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Open Atlantic

How Breaking Down Trade Barriers Could Supercharge Atlantic Canada's Economy

BY MARK STEVENSON

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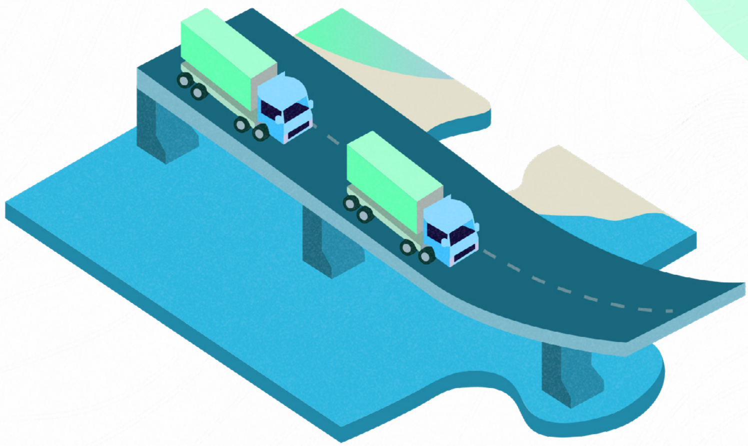

Few things are as foundational to the free movement of goods through an economy as a smoothly functioning trucking industry. Yet few industries in Atlantic Canada face as many regulations that seem almost designed to gum up the works.

Take, as just one example, rules around the use of long-combination vehicles — the rigs where a single truck pulls two full-sized, 53-foot trailers. One small annoyance is that the city of Moncton prohibits their use at rush hour. The bigger pain is that Nova Scotia's maximum weight for these vehicles is 1,000 kilograms lighter than in the other Atlantic provinces.

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So, any rig coming from, headed for or just passing through Nova Scotia must take a lighter load. It's a less efficient, less environmentally friendly and, in a time of severe driver shortages, a more expensive way to do business.

It's emblematic of a long-standing problem in the Canadian economy — interprovincial trade barriers that make business less efficient and less productive. "We still face challenges with regulatory issues," says Chris McKee, president of the Atlantic Truckers Association (ATA). It can be frustrating, he adds. "We really are one economy in Atlantic Canada. We are very intertwined and yet we still have these barriers."

Interprovincial trade barriers, also known as non-tariff barriers (NTB), come in a number of forms: different trade and professional licensing standards from province to province (dental hygienists, for example, must re-certify if they move to Newfoundland and Labrador);[1] "buy local" procurement restrictions; varying product standards and business fees; even, famously, a ban on direct-to-consumer shipments of alcohol from other provinces. Live in P.E.I. and want to order a case of Chardonnay from the delightful little vineyard you visited in the Annapolis Valley? Too bad.

They exist largely as an archaic attempt by provinces to protect jobs, yet they're a significant drag on economic growth and productivity. They hinder the free movement of labour, exacerbating worker shortages and preventing companies from expanding and achieving economies of scale. They discourage investment, stifle competition and, as a result, innovation. All of which means a less vibrant economy, higher costs for business and higher prices for consumers.

It shows up in the numbers. Economists put the cost to the Canadian economy of NTBs at roughly four percent of real GDP per capita;[2] the International Monetary Fund estimates that eliminating internal trade barriers on goods alone would boost Canada's productivity by 3.8 percent.[3] For consumers, interprovincial trade barriers add between 7.8 and 14.5 percent to the price of goods and services they buy. (Statistics Canada put it at seven percent for goods alone.)[4]

Because the Atlantic provinces are smaller and more reliant on internal trade than the rest of Canada, they'd see an outsized benefit from eliminating NTBs. Prince Edward Island would see a 16.2 percent gain in GDP and Newfoundland and Labrador 12.8 (New Brunswick would see the fourth biggest gain in Canada, at six percent, and Nova Scotia the fifth at 4.8 percent).[5] To put that in perspective, a March 2021 report by the Montreal Economic Institute (MEI) found that if internal trade barriers had disappeared in the year 2000, Prince Edward Island's GDP per capita in 2018 would have been only 14 percent below Ontario's, instead of the 24 percent it actually was.[6]

Freeing up trade could help solve one of the biggest problems — the dire state of business investment.

Dropping internal trade barriers would also bring a six percent employment boost to Atlantic Canada and tax revenues would grow.[7] In 2021, the consulting firm Deloitte put a number to the increased tax take by province: from $238 million for P.E.I. to $964 million for Newfoundland and Labrador.[8]

For Atlantic Canada, trade liberalization could prove a boost to an economy that's already on the move. The Public Policy Forum's Atlantic Canada Momentum Index showed that, on the most basic measure of prosperity — growth in real per capita GDP, Atlantic Canada outperformed the country as a whole in the period 2015 to 2021.[9] But in absolute terms, it's still lower than in Canada overall. The same is true with labour productivity, where dropping barriers can have a huge impact by freeing people to move to where the opportunity is greatest. Atlantic Canada's labour productivity made a remarkable recovery from its dismal performance in the early 2010s to see an annual average growth rate of 1.8 percent in 2015-2021 (though it fell back last year). But there's still work to be done — it remains just 91 percent of the national average.[10]

Freeing up trade could also help solve one of the biggest problems identified by the Momentum Index — the dire state of business investment. Business enterprise in-house expenditure on research and development — an economic word salad known as BERD — is a key metric of innovation intensity and a driver of economic growth. Atlantic Canada's BERD did rise nicely to 5.5 percent per year growth in 2015-2020 but, in per capita terms, it's just *35 percent* of the national average. The gap is shrinking, but it's a huge gap. A 2019 study by Canadian Manufacturers & Exporters (CME) painted a grim portrait of lagging innovation and investment rates in Atlantic Canada.[11] While 40 percent of businesses nation-wide reported they use advanced manufacturing technologies, that was true of only 28.6 percent of Atlantic Canadian survey respondents. The percentage of Atlantic manufactures who had recently introduced an innovation in either product or process was the lowest in Canada.

Governments have been talking about the issue for years, but progress has been halting at best. In 2017, the federal, provincial and territorial governments signed the Canadian Free Trade Agreement (CFTA) that made commitments and established processes to bring down barriers. But it also exempted specific sectors, measures and workers from the agreement.[12]

“There has been some progress, pieces here and there, but there are still significant barriers in place,” says Kyli Loeppky, the director of interprovincial affairs for the Canadian Federation of Independent Business (CFIB). The CFIB grades all levels of government on their efforts and Atlantic Canada in general fares poorly. In its March 2023 report card ranking all 14 jurisdictions on trade liberalization, Nova Scotia finished fifth, with Newfoundland and Labrador, P.E.I. and New Brunswick eighth, ninth and thirteenth respectively.[13] A report in 2021 from the Montreal Economic Institute ranking provinces and territories largely on their progress in removing exemptions from the CFTA put Nova Scotia at fifth, P.E.I. seventh, Newfoundland and Labrador eighth and New Brunswick eleventh.

It's not all bad news. The CFTA has a Regulatory Reconciliation and Cooperation Table that's working to eliminate 30 internal trade barriers. Its' fifth annual work plan, released in January, showed agreements had been reached for 17 of the 30 items on that list.[14] Some progress has been made on matters that might appear insignificant — like standardizing eye, head and foot protection in construction, an effort led by Atlantic Canada — but when it requires bringing 14 jurisdictions involved to the negotiating table and getting 14 legislatures to follow up, any progress is laudable.

Provinces can always move unilaterally, of course. Nova Scotia, for example, has waived registration fees for out-of-province businesses (as has Ontario), and New Brunswick and P.E.I. are two of seven jurisdictions that allow for full labour mobility of licensed practical nurses. Newfoundland and Labrador, meanwhile, was the only Atlantic province among the four jurisdictions that actually reduced the number of CFTA exceptions between 2021 and 2023.[15]

Provinces can also work in regional blocs, as the western provinces are doing with the New West Partnership Trade Agreement, signed in 2016. "Provinces should be doing these things on their own," says Krystle Wittevrongel, senior policy analyst at MEI. "But if they do it in blocks, that's even better. It will just amplify the effect and show the rest of the country the benefits."

The social cohesion so evident in the Atlantic Bubble, where the provinces co-operated on health and travel restrictions, shows what's possible. Atlantic Canada has moved decisively in this direction on trade, and there is good reason to be hopeful. Analysis by Trevor Tombe and Jennifer Winter at the University of Calgary showed that a mere 10 percent reduction in the cost of trade among the three Maritime provinces (Newfoundland and Labrador was not included in the study) would increase real incomes 0.44 percent (Nova Scotia) to 1.8 percent (P.E.I.), and boost employment 0.62 percent (New Brunswick) to 2.64 percent (P.E.I.).[16]

The Atlantic Growth Strategy that was launched in 2016 and renewed this summer by the Council of Atlantic Premiers has made reducing trade barriers a primary focus, citing labour mobility and credential recognition as key areas.

A number of initiatives are underway, the most advanced being the Apprenticeship Harmonization Project. It has standardized education and training requirements for apprentices

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in 23 trades across the region, everything from bricklayers and electricians to millwrights and sheet metal workers. Some are still to be fully implemented, and there's work to be done to make sure all requirements stay in sync with a national harmonization effort, but it's fair to say the Atlantic provinces are further advanced than the rest of the country and have a bigger voice on the national program than they would otherwise by virtue of coming together.

This past June, the provinces signed a Technical Safety Agreement that will see them work toward harmonizing licensing and certification for a range of skilled trades — from gas fitters and fuel technicians to elevator mechanics and power engineers — basically anyone required to install power, heat and electricity in a home or building. Those skilled trades will — soon, hopefully — be able to get licensed in one province and work throughout Atlantic Canada. The Council of Atlantic Premiers also launched a Trade and Procurement Partnership Agreement to work more broadly on bringing down trade barriers and harmonizing procurement practices among the four provinces.

Perhaps the most notable success to date has been the Atlantic Physician Registry. Instead of having to obtain individual licences from each provincial medical college,

It's an awesome step forward not just in reducing red tape but addressing health-care challenges

doctors can opt into a central registry and practise anywhere in the region for one yearly fee of $500. It cuts back on the administrative burden and costs doctors face — Nova Scotia figures it saves its doctors at least 200 hours a year, or the equivalent of 600 patient visits — and increases mobility, collaboration and efficiency. And it makes the region a more attractive place to work.

Launched in May, the first three months saw 36 doctors sign up from New Brunswick, 18 from Newfoundland and Labrador, 58 from Nova Scotia and 16 from Prince Edward Island.[17] "It's an awesome step forward not just in reducing red tape but in promoting internal trade of labour and in a way that addresses the health-care challenges that Canada's facing," says CFIB's Keyli Loeppky.

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The economic and population boom in Atlantic Canada has made those barriers affecting labour mobility, particularly in the trades and health-care professions, the most urgent priorities. In March, Nova Scotia passed a Patient Access to Care Act that will waive all licensing and registration requirements for health-care practitioners coming in from another province. It's not just a matter of meeting current shortages, but of creating conditions for growth.

The CME, in its report about the dire state of technology investment, put labour and skills shortages high on its list of culprits. The biggest factor affecting the decision of where to build a new plant was the availability of skilled labour, its members said, and the biggest challenge they faced overall was labour availability. You can't innovate, in essence, if you don't have the right brains in your business. "The pan-Atlantic approach being taken is a very positive development," says Michel Raymond, Nova Scotia divisional vice-president from CME. "But honestly, we need to ramp up the horsepower. Workforce is necessary to maintain the capacity of an organization and to have potential to grow."

The trucking industry is seeing positive momentum as well, though there's always more to be done. The ATA is working with the four provinces to harmonize spring weight restrictions (the maximum load weights allowed during spring thaw when roadbeds are softer). On the labour side, while all Canadian provinces have agreed to implement minimum training standards for entry-level drivers, those still need to be codified and the ATA is pushing for a level playing field across all four Atlantic provinces. ATA's Chris McKee is optimistic on both fronts, and on the trendline on reducing barriers in general. "You know, it takes time," he says. "But honestly, I'm not seeing much resistance."

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