

2021-22 Pre-Budget Submission

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

Fredericton Chamber of Commerce

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Introduction

COVID-19 has been a transformational change to all aspects of our lives, including government budgets. The immediate crisis and recovery are the top priorities, but once you dig a little deeper, it is increasingly clear that most challenges that lie ahead are the same ones that we were talking about this time last year - but have now been exacerbated by the pandemic. This time last year, New Brunswick was starting to see some positives in the economy. The budget was balanced for the first time in more than a decade, we were seeing small but not insignificant growth and employment numbers were stabilizing in some parts of the province.

For the past decade, our organization loudly beat the drum of fiscal restraint and the importance of balancing the provincial books. And while we still think this should be the *modus operandi* for government most of the time – the current environment has significantly shifted under our feet. One of the reasons to ensure financial health is to be able to deal with unexpected crises or opportunities as they arise.

The projected deficit of just \$13 million that Premier Higgs referred to at the recent State of the Province Address is welcomed news and provides more flexibility than most jurisdictions as we continue through the pandemic and look forward to hitting the ground running with the economic recovery. Of course, the other key piece of context here is the substantial spending and related deficit the federal government is facing will have a tangible impact on New Brunswick's finances in the coming years.

The provincial government is undoubtedly faced with competing pressures and perspectives. Striking the right balance will be incredibly difficult, but as Richard Saillant – no stranger to fiscal prudence – wrote earlier this year: “The key to a better tomorrow is not to achieve fiscal balance at all times, but to maintain sustainable public finances while making the investments that will underpin the future prosperity and well-being of all New Brunswickers.” As Premier Higgs alluded to at the State of the Province, we must not go into an austerity shell and cut our way out of the economic fallout of the pandemic.

Your government has established six priorities in 2019 and this year's pre-budget process was largely centred around those priorities. Our organization views *energize the private sector* as the foundational pillar that will allow government to deliver on their other priorities. 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.

We surveyed our members late last year and as part of that exercise, we finalized our top five policy priorities for 2021. This pre-budget submission is framed around those priorities, which are:

1. Competitive Business Environment
2. Workforce Development
3. Natural Resources and Energy
4. Innovation, Digitization and the Knowledge Economy
5. Access to Primary Health Care

1. Competitive Business Environment

The provincial government has a good starting point for recovery. The lower-than-expected deficit and higher-than-expected growth over the past year are positives. Likewise, the government's focus areas first mentioned by Premier Higgs in the 2020 State of the Province Address and reinforced in the PCNB 2020 platform (cyber security, digital health and energy innovation) are key and given the new environment created by the pandemic, they are more relevant now than ever.

However, the pandemic has had extremely varied effects on various businesses, sectors and industries – we should not mistake better-than-expected overall numbers with a rosy outlook for all. Some – like the tourism and hospitality sectors have been in crisis for a year and will continue to face hardship for years to come – even after full vaccination. The economy and spending behaviours have been changed in ways that we do not yet fully understand.

We use “competitiveness” broadly, referring to the environment in which business operates - including costs, red tape, appropriate infrastructure, and most recently - COVID-19 restrictions and support from governments. The first order of business for New Brunswick must be supporting the businesses that are here now, that have been hanging on by an increasingly fraying thread for the past year. Many of them need support right now and for many it is not appealing to take on more debt through loans. The NB Recovery Grant will provide up to \$5,000 to businesses will help some, but for most it will barely scratch the surface of their issues – even if they are eligible.

Competitive Business Environment Recommendations:

COVID-19:

- Expand the amount and eligibility criteria of the NB Recovery Grant
- Provide one-time relief to current food premise and liquor license holders and waive renewal fees for 2021-2022.
- Cap the percentage of delivery fees that delivery app services can charge restaurants, similar to legislation introduced by Ontario and British Columbia in 2020.
- Develop and invest in a Tourism Plan that reflects both the current reality and a long-term marketing strategy.

Costs:

- Re-introduce measures to begin eliminating the so-called “Double tax” - first introduced in the 2020-21 budget.
- Adjust land transfer tax policy so that the tax is applied on the actual sale price of a property.
- Work towards a revenue-neutral carbon-reduction plan that returns all carbon tax paid by business back to business.
- Launch a comprehensive tax review. 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 in 2019 illustrate what can happen when tax policy is made haphazardly on a piecemeal basis.

Red Tape:

- Implement “Prompt Payment” legislation, which would help create certainty for vendors and improve business’ cash flow.
- Pause the development and implementation of extended producer responsibility for packaging and paper products – now is not the right time to add a layer of cost and complexity to business operations.
- Continue red tape reduction efforts started in 2019 and draw best practices from other jurisdictions.
- Continue ONB’s Business Navigators program, which has had a positive impact on our members.

Infrastructure:

- Support New Brunswick’s airports to get to the other side of the pandemic. Our chamber members corporate travelers, citizens and tourists who fly in and out of these airports demand flexible options to be able to conduct their business or other travel requirements. We must ensure these options exist when demand returns, restrictions lifted, and people are comfortable with flying again.

2. Workforce Development – Immigration and Post-Secondary Education

New Brunswick's aging and stagnant population has been identified as a looming issue for decades and is now being felt more acutely. Recent efforts have been positive, but will take time to make a significant impact. A lagging workforce is one of the greatest threats to sustained economic growth moving forward and the Fredericton chamber addresses this issue primarily through working closely with New Canadians and post-secondary students/institutions. Attracting and retaining more international students is a particular priority for long-term retention and a point at which immigration and post-secondary education overlap. 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.

In the region, about 80% of existing international students remained within the bubble and retention for the sector seems to exceed expectations. The government should leverage this opportunity in support of student recruitment that serves workforce development, pop growth, and innovation capacity goals.

Workforce Development Recommendations:

- 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.
- 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.
 - We recommend that the document produced by the Department of Post-Secondary Education, Training and Labour, "[Your Guide to the New Brunswick Business Immigration Stream](#)" be reviewed through a business lens as it appears that the cumulative eligibility restrictions are overly burdensome to meet our population growth and economic development goals.
 - An example is the new requirement for the entrepreneurial stream to establish their business within one year, which seems an inordinately short timeframe. Having all those working with newcomers understand clearly what this means would be a first priority – and secondly to likely extend this time frame.
- Extend municipal voting privileges to permanent residents to encourage retention.
- Expand cultural competency training throughout government.
- Support, maintain and expand efforts to better acclimate newcomers to working in Canada.
 - 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.
- Work with professional associations to accelerate and simplify foreign credential recognition.
- Expand access to funding to allow international students to participate in experiential learning. In particular, continue to fund and expand the FutureNB program on our post-secondary campuses and work with the business community to help shape and promote the program.
- Provide bridge Medicare coverage to permanent resident applicants who have slipped through the cracks while they wait for their file to be processed at the federal level.

3. Energy and Natural Resource Development

Natural resources are, by far, Canada's largest export sector and as a key part of Canada's and New Brunswick's economic mix, the chamber believes that any serious plan for creating jobs, greening our economy and reaching out to new markets has to place the competitiveness of the resources sector at its core. Natural resources provide crucial high paying jobs for people in rural areas, but urban areas benefit as well. Through their extensive supply chains, natural resource firms are important customers of manufacturers, innovative startups, our world-class ICT sector and other service providers in cities that are miles from the forest, farm or mine site. Because of their multi-sector impact natural resource projects provide opportunities that we cannot afford to ignore.

New Brunswick must develop a natural resources strategy that is responsible, holistic and long-term. Value-added opportunities must be central to this plan - simply exporting raw materials will not create the sustainable and high-paying jobs that are needed. There are opportunities in both the most traditional of New Brunswick industries – forestry, farming, fishery that have been overlaid with the latest technologies and innovations – the bio economy, aquaculture, small modular reactors, etc.

SMRs are an exciting opportunity for the Province as it represents getting in on the ground floor for the creation of a new sector for New Brunswick. NB is where the research and development can be done, this is where we can manufacture Advanced Reactors, this is where people can come to learn about advanced reactors. This is an opportunity for all businesses in NB in terms of supply chain and overall economic benefit. We welcome the premier's announcement at the State of the Province Address that the Government of New Brunswick has committed to invest \$20 million in ARC Clean Energy's technology in order to unlock additional private-sector investment and get the fledgling industry off the ground in New Brunswick.

Energy and Natural Resource Development Recommendations:

- Make targeted investments in research and development that build on our provincial strengths.
- Develop a long-term natural resource development and energy strategy that leverages federal funds.

4. Innovation, Digitization and the Knowledge Economy

Particularly in Fredericton - the knowledge economy heartland - a healthy knowledge sector is critical to our role in creating wealth for New Brunswick. This is perhaps the most promising avenue we have to grow our way to prosperity. Successful companies like Radian6, Q1 Labs and Green Imaging Technologies along with promising startups like Simptek Technologies, Hotspot Parking and Resson Aerospace were all beneficiaries of both their post-secondary institutions and Fredericton's clearly defined vision as being the entrepreneurial and technological hub of Atlantic Canada.

Our post-secondary institutions are some of our most valuable economic development assets - they drive research and innovation, draw international students to the province, propel the technology sector and the startup community - in addition to providing highly-skilled training for our future employees.

Cyber security is one of the fastest growing sectors in the world. The Cyber Centre in Fredericton can be a path to being a worldwide leader focused on critical infrastructure and from there we can expand New Brunswick's cyber security footprint more generally. The government will gain revenue and critical infrastructure to further the significant economic growth through cyber security by private industry investment from Knowledge Park.

As we have previously written to Premier Higgs, 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.

There is also more federal money to be leveraged in this area. The federal government has earmarked approximately \$1 billion to invest in cyber security. \$370 million has already been deployed, with Fredericton receiving just \$3 million thus far. It will be worth investing matching provincial dollars in many cases as it is estimated that globally there will be 3.5M job openings in cyber security by 2022. Considering the depth of our cybersecurity expertise here at UNB, the work of Cyber NB, the growing cyber cluster, infrastructure such as the Cyber Centre, and the newly announced MBA program with a specialty stream in cyber security leadership out of the University of Fredericton – we are well-poised to be worldwide leaders and benefit from this global growth.

Innovation, Digitization and the Knowledge Economy Recommendations:

- Develop an innovation agenda – that will help guide government investments and identify needed policy changes. It is our understanding that developing such a strategy is on the government's radar and we are hopeful that it will be published in the near future as it is a critical piece to move forward in the modern economy in a deliberate and logical manner.
- Continue to support the Cyber Centre in Fredericton and look to expand NB's cyber security footprint more generally.
- Continue efforts to promote NB as a remote work location for international businesses/employees in all sectors, but in particular those that are in industries most conducive to remote work such as in the innovation sector.

5. Access to Primary 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 other ways to expand easy and efficient access to primary care.

Currently, about 15,000 citizens in Fredericton are currently without primary care physician (44,000 in NB). Premier Higgs stated in the State of the Province that the wait list will be cut in half by March – we are hopeful this comes to fruition, but long-term work is still ahead of us.

Access to Primary Health Care has been an issue in the province for decades and perhaps one of the positive legacies on the past year has been to highlight the need for health reform including continuing and expanding the use of virtual health care.

Access to Primary Health Care Recommendations:

- Continue with the health reform consultation process.
- 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 – and of course, virtual care - while maintaining efforts to recruit the family physicians and specialists needed.
- Follow through with the elimination of physician billing numbers.

Conclusion

The past year has shifted the very foundation of daily life around the globe, up ending our personal and professional lives and putting many businesses in the most challenging environment in decades. New Brunswick's economy has benefited from keeping our positive COVID-19 cases relatively low, but the effects of the necessary Public Health restrictions have been uneven across sectors and industries. Governments at all levels must be prepared to continue to be agile and responsive to meet the changing needs of people and businesses – the fallout from the pandemic will continue to be dynamic long after we've taken off our masks and started shaking hands again.

The one thing that will remain consistent is the need to encourage and maintain private-sector growth – without that the province will be on a path to hardship – with or without a pandemic. At least for the immediate future this is even more important than keeping government budgets balanced – that's still important, but it's important so that we have the flexibility to be responsive, to make smart investments where they are needed and to give a hand up to individuals and businesses that are critical to recovery and future prosperity. Supporting and investing in business, combined with thoughtful, forward-looking policy making will produce positive returns for government and the citizens of the province.