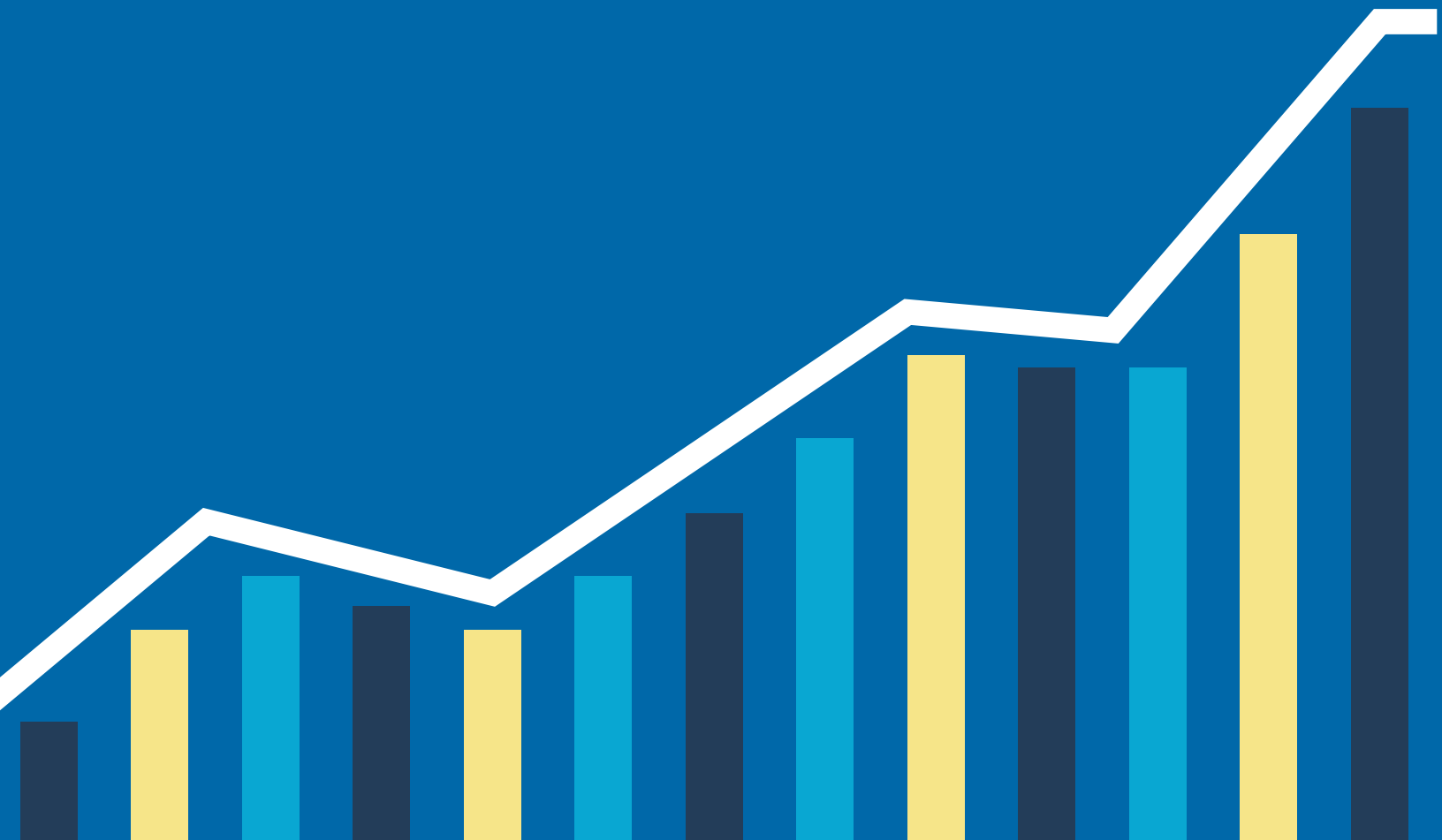




Economic Recovery and Growth Action Plan

Closing the Gap in One Generation



Economic Recovery and Growth Action Plan

Province of New Brunswick
PO 6000, Fredericton NB E3B 5H1 CANADA

www.gnb.ca

ISBN 978-1-4605-2588-3 (Bilingual print edition)
ISBN 978-1-4605-2589-0 (PDF: English)
ISBN 978-1-4605-2590-6 (PDF: French)

12761 | 2020.08 | Printed in New Brunswick

New Brunswick lags the rest of the country when it comes to economic prosperity.

Over the next 10 - 20 years, with the right infrastructure, tax and policy environment, New Brunswick will become a natural magnet for investment. We will lessen our dependency on incentives, expand our tax base, reach 1 million+ in population, and lower our average age. We will be able to accomplish our dream of a "NEW" New Brunswick.

What we have heard about Long-term Economic Growth

Long before the COVID-19 pandemic was on the radar, the province initiated a series of engagements with the private sector to identify how to close the economic gap that exists between New Brunswick and the rest of the country. Experts from around the province, around the country and the world were engaged to find out what we are missing and how we need to compete. Advisors from academia, business and technology were consulted, as were economists, municipal leaders, sector groups and other business leaders.

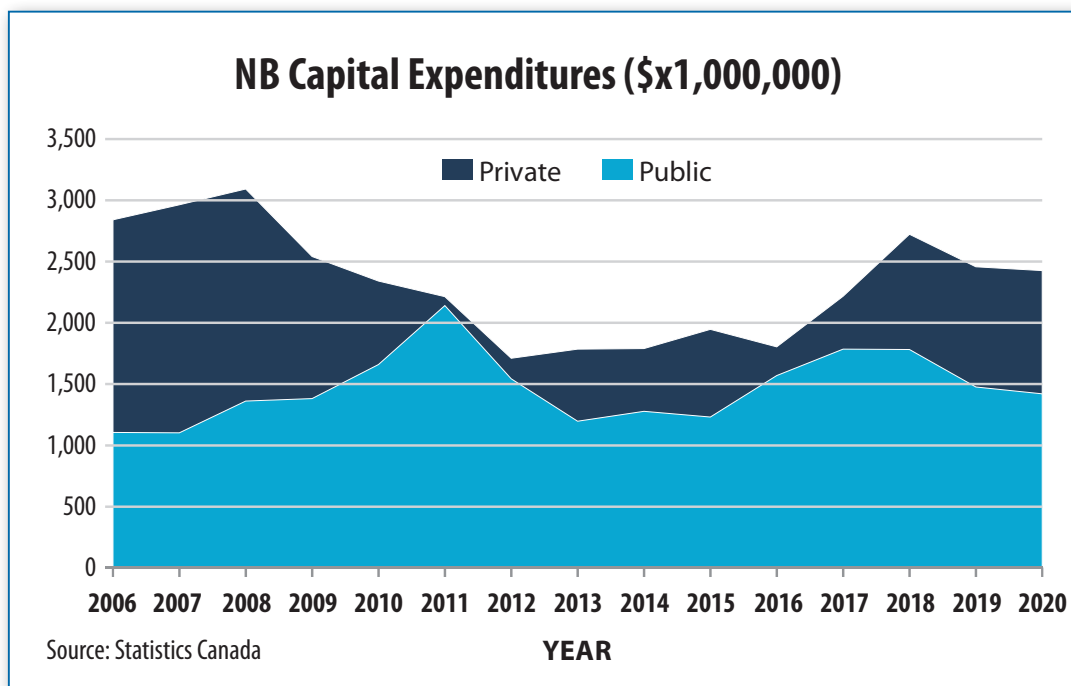
The business community identified specific challenges facing New Brunswick's economy, including:

- There is a lack of scale and economic integration required to compete in an evolving economic landscape.
- The rural/urban – north/south mindset is hampering growth potential.
- New Brunswick lags behind other jurisdictions in technology adoption & business investment.
- Changes in global market conditions and environmental concerns are forcing change in our traditional resource-based industries.
- New and innovative technologies are disrupting the status quo; if we do not leverage innovation, we risk falling further behind.

To address these challenges, five strategic objectives were identified:

1. Increase Private Sector Investment
2. Increase Productivity
3. Diversify and Grow Exports
4. Increase Immigration and Repatriation
5. Grow Gross Domestic Product (GDP)

Increase Private Sector Investment – As can be seen from the graph below, over the last decade, New Brunswick has largely relied on the public sector for economic growth. Job growth, investment and real GDP growth have all been largely supported by the public sector. This is not sustainable, and it will not lead to positive economic results. After an extended period of weakness, private investment in New Brunswick has recovered over the last few years. Private sector investment is now 20.5 per cent lower than the level seen in 2008 while public investment is up 8.4 per cent.



Closing the gap by increasing private sector investment is one of government’s identified priorities. The private sector asked us to make it easier for them to invest. They also spoke of a crisis of confidence in the future economic direction of the province. They asked us to address the taxation and regulatory climate and embrace a pro-growth agenda in all decision-making.

Increase Productivity - We know, that productivity gains alone can lead to growth that would exceed our current GDP targets. Closing the gap between New Brunswick and the rest of the Atlantic Region would be the equivalent of adding nearly \$3 billion to the New Brunswick economy.

To put it into context, every dollar in increased productivity would lead to \$636 million in increased economic activity in New Brunswick - that’s without the creation of any new jobs. Innovation underpins all of this. As a province, when you add it all up, it’s been estimated that close to \$40 million is set aside for innovation projects and initiatives, but there is a lack of coordination and common outcome measures for these investments.

Diversify and Grow Exports - Nationally 5 percent of companies export, while here in NB we are at 3 percent - so if we can close that gap it would make a huge difference. New Brunswick exports are very much commodity-based at the moment, and this makes us vulnerable to economic shifts.

The private sector rightly points out that better support for our export-ready companies to grow, scale and find new markets can open-up supply chain opportunities that lift-up our entire provincial economy.

Increase Immigration and Repatriation - We must grow our population base. We know we have a real labour challenge. Approximately 120,000 jobs will be available over the next decade, so we need to bring New Brunswickers home and attract newcomers to address this gap.

When we talked to the private sector they raised a number of gaps and opportunities, including hiring targets for international students within the Government of New Brunswick and increased employer education.

Together with increasing private sector investment, increasing productivity, diversifying and growing exports and increasing immigration and repatriation New Brunswick will create the foundation for economic recovery and growth which will culminate in an increase in GDP.

Closing the Gap in One Generation & a Global Pandemic

“This is our future. We must build it and we need your help. Daring to do what’s different must be a collective effort.”

Premier Blaine Higgs, January 2020, State of Province Address.

As New Brunswick business and community leaders gathered in Fredericton in January 2020 for the annual State of the Province Address, the looming threat of a global pandemic disrupting international supply chains and leaving thousands of New Brunswickers temporarily out of work was not on the agenda.

But that’s exactly what happened less than three months later.

The ambitious pro-growth agenda, a plan developed in collaboration with the private sector and unveiled that evening, was followed in short order by a State of Emergency Declaration that shuttered offices, restaurants & retail stores, non-essential public services & institutions, and limited international and interprovincial border crossings to all but essential travel and trade.

Much has changed because of the coronavirus (COVID-19) pandemic. Our vision for a better economic future should not.

It is still time to imagine a “NEW” New Brunswick. One with a thriving economy and growing labour force, one where our children receive the best possible education, a New Brunswick where everyone has access to quality health care, a New Brunswick where it is possible to live and raise a family and pursue your dreams and a New Brunswick with vibrant communities and where everyone can be the best they can be.

We need to embrace a pro-growth agenda. We need to declare that NB is open for business. We must embrace challenging targets to close the gap in one generation.

In the words of Albert Einstein “in the midst of every crisis, lies great opportunity” and this pandemic has fostered a period of great innovation, technological adoption and rapid societal change. Whether it is the way public services, such as health and education, are delivered or how companies are pivoting to new lines of business, we are entering a period of fundamental change and opportunity.

The pandemic presents a unique moment to reinvent our economy for the better.

Achieving this requires a “whole-of-government” approach to economic recovery and growth, sound policy decisions and a coordinated effort to engage all sectors of our society towards a common goal. All government decisions must champion the needs of the business sector, while also safeguarding our long-term financial position.

Today, we are taking the first steps toward that dream by introducing our *Economic Recovery and Growth Action Plan – Closing the Gap in One Generation*.

Recovery and COVID Response

Beginning in March 2020, a series of extraordinary measures were set in motion within New Brunswick to contain the spread of COVID-19. On March 16, schools and non-essential government services were closed. A State of Emergency declaration on March 19 shuttered non-essential in-person retail sales, limited food and beverage businesses to take out and delivery only, ordered workplaces reduced to critical functions and closed most public and private institutions to public visitors.

Since the beginning of the pandemic, GNB has taken immediate action to support the economy, keep workers employed and enable businesses to continue to operate. Supports were put in place for impacted businesses, including:

- Business Navigators were answering calls March 19 and they have since resolved more than 3,500 calls from the business community.
- New Brunswick's COVID Guidance for Business Page was launched March 21 to provide timely information and resources to New Brunswick employers.
- An educational business-themed webinar series was made available and accessed by hundreds of companies as they looked to pivot their operations and reopen safely.
- New Brunswick announced up to \$50 million in working capital loans for business on March 26 to provide immediate assistance to small, medium and large employers negatively impacted by COVID-19.
- Grants of \$500 to \$10,000 were made available to small and medium-sized non-profits as part of the COVID Community Investment Fund for non-profits impacted by COVID-19.
- Interest and principal payment deferrals were made available for companies with loans from government departments.
- WorkSafeNB premium deferrals and elimination of interest – premiums were deferred for three months without interest charges.
- Late Penalties on Property Taxes were waived on a case-by-case basis.
- NB Corporate Income Tax Payments were deferred up to August 31, 2020.
- Electricity bill payments were deferred and service disconnections for non-payment were suspended by NB Power, Saint John Power, and City of Edmundston.
- Amendments to the *Employment Standards Act* were made retroactive to March 12 to ensure job protection measures for those unable to work due to the COVID-19 virus.
- A job match platform and virtual career fairs were organized to connect employers and workers.
- New Brunswick partnered with the federal government to support the Canada Emergency Commercial Rent Assistance (CECRA) to provide rent relief for New Brunswick's small businesses.
- In early May, GNB organized 74 engagement sessions with more than 140 organizations to provide reopening information and to open-up lines of communication regarding GNB's COVID-19 recovery plan.
- Strong measures were established to engage critical infrastructure operators to mitigate and respond to supply chain impacts resulting from COVID-19 through daily electronic briefings, regularly scheduled COVID-19 update teleconferences, and addressing sector specific issues as they arose. This included providing advanced notice of decisions directly impacting critical infrastructure in order to provide time to prepare and address unintended impacts, clarifying official messaging, and advocating to senior government decision-makers on behalf of critical infrastructure operators.

New Brunswick's Economy is Recovering

By the end of April, 96 per cent of the province's active COVID-19 cases had recovered and four recovery phases were announced - red, orange, yellow, green – which defined permitted levels of activity guided by public health triggers.

By June, all regions of New Brunswick moved into the yellow phase of recovery and travel within and between the Atlantic bubble (New Brunswick, Nova Scotia, Newfoundland and Labrador and Prince Edward Island) was permitted effective July 3.

According to weekly surveys by the Canadian Federation of Independent Business, the number of businesses fully operational in New Brunswick surged from just 21 per cent at the beginning of the May to 68 per cent by June 15 – the highest percentage in the country. While New Brunswick lost close to 50,000 jobs between March and April, the province's employment levels grew by nearly 22,000 in June as NB businesses were among the first in the country to reopen. New Brunswick has now recovered 97 percent of jobs lost since February and has the lowest unemployment rate in the country.

According to the Canadian Manufacturers and Exporters (CME), manufacturers in New Brunswick were one of the most optimistic in the country about the near term when surveyed in May - with food and beverage manufacturers being among the most optimistic in the class. The CME members surveyed also urged long-term economic policies be put in place to drive investment, innovation and exports.

Closing the Gap

While the pandemic is still looming as a threat to public health and economic activity, we must find ways to move forward on a pro-growth agenda and begin to close the economic gap between New Brunswick and other jurisdictions.

Some Early Wins

Over the past couple of years some significant measures have been taken to begin to close the gap. These include:

- ✓ **Passive Income** – corporate tax savings - the 2019-2020 New Brunswick Budget, announced that New Brunswick would not adopt the federal tax change for passive income that would have had a negative impact on New Brunswick small businesses. By not adopting the federal rules on passive income and maintaining the current rules for the New Brunswick small business limit, we avoided a corporate income tax rate increase from 2.5 percent to 14 percent for those New Brunswick small businesses impacted by the federal change in tax rules.
- ✓ **Working NB** - The redesign of Post-Secondary Education, Training and Labour's WorkingNB branch strategically responds to the evolving needs of the New Brunswick labour market by providing information, services and supports that are responsive to the needs of individuals, employers and labour market partners. This new approach is flexible in its application, collaborative and creative in its solutions, and focused on outcomes.
- ✓ **Minimum Wage** - Minimum wage is now, by regulation, set to increase according to the Consumer Price Index, and fixed to take effect on April 1st of each year. This provides predictable increases for workers and sustainable increases for employers.

- ✓ **Work SafeNB** - Legislative amendments were introduced to workers' compensation legislation that encourages early and safe return of injured workers to the workplaces. As a result of these amendments, WorkSafeNB anticipates reductions in the assessment rates over the short and long-term.
- ✓ **Tourism Promotion** - A new tourism campaign "NB Always" is being implemented to target New Brunswickers, encouraging travel within New Brunswick. This campaign (\$1.2M investment) profiles all tourism entities that are open this summer and generate business for the restaurants, campgrounds, outdoor adventure operators, hotels, etc. throughout New Brunswick. In addition, Tourism Heritage and Culture has restructured its Product Innovation team to focus on all regions of New Brunswick, providing the necessary business support to ensure tourism operators have what they need to open (awareness of available funding, product development support, inventory of available products and experiences, etc.). This regional approach will not only strengthen the individual businesses but also the regions themselves as vacation destinations within the province.
- ✓ **Red Tape Reduction** - A government-wide initiative was launched to ensure a competitive regulatory environment for New Brunswick businesses. Government set a target to reduce this burden by \$14 million by March 31, 2021 – Over \$8 million in private-sector-facing red tape has been eliminated as of June 30, 2020.

Continuing to Close the Gap

Accountability and Transparency

The New Brunswick Economic Dashboard is currently available [online](#) and provides a selection of key indicators, including population, labour, consumers, economic accounts, business and construction.

The results of the Economic Recovery and Growth Action Plan will be monitored, measured and incorporated into the Economic Dashboard. The results of the Action Plan will continuously be reviewed to ensure it is focused on the right actions to drive the outcomes and that anticipated benefits are achieved.

Actions to Close the Gap for 2020-21 (Phase 1):

- ✓ Launch the *NB First Procurement Strategy* to provide better opportunities for NB businesses to compete and more opportunities to spur growth in the NB economy and increase the percentage of purchase order awards to NB suppliers.
- ✓ Deploy a province-wide Digital Broadband Connectivity Initiative to accelerate universal access to broadband technologies throughout New Brunswick.
- ✓ Develop an Investment Policy to align policies across GNB as it relates to direct assistance to business including standardizing investment criteria and rationale. This will ensure all financial investments in the private sector are evaluated under a common lens.
- ✓ Complete projects to reduce regulatory burden on NB businesses by \$14M by March 31, 2021.
- ✓ Support for restaurants, bars and producers on the sale of alcoholic products, allowing impacted businesses to redirect funds to grow their businesses and help build a stronger NB economy.
- ✓ Establish innovation priorities and a focused innovation policy to align resources and ensure limited public funds are committed to get the greatest gains for taxpayers.
- ✓ Work with NB businesses to increase productivity.
- ✓ Open a new Research and Productivity Council (RPC) lab in Moncton, which will create jobs during the construction phase and enable NB businesses to be more competitive once it is operational.
- ✓ Support export opportunities in the UK with potential expansion into the EU. This will drive exports and grow GDP.
- ✓ Increase agri-food and seafood exports by promoting NB's food basket products to include online sales, virtual trade shows and social media platforms.
- ✓ Improve the self-sufficiency ratio for fruits and vegetables.
- ✓ Encourage NBers to spend their tourism dollars at home.
- ✓ Increase immigration through specific actions, including attracting more immigrant entrepreneurs, attracting more international students, recruiting more internationally-educated nurses, and establishing a physical presence in India.
- ✓ Grow Indigenous participation in the economy by supporting Indigenous entrepreneurs and businesses, encouraging partnerships, and understanding and addressing employment challenges to increase labour market participation.

Actions to Close the Gap for 2021-2022 (Phase 2):

- ✓ Economic Development and Small Business will bring forward a proposal for Phase 2 in the winter of 2020.

All of these actions underpin how we view ourselves - whether we have confidence to invest here, to live here, to raise our families here and grow our businesses. This is about changing the narrative and instilling investor confidence. We need to position New Brunswick as not only open for business, but also one of the best places in the world to live. Together, we can **close the gap in one generation.**