Federal Budget Submission 2022-2023

February 2022

THE CHAMBER OF COMMERCE for Greater Moncton | LA CHAMBRE DE COMMERCE pour le Grand Moncton

Federal Budget Submission – 2022-2023

Introduction

COVID-19 has made economic forecasting an increasingly dicey and difficult endeavour. Most forecasts, however, suggest 2022 will see a continuation of slow but steady recovery as vaccine booster-shots and rapid tests are being distributed and both business and consumer confidence builds. As we look ahead to 2022 and what we hope is the end of the ever-repeating lockdowns, followed by reopening initiatives, and a gradual easing of COVID-19's grip on our country, there is still uncertainty in what lies ahead for the business community.

The main issue touching all sectors of our economy – SMEs, non-profits, and even bigger corporations -- is **Economic Recovery**. Our economy needs the private sector to flourish and drive growth again, but while it is coping with the impact of COVID-19, **continued government support, especially to the hardest-hit sectors, will be essential in 2022.**

We applaud the current government's work to help SMEs get through the COVID-19 pandemic. The federal government has provided several good benefits through the first two years of the pandemic, including the Canada Emergency Wage Subsidy, Canada Emergency Rent Subsidy, and Canada Emergency Business Account. Some ongoing level of federal support is still required, and it can't push business owners further in debt.

We agree that there are signs of life in the economy – The Conference Board of Canada forecasts real GDP to grow by 2.4 per cent in 2022, and 0.9 per cent in 2023, TD reports employment is now above its pre-pandemic levels, our population is growing at a rate we have not seen since the early 1970's, immigration is returning despite border restrictions, retail spending has returned. Yet the majority of our small and medium businesses are still struggling to recover, and any budgetary item must recognize the current fragility of the business sector.

Businesses have faced and continue facing unprecedented threats – COVID recovery for the hardest hit sectors (tourism and hospitality, event and entertainment sector, not-for-profits and charities), severe labour shortages across the board, an inability to invest and grow a business because of short-term financial concerns brought on by the pandemic, supply-chain issues, and more.

Now is one time when we need a balanced approach between strategic spending and saving as the country recovers from the pandemic. Big picture-thinking that takes into consideration return on investment and other metrics is required in this situation.

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

Resilience is a word our Chamber has used frequently over the past two years and a word the business community understands well. We believe resilience is built by creating the conditions to foster private sector growth. Government should not spend its way out of COVID-19, but there is a place for strategic spending on infrastructure and projects that create the economic ripple that will positively spread growth across the entire economy.

The Chamber of Commerce for Greater Moncton represents close to 800 members, employing 32,000 people and we are pleased to once again be involved in the pre-budget consultations process.

Our Priorities

The Chamber of Commerce for Greater Moncton's 2022-2023 budget priorities are as follows:

1. Economic Recovery
2. Population Growth & Labour Force Development
3. A Competitive Business Sector
4. Key Infrastructure Development
5. Homelessness & Security

Economic Recovery

For the next fiscal year, we think priorities should focus on an economic recovery built on a private-sector-driven economy and responsible financial management. If we achieve those twin core goals, we will be able to help businesses solidify their futures, and in the long run, create the wealth necessary to adequately fund our social programs.

The federal government should focus on working with the provincial government to invest in infrastructure. Those once-in-a-lifetime projects that will have positive domino impacts on our economy, such as new bridges, Highway 11, and other similar projects.

Government must do more to assist the hardest hit business sectors impacted by COVID restrictions. There's more help needed to help tourism operators, hotels, restaurants, seasonal and other gravely impacted businesses recover and remain operational.

The budget should provide an overview of how to harness those additional dollars that will be put into the economy as we travel more, eat out more, spend more on entertainment, etc. and be a roadmap to what is expected to be additional consumer spending once COVID has finally lifted.

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

Population Growth & Labour Force Development

Our members, for the fourth consecutive year, identified the attraction and retention of newcomers and increasing their workforce as the main challenge to business growth. In fact, 31 per cent chose "Difficulty finding employees with the right labour skills" as their answer in our annual Chamber survey conducted at the end of 2021 and 53 per cent of survey respondents reported having a shortage of skilled workers. This isn't a regional issue; it is a situation that most businesses and entrepreneurs must confront when they are trying to fill positions. Therefore, we need to work on attracting and retaining people and take advantage of New Brunswick's quality of life as a tool to achieve these goals.

We have done fairly well attracting additional population internationally over the last two years. That said, we still very much need to increase the annual intake of immigrants in New Brunswick to at least 10,000 per year immediately. The combined annual immigration targets of Greater Moncton, Saint John and Fredericton already account for close to the 7,500 current target. We are concerned that the federal government (IRCC) is ill-prepared for what will likely be a huge increase in immigrant applications once border restrictions are eased. We urge the federal government to work with IRCC to avoid bottlenecks that could hamper our population growth targets.

We must be well-equipped to welcome and integrate newcomers to Canada into our communities –The lack of housing is an immediate concern to welcoming newcomers and population growth. We should not confuse affordable housing that supports our homeless population, with "more affordable housing" that is needed for new immigrants and the working poor. Government must play a leading role in creating more affordable housing. If our economy is growing and more people are moving to the region, the lack of affordable housing will be a significant hurdle to sustained growth. Subsidies or tax deferrals that stimulate the creation of more affordable housing should be encouraged.

If the pandemic showed us one thing when it comes to labour force, it is the urgent need for foreign credential recognition and to harness the abilities of international students learning in our province. We must break down the barriers for nurses, engineers, doctors, lawyers, accountants, etc. trained elsewhere and provide pathways to get accreditation to work in our country.

The federal must support provincial launch of a robust re-skilling program through the community college system that better aligns labour market needs with the skills being taught. This can include mid-career re-skilling as employees adapt to new processes and needs in the economy. This can also help with retention. Also, to alleviate urgent needs in the healthcare system, as the province considers identifying positions and skills of greatest need in New Brunswick and offering free tuition or other incentives to those willing to work towards filling these needs.

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

We support Future NB/Avenir NB and its efforts to bridge our post-secondary institutions and now public education system with the business community. We believe creating more awareness among our young people to the real opportunities that exist here at home is crucial to retaining our talent and growing our population. The Chamber of Commerce will continue to build on the success of its pilot program this year – Future Link – to connect experiential learners and businesses.

One of our competitive advantages continues to be our bilingual culture. We must find a way within our public education system to create a generation of bilingual speakers through French Immersion. It is imperative that the federal government support any and all provincial efforts to create a generation of bilingual speakers.

The Southeast region of New Brunswick has taken the lead on its own in areas such as economic development, labour force development, and immigration via various task forces and initiatives. Continued support from all levels of government is crucial for these strategic actions to be successful.

A Competitive Business Sector

Entrepreneurs must face hurdles and red tape when they are trying to get government aid. We call upon the government to work toward eliminating these hurdles. Value-for-Money audits on major public spending initiatives and benchmarks for government are needed. We have a balanced scorecard for our Chamber which tells us on a monthly basis whether we are hitting our financial, customer, internal and people goals. Government needs a similar mechanism with overall goals and then specific annual objectives and real initiatives to get us there.

In the longer-term, Ottawa needs to revamp a flawed employment insurance program. EI rules were changed early in the pandemic and up until last September, claimants needed only 120 insurable hours to qualify for benefits. A new national 420-hour entrance requirement is now in place until September 2022 while the Canada Employment Insurance Commission and Employment and Social Development Canada undertake a full-scale review of the EI program.

The EI operating account is currently underfunded and both business owners and employees are looking at higher premiums starting in 2022 unless changes are made to make EI truly an insurance program and not an income supplement program. Our tight labour market demands EI change.

We believe the goal of EI reform should focus on more than improved access. It must look at financial sustainability of the EI account, which will be $29 billion in debt this year, as well as how to encourage people to enter the labour force.
Across Canada – and that certainly includes New Brunswick – employers cannot find the labour they need to operate and grow their businesses. We need to avoid any reforms that create a disincentive to work, and we must consider the financial

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

impact on both employers and employees on widening access to benefits at a time when the EI account has a $29 billion debt.

Employers are already facing other payroll cost increases, including to fund CPP. Coming out of the worst economic crisis in 90 years is not the time to add costs to the bottom line of business of taxpayers. We believe the EI system should return to the reason it was created – to be an insurance program, to provide short-term financial support for someone while they look for work. Over time, it has also become a safety net for other things and now 40% of benefits go to things other than income replacement. We need to be vigilant to scope creep in reforming EI hours of work to qualify.

The emergency 120 hours put in place during the pandemic was counter-productive to employers who tried to lure people back to their jobs. EI became a competitive force to the labour market. We need to avoid setting the insurance hours baseline too low amid a tight labour market.

Any new rate should not be universal or national. It should be based on these factors: EI rate in each region AND labour market data. If thousands of jobs go unfilled, eligibility for EI should be tightened. And if there are fewer jobs available in a region, EI eligibility should be broadened.

Employers are in favour of making the current program simplification measures related to reasons for separation and separation money, permanent features of the EI program.

With sickness benefits, a 2018 study by the Canada Employment Insurance Commission found the duration of sickness benefits was adequate for most claimants. We should enhance duration only for those who need it, and we should introduce more discipline into the medical management of expanded sickness benefits. Is there a role for the provincial Workers Compensation Boards to help adjudicate sickness claims?

It is worth noting that if sickness benefits are expanded from 10 to 26 weeks, the cost to the EI system will increase from $80 million in 2022 to $1 billion in 2028. This at a time when the system is already $29 billion in debt.

Underlying need here is to make EI (and every government program) easier to administer for employers and employees. Red tape and regulation strangle free enterprise.

There is no doubt the nature of work is evolving. The pandemic created a step increase in remote work and perhaps the gig economy. But before we rush into providing access to EI for gig workers, we need to carefully define what that means. Self-employed means the individual is both employer and employee.

These workers do not contribute now to the EI system. If they begin to pay into the system and we expect taxpayers to fund the other half, this will add financial strain on Canadians.

Seasonal Workers is always a touchy subject in a province with close to 33,000 seasonal EI claimants, who represent 48 per cent of all claims. The amount paid out in seasonal EI claims in New Brunswick was $340 million in 2019-2020. In October 2021, there were 14,900 job vacancies. Think about that for a minute – during the worst global pandemic in 100 years, we had 15,000 job openings in New Brunswick. We expect that number to rise substantially by October of this year, after the special EI measures end.

We strongly recommend government not extend the weeks of seasonal benefits in regions where the unemployment rate is lower, and the job vacancy rate is higher. There are jobs that seasonal workers can take during their off seasons to help the economy and ease the strain on the EI system. Reforms should be introduced to encourage that.

We are also calling on the federal government to work toward more harmonization of rules between the provinces to ease interprovincial trade. We have known the importance of this for years, but it became a key issue and additional hurdle especially during the pandemic.

While we appreciate the federal government's work to help businesses during the pandemic, we wish to remind you that aid to business must also consider the need to give long notice on duration/ending of programs. As the business community has explained to governments for years; timewise, business needs a long runway to adjust to any significant increase in costs.

It would behoove governments at all levels to make it the normal practice to work with the private sector to craft policies and procedures in the first place. With a true business lens, all arms of government should take the position of supporting start-ups and local businesses and 'default to yes' wherever possible.

<u>Key Infrastructure Development</u>

Our airports – and in fact our entire transportation infrastructure -- face an overwhelming financial challenge that may delay an air travel recovery until 2025 and continue to interrupt inter-community bus and train travel.

CCGM put forth a policy resolution at the Canadian Chamber of Commerce AGM in 2021 pertaining to measures to support Canadian small and medium airports which was not only passed but garnered 99 per cent support from Chambers across the country.

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

In Canada, with the lockdowns, inter and intra provincial travel restrictions, and government messaging to not travel, domestic aviation has fallen to 10% of 2019 traffic. (Canadian Airports Council). Airports lost more than $5.5 billion in revenue in 2020/21 and adding $2.8 billion in debt to stay open and maintain safe and secure operations. It is essential that the government of Canada maintains measures to support small and medium airports and the travel and tourism sector while waiting for these industries to adjust and resume operations to reach levels sustainable to maintain operations.

Estimates from aviation experts and most airports suggest that a full return to regular levels of service and passenger volumes will not be possible before 2024 or 2025. In addition, the tourism sector in most Canadian destinations is also not expected to achieve results similar to 2019 data until the same period. To avoid placing airports in an even more precarious situation, it is essential that the Government of Canada put measures in place to ensure a quick recovery when the air travel and tourism markets rebound.

Since the majority of airport revenues come from passengers passing through the airport gates, financial support should be regulated until business resumes and more passengers are starting to use airports more regularly for leisure and business travel. For that reason. to put small and medium airports in a position to access funding to modify infrastructure, if the need to accommodate testing, for COVID-19 purposes or other health crises, and to maintain proper operation in all airports, the government of Canada should introduce the following measures:

1. To continue the **Canada Emergency Wage Subsidy (CEWS)** to support wages of airports to maintain airport operations.
2. To maintain the **Airport Relief Fund** based on regional importance and the strategic significance within Canada's system of airports.
3. To keep the funding increases and eligibility criteria changes for the **Airports Capital Assistance Program (ACAP)**.
4. To solidify regional routes and assist the air sector recover with regional connections, the **Regional Air Transportation Initiative** should be prolonged for at least five years.
5. To eliminate the ground lease rent to the federal government on an ongoing basis for airports with fewer than 3 million passengers per year.

We believe there are strengths in maintaining the three major airports in the province. We are pleased the federal government has reinstated international status to the Greater Moncton Romeo LeBlanc International Airport. We have now missed out on $1 million in revenue from winter destination flights that have gone elsewhere.

The federal government should be willing partners in major projects that will provide spinoff economic benefits – schools, major downtown projects, climate change plans. As previously stated, it is imperative that the federal government

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

spends strategically on once-in-a-lifetime projects that will have positive ripple effects on our economy.

COVID-19 has reinforced the value of increasing online technologies in the delivery of quality health care and other government programs. These digital improvements must be built on in the long run. We encourage you to continue to fund innovation that leads to better quality services at lower cost.

Investments in universal broadband will not only secure the future of remote learning, but also assures our position as a leader in the new world of remote work.

Homelessness & Security

The way we approach homelessness in our bigger municipalities and also how we deal with security in our region's downtown cores is an ever-growing and pressing concern for our members, and our region in general. Our Chamber has played a leadership role in the creation of the Community Task Force on Homelessness & Downtown Security and the joint 27 action plan to end homelessness in the region. We therefore ask that the new budget contain funding for the following:

- Federal and provincial funding should be pooled to provide additional mental health and addiction supports in the community
- Additional policing

Conclusion:

What business needs to emerge from COVID is for government to recognize that small and medium businesses are still struggling to recover, and their fragility must be considered when decisions are being made. Although government needs to keep an eye on deficits and debt while spending, any available money should be spent strategically on non-recurring costs like infrastructure to ignite the economy.

We think the federal should make a commitment to brand Canada as the best place to grow a business through a competitive tax and regulatory policy (finally work on a complete overhaul of Canadian tax system as has been requested by the Chamber movement for years), as well as a safe place to work, grow a family, and do business. A thriving private sector supports job growth and creates the tax base required to sustain health, education, and social programs in our country.

While private sector growth and sound fiscal management will generate additional revenue, it should not excuse the government from continuing to look for efficiencies in our major public-sector departments.

The federal government must do more to put Canadian companies first. And think not only in terms of dollars spent, but also of economic spinoff. Time and again, we have seen missed opportunity for government to choose home-grown

1273 rue Main St, Ste. 200, Moncton NB, E1C 0P4|506.857.2883|comms@ccgm.ca

companies while awarding contracts and making purchases. With the whole world currently engaged in "Shop Local" campaigns, and the pandemic having made shopping online from out of country more enticing and convenient than ever, we believe that our tax dollars should at a minimum be invested as much as possible here at home.

This government has often recognized that the private sector creates economic growth and jobs, and it is undeniable that policy decisions have significant and tangible impacts on private-sector economic growth, therefore we would suggest their actions follow suit. Our ask is simple: Consult and consider the implications and impacts of each decision on business growth.

The Chamber of Commerce for Greater Moncton and its members stand ready to continue to play a part in working with government to improve the delivery of public services and ignite private sector growth.