



The New Brunswick Reality Report

PART 2: AN EXPORT-DRIVEN ECONOMY



New Brunswick sits at a crossroads.

Our population is stagnant, our business sectors are experiencing labour shortages that will only get worse and our provincial government's spending on its priority issues is outpacing growth in revenues.

It is becoming increasingly difficult for the provincial government to provide the public services that New Brunswickers deserve.

This means New Brunswick's citizens have to rethink the way the province works.

We need to set a new course for New Brunswick.

The Self-Sufficiency Task Force was asked to offer our perspective on what we believe are the current realities confronting New Brunswick and to inform New Brunswickers of the deeper issues affecting the province's capacity for growth.

In our first paper, Part I: At the Crossroads, we outlined the major issues facing New Brunswick, such as labour force development, productivity, the pace of economic growth and the tension between urban and rural communities.

We also outlined what we call the seven realities; specific measures we believe must be followed if New Brunswick is to achieve self-sufficiency by 2026.

Those realities are:

Reality 1:

We need to increase our population and our labour force and reverse shrinking population trends.

Reality 2:

We need to be prepared for sweeping changes of unprecedented magnitude. Half-measures will not work. Acknowledging the need to focus on opportunities that will produce the scale of change required is imperative.

Reality 3:

We need to increase labour productivity by providing people with the right tools for the right jobs.

Reality 4:

We need to strengthen the connections between urban and rural New Brunswick through large-scale investments in infrastructure.

Reality 5:

Export growth must drive overall economic growth. This will create prosperity.

Reality 6:

We need to quickly and aggressively expand our existing corporate base.

Reality 7:

Leaders at all levels of New Brunswick society must step forward.

In this, our second report, we divide the New Brunswick economy into 16 sectors. We examine each through the lens of the seven realities and consider the challenges and the possibilities each sector faces over the next few years.

We invite you to join this conversation, on our website at www.gnb.ca/2026.

Sincerely,



Gilles Lepage

February 2007



Francis McGuire





The Challenge

New Brunswick is built on trade.

From its very beginnings, people have traveled to and from New Brunswick to trade and barter for goods. Both the Mi'kmaq and the Maliseet had an extensive trading network between themselves and with Aboriginal people further inland in what is now Quebec and northern New England.

It was a desire for goods to trade that enticed the first Europeans to travel here and it was the products of both the sea and the land that convinced them to stay. Indeed, the fish and the forests have long been a mainstay of the New Brunswick economy. We have sold the raw materials and, more recently, we have developed businesses that sell the services to support these primary industries.

According to Statistics Canada, in 2005, New Brunswick's exports as a proportion of its gross domestic product (GDP) sat at 45 per cent. That ratio has more than doubled in the past 20 years, an indication that New Brunswick businesses have sought markets outside the province.

That is particularly true of one company: Irving Oil. Exports in petroleum products accounted for just over 50 per cent of New Brunswick's total exports in 2005. It was followed by lumber, fine paper, electrical power and frozen lobsters.

Just as one product – petroleum – dominates the province's trade portfolio, New Brunswick also has a preferred trading partner – the United States. About 91 per cent of New Brunswick's exports landed in the U.S. in 2005 and 75 per cent of that American trade went to New England.

Exports have supported the New Brunswick economy in the past and it is exports that will drive its growth. As the province sets itself on a path towards self-sufficiency it must encourage the growth and evolution of its strong, traditional export-based industries, while at the same time promote the development of new businesses with a focus on trade. That trade will continue to be dominated by U.S.-destined exports but New Brunswick businesses must also diversify into other markets.

As exports increase, jobs will likely follow, either with the arrival of new businesses or the expansion of existing ones. This is important because at the heart of our drive to attain self-sufficiency by 2026, is the need to significantly increase both New Brunswick's overall population and its labour force.

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The Issues

Human Resources

It is no secret that Canada is experiencing a shortage of skilled trades people. The story is the same whether it is at the massive construction project for the Vancouver Olympics, the ongoing development of northern Alberta's oil sands, the residential and commercial growth in Ontario or the retrofit work now underway at New Brunswick's Point Lepreau nuclear generating station. Everyone is scrambling to find skilled workers.

It is a workers' market and mega projects like these lure trades people with the promise of good incomes and steady work. New Brunswick employers know that it is now time to lure people here, particularly to the Saint John region where a list of announced and potential projects will require thousands of workers within the next five years.

The Department of Post-Secondary Education, Training and Labour predicts that New Brunswick companies could employ close to 42,000 trades people over the next decade. However, as of 2006, only 31,500 trades people were working in the province. Compounding the challenge is the age of these workers. According to the department, about 6,900 of these trades people will reach retirement age in the next 10 years. Put it all together and New Brunswick may need to increase its existing skilled trades workforce by about 40 per cent by 2017.

We will need some innovative programs and thinking to accomplish this task. Beyond enhancing post-secondary programs, New Brunswick businesses, labour organizations and government will have to work collaboratively to increase the labour pool. One way to do this is to improve participation rates for groups that have traditionally been underrepresented in the New Brunswick economy.

Aboriginal people should be central to such a plan. Mi'kmaq and Maliseet adults are chronically underrepresented in the province's labour force and the incidence of low-income among Aboriginals is double the rate in the non-Aboriginal population. Aboriginal birthrates are three times the national average, meaning that as the population of New Brunswick ages the pool of young working age Aboriginals will become more and more important. While aboriginals continue to show lower high school and post-secondary graduation rates, educational levels of this group have increased significantly over the last decade. Young Aboriginal men and women are graduating from universities and trade schools in ever-increasing numbers. However, addressing Aboriginal employment issues must do more than direct them to training programs and opportunities. Cultural and other systemic barriers to aboriginal participation in the labour force must be addressed. This requires the collaboration of the provincial government and Aboriginal leaders.

Then there is the challenge of attracting and retaining immigrants. New Brunswick does not have a strong record of doing either in any great number. It is human nature that we naturally gravitate to the welcoming and familiar. This is why large cities, which have well-established ethnic communities, tend to attract the bulk of immigrants to Canada. In Atlantic Canada only one city fits that description – Halifax. For New Brunswick, an immigration strategy should include a detailed settlement strategy to help immigrants become a part of their new community. The Multicultural Association of Carleton County and the Carrefour d'Immigration Rurale in St-Leonard are community groups that have





embraced the opportunities that immigrants represent. The federal and provincial governments have a critical role to play in funding and ensuring access to settlement services including language training and cultural support.

While New Brunswick will continue to welcome all who move here, the government's recruitment strategy should target a handful of countries. This would enable government to tailor its cultural and settlement supports to a smaller number of ethnicities, with the hope that this would provide the right level of cultural support to encourage more immigrants to stay.

Once they are here, New Brunswick must move quickly to accept foreign credentials. The speed with which we can verify and certify foreign professionals can become a comparative advantage. Government must work with professional groups to ensure immediate change.

Post-secondary institutions need to be pressured to ensure that people with the potential to succeed can get access to Prior Learning Assessment Recognition (PLAR) programs. Also professional and other occupational associations need to be leveraged by government if necessary to have responsive Foreign Credential Recognition (FCR) processes. For example if a given association's profession is regulated by New Brunswick legislation, the government could give them a timetable for establishing an FCR process as a condition of keeping their legislated status.

These human resources issues will require a new way of thinking from governments, communities, businesses and labour. These groups need to work cooperatively to develop innovative responses to the impending labour shortage. This includes: aggressive recruiting projects; proactive human resources planning; more flexible employment practices and apprenticeship programs; reaching out to marginalized groups; and reconsidering mandatory retirement. Beyond all these changes, employers need to be prepared to pay higher wages across the full range of occupations and skills in order to attract the labour force they need.

Government training programs will need to be revisited to ensure they can address the labour market challenges the province will face. One example is the Labour Market Development Agreement, between the federal and provincial governments. Currently, funds from this agreement are earmarked for training programs for the unemployed. We need to widen the reach of government training programs to allow for training opportunities for both the unemployed and those already in the workforce who may be underemployed.

Education and Training

If New Brunswick's post-secondary education institutions are to educate and train people prepared for the world of work in the 21st century, we will need a public education system that teaches our children to learn and think for themselves. That will require a K-12 school system that recognizes that not all children learn in the same way. In particular, our high schools should highlight performance evaluation, give students choices between academic and industrial streams, advise them of the opportunities a career in the trades affords them and, above all, ensure our students graduate with essential literacy and numeracy skills.

Reading, writing and mathematics are skills those with an education take for granted. However, according to a 2003 study of adult literacy rates by the Organization for Economic Cooperation and Development (OECD), over half of New Brunswick adults do not possess these skills. Literacy is measured on a five-point scale, with level three representing a suitable minimum for coping with the demands of everyday life and work in a modern knowledge-based economy and society. It represents the skill level required for successful secondary school completion and college entry. The OECD study concluded 56 per cent of New Brunswickers over the age of 16 do not meet this standard. If our province is to achieve self-sufficiency, we must first make sure more of our citizens can achieve it in their own lives. Research from the C.D. Howe Institute suggests that investments in people with low levels of literacy, and in particular women, have greater payback than investments in physical infrastructure.

Once our students have graduated from high school, it is the role of New Brunswick's universities and community colleges to teach them how to think and analyze ideas and information. These are important skills in a world that is increasingly dependent on the flow of information and the use of technology. As we prepare for an impending labour shortage, the speed with which we teach could become our greatest asset. However, we must not devalue one academic discipline over another. Rather we should encourage our students to pursue excellence in their post-secondary endeavours, whether it is through trades, arts, sciences, business or professional faculties.

In its role of preparing people for the workforce, the post-secondary sector must figure out a way to educate more people and at a faster rate including increased use of the apprenticeship and co-op approaches. Focus should be put on graduation rates and the ability of graduates to fill positions in key sectors. The provincial government should consider funding incentives for faculties that meet the challenge of graduating students faster. In addition, the provincial government should work with publicly-funded universities and the New Brunswick Community College to encourage the creation of more integrated degree/diploma programs and training.

Strategic Infrastructure

It's all about moving people, products and information. In New Brunswick, strategic infrastructure includes: road, air, sea and rail access; power transmission and distribution lines; telecommunications infrastructure; wireless communications; and, tourism infrastructure.

Priorities include:

- Provincial highway system upgrades to connect New Brunswick to Central Canada and the northeastern United States.
- Direct access between northeastern New Brunswick and I-95 in Maine;
- Improvements to highways that connect rural areas with urban centres;
- Increased intermodal traffic at the ports of Saint John and Belledune and other investments in support of the Atlantic Gateway; and
- Access to broad-band wireless internet throughout the province.

In order for these infrastructure investments to make a rapid contribution to the self-sufficiency agenda, it is imperative that they be made as quickly as possible and not in a piecemeal fashion spread out over the next 20 years. These are transformational investments that must be in place soon to have the desired impact. This means working to get this infrastructure built and operational very quickly, which will require an investment of several hundred million dollars over the next few years.



If our province is to achieve self-sufficiency, we must first make sure more of our citizens can achieve it in their own lives.



Limited air access to and within the province has long been cited by New Brunswick business leaders as a significant disadvantage for business development. Air access will continue to be an issue. One way to promote greater competition and flight frequency to all of our airports would be to examine the benefits of further liberalization of Canadian rules regarding access by foreign air carriers, either through extending the U.S.-Canada Open Skies agreement or by negotiating additional bilateral agreements. It may also help to promote fly-and-drive tourism as a way to boost air traffic in and out of New Brunswick.

The Course of Action

As we stated in our first report, Part I: At the Crossroads, the population currently sits at about 748,400. To significantly expand our economic base and achieve self-sufficiency, New Brunswick's population must increase by over 100,000 in the next two decades. That's a net increase of roughly 5,000 people each year.

With a population of 850,000, New Brunswick should then have a labour force of 400,000 people. To achieve that, the province would have to exceed current job creation projections by 70,000 jobs.

Exports will drive job creation in three ways: through the expansion of existing companies, through the attraction of large, export-ready firms to New Brunswick and through the development of secondary industries that either serve or are the beneficiaries of these export-driven sectors.

We anticipate that over half of the new jobs will be created by the second option – big firms that move into New Brunswick and open plants or offices that employ a large number of people. Job growth within existing New Brunswick businesses will likely be steady but incremental. This will still be a significant number of jobs over the next 20 years, but not enough to hit the targets set by the task force.

As we work to increase exports, and through that, jobs, we must remember that all companies, whether they are new to the province or have deep roots here, must strive to increase productivity and competitiveness. These are the elements that dictate which companies will enjoy long-term success.

Although job growth is our aim, we must be prepared for some job losses, particularly in the resource sectors. This does not mean the importance of these traditional sectors to the New Brunswick economy is waning. Rather it is a reflection of a changing world economy, where commodities can be produced at a far cheaper rate in developing economies than here in North America. It is imperative that we respond to these challenges and support the evolution of these sectors in ways that will ensure they can remain competitive in the 21st century. The goal is to increase productivity and create high-paying jobs, even if there are fewer jobs overall in the industry. Naturally, transitional measures for affected workers will be required.

Environment

No other issue occupies the minds of Canadians quite like the environment. Lately, we have been particularly attuned to changes in the weather. The heavy rains in British Columbia, the melting ice in Nunavut and here, in New Brunswick, the slow start to winter are all topics of conversation. Canadians are thinking about our impact on climate change and what we can do about it. For governments and industry this means a change in focus, one that finds a balance between economic development and ecological sustainability.

New Brunswick should set for itself a goal to be a leader in sustainable development. This will require an integrated approach to resource planning, allocation and management. We must aim to make environmental considerations an integral part of our economic planning in a way that allows us to not only identify areas of potential economic growth but to also specify the parameters under which development will be environmentally acceptable in advance of specific project proposals. This can provide a framework of certainty for both investors and environmentalists.

The environment also opens up a new opportunity for New Brunswick. The energy sector requires the greatest level of management to achieve a proper balance between ecological sustainability and economic growth. Starting from the philosophy that the cheapest energy is the energy you don't use, energy conservation offers some of the greatest short term opportunities for New Brunswick. While we have great opportunities in the energy generation area, we cannot overlook the opportunities which exist in energy conservation.

Environmental Technologies

New Brunswick has a growing cluster of companies in the environmental remediation sector that are beginning to compete internationally, such as Jacques-Whitford, Dillon Consulting, Neil and Gunter Limited and the Research and Productivity Council (RPC). This sector includes technologies related to environmentally sustainable mining technologies, clean coal and ground water remediation. These companies have the potential to export their services to address growing environmental concerns in the emerging economies of the developing world such as China and India. While still small, this sector represents a significant opportunity for the creation of high-paying jobs in engineering and science.

Given the province's significant dependence on fossil fuels, it will also be incumbent on the government of New Brunswick to look at ways to increase carbon sequestration (carbon sinks), whether through natural or artificial means.

Finally, the New Brunswick government should promote the use of green energy technologies such as:

- low level energy production harnessing the energy from methane exhaust in landfill sites, on farms and elsewhere;
- wind, low volume tidal or hydro developments;
- biofuels from maize, potato, wood and fish waste; and
- energy efficient building materials.



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Energy

New Brunswick is an energy centre, courtesy of Irving Oil's existing refinery in Saint John and, to a lesser extent, NB Power.

According to Industry Canada, in 2005 the Irving Oil refinery accounted for 57 per cent of New Brunswick's exports, far and away the largest exporter in the province. In comparison, seafood preparation and packaging, which is second on the list of top exports, represented six per cent of all exports in 2005. Cumulatively, energy sector exports were worth \$6.2 billion in 2005, accounting for 58 per cent of New Brunswick's exports.

The epicentre of energy production in New Brunswick is the Saint John region. Currently there are five mega-projects either underway or proposed, including; the refurbishment of NB Power's Point Lepreau nuclear power plant, the addition of an international power transmission line between Saint John and the Maine border, the impending approval of the 145-kilometre Brunswick Pipeline to transport natural gas, the Canaport LNG (liquefied natural gas) facility and Irving Oil's proposed second refinery. The combined estimated value of these projects is \$10 billion. We believe that this sector has the potential of creating thousands of high paying permanent jobs as well as a large number of construction jobs over the next decade.

New Brunswick is not blessed with vast energy resources such as the oil reserves in Alberta and Quebec's hydroelectric power. For New Brunswick's energy sector to continue to expand and lay claim to the role of regional energy leader, it must make the best use of its geographic advantages and, in particular, its proximity to the large market in the American northeast. The Port of Saint John is by far the most important ice-free deep water sea port north of Louisiana capable of receiving crude oil supertankers. And unlike Louisiana and the rest of the U.S. Gulf Coast, New Brunswick does not suffer the full weight of hurricanes and tropical storms. In addition, New Brunswick has a very robust electricity grid that is capable of handling growth. New Brunswick's track record is strong, our society recognizes energy benefits and our government is responsive to challenges and opportunities.

American demand for power is growing, just as the U.S. government is trying to reduce its country's dependence on foreign sources of oil, specifically from the Middle East. This presents an opportunity for New Brunswick and the province should concentrate on six key areas of energy development.

1. Electricity Transmission

In 2003 the National Energy Board approved NB Power's application to construct a 95-kilometre transmission line from Point Lepreau to the American border near Woodland, ME. Its purpose is to increase the transmission capacity between New Brunswick and Maine, which will enable both jurisdictions to buy and sell power into each other's markets. The transmission line will connect into the Maine power grid, thus providing NB Power with access to the much larger northeastern U.S. power market. Construction is expected to be completed in the fall of 2007.

Projects such as this, which will increase New Brunswick's transmission capacity by 350 kW, are critical if NB Power and other private power generators, are to increase their export capacity. Expanding the level of electricity exports from NB

Power's existing assets is a very low risk opportunity that needs to be maximized. The next step is to work with American power regulators and companies to encourage the expansion of transmission capacity within New England.

2. Crude Oil Refining

Irving Oil's existing refinery is the largest in Canada and its proposed second refinery will be the largest private sector investment in Atlantic Canada's history. Estimated at between \$5 and \$7 billion, the proposed refinery, known as Project Eider Rock, would create 5,000 construction jobs at its peak and 1,000 permanent jobs once operational. The company has filed its application for an environmental impact assessment and both government and company officials have said the new refinery will be subjected to stringent environmental controls. Irving Oil's impact on New Brunswick's economy can not be underestimated. For instance, the existing Saint John refinery has undergone improvements that have averaged a \$200 million investment annually for the past decade. This is a significant investment that impacts not only the local Saint John economy but could reverberate through the province, particularly for businesses that can provide niche services and skilled workers. For these reasons, ongoing support for the proposed new refinery is critical.

3. LNG/Petrochemical Production

Canaport LNG, the new liquefied natural gas facility located in the Red Head area of Saint John, brings with it the opportunity to develop expanded power generation and petrochemical industries to the region. The arrival of LNG in New Brunswick also diversifies the province's supply of natural gas. Currently all of New Brunswick's natural gas comes from the Sable Offshore Energy Project in Nova Scotia. The petrochemical industry represents an area of growth and the government of New Brunswick should target it in its overall business development strategy. At the same time, the provincial government must establish a clear, effective and efficient regulatory system.

4. Nuclear Power

Point Lepreau is the only nuclear power plant in Atlantic Canada and one of five in Canada. Currently, Point Lepreau operates one reactor but it is not unusual for a plant to house more than one reactor. For instance, Ontario Power Generation has six reactors at its Pickering site and another four in Darlington. All these sites rely on CANDU technology from Atomic Energy of Canada Ltd. (AECL), a federal Crown corporation. AECL is developing a new generation of reactors, known as the Advanced CANDU Reactor (ACR), and the company wants its first customer to be a Canadian plant.

There is an opportunity here for New Brunswick. Finding a customer that will carry out the world's first feasibility study for the project is a major challenge for AECL. However, the jurisdiction which decides to lead has the opportunity to build its export economy. In exchange for undertaking the feasibility study, New Brunswick could, for example, require that New Brunswick become the global centre of excellence for either the retubing of all AECL reactors or the Advanced CANDU Reactor and that a new nuclear fuel fabrication facility be located in New Brunswick. Such an agreement would stimulate growth in the industrial and nuclear engineering sector, in particular University of New Brunswick's engineering faculty, and stimulate the creation of high-paying highly skilled jobs.





5. Clean-coal unit at Belledune

Coal is the most stable priced fossil fuel. Long term coal prices are less volatile than oil and natural gas and new scrubbing technology has lowered emissions. The infrastructure for a second unit in Belledune is already there but before proceeding, NB Power would need to address two key issues. First, it would need to complete a load stabilization study, to determine if a stable market for the power still exists. Second, it would need to address carbon dioxide emissions. In the case of the latter, NB Power and the government of New Brunswick should examine the possibility of constructing a second unit at Belldune based on innovative zero emission coal technology. The European Union has announced plans to move aggressively to develop this technology and in Canada, a New Brunswick company, Neil and Gunter Limited, has been selected as the primary project consultant for SaskPower's proposed near zero emission clean coal power plant which promises to be the world's first utility scale plant of its kind. The technology involves the capture of all combustion emissions including CO₂ which is in turn stored by an artificial carbon sequestration system.

6. Carbon Sequestration

Carbon sequestration is the removal of carbon dioxide from the atmosphere. There are two ways to do this: natural sequestration, which relies on forests, oceans and soil to naturally absorb carbon dioxide; and, artificial sequestration, which captures and stores carbon in appropriate geological structures such as declining oil fields, unminable coal streams or deep saline aquifers. Artificial sequestration technology is still in the early stages of development and will require an investment in research and development. New Brunswick has an opportunity to become a leader in this emerging technology sector as it relates to a second coal-fired unit in Belledune.

The energy sector offers the greatest opportunity for growth for engineering, fabrication and construction companies.

The energy sector offers the greatest opportunity for growth for engineering, fabrication and construction companies. Building local expertise around these major projects should be of central importance for New Brunswick firms. The province and private sector should adopt a philosophy of industrial benefits in its business development goals. For instance, local businesses should develop products or services which can be supplied to these major energy projects and then, having built up its experience in the field, market and export these products outside the province. In this regard, it will be important to identify early in the planning phase, which components of these projects offer such opportunities and to incorporate such considerations in the tendering process.

As pointed out in the section on Human Resources, managing the labour force challenges posed by these projects will have to be a priority. Depending on the phasing of the projects and the loss of trades people to retirement, the potential supply gap of skilled trades people could be as high as 10,000 people.



Manufacturing and Fabrication

New Brunswick goods are on the move. The value of shipments from the province's manufacturers rose to a record \$15.1 billion in 2005, a seven per cent increase over 2004. That's greater than the national increase of 3.1 per cent. The manufacturing sector represents over 15 per cent of provincial GDP. However, during the same period the sector experienced a 14.3 per cent decline in employment. Job losses were reported in the food, paper, furniture, textile and petroleum and coal products industries; higher employment was reported in the wood products, fabricated metal and chemical industries. The metal fabricating sector will continue to have real potential as New Brunswick firms gear up to serve both provincial and Western Canadian energy projects.

Here again, improved productivity through investments in new equipment is key to growth. The government of New Brunswick should consider a preferential tax system that recognizes income reinvested in productivity-enhancing equipment or technologies. To encourage improvements to productivity, the provincial government should create a new program, overseen by the Research and productivity Council (RPC) and the Enterprise Network, which increases awareness of high-performance manufacturing, oftentimes referred to as lean manufacturing. The program's aim would be to make high-performance manufacturing standard practice within the sector. The overall goal of high-performance manufacturing is increased productivity, reduced waste, continuous improvements and increased competitiveness.

Forestry

New Brunswick is the second-most forest-dependent province in Canada, behind British Columbia. According to Industry Canada, direct forestry exports accounted for 16 per cent of New Brunswick's total exports in 2005. The sector is an important generator of wealth, representing about nine per cent of the province's gross domestic product in 2005. However, the industry is in flux. It is facing competition from lower-cost producers of commodities such as pulp and lower grades of paper (such as newsprint) and it is confronting challenges such as rising energy costs, a limited supply of raw materials and a buoyant Canadian dollar. Too many companies and too many communities are competing for the limited resource.

The forestry industry must undergo major restructuring if it is to prosper in New Brunswick. This is not unique to our province but rather is the story across North America as forestry companies are forced to rationalize production facilities to create economies of scale, upgrade old technology and change what they produce. Unfortunately, these changes will likely cause job losses in the industry, most likely at plants with older technology.

Because modern production technology requires higher production volumes to be used efficiently, the transition will be made easier by increasing the volume of wood that is available to mills. We believe that New Brunswick can and should increase the yield from its forests by 25 per cent by 2026. To justify the significant investments that will be required to successfully restructure and modernize the forestry industry to compete in the 21st century, the companies involved must have certainty with respect to the size of the wood supply that will be available. In order to meet its competitive challenges, forestry companies will require access to a wood supply greater than is currently projected to be available based on current



management practices. The forestry industry believes enhanced silviculture effort on Crown lands and a reduction of land set aside for conservation are two ways to address this issue.

Increasing intense silviculture efforts could as much as double timber yields on Crown land and bring it more in line with yields on the best managed private lands. However, in order to convince the private sector licensees to invest in silviculture, those investing in it must have a reasonable expectation that, subject to good performance on their part, they will have the opportunity to harvest the fruits of those investments in 40 years. The current tenure regime for licensees should be reviewed to provide greater certainty in this regard. The province currently spends approximately \$40 million a year on the Crown silviculture program which is implemented by licensees. The alternative is to either accept lower levels of sustainable growth or to continue to heavily subsidize silviculture activities on Crown land.

The provincial government has an urgent challenge in resolving the debate between industry and community stakeholders surrounding the proper balance between conservation and timber values in forest management. In New Brunswick, approximately 30 per cent of the forest is set aside for conservation. This is high in comparison to other jurisdictions. The issue must be urgently addressed in order to provide the certainty the industry will need to make investment decisions. University of New Brunswick forestry researcher Thom Erdle is heading a special task force on the future of New Brunswick's forests. His report is expected towards the end of 2007.

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Included in its reform of forest land management and wood supply, the government of New Brunswick should insist that forestry companies use certified sustainable forest practices. In return for better management of forested land, the provincial government should consider reducing the amount of Crown land set aside for conservation to 20 per cent from the current 30 per cent. This would increase overall wood supply by up to 25 per cent in 20 years. These requirements should be applied to all forested land, not just Crown land. Currently 50 per cent of New Brunswick's forests are designated Crown land, 30 per cent are private woodlots and 20 per cent are industrial freehold.

New Brunswick should also consider high yield forest practices in the context of climate change. The federal government's Canadian Forest Service is exploring high yield forests as a way to increase production of fibre while at the same time meet Canada's climate change commitments through an increase in natural carbon sequestration. As explained above, forests naturally collect and store carbon, thus reducing greenhouse gas emissions. The Canadian Forest Service's Forest 2020 initiative is leading that study.

Sawmills will likely be among the hardest hit. There are 61 sawmills in New Brunswick. Sadly, market pressures will force some to close. This will impact the livelihoods of workers and the rural communities where most sawmills are located. The government should consider packages for workers that provide job transition training. Compensation should also be provided to mill owners who voluntarily relinquish their wood allocation. This allocation would then be used to create a larger wood allotment for the remaining forestry companies. This program will

require a high degree of sensitivity because of the role sawmills play in local, rural economies.

There is no doubt that this will cause upheaval. However, it would also increase wood supply for the remaining, albeit smaller number of players. With a greater supply of wood, these companies should then have more capital to invest in improving technology and, through it, productivity. This in turn, would lead to the production of a larger number of value-added products and higher wages for the skilled workers that will be required.

The New Brunswick government, like other provincial governments, is under great pressure to intervene, particularly to protect workers and the small, rural communities dependent on forestry jobs. We are empathetic towards those affected by changes in the forestry sector. However, we do not believe government should intervene to save these companies. The changes now underway are caused by a reordering of the forestry sector at a global level and there is little that any provincial government can do to stop it. Rather, the New Brunswick government should focus its efforts on helping the workers affected by the restructuring to adjust and communities to seize new opportunities that may or may not involve the forestry industry.

Just as the provincial government should not subsidize sawmills, nor should it offer direct assistance with energy costs. Rather, government should focus its – and industry’s – attention on energy conservation efforts such as better use of off-peak power, the introduction of biomass energy and upgrades to equipment to improve energy efficiency. One area of interest is the use of forest biomass such as tree branches and sawmill shavings. The Government of New Brunswick is developing a forest biomass harvesting policy for Crown land, which will include allocation of the resource. In its policy, the government should consider giving forestry companies sole access to forest biomass to produce power.

Aquaculture

The aquaculture sector in New Brunswick has grown from a relatively unknown start-up industry valued at just \$40,000 in 1979 to a major economic generator in rural coastal communities, with \$230 million in farm gate value in 2005. Over 80 per cent of New Brunswick aquaculture is exported, mostly to the United States. To date, the Atlantic salmon farms in Charlotte County have formed the bulk of the industry, representing 95 per cent of the sector’s value. However, shellfish aquaculture, concentrated along New Brunswick’s eastern coast has experienced an impressive growth rate of 25 per cent over the past six years and has considerable potential for future growth.

There is much to be learned from the aquaculture industry in Charlotte County that can be used as a model for the development of the shellfish sector on the eastern shores of the province. Once considered a poor region of the province, Charlotte County now has income levels on par with the provincial average and aquaculture farms have been forced to recruit workers from outside the area to fill job openings. From 1986 to 2001, Charlotte County’s employment grew by almost 24 per cent, on par with growth in the province’s three southern urban centres. More importantly, the percentage of individuals enjoying year-round full-time employment increased by almost 27 per cent, the second highest rate of growth





in New Brunswick. It's estimated that, including support sectors, about one-quarter of Charlotte County's workforce depends on aquaculture and about three-quarters of that workforce is under the age of 45. Those support sectors include research and development in fish health and aquaculture equipment and technology.

Given these figures, it is obvious why Atlantic salmon aquaculture in Charlotte County is so often cited as an economic development success story for rural areas. However, now that the industry currently occupies most of the available inshore sites, there is not likely to be much further expansion. While the introduction of new species may be important from a market diversification point of view, with limited potential for site expansion it can only be done at the expense of reducing overall Atlantic salmon production in the area.

Over on the northeastern coast, shellfish harvesting has a long history and an interesting future. Oysters have been cultivated for over a century but until recently, shellfish cultivation was considered a cottage industry. That opinion is now changing courtesy of advances in production techniques. There is great optimism that shellfish aquaculture offers excellent opportunities for economic and community development in northeastern New Brunswick.

Currently there are 60 firms providing about 300 direct and indirect jobs to coastal communities. It deserves and requires the same level of attention that Charlotte County received as it developed its Atlantic salmon farms. And just as Charlotte County's aquaculture industry was encouraged by research and development, particularly at the University of New Brunswick Saint John and NBCC St. Andrews, so too has the shellfish industry been fostered by the development of local research at the Institut de recherche sur les zones côtières and the Université de Moncton campus in Shippagan.

The shellfish industry should be reinforced through greater support for research and financial assistance to entrepreneurs. There is also a need to establish a regulatory regime to guide the development of the industry in a transparent and reasonable manner so as to ensure environmental sustainability and avoid potential conflict with other uses of the marine environment.

Rapid growth of the aquaculture industry in New Brunswick has created its own set of challenges, such as the ongoing threat of disease, severe weather events and, from a trade perspective, the rising Canadian dollar. The federal and provincial governments are being asked by the industry to introduce programs such as crop insurance and disaster relief, similar to programs already in place for agriculture producers but tailored to the needs of the aquaculture sector.

Fisheries

Almost one-quarter of all Canadian jobs in the seafood processing sector are located in New Brunswick. The total value of commercial landings in 2005 was \$195 million, 80 per cent of which was courtesy of lobster and snow crab. These landings, coupled with other unprocessed seafood imports from other jurisdictions, resulted in almost \$650 million in exports (excluding aquaculture). Most landings in New Brunswick undergo some form of processing in the province.

As with most New Brunswick exports, the majority is destined for the United States and in particular New England. However, just as with the province's other export-dependent industries, this sector has been hard hit by the high Canadian dollar. On the labour side, worker shortages will become increasingly prevalent both on the boats and in the processing plants, as the labour market tightens with continued competition from high-paying jobs in other parts of New Brunswick and outside the province.

In fact, the industry already faces labour challenges in the southeast and southwest where full-time and year-round employment in call centres or the aquaculture sector are attracting employees from low-paying, seasonal seafood processing jobs. Global pressures on seafood processing are expected to force the sector to make even more significant changes over the next decade. Like the forestry industry, New Brunswick's seafood processing sector will need to improve performance through the production of higher-value goods.

The province's 2,649 boats provide almost 7,000 jobs, while the 129 licensed seafood processing plants provide a further 7,246 jobs with an annual payroll of \$92 million. This means that the average fish plant worker makes \$12,700 a year, well below the Canadian average income of \$38,000. More over, while some workers make close to \$20,000, some make as little as \$7,000 per year. No one can be self-sufficient on that level of income. The goal for both industry and government should be to double the income of fish processing plant workers. However to accomplish that, the sector will have to rationalize and eliminate a significant number of jobs, particularly those with the lowest incomes.

This will cause short-term upheaval in coastal communities, particularly in the Acadian Peninsula. Gloucester County, which encompasses most of the peninsula, is home to most of the region's commercial fishing and seafood processing. Any government programs designed to assist the industry should be restricted to those companies that develop new technologies, purchase specialized equipment to address labour shortages or move toward value-added products.



The goal for both industry and government should be to double the income of fish processing plant workers.



Agriculture

The agriculture and agri-food sector is a major economic driver in New Brunswick. In 2005 it provided 13,000 direct jobs, more than \$420 million in farm cash receipts, \$350 million in agri-food exports, and \$1.3 billion in food and beverage shipments. The sector has the highest level of value-added processing in Canada, with 80 per cent of primary products being further processed, and has an extensive network of export markets comprising more than 80 countries. The potato and dairy sectors produce the most farm cash receipts.

Since 1981, farm cash receipts in New Brunswick have more than doubled, but expenses have also increased. During the same period, the number of farms has decreased by 25 per cent, pointing to a trend of consolidation and the creation of larger agri-businesses. As agricultural operations have grown larger and more capital intensive, operators are finding it increasingly difficult to compete with non-agricultural sectors that offer higher wages.

Where rural areas in New Brunswick have continued to embrace the agriculture and agri-food sector, and the economic opportunities that it affords, they have benefited immensely. Census data show that Kings and Carleton counties ranked one and two for average earnings, amongst these rural counties, and also had the lowest unemployment rates – about four per cent below the provincial average. In short, strong economies driven by large agriculture clusters has helped these rural counties achieve economic results bettered only by New Brunswick's three major urban centres.

Agriculture clusters such as the potato belt in Carleton and Victoria counties and the dairy sector in Kings County are well positioned to contribute to the self-sufficiency agenda through continued and enhanced economic growth in rural New Brunswick. This will happen thanks to the already established processing plants to support the farms and well-developed export markets.

There are also sector-specific issues facing specific crops. Blueberries are experiencing a growth in worldwide demand, but the ability to increase yields in New Brunswick is constrained because of limited availability of suitable new land. Other, smaller sectors such as apples, grain, vegetables, and organic foods often do not have the economies of scale necessary to develop new products, explore new markets, or invest in capital upgrades in order to compete with much larger counterparts in other jurisdictions.

Trade liberalization through the World Trade Organization (WTO) poses a threat to the supply-managed dairy and poultry sectors. The poultry sector has the additional challenge of dealing with the fallout from disease threats such as Avian Influenza. The impacts of such a threat can be severe, as the cattle industry continues to struggle with low prices and declining producers three years after the first case of Bovine Spongiform Encephalopathy (BSE). Pork producers are also seeing declining volumes as prices fall, costs rise and they face the additional constraint of competing against government subsidized pork operations in Nova Scotia and PEI.

Mining

New Brunswick is a major Canadian producer of lead, zinc, silver, potash, peat, antimony, bismuth and cadmium. Other locally produced minerals include copper, salt, limestone, coal, marl and silica. In 2005, the overall value of mineral production was about \$874.9 million, a 12.4 per cent increase over the previous year. Employment in the mining and oil and gas extraction industry rose to 3,800 in 2005, a year-over-year increase of approximately 300 jobs. The sector represents slightly more than one per cent of provincial GDP.

Mining has had an important role to play in our economy. Unfortunately, reserves attached to existing mines are almost depleted. The process of discovering new mines is a high risk endeavour and one which requires time. While the province should consider a regulatory and tax environment that is favourable to exploration, mining will remain a high risk initiative and it will have limited impact on economic growth over the next decade. However, thinking beyond 2015, the potential rewards of an aggressive regime that favours exploration warrant the risk. The area that holds the most promise is the potential for gas and oil shale in the southeast, particularly around Sussex.

Local Entrepreneurs

Supporting entrepreneurship and new business start-ups has been an important element of the government of New Brunswick's business development strategy but experience has shown us this is a slow process with varying results. In general, new start-ups are risky with many failing in the first few months or years of existence. Even when these start-ups are successful they are oftentimes attracted away to other jurisdictions or are bought by larger firms that then close local operations.

While it is important to continue to encourage the development of small businesses, the government of New Brunswick should focus its attention on export-oriented enterprises. Access to capital will continue to be a significant barrier to the success of new start-ups. Seed capital tends to be the first obstacle. But the real challenge in terms of access to capital is the so-called "valley of death". This is the point in a company's development when it has proven markets but lacks the oftentimes significant amount of working capital needed to mount the aggressive marketing campaign and production rollout required to grow fast enough to get ahead of existing competitors and establish market credibility. While issues related to access to capital are most acute in the case of growing new start-ups, they also represent an impediment to improving the productivity and growth of existing businesses and therefore must be addressed in that context as well. Filling this gap will not be easy and direct provision of this type of financing by government is often the only solution.



The government of New Brunswick should focus its attention on export-oriented enterprises.



The pattern of growth in the provincial call centre industry is evolving.

Customer Contact Centres

Over the past decade, 20,000 call centre jobs were created in New Brunswick and creating 15,000 new higher end jobs of this kind over the next 15 years is a reasonable target. The pattern of growth in the provincial call centre industry is evolving. Increasingly, call centre companies that opened their first offices in the province's cities are now looking at smaller centres throughout the province as places to establish satellite operations. For instance, Virtual Agent Services has specifically targeted rural areas as its preferred location. This trend can be expected to continue and be a source of new employment in rural New Brunswick.

The potential for attracting call centre jobs to New Brunswick remains very high. Large corporations, in order to maximize efficiencies, are breaking down all their operations, such as customer service, into specialized, autonomous groups. These large corporations want to set up these offices in the most efficient location for their overall operations. The last few years has seen intense competition in the customer contact service sector from new players such as India for these offices and the jobs that accompany them. However, the need to interact with other locations in similar time zones, to easily travel to these offices and the increased desire for security means that there are still ample opportunities, as Nova Scotia has proven, in North America. These location and security requirements are particularly important to the finance and insurance industries.

Since the arrival of the first call centres in New Brunswick over two decades ago, the government's business attraction strategy for this sector has sought to focus on an increasing number of jobs that required skilled workers. This has included targeting niche services in which New Brunswick can distinguish itself vis-à-vis other competing jurisdictions. This will need to be the primary objective for any future call centre attraction strategy in the face of increasing labour shortages, which will intensify competition for workers and in turn, demand for higher wages. To prepare people for these jobs and to increase the available workforce, substantial investments will need to be made in New Brunswick's community colleges, universities and private training centres.

Information and Communication Technology

The Information and Communication Technology (ICT) sector is once again experiencing growth following a slowdown that was precipitated by the dot-com bust of the late 1990s. Despite increased international competition, New Brunswick remains very competitive and innovative in this field. Many of the companies that weathered the dot-com bust are now leaders in their respective market niches.

In 2005, employment in the information technology and communication sector averaged 48,600 jobs. This group accounts for almost nine per cent of New Brunswick's GDP. Average weekly earnings for this sector range from \$330 for business support services to \$1,065 for computer systems design and related services. While initial job creation strategies focussed on entry level positions, as this sector has expanded and matured, the job opportunities have followed suit. By 2026, employment in this sector should expand by 20 to 30 percent.

To foster strong growth in the IT sector and to increase export potential, the New Brunswick government should:

1. Act as the “first user” to encourage new product and service development

This demands that the province play the role of risk-taker in order to encourage the development of new technologies and, just as important, to open the door to the marketplace for local companies. Buying new technologies is a higher risk proposition than buying established solutions – the risk is not only that the technology might fail, but also that the time required to perfect the product will add costs and further strains on the civil service. It also requires a willingness from the public – or more specifically taxpayers – to accept a certain degree of risk and potential for failure of this public investment. What the government must not do is become the developer of the technology. This is best left to the private sector.

2. Provide both seed and working capital assistance to export-focussed New Brunswick-based firms

An active government-run financing program is a necessity for the ICT sector because while its intellectual assets – the ideas and innovations developed by workers – may increase at a greater rate than the physical assets of resource-dependent sectors, banks and other private sector lenders are sometimes hesitant to invest in the world of ideas. Conventional lenders prefer to invest money in hard assets such as manufacturing and processing plants. Relying on outside venture capital firms carries its own risk because these venture capitalists will not be as accepting of developing ICT technologies in New Brunswick, far from the country’s major technology clusters found in central Canada. If we want to nurture a homegrown ICT sector, we will have to be willing to put our own money on the table.

3. Target outside companies that are able to take advantage of the existing IT knowledge and infrastructure housed in our universities and at the National Research Council’s Institute for Information Technology in Fredericton

The National Research Council is a federal agency that operates 20 facilities across Canada. Its purpose is to conduct research, on its own and in collaboration with local experts, on areas of potential development and commercialization. A few years ago the NRC relocated the main office of its Institute for Information Technology to Fredericton, on the UNB campus. It also has a laboratory in Moncton and it maintains a broadband network linking into the NBCC campus in Miramichi.

The Institute for Information Technology is an important addition to New Brunswick’s ICT sector and the government of New Brunswick should establish a team to collaborate with its ICT team to attract new outside investment.

Developing ICT will mean forging new relationships with the three national wireless carriers – Bell Canada, Telus and Rogers. Throughout, the government of New Brunswick will need to be cognizant of regional differences. While the market should provide sufficient incentive for the big wireless players to ensure the three largest cities have comparable service to Central Canada, the more difficult challenges faced in rural areas will see other companies like Barrett XPLORE address the market.





According to the World Tourism Organization, tourism is the fastest growing economic sector in the areas of job creation and foreign exchange earnings.

Tourism

People are increasingly on the move for both work and play. This affords New Brunswick the opportunity for growth in the traditionally strong tourism sector. In 2005, tourism spending in New Brunswick held at \$1.2 billion and continued to provide a significant number of full-time as well as part-time and seasonal jobs, particularly for young people. According to the World Tourism Organization, tourism is the fastest growing economic sector in the areas of job creation and foreign exchange earnings, which are the products and services sold between countries. With the proper investments, tourism should be able to grow on average by five per cent a year and double its revenues within 15 years.

Recently there has been an important shift in industry trends, specifically the changing nature of travel for different age groups. For instance, while baby boomers are looking for high-end experiences, the under-40 set prefer shorter, more engaging trips.

The following critical realities must guide the province of New Brunswick's tourism development strategies. Building up this infrastructure will require an investment of up to \$100 million and it must be built quickly if it is to have any impact. Some \$70 million of this money will be required to upgrade the tourism infrastructure in northern New Brunswick.

- Renovate and refresh existing, high-volume and high-end tourist attractions and destinations that deliver premier experiences. It is at the high-end of the tourism experience where the industry is growing the fastest and New Brunswick must focus its effort on those products and destinations that can sustain the highest salaries.
- Further development of New Brunswick's beaches, the Fundy experience and heritage sites.
- Develop more destination points and high-end all-season tourism sites in northern New Brunswick as outlined in the recently developed tourism strategy for the region.
- Develop a powerful and innovative marketing campaign for major markets that establishes a reputation for delivering a high-quality tourism experience. The three largest potential markets, in order of importance, are; the other Maritime provinces, Quebec, and Ontario.
- A targeted marketing campaign aimed at secondary markets in the U.S., Western Canada, Europe and Asia that is geared towards higher socio-economic travellers.

Health

Opportunities for business and export development in this sector hinge on the government of New Brunswick's overall vision and long-term plan for public health care services. Only when this vision is established can we define the potential for the creation of vibrant health industries sector. New Brunswick has already established itself as a leader in the development and delivery of electronic health services and home care, the latter through its Extra-Mural Program.

Our goal over the next 10 to 15 years should be to build an enhanced 'super' Extra-Mural Program with the objective to deliver as many services as possible to patients in their own homes. New Brunswick, as a leader in extra-mural care, should apply the lessons learned to increase the level of home care by maximizing the use of electronic delivery of clinical and information services. To deliver services directly to the home, electronic delivery/e-health is essential. The Department of Health estimates that an investment of \$400 million would be required to build such an e-health system but, once in operation, it would save \$80 million annually.

The current state of electronic infrastructure in our health and hospital system is analogous to that which existed in various government departments prior to the creation of Service New Brunswick (SNB). Before SNB, individual departments had their own software, own computers, own staff, and own plan. It was not until all these infrastructures were given over to a central delivery agency that an integrated plan could emerge. Two absolutely essential starting points for developing an e-health strategy are the system integration of all the individual IT infrastructures from each health authority and from within the department itself and the selection of a financing model that will allow the province to realize the full benefits of business integration.

Just like any investment, building such a system requires an investment upfront when funds are always limited with the benefits flowing later. The model created by Nav Canada may be appropriate in the case of the electronic infrastructure. To finance the upgrading of the air traffic control system in Canada, the Government of Canada allowed for the creation of a not-for-profit corporation. This corporation then borrowed money from the bond market to invest in new technology; it went to the bond market rather than the equity market to retain control. The corporation is administered by a board of directors which includes representatives from the airlines, employee bargaining agents, business and general aviation, and the federal government.

This model is important for a number of reasons. First, it would enable the establishment of an integrated electronic infrastructure needed to support clinical services. Second, it is a not-for-profit corporation rather than a for-profit health organization. Third, such a not-for-profit corporation can create a service model and a service niche which can be exported to other jurisdictions creating long-term, high quality export jobs.

The Atlantic Blue Cross in Moncton is an example of a successful business development model to follow. Blue Cross is a not-for-profit organization providing services to the health care sector, not only in New Brunswick, its home base, but throughout many parts of Canada creating some 800 well paying, export-oriented jobs. By becoming a leader in e-health, New Brunswick can create a very significant industry with significant export potential and thousands of high paying jobs.



New Brunswick has already established itself as a leader in the development and delivery of electronic health services and home care, the latter through its Extra-Mural Program.



Smart Government

The efficient and cost effective delivery of government services can have a significant role to play in the drive to self-sufficiency. Moreover, the development of technologies and systems to achieve it can establish the province as a world leader in this field.

Smart government refers to the use of information and communications technologies to improve transparency, efficiency and accessibility; transparency with respect to the spectrum of products and services provided by government, efficiency with respect to the processes and procedures that support product and service delivery, and convenience of access to those products and services. It's not just about saving money – it's also about providing better service.

New Brunswick has actually been quite a creative pioneer in the field of service delivery. In the 1980's, the Extra-Mural Program was born; tele-health and Service New Brunswick were launched in the 1990's; and, more recently, high school students have access to a growing number of online courses.

Service New Brunswick was created to transform the citizen and business relationship with government. Customers are able to access this system via multiple channels (regular mail, e-mail, phone, and over the counter), from a single office, or, more importantly, from their own home. Today Service New Brunswick undertakes 5 million transactions a year in 37 service centres, through its call centre and increasingly through SNB Online.

The government of New Brunswick should extend the lessons learned from the Service New Brunswick experience to a much wider range of government services.

This could include:

- Implementing a fines management system for government;
- Introducing both a single window for all building permits and a licensing and permitting solution across all government departments;
- Offering Office of the Rentalsman services through SNB;
- Helping to bridge the information gap between the education system and parents;
- Creating a new single window for all business services; and,
- Offering scheduling services for the Extra Mural Health System and other health services.

With respect to education, one of the challenges for any educational system is how to systematically engage parents in the education process. The education system has a plethora of support systems – guidance counselling, clubs, sports activities, special referral services, etc. Unfortunately for parents, information on all of these things is not always organized into an integrated system providing ease of access to students, parents and teachers. An opportunity exists to apply the single window model to provide open access to all concerned.

Another tool for facilitating parent engagement is the school web site, or blog, on which teachers are able to post information for students and parents. E-mail is also used to keep parents apprised of their students' performance on tests. There is room for expanding the use of these tools across all schools in all districts.

New Brunswick has actually been quite a creative pioneer in the field of service delivery.

Research and Development Clusters

A key focus of economic development policy in both Canada and New Brunswick over the past decade has been to stimulate research and development (R&D). Programs were put in place at both the national and provincial levels that led to an increase in the level of R&D conducted in universities and other institutions in the province. However, there is a growing debate as to whether increased R&D can translate into direct development of the economy.

New Brunswick's R&D infrastructure is relatively small and scattered compared to what exists, even in other Atlantic Canadian provinces. Basic research is, for the most part, conducted in universities. Small and medium-size companies, which comprise the bulk of New Brunswick's business sector, find it financially challenging to undertake their own research, invest in university research, or even to exploit the work undertaken by research institutions.

To yield any significant economic benefit to the province over the next 15 years, New Brunswick should focus on a handful of areas in which it already specializes. To do this the province will need to develop a critical mass of knowledge and expertise in the sectors that offer us the greatest potential to compete on national and international stages. Areas to consider include; software, forestry, nuclear power, potatoes and cancer research.

These research and development clusters will create a relatively small number of well-paying jobs. In fact, unless properly harnessed and utilized, this research could be used to the benefit of corporations and jurisdictions outside New Brunswick. To avoid this, the government of New Brunswick should market these research clusters as potential partners for large firms considering relocating to the province. Research institutions can in effect, create "rolodexes of privileged targets" and thereby play a role in providing significant opportunities to attract a large number of jobs, but only if the business attraction function of the government is effective.

That is the role R&D should play in the development of the New Brunswick economy. There is a second role that must not be forgotten or overlooked: the need to encourage pure research to enhance the reputation of our universities and to assist in the attraction of talented faculty and students.





The Importance of the Atlantic Gateway

The emergence of China, India and other Asian countries as the economic powerhouses of the 21st century is fundamentally changing international trade flows. This has the potential to reposition Atlantic Canada with respect to international commerce in ways that haven't been seen since the days of the clipper ships. A bottleneck has already developed regarding the capacity of ports on both the east and west coasts of North America to handle the growing volume of traffic being generated on three important trade networks – the north-south NAFTA network, the European Union-NAFTA network and the Suez Express networks (from South and East Asia via the Suez Canal). This will be further aggravated by the entry of post-Panamax ships which, because of their size, are limited in terms of the number of ports that can accommodate them.

Atlantic Canada is ideally positioned to develop the multimodal transportation infrastructure required to become a major player in alleviating the current congestion. While ports in Nova Scotia are best positioned to become the entry point for post-Panamax ships to the region, New Brunswick is well positioned to take advantage of the opportunities presented by facilitating the flow of the traffic through the province. This could include the development of multi-modal inland ports such as that being proposed for Dieppe or short-sea shipping possibilities for provincial ports.

If the full potential of the Atlantic Gateway for New Brunswick is to be achieved, a concerted effort will have to be made to identify and eliminate barriers to the flow of container traffic through the province and on to destinations in Central Canada, the NAFTA corridor and the eastern seaboard of the U.S. This includes the streamlining of regulations such as the hodgepodge of regulatory regimes currently in place to govern truck transportation across jurisdictions in the Maritimes, Quebec, Ontario and New England which create inefficiency for the trucking industry. For example, in New Brunswick the weight restriction on major highways is 100,000 tons. In Maine it is 80,000 tons on Interstate 95 above Portland. Working to achieve a 100,000 ton harmonized weight standard could improve the efficiency of the regions trucking industry.

These are complex issues and individual provinces and states will never achieve a common standard working on their own. At a minimum, this should be considered a priority issue for the Conference of New England Governors and Eastern Canadian Premiers. There is also a need for close collaboration with the Canadian and American governments to ensure the free flow of goods across the border and to ensure that investments are made in key highway and border infrastructure. Of particular interest is the proposal for the Can-Am east/west corridor between Bangor, ME and Waterville, NY which would give New Brunswick a direct four-lane highway connection to the so-called NAFTA corridor that stretches from Mexico to Central Canada.

A Final Thought

In the first phase of the Task Force's work we described a number of stark realities facing New Brunswick as we mobilize for the mission ahead: self-sufficiency by 2026. In this, the second phase of our work, we have presented some more detailed analysis of more specific opportunities and challenges that will have to be addressed if we are to achieve the kind of transformational change that we are seeking.

There exist some exciting new areas in which the province can position itself to win if we move aggressively and provide the right incentives. While our traditional resource sectors will remain important generators of wealth and employment we will need to invest in productivity enhancing measures to ensure they will remain competitive in the 21st century. Despite our best efforts to maximize the potential of these sectors, they, unfortunately, are not going to yield the level of expansionary opportunity that we need to create new employment and expand the economy. The truth is that, in order to remain competitive, we should expect improvements in productivity that actually allow the number of jobs in these sectors to decline over time. For some, this will indeed be a hard pill to swallow.

But we as New Brunswickers must be prepared for change and lamenting it will not stop it. The sooner we get at it, the better.

We have to make the investments in strategic infrastructure that are critical to economic growth. We have to stop talking about people leaving the province, and do something about it – and, we have to take aggressive measures to both bring back those who have left and to attract new immigrants. We also have to do a much better job of making sure that our people have access to the education and training they need to be employed to their fullest potential.

The bottom line is: we need more people, and, we need more people to be employed in high paying jobs. Thus, our employment creation efforts have to be extremely focused in terms of size, sector and markets. We need to focus our business attraction efforts on large, well-established firms with the capacity and inclination to invest in new technologies as they come along, provide training opportunities for their employees, and to pay competitive wages and salaries.

