SAINT JOHN REGION
THE CHAMBER
CHAMPIONS FOR BUSINESS

Budget for success, not survival

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COMMENTARY

The federal government is scheduled to release its 2023 budget next week, and one question has been dominating pre-budget discussions: will this budget support long-term economic success or short-term survival?

For three years, national and provincial governments have been budgeting for survival. They've offered up a range of new programs and policies to put more money in people's pockets, enable employees to work from home and survive work interruptions related to illness or public health lockdowns.

Corporate loans and tax relief programs were created to shore up those sectors of the economy judged to be at greatest risk during the global COVID-19 pandemic. New social benefits were created for marginally employed workers, and existing social programs were enriched or extended.

This year, the economic situation in Canada is different, but no less fragile. Many businesses have entered a period of recovery but are still being squeezed by runaway energy pricing, inflation, higher interest rates, labour shortages and supply chain issues.

New Brunswick delivered its latest budget on Tuesday, and analysts will be parsing its impact for weeks and months to come. It is vital that the federal government provide a future-forward budget that supports business recovery and sustainable economic growth.

Consider some of the options the federal government has discussed in its pre-budget consultations, and how they will affect businesses in our community.

The number one issue recovering businesses are struggling with is higher costs. Those costs include the impact of labour shortages along with the higher cost to attract and retain workers, the higher energy prices, and the cost of government-mandated taxes and fees as well as federal policy changes, such as requiring employer-paid sick days.

Government must avoid increasing the taxes and fees businesses pay while the economy is still recovering.

An example that most people can relate to is beer. The current federal excise tax schedule for beer and alcohol was created in 2006 (17 years ago), and in 2017 an escalator clause was quietly introduced and implemented. Thanks to this clause, which ties the tax rate to inflation, the tax on beer is set to increase by nearly 7 per cent this spring.

The average microbrewery in Canada produces 200,000 litres of beer each year. This needless tax increase will cost craft brewers in our community an average of $440 more per year each. The Coalition of Canadian Independent Craft Brewers is proposing a 21 per cent reduction in the excise tax, so that the same brewery would actually save $1,500 per year. This would put money back into the hands of small brewers, who will invest it back into their businesses and local communities.

The federal government needs to make strategic budgeting a priority. This is not the year to raise EI and CPP premiums, or to insist that employers add the cost of sick leave programs to their already unstable bottom lines.

This is not the year to allow credit card companies to raise the fees they levy to businesses.

Like the tax escalation on beer and alcohol, each of these measures has been proposed, or even scheduled, by the federal government – and each will result in reduced employment, small business failures and ultimately, less taxes to pay for vital public services such as health care and education.

Federal politicians want to make a difference. So do our Chamber members.

That’s why we’re asking for a freeze on tax and fee increases that would stall the economy and an end to the escalator clause on alcohol taxes, accompanied by strategic investments and federal policies that support economic growth.

Canada's largest trading partner understands the importance of investing strategically. In August, United States President Joe Biden signed the Inflation Reduction Act.

With this single piece of federal legislation, the Biden administration has created incentives for businesses to pursue green energy investment in every sector of the economy. It has been law for only seven months, and there are already signs it is working.

We'll find out next week if Canadian legislators are prepared to make a comparable investment in the transformational capacity of Canadian businesses. A competitive federal green energy policy would bring new investment to made-in-New Brunswick energy solutions such as wind energy, clean hydrogen fuel production and small modular nuclear reactors.

Will Budget 2023 support these growing sectors of our region’s economy, or smother growth under blanket tax and rate increases?

This is a turning point in the history of our region and nation.

A budget based on increasing taxes and corporate expenditures will be fatal for many small businesses and injurious to individuals and families in our current economic climate. A budget that cools tax creation, supports businesses, and invests strategically in policies and programs that foster economic development has the potential to significantly increase employment, exports and economic prosperity.

It's a question of putting things in perspective. Achieving a comfortable and sustainable level of prosperity in our communities depends upon businesses creating employment and new economic activity.

Families across our region are looking to the federal government to recognize the fragility of Canada’s economic recovery and the necessity of creating an environment that enables businesses to grow.

Here’s hoping Budget 2023 presses “pause” on tax and fee inflation while powering up our economy just as our next-door neighbours are powering up theirs.

David Duplisea is Chief Executive Officer of the Saint John Region Chamber of Commerce. His commentary appears monthly.