

# 2020-21 Budget Priorities: Finding Strategic Alignment

Presented to the Honourable Ernie Steeves  
Minister of Finance,  
Province of New Brunswick

Fredericton Chamber of Commerce  
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## Introduction

As your government prepares its second budget under its current mandate, the Fredericton Chamber of Commerce is encouraged by progress made on some key files over the past year. These include the provincial deficit and debt, WorkSafeNB, red tape reduction efforts and ONB's Navigator program. It is important to continue this momentum and focus on alignment between the province's finances, the need to make the right investment at the right time and providing services to citizens. As we wrote last year:

"New Brunswick requires leaders that not only understand the difference between spending and investing but are also willing to act on that knowledge. This kind of restraint is required not only to provide the services that New Brunswickers need and deserve, but also to be able to create the competitive business environment that business needs to thrive. Without consistent and sustainable economic growth, any other positive decisions made by your government will be for naught."

Holding the line on the deficit is important to keep costs to businesses and individuals from further escalating, while allowing your government to invest limited public dollars in areas that provide ROI. Premier Higgs has stated that government can be run more like the private sector. Government can't run exactly like a business - there are different priorities, responsibilities and pressures. However, there are lessons the government can learn and apply from the business world that would be beneficial to all New Brunswickers such as debt management, results-oriented decision making and efficiently run departments. In other words, government decisions should be viewed through a business lens.

### 1. Vibrant and Sustainable Communities

Of course, the private sector pays close attention to its costs, but it also looks for opportunities to grow. Just as a business cannot cut its way to success, government cannot only be looking at one side of the ledger. It's why our 2019-2020 brief was titled *Finding Strategic Balance* and why this year is *Finding Strategic Alignment*. In recognition of your government's six priorities announced by Premier Higgs earlier this year, we have framed our 2020-2021 pre-budget brief around aligning our commentary with these priorities.

*Vibrant and sustainable communities* is more than a priority – it is ultimately the goal of your government and our chamber – that's why our organizational vision is *stronger community through business prosperity*. New Brunswick's communities are diverse and there is a tendency to focus on the differences between them – urban / rural; north / south; English / French – but the economy and a desire for our communities to be vibrant and sustainable is a uniting force.

Governments at all levels derive their revenue from economic growth and business success. It should be understood that the relationship between the Province's finances, its ability to deliver services and economic development are symbiotic and inextricably linked. In other words, in order to provide the services that New Brunswickers need and deserve - we must all be focused on economic growth and business success. It is a prerequisite to achieving our broader goal of vibrant and sustainable communities.

An example of the type of opportunity we could work on together is showcasing our vibrant communities to the world through conference tourism. We should be working together to double-down

efforts to expand our tourism and convention market share. Bringing world-class experts in new and growing industries is a simple example of aligning tourism investment with broader economic growth. This is good for tourism, brings experts into our space, infuses knowledge into local sectors, solidifies our reputation, provides site visits for potential investments and immigration – all along with building our provincial brand and cementing our position as the ‘expert’ in an industry.

## 2. Energized private sector

Our organization views *energize the private sector* as the foundational pillar that will allow government to deliver on their other priorities.

Government and the business community play important but distinct roles in growing the economy. Our chamber was pleased to hear a key sentence in the 2019 Speech from the Throne delivered last month: ‘The role of government is to help create an environment where companies can thrive.’ We couldn’t agree more. Government cannot create jobs – businesses create jobs – but government can listen to the private sector, remove barriers and help create conditions for growth.

### a. Competitiveness

Three years ago, KPMG’s Competitive Alternatives Survey<sup>1</sup> named Fredericton and several other Atlantic Canadian communities at or near the top of their annual list. These high rankings were primarily on the basis of market conditions such as the cost of labour. From the KPMG report: “Labor costs represent the single largest cost category, and represent between 40 and 86 percent of total location-sensitive costs for the industries examined.” New Brunswick has not, in recent memory, been a favourable tax location - as exemplified by the double taxation regime on commercial and non-residential properties. Despite this, since the report was released, competitiveness in the province has been steadily and systematically eroded by governments searching for ways to deal with their growing debts. Exacerbating the situation for business is the shrinking labour market.

We again call for comprehensive tax reform in the province and offer New Zealand’s experience as a possible model:

*New Zealanders might offer a different answer, and it’s one Canadians would do well to consider... since 1994, legislation there goes through a “generic tax policy process” (GTPP) every time they want to change the system. It ensures that the tax system remains not only calibrated to the political goals of the party in power, but also reflects broader changes the country is going through.*

*The government has put its plan through extensive public consultation prior to the GTPP, which provides for “early consideration of key policy elements and trade-offs of proposals, such as their revenue impact, compliance and administrative costs, and economic and social objectives.” The process builds in mechanisms for external feedback at several stages.<sup>2</sup>*

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<sup>1</sup> <https://assets.kpmg/content/dam/kpmg/pdf/2016/03/ca-competitive-alternatives-2016-canada.pdf>

<sup>2</sup> <https://www.cpacanada.ca/en/news/pivot-magazine/2019-05-07-tax-reform-bruce-ball>

There is no chance that additional tinkering and cherry-picking certain parts of the tax code will lead to a more fair and modern tax policy, that encourages economic growth for our province. Attempts to remove machinery and equipment tax exemptions this past year illustrate what can happen when tax policy is made haphazardly on a piecemeal basis.

At the Motion 31 hearings before the Standing Committee on Law Amendments earlier this fall, we learned about the multi-year, multi-departmental review of the province’s tax system lead by the Department of Environment and Local Government.

Congratulations to your government for taking on this important and overdue file – we are particularly pleased to know that economic development is a key consideration in the planned review. We would be keen to participate in any and all consultative processes regarding this year – our members are very interested in seeing the province develop a tax regime that is modern, fair and in line with current best practices – including all fees and taxes in the province – not just property tax.

We also commend your government on reaching an agreement with the federal government on a “made in New Brunswick carbon solution” and are eager to move NB away from the federal backstop. As we move forward and learn, we will undoubtedly adjust our system in the future – we ask that this be done with a view that businesses should receive 100% of the funds they put into the system. It is our understanding that currently businesses pay more than half the carbon tax and receive 5 – 10 % in the form of green projects funding.

**Recommendation:** Expand tax review efforts to include all taxes and fees and other revenue sources for government and engage organizations such as chambers of commerce throughout the exercise.

**Recommendation:** Work towards a revenue-neutral carbon-reduction plan that returns all carbon tax paid by business back to business.

**b. Regulatory Reform**

Over-regulation is also hindering New Brunswick businesses’ ability to compete, but there have been signs of progress over the past year. We were pleased to see the introduction of a government-wide initiative to reduce the regulatory burden on New Brunswick businesses by \$14 million by March 2021 and as further detailed below, we strongly support the Navigator Program that ONB launched this fall.

We encourage your government to continue these efforts and look to the work that Nova Scotia has done over the past three years. In 2017, the NS government set a target to reduce unnecessary regulatory burden to Nova Scotia business by \$25 million by the end of 2018. The target was based on an estimate of the overall regulatory burden to Nova Scotia business of approximately \$560 million, and specifically getting at ‘undue burden’, estimated by business at approximately \$200 million. In January 2019, the Office reported on more than 60 regulatory initiatives estimated to save businesses \$34 million (net) annually, well exceeding its \$25 million target.

Red tape can be a frustrating issue to tackle since it is widespread, sometimes amorphous and seemingly never-ending, but setting clear annual targets and assigning accountability will help keep up the effort within government.

We appreciated quick action by your government on a couple of red tape issues that our organization brought forward over the past year:

1. Amending the *Days of Rest Act* to allow real estate transaction on Sundays (Department of Environment and Local Government).
2. Prorating restaurant licensing quarterly (Department of Health).

**Recommendation:** Continue red tape reduction efforts started in 2019 and draw best practices from other jurisdictions such as Nova Scotia to ramp up efforts.

c. Key Investment – Cyber Centre

One of the reasons it is important to keep costs under control is to have the flexibility and ability to invest in the right opportunities at the right time. The Cyber Centre currently in development by Knowledge Park is by far the top infrastructure priority of Fredericton’s business community and sets up New Brunswick to be a key player in one of the faster growing industries on the globe.

The Cyber Centre is being recognized nationally as a leading model for private-public partnerships in Canada. Furthermore, it presents a strong ROI case for the Government of New Brunswick, considering the equity position Knowledge Park has produced to bring the project to fruition and the anticipated interest revenue that Opportunities New Brunswick will realize as a result of their repayable loan to Knowledge Park to get the project off-the-ground.

In addition to the strategic and economic impact this project will have, the Government of New Brunswick is anticipated to realize \$18M in revenue by virtue of interest payments on the \$30M loan provided to Knowledge Park by the provincial government to bring this project to life- a very significant ROI on taxpayer dollars. In effect, the province will gain revenue and critical infrastructure to further the significant economic growth through cyber security by private industry investment from Knowledge Park.

**Recommendation:** Continue to support the Cyber Centre in Fredericton and look to expand NB’s cyber security footprint more generally.

d. Workforce

It is well understood that given New Brunswick’s population and demographic challenges, the lack of labour in the short-term is a challenge that is growing escalating daily. The province, already struggling finding workers, is expected to lose one-third (~120,000 people) of the current labour pool over the next ten years.

We were pleased to see a new population growth strategy and action plan launched in August, under which the province would welcome up to 7,500 newcomers annually by 2024. Given estimates from demographers and economists such as David Campbell, this figure, roughly 1% of the current population, will be the absolute minimum amount to maintain the workforce and we will still need help from other sources. Topping out at 7,500 newcomers annually – even if we are to assume that they can immediately integrate into the workforce - still leaves NB with more than 45,000 fewer workers than today.

In the immediate term, the province can put an even more concentrated effort into retaining the newcomers we are currently bringing in, as well as students (international and domestic) at our world-class universities.

In the long term, there is an opportunity for New Brunswick to reshape its workforce for competitiveness and economic productivity. It must be understood that the jobs of the future are not direct replacements for the jobs of the past – i.e. we won't require the same skills to replace these 120,000 workers.

**Newcomers:** There is a growing and recurring theme (particularly in relation to the entrepreneurial stream of the Provincial Nominee Program) that we are hearing more and more from newcomers. Namely, that provincial government officials become much more difficult to work with and even contact once newcomers land in New Brunswick. We have anecdotally heard about communication issues between newcomers and the Department of Post-Secondary Education, Training and Labour at both the policy and communication levels that, if unaddressed, will limit our ability to achieve the government's goal of a one-year retention rate of 85%.

Regarding workforce streams, better coordination between government, the private sector and associations to better prepare newcomers for working in Canada and getting their first job will help grow the available labour pool. Efforts such as ONB's Connector Program are important steps forward and should be maintained, along with funding to groups that are working with newcomers in this space. Efforts to encourage professional associations to accelerate and simplify international credential recognition would enhance our labour force and likely increase our newcomer retention rates. The variety of challenges faced by newcomers are complex and we must do our best to make their transition to life in Canada and a new business culture by not unnecessarily complicating their first two years here. The chamber has recently formed a dedicated immigration advocacy committee to try to have more impact in this area.

We can all (government, business, settlement agencies, citizens) do more to help welcome and settle newcomers. This is imperative to our population growth strategy as the federal government has been quite clear that they are not prepared to increase our quotas until our retention rates increase.

**Post-Secondary Students:** with world-class public and private institutions throughout the province, NB has an opportunity to do more to retain a greater proportion of our post-secondary students and further utilize a skilled-labour source. A challenge that our members often express is that because their businesses are often quite small, they don't have the ability to hire a recent graduate who does not already possess the work experience and soft skills needed.

We think that FutureReadyNB has the potential to address many of these issues. The program is targeted and fully measurable. It improves educational outcomes and will help the province retain more graduates while increasing the labour pool for business.

**Underrepresented Labour Pools:** There are also many unemployed or underemployed New Brunswickers that could join the workforce with the right supports, including Indigenous people<sup>3</sup> and persons with mental or physical disabilities<sup>4</sup> – each of whom have done clear advocacy work communicating the efforts made to combat this underrepresentation. We encourage your government to work with individuals and groups to determine what supports are needed for them or their clients to enter the workforce.

**Recommendation:** When newcomers check into Service New Brunswick upon arrival (a requirement), have a plan in place for SNB employees to direct them to other organizations, locations, etc that will help them settle and access the services they need to succeed in a new country.

**Recommendation:** Create an “Immigration Ombud” position within government to help newcomers access the right services and advocate on their behalf within government, in particular as it relates to entrepreneurial immigrants.

**Recommendation:** Establish an independent oversight body that includes business representatives for policy- and decision-making on immigration matters such as whether to shut down an immigration stream.

**Recommendation:** Expand cultural competency training through government.

**Recommendation:** Support, maintain and expand efforts to better acclimate newcomers to working in Canada.

**Recommendation:** Work with professional associations to accelerate and simplify foreign credential recognition.

**Recommendation:** Continue to fund and expand the FutureReadyNB program on our post-secondary campuses and work with the business community to help shape and promote the program.

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<sup>3</sup> About double the rate of non-indigenous population in Canada:  
<https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=1410036501>

<sup>4</sup> As per NB Association of Community Living, in New Brunswick at least 70% of adults with an intellectual disability are either unemployed or underemployed: <https://nbacl.nb.ca/support-categories/ready-willing-and-able-to-work/>



### 3. World-class education

Minister Cardy has said that his Department of Education is also a department of economic development and we agree with this assessment. NB's labour force shortage issue has a direct link to our K-12 education system and a key outcome to the recent Education Summit is identification of the need to reduce barriers to literacy. A population educated for the 21<sup>st</sup> century is a prerequisite to competing in the global economy.

*Post-Secondary Education:* An area that we encourage increased focus and would like to see the government taking a leading role is leveraging our position as a hub for technology, cyber security, innovation and startups. The success that New Brunswick and specifically Fredericton have had in these areas in the past decade presents an obvious opportunity for future growth and it is well worth investing the time, money and effort required to continue down this road. Moving forward, the chamber is hoping to see a government statement regarding an innovation strategy that leverages our world-class post-secondary institutions and ensures Fredericton's status as a global cyber security leader to maintain the positive momentum that has been created in this community and throughout New Brunswick.

The University of New Brunswick recently produced an "Innovation Map" with support from Innovation, Science and Economic Development (ISED) Canada. This initiative can provide a roadmap to where gaps exist and where government can support an environment that allows industry and academia to fill those gaps. This is crucial because Fredericton, more than any other community in this part of Canada, is leading in the development of a knowledge-based economy. Our strong PSE infrastructure is the basis of a sustainable competitive advantage, so public policy and targeted investment can make a real difference in improving GDP and population growth figures. Fredericton is an economic engine in the province and our assets should be leveraged for the benefit of all New Brunswickers.

**Recommendation:** Work with industry and the post-secondary sector to develop a new innovation strategy for New Brunswick.

### 4. Affordable and responsive government

It is a priority for our members that government is affordable and efficient – it must be that in order to improve competitiveness in the province. However, it will take more than sound fiscal and economic development policy to ensure that the public and private sector are working in unison. The very relationship between the two needs work. We surveyed our members earlier this fall and the fundamental theme that came through again and again, particularly when asked open-endedly 'What problem regularly frustrates you the most when dealing with any government department or entity?' was that our members view government mostly as an obstacle, not an economic development partner. The answers we received can mostly fall into the following buckets: government decision-making is slow, difficulty contacting the right person, getting conflicting answers, indifference/ignorance of business realities on the ground, red tape, and a lack of accountability. The disconnect our members are feeling with governments is something that has to be addressed. Steps are being taken in the right direction and working with organizations like ours to develop and communicate policy can help further bridge that gap.

We congratulate the government on their fiscal work over the past year. A balanced budget and paying down on the provincial debt were welcomed developments. Recent moves to increase transparency measures with reporting quarterly actual results along with annual projections, the recent development and launch of an economic indicator dashboard along with releasing the cost to government for all tax revenue concessions are commendable. These moves increase confidence in doing business in New Brunswick and allow for more informed engagement by businesses and individuals in the province.

More focus is required to improve our economic development relationship with indigenous communities – particularly in relation to natural resource development. A fair and reasonable consultation process must be developed to bring some certainty to project proponents and local communities. At a minimum, timelines should be clear and be met. New Brunswick’s reputation as a natural resource province is in decline – the global investment community has to know that NB is a good place to do business.

We are encouraged by efforts of Opportunities New Brunswick over the past year. In our 2019-2020 brief we recommended that your government “convene stakeholders to discuss how to streamline economic development, particularly vis-a-vis provincial/local agencies and what economic development in New Brunswick should look like moving forward.” There is still work to do, but there has been progress in this regard and ONB has taken the lead on increasing collaboration and not duplicating services. One example is ONB’s move to focus more on assisting established businesses to grow and moving away from the startup space, where communities such as ours have taken the lead locally and are doing good work.

A collaborative effort began earlier this fall that includes the business community with the goal of helping to guide ONB’s future direction through a review process which began earlier this fall. We have long called for an economic development model that transcends politics and changes in government. This could be the government’s opportunity to bring stakeholders together to agree on a model that institutes global best practices, makes sense across the province and then give it time to work. ONB itself has also recently adopted a client-service model called Business Navigators aimed at addressing red tape and helping to guide businesses to the correct resources they need within government much like a concierge service.

The next step will be harnessing opportunities for better communication and coordination between departments – a prime example being ONB and the Department of Post-Secondary Education, Training and Labour – particularly in relationship to workforce and immigration.

**Recommendation:** Continue and expand efforts to leverage the expertise of the business community in shaping government policy and initiatives.

**Recommendation:** Work with indigenous communities to develop a fair and predictable consultation process.

**Recommendation:** Work towards greater communication and cooperation between departments – as an example, perhaps Opportunities NB could review and approve (or not) business plans submitted by PNP applicants.

## 5. Dependable public health care

Easy and efficient access to primary health care continues to be an issue for our members, particularly in relation to attracting skilled employees. That is why we established a Physician Recruitment & Retention Committee in 2009 and are still actively assisting efforts of Horizon Health and the NB Medical Society to attract and welcome physicians to our community while seeking ways to expand easy and efficient access to primary care.

We were pleased with the announced phasing out of the physician billing number system, which will better enable health authorities to establish the number of physicians needed for programs and services – we look forward to learning more details about your government’s plan for physicians in the near future. This decision also aligns with the movement (which our chamber supports) towards creativity in focusing on access to primary healthcare – rather than the traditional family doctor model. Recent efforts have included Family Health Teams, community health clinics, pilot projects for midwives and nurse practitioners.

**Recommendation:** Continue to explore creative options for citizens to access primary health care, including the use of Family Health Teams, community clinics, physician assistants and nurse practitioners – while maintaining efforts to recruit the family physicians and specialists needed.

## 6. High-performing organization

The government’s 8 November 2019 news release states: “The government remains committed to ensuring public sector employees have the tools they need to do their jobs, while fostering a work atmosphere that promotes a positive employee experience and increased engagement.”

This is a laudable and important goal. Any private sector employer knows that employees who have the right tools and are immersed in a positive environment will perform to the best of their abilities.

As a province we also need to apply this thinking outwardly. We need to rehabilitate New Brunswick’s image globally as a good place to do business. With some of the highest tax rates in North America, difficulty developing natural resources and a stagnant labour pool, we need to be able to offer something else while we work on those big issues. Building a reputation as a jurisdiction that is responsive, easy to start up a business and government actively fostering economic development is a good start.

## **Conclusion**

Budgeting for any business, organization or government is an act in balancing, not only costs and expenses but various other interests, particularly in the case of government. Our chamber fully supports the spending restraint that your government has shown over the first 14 months of government – but we are concerned this restraint will not continue to be accepted by the public without clearly articulating where the province is headed and where we can put investment dollars to improve that side of the ledger as well. Growing high-potential sectors such as cyber security, tourism and natural resource development or increasing exporting capacity for small business will bring in ‘new’ money to the province and grow our wealth – but it might take strategic support from your government to make it happen.

The Fredericton chamber remains committed to working with government to help you create an environment that fosters business success and fiscal stability. We are happy to provide information on local business conditions and sentiment and to act as a sounding board for new ideas from government that may affect business. Our members look forward to contributing to the province’s economic well-being and sustainability. We all need to try to find strategic alignment wherever possible, maintain two-way lines of communication, focus on common goals and collectively choose growth.

## **Appendix A: Summary of Recommendations**

2. Energized Private Sector
  - a. Competitiveness
    - i. Expand tax review efforts to include all taxes and fees and other revenue sources for government.
    - ii. Work towards a revenue-neutral carbon-reduction plan that returns all carbon tax paid by business back to business.
  - b. Regulatory Reform
    - i. continue red tape reduction efforts started in 2019 and draw best practices from other jurisdictions such as Nova Scotia to ramp up efforts.
  - c. Cyber Centre
    - i. Continue to support the Cyber Centre in Fredericton and look to expand NB's cyber security footprint more generally.
  - d. Workforce
    - i. When newcomers check into Service New Brunswick upon arrival (a requirement), have a plan in place for SNB employees to direct them to other organizations, locations, etc that will help them settle and access the services they need to succeed in a new country.
    - ii. Create an "Immigration Ombud" position within government to help newcomers access the right services and advocate on their behalf within government, in particular as it relates to entrepreneurial immigrants.
    - iii. Establish an independent oversight body that includes business representatives for policy- and decision-making on immigration matters such as whether to shut down an immigration stream.
    - iv. Expand cultural competency training through government.
    - v. Support, maintain and expand efforts to better acclimate newcomers to working in Canada.
    - vi. Work with professional associations to accelerate and simplify foreign credential recognition.
    - vii. Continue to fund and expand the FutureReadyNB program on our post-secondary campuses and work with the business community to help shape and promote the program.
3. World-Class Education
  - a. Work with industry and the post-secondary sector to develop a new innovation strategy for New Brunswick.
4. Affordable and Responsive Government
  - a. Continue and expand efforts to leverage the expertise of the business community in shaping government policy and initiatives.
  - b. Work with indigenous communities to develop a fair and predictable consultation process.
  - c. Work towards greater communication and cooperation between departments – as an example, perhaps Opportunities NB could review and approve (or not) business plans submitted by PNP applicants.
5. Dependable Public Healthcare
  - a. Continue to explore creative options for citizens to access primary health care, including the use of Family Health Teams, community clinics, physician assistants and nurse practitioners – while maintaining efforts to recruit the family physicians and specialists needed.