, 2020 when COVID-19 shut down our society and economy.

Federal assistance to individuals and businesses has been instrumental in keeping businesses afloat and individuals employed during the pandemic. It is time for the New Brunswick government to embrace opportunities for matching dollars under the federal Safe Restart

¹ After the Pandemic: An Investment Agenda for New Brunswick (unpublished), April, 2021, David Campbell, Jupia Consultants

initiative. There is a critical role for the federal government to continue to play in economic recovery from COVID-19 in the province.

There is little doubt the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Business Account (CEBA), and more recently, the Canada Emergency Rent Subsidy (CERS), have been the three most significant financial aids to New Brunswick business during the pandemic. These federal programs are scheduled to end in September 2021, although the government has said they could be extended to late November if needed.

But the province needs more than bandaids; we need policies that will not only prop up the economy but allow New Brunswick to recover and grow our economy.

Recommendations:

Grow the Labour Force

Growing the labour force will require a multi-pronged approach, including return-to-work for individuals on EI, national child care and specific funding through ACOA for automation, digitization, and HR recruitment and retention.

Success in this area will depend not just on creating jobs. This will also require ensuring that there are people in New Brunswick capable of filling those positions. In addition to immigration, which we advocate for as well, growing the labour force relies on making the labour force more accessible to people who are already here but are not currently working or seeking work.

Funding universal child care is one way to ensure that all those who want to work can work. The single largest expenditure in the 2021 federal budget was the promise of \$30 billion over five years to fund an affordable early learning and child-care program. The federal plan will require a corresponding investment by the province.

We must also ensure that those still on EI and other similar programs can find gainful employment. Securing gainful employment means ensuring that rules preventing abuse of the system are enforced, so that money is going to people who need it.

Funding organizations like ACOA, which is dedicated to investing in the Atlantic provinces, can help update our industries to be competitive. Earmarking specific ACOA funding for HR recruitment and retention can help firms find and train workers. Earmarking specific ACOA funding for automation and digitization will enhance productivity levels and firm competitiveness while freeing up talent that is being used inefficiently for employment at firms unable to find workers.

Fund Infrastructure

We must also ensure that we have sufficient infrastructure and that we have invested enough in research and development to identify key areas to invest in infrastructure, especially housing.

New Brunswick spends significantly less on R&D than the national average. Our investment agenda shows that research and development expenditures nationwide are 1.7 percent of GDP (or 70% higher than in New Brunswick). If R&D spending in New Brunswick were parallel to the

Canadian level as a share of GDP, it would add another \$200 million per year in R&D spending across all sectors of the economy. Furthermore, if New Brunswick reached the OECD average for R&D expenditures relative to GDP, it would boost R&D spending across the province by more than \$400 million per year.

We are leaving money on the table every year that we are not putting into our province. Research and development is a powerful tool that could focus our future investments into critical areas. Housing, in particular, will be an important area, but we can not simply plan random housing projects. We have to have that background information to ensure that the housing remains affordable, accessible and logically placed.

Reasonably priced and available housing has traditionally been key to New Brunswick's value proposition as a place to live and work. That proposition is now under threat. In the 2021 federal budget, the government announced \$2.5 billion in new affordable housing funding and redeployment of a further \$1.3 billion in existing dollars. Over seven years, the combined impact of this funding is construction or renovation of more than 35,000 units²³. These numbers are based on New Brunswick's two per cent national population share, which translates to roughly 700 units over seven years for the province. We believe current federal housing spending is insufficient to address the urgent needs across Canada and in New Brunswick. We support the Vote Housing initiative's recommendation to "Build and acquire a minimum of 300,000 units of deeply affordable non-market, co-op and non-profit housing over a decade". Based on the 2% population ratio, this should reflect 6000 new units in NB over a decade.

We believe there are three areas where federal infrastructure dollars can be put to better use to power New Brunswick to self-sufficiency – tourism infrastructure, rural broadband, and digital capacity.

The tourism sector has been especially hard-hit by COVID-19. Directing additional federal support to parks, the Fundy Trail Parkway, and connections on either end to Saint John and Moncton, eco-tourism sites, and marketing would pay off in more sustainable tourism numbers. A comprehensive rural broadband program that ensures every area of New Brunswick has the capacity to connect, work and conduct commerce online is crucial to our self-sufficiency agenda.

The third piece of infrastructure involves equipping New Brunswick companies with the ability to work in a digital world. COVID-19 was a step-change in the evolution to digital. Creating a federal program through ACOA that provides funding to help New Brunswick companies with this transition would be a wise investment.

Unlock Capital for the Atlantic

There is a narrative that there is no money in Atlantic Canada. This is false and why we need the federal government to support a special Atlantic investment tax credit that encourages inter-

² Federal housing spending in 2021 Budget <https://www.canada.ca/en/department-finance/news/2021/04/budget-2021-housing.html>

provincial investment in SMEs, exporters, and start-ups within the Atlantic Region.

The Canadian Chamber of Commerce released their platform recently, which echoed our calls for an investment tax credit. Although we are specifically looking for a credit for the Atlantic provinces, we appreciate that The Chamber has also identified the benefits of this type of tax credit. As the state in their platform, “By responding to the current U.S. competitive advantage on tax credits and deductions for capital investments, we can mobilize private capital, spur investment and create growth.”

Mobilizing private capital to spur growth and investment in a region that has been disproportionately affected by stalled growth is vital.

The “Atlantic Investment Bubble” is a regional equity tax credit (ETC) concept that encourages private capital investment in Atlantic Canada through tax credit incentives. The provincial government currently has ETCs, but they are exclusive to investments made by residents within their province. The Atlantic Canadian economy is integrated, and we collectively have a population smaller than Mississauga. To achieve an economy of scale and ensure SMEs, exporters and start-ups have access to capital, we propose a three-year pilot program, supported financially by the Government of Canada to offset any tax revenue loss incurred by provincial governments until the net benefit of the program can be clearly demonstrated through performance data. One result of the COVID-19 pandemic is that billions of dollars in personal savings and capital markets have been put aside and are now seeking new investment opportunities. We need to move quickly. During the height of the pandemic, the Atlantic provinces worked together closely and effectively to protect their citizens. Let’s bring that spirit of cooperation to growing our regional economy.

We are calling on the Government of Canada to support the proof of this concept by pledging to backstop any potential losses of tax revenue incurred by the provincial governments, up to a set amount each year of the three-year pilot. We will monitor this program carefully and are confident that an analysis of its results will show that the Atlantic Investment Bubble clearly demonstrates a net benefit to each province.

By implementing the Atlantic Investment Bubble pilot project, we will create a common market for investment in Atlantic Canada. Companies throughout the region will have access to greater levels of capital, fuelling their growth and creating new jobs, opportunities and tax revenues. Investors will be incentivized to invest within the region. That means we will repatriate capital, including the billions of dollars currently on the sidelines, to Atlantic Canada that now often ends up in public markets in Toronto or New York. The Atlantic Investment Bubble will help us take greater control of our economic destiny.

Conclusion:

We believe creating the conditions in which both men and women can return to work, or enter the workforce, is a wise investment in our road to provincial self-sufficiency.

To ensure growth, recovery and self-sufficiency, we urge federal political parties and candidates to embrace policy agendas that will:

- **Invest** in initiatives that encourage labour force growth.
- **Fund** infrastructure projects that will support recovery and long-term growth, including investments in housing.
- **Support** tax incentives to unlock capital for start-ups and growing firms in Atlantic Canada.