

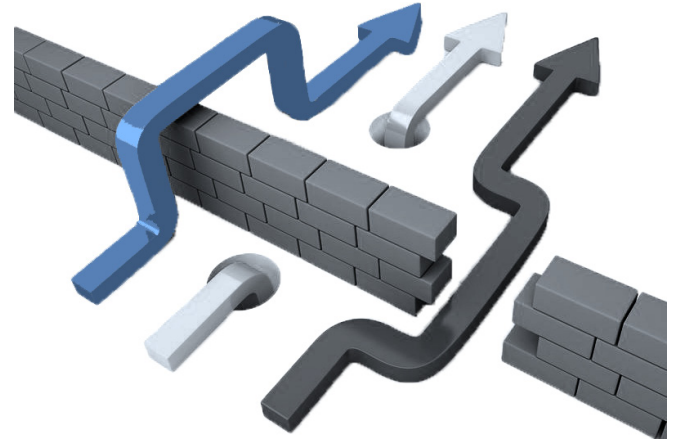
Report Highlights

Trade Barriers in Atlantic Canada: *Opportunities for Regulatory Reform*



Regulation can promote important public policy goals such as health and safety and environmental protection. But poorly designed or implemented regulations or unnecessary regulatory differences among provinces can act as barriers to business growth, making interprovincial trade more difficult and costly than it should be. Reducing these barriers and reforming the regulatory environment has the potential to boost the region's output, which is especially important given the region's economic, demographic and fiscal outlook.

The Atlantic Provinces Economic Council (APEC)'s report "**Trade Barriers in Atlantic Canada: Opportunities for Regulatory Reform**" details the importance of interprovincial trade for Atlantic Canada, highlights estimates of the cost of existing interprovincial trade barriers, outlines the imperative of greater regional regulatory alignment and prioritizes the key regulatory barriers facing Atlantic firms for the Joint Office of Regulatory Affairs and Service Effectiveness.



1. For the size of its combined market, Atlantic Canada is over-regulated, harming its firms' competitiveness relative to those in other provinces.

The Atlantic provinces have the four smallest provincial populations in Canada.

To reach all of Atlantic Canada, a business based in Atlantic Canada must comply with four different sets of provincial standards and regulations to tap into a market that is only **15%** of the size of Ontario.

Access to much smaller provincial markets reduce Atlantic firms' ability to benefit from economies of scale.

2. Interprovincial trade is more important to Atlantic Canada's economy than Canada as a whole...

Interprovincial trade accounts for **59%** of Atlantic Canada's GDP, compared with **39%** nationally.

Atlantic Canada's total interprovincial trade (i.e., exports plus imports) amounts to **\$65 billion**, with interprovincial exports supporting about one in six jobs.

Exports of goods and services among the four Atlantic provinces amount to **\$10 billion**.

3. ...yet it's more costly for Atlantic Canadian businesses to trade interprovincially than for businesses in other parts of the country.

Estimates show the cost of selling goods and services from each Atlantic province to businesses and consumers in other Canadian provinces is higher than it is for firms in other Canadian provinces selling outside their province.

4. Atlantic Canada has more to gain from eliminating trade barriers than the rest of Canada.

Recent research estimates the gains from removing all trade barriers in Canada could be as high as 3.3% of GDP (\$65 billion). For the Atlantic provinces, the gains are proportionately larger at **7.6%** of GDP (\$8.5 billion).

If personal after tax income increased by the same proportion, it would mean an increase of about **\$2,000** for each person in Atlantic Canada.

A 10% reduction in trade costs among the three Maritime provinces alone is estimated to boost their GDP by a combined 1.4%, or \$1 billion.

Lowering interprovincial trade costs for Atlantic businesses will also improve their international competitiveness, as imports from other provinces are a key input into the region's international exports.

5. APEC identified numerous opportunities to reduce costs and help Atlantic firms gain easier access to the Atlantic regional market. APEC recommends the Joint Office of Regulatory Affairs and Service Effectiveness prioritize the alignment of regulatory differences (trade barriers) in the following areas...

- ✓ Trucking
- ✓ Labour standards
- ✓ Corporate registrations
- ✓ Production & sale of alcoholic beverages
- ✓ Safety standards
- ✓ Government procurement
- ✓ Labour mobility

“Interprovincial trade barriers can increase costs, reduce efficiency, lower revenue, impede client service and deter investment. APEC’s research and business interviews validate the need for an organization such as the Joint Office of Regulatory Affairs and Service Effectiveness to help lead regulatory reform in Atlantic Canada.

- David Chaundy
APEC Director of Research

Examples of the Cost of Regulatory Barriers

One Atlantic firm indicated the resources required to meet different provincial requirements amount to one additional head office person, costing **\$75,000**.

One Atlantic business assessed its loss of sales due to interprovincial barriers to be **\$2 million**.

One Atlantic firm estimated that delays in getting certain permits increased its costs by **\$750,000**.
