Intelligence MEMOS

C.D. Howe Institute's second Regent Debate took place earlier this month. Four prominent voices sparred over the following question: Is Canada Facing an Existential Crisis in Competiveness? Today: the case in the affirmative from former federal finance minister Joe Oliver.

Two areas of uncompetitiveness are so significant that they merit special mention - natural resources and interprovincial trade. Canadian resources account for 17 percent of the economy, almost half merchandise exports and 1.8 million jobs. The energy sector alone represents one tenth of GDP. Canada has vast proven oil resources, the third largest or 10 percent of the world, and enough natural gas to meet 200 years of domestic need. Yet this hugely important source of Canadian jobs, growth and government revenue is being actively disadvantaged by misguided policies and damaging regulations.

This year, the US became the world's biggest producer of oil and gas, the result of a shale revolution, while four eastern provinces incongruously ban fracking, which has been safely and profitably pursued for more than 60 years in Western Canada. Moreover, Canada remains landlocked, unable to transport resources to tidewater and on to overseas markets.

President Trump is aggressively cutting back on regulations, such that capital growth in the US oil and gas sector is up 40 percent this year. In contrast, Canadian resource development is down, increasingly mired in court actions and red tape, affecting drilling, oilsands projects and pipeline construction. The latest marauder is Bill C-69. The new *Impact Assessment Act* would create so much risk, delay and expense there is no way a private sector investor would sponsor a major new pipeline project without a government guarantee. Meanwhile, resources companies are packing their bags for the US.

Canada has been losing $15 to $20 billion annually because pipeline constraints caused a steep discount to international prices for oil and gas sold to the US. The most recent discount represents an annualized loss of almost $47 billion to the Canadian economy and $14 billion to Canadian governments. When you consider how those funds could be used for health care or to alleviate poverty, it's a national disgrace.

In the light of the USMCA near-collapse, Canada obviously needs to diversify its markets, and not only for energy. But the domestic situation is at least as bad. Interprovincial trade barriers cost our economy a crushing $50 to $130 billion annually, representing an average $2,700 in lost income for each Canadian. The Supreme Court's Comeau decision, oblivious to Canadian productivity, validated provincial tariffs. Provinces can hide behind the court or they can actually stop hurting the country by eliminating their tariffs.

Canada is a prosperous country that can enhance the standard of living and social services Canadians have come to expect, but only if we address our deteriorating competitiveness. Too few people connect the dots between the vast missed opportunities and wait lines in emergency, crowded classrooms, inadequate social services and decaying infrastructure.

Public understanding of the crisis could push government to tackle it with an urgent action plan that focuses on jobs and growth.

The Regent Debate series is generously sponsored by Aaron and Heather Regent.