GREATER VANCOUVER
BOARD OF TRADE

Unleashing Local Trade & Production Within Canada

EXECUTIVE SUMMARY

With the U.S. threatening new tariffs, Canadian businesses face heightened uncertainty and rising costs when exporting to our largest trading partner. In response, many have called for "Support Local". Strengthening Canada's east-west trade corridors and eliminating interprovincial trade barriers must be a cornerstone of our Team Canada approach.

As a critical opportunity to advance the "Agenda for Economic Growth" and enhance our real GDP growth potential, we recommend:

1. Commit to national mutual recognition on all items, including services and labour
2. Ensure all products that can be sold in one province can be sold across Canada
3. Open direct-to-consumer beer and alcohol sales nationally
4. A commitment by Premiers to not implement non-tariff barriers for inter-provincial infrastructure projects
5. Mitigate regulatory complexities to enhance business competitiveness

Studies have shown that this could result in a 3.8% increase to our national real GDP, representing a $2,130 increase on a per-person basis. British Columbia's GDP could increase by $7.6 billion while providing an additional $1.7 billion in new revenues for government.

BACKGROUND

Constitutionally, the division of powers under the Constitution Act, 1867, granted provinces authority over certain economic activities, leading to diverse regulatory regimes. Section 121 of the Constitution Act intended free interprovincial trade.

In this shifting trade landscape, strengthening Canada's east-west trade corridors and eliminating interprovincial trade barriers must be a cornerstone of our Team Canada approach. Doing so will lower costs for Canadian businesses, boost competitiveness and economic growth, encouraging both domestic and foreign investment.

For decades, governments of all parties have made commitments to make progress on this issue. And yet, barriers in nearly every sector remain that create inefficiencies, cost businesses and consumers, and limit our overall economic activity and growth. Breaking down internal trade barriers will help build a stronger, more resilient economy, address productivity challenges, and ensure Canada remains competitive on the world stage.

ISSUE

The federal government and provinces have already taken steps to reduce barriers.

- Canadian Free Trade Agreement (CFTA): Enacted in 2017, the CFTA aims to enhance internal trade by reducing and eliminating barriers to the free movement of persons, goods, services, and investments within Canada. It also established the Committee on Internal Trade to oversee implementation and address disputes. Success to date can be found here.
- Provincial initiatives: Agreements like the New West Partnership Trade agreement (NWPTA), the Atlantic Trade and Procurement Partnership (ATPP) have been enacted.
    - The NWPTA is expected to drive a real GDP increase of between 2.9 and 6.5% among membership.
    - The ATPP replaces the Atlantic Procurement Agreement (APA) and commits the provinces to harmonize trade and procurement processes, work together to improve the regional business climate and help businesses to compete. The ATPP implements the procurement thresholds for public tenders contained in the Canadian Free Trade Agreement (CFTA).

Canada's internal trade barriers present significant challenges to economic growth, business competitiveness, and consumer choice. Despite the existence of the Canadian Free Trade Agreement (CFTA), which was implemented in 2017 to reduce interprovincial trade restrictions, businesses still face regulatory fragmentation, inconsistent standards, and sector-specific barriers.

DISCUSSION

The Canadian Internal Trade Data and Information Hub identifies several key obstacles hindering businesses' ability to engage in interprovincial trade, including quotas, paperwork, limited market information, transportation costs and availability, and regulatory challenges.

For businesses in B.C., the primary concerns are quotas and the costs and availability of transportation.

Table: **Impact of Obstacles Experienced on the Ability of the Business or Organization to Purchase or Sell Goods or Service Across Provincial and Territorial Borders – Canada**

	Major Impact	Moderate Impact	Minor Impact	No Impact at All
Transportation cost and availability	25.4%	46.1%	26.5%	2%
Transportation regulations were difficult to abide by	20.4%	48.7%	25.9%	4.9%
Permitted quantity of given product was limited	30.6%	52.7%	15.6%	1.1%
Too much paperwork to fill out	18.9%	56.6%	15.2%	9.3%
Permits and licenses were difficult to obtain	29.8%	38.8%	28.5%	2.9%
Provincial or territorial tax laws	14.7%	26.8%	52.5%	5.9%
Provincial or territorial language laws	4%	52.4%	38.4%	5.3%
Lack of knowledge or information on the market	17.1%	64.4%	14%	4.5%
Other obstacles	50.1%	27.5%	10.5%	11.9%

Broader barriers may include:

1. Regulatory & Standards Barriers

Differences in provincial regulations, such as vehicle equipment requirements and food safety standards, create challenges for interprovincial trade. Labour and employment laws, truck load signage requirements, and construction codes fall under different jurisdictions, leading to varying compliance requirements for businesses operating across multiple provinces. While these regulations are designed to address local priorities, they can unintentionally hinder interprovincial business expansion and efficiency.

> Industry examples:
>
> ***Food & Alcohol Standards*** *– Products approved in one province may require retesting or repackaging in another.*
>
> ***Construction Codes & Safety Standards*** *– Varying building regulations across municipalities increase operational costs for firms.*
>
> ***Trucking*** *– Deficiency of highway infrastructure in B.C. due to its unique geography, making it challenging to widen or redesign major routes to better accommodate oversize, overweight commercial vehicles and long combination vehicles.*

Case Study: Navigating Inconsistent Building Codes

Even within British Columbia, businesses face significant challenges operating within the province. One example relates to municipal changes to building codes, due to inconsistent building codes and regulatory requirements. In some cases, construction standards can differ from one municipality to the next, even across the same street, creating complexities and adding unnecessary costs for businesses operating in multiple areas. These inconsistencies, as well as frequent or unexpected changes in building codes, can add to compliance costs and create uncertainty for businesses planning long-term investments.

2. Labour Mobility and Credential Recognition

Professionals in regulated industries—such as engineers, accountants, and doctors—still encounter significant barriers when seeking accreditation in other provinces. Differences in professional licensing requirements mean that skilled workers often need to undergo additional testing or certification processes, delaying labour mobility and exacerbating skill shortages in key industries. Streamlining labour mobility policies would allow talent to move more freely across provinces, supporting innovation and economic expansion.

3. Policy and Market Access Barriers

In some provinces, government procurement practices prioritize local suppliers, which can limit opportunities for cross-border competition and hinder broader market access. Similarly, the fragmentation of the energy market, particularly with restrictions on interprovincial electricity trade, prevents the efficient distribution of energy and complicates efforts to optimize resources. Additionally, differences in provincial regulations governing insurance and financial services create complexities for businesses striving to operate seamlessly across Canada, making it more difficult for these industries to reach their full potential.

B.C.'s wine industry also faces trade barriers that limit the ability to sell directly to consumers across Canada. Provincial liquor control boards impose regulations on the interprovincial shipment of alcohol, which can limit B.C. wineries from expanding their customer base in other provinces. Similarly, in the agricultural sector, supply management systems governing dairy and poultry production introduce constraints that can limit farmers' ability to sell their products freely across provincial borders.

The inability to establish a truly national market for B.C.'s agricultural and alcohol sectors stifles growth and prevents businesses from capitalizing on domestic demand. More flexible policies would allow B.C. producers to expand their reach, benefiting both consumers and the economy.

Interprovincial trade barriers create unnecessary costs, inefficiencies, and missed economic opportunities across Canada. By restricting the free flow of goods, services, and labour between provinces, these barriers drive up costs for businesses and consumers, limit competition, and reduce productivity.

Statistics Canada estimates that internal trade barriers increase the cost of goods in Canada by nearly 7%. Meanwhile, the International Monetary Fund (IMF) projects that removing these barriers could lift Canada's real GDP by 4%. Looking at B.C. specifically, a 2021 Deloitte study found that eliminating interprovincial trade barriers could boost the province's GDP by 2.8%.

Impact of Removing Non-Geographic Trade Barriers by Province

	British Columbia	Alberta	Manitoba
Impact of Barrier Removal	2.8%	3.2%	7.1%
GDP Increase *(millions)*	$7,610	$11,107	$4,832
Increase in Provincial Tax Revenues in 2022 *(millions)*	$1,681	$1,874	$1,068

Removing them would not only make it easier for Canadian businesses to scale and compete but would also deliver significant economic gains nationwide.

RECOMMENDATIONS

The longstanding issue of internal trade barriers in Canada has not only hindered the export potential of B.C. businesses but has also resulted in significant missed economic opportunities across the country. Studies have shown that addressing these barriers could result in a 3.8% increase in national real GDP, representing a $2,130 increase per person. For British Columbia, this could mean a $7.6 billion boost to GDP and an additional $1.7 billion in new revenues for government.

As a critical opportunity to advance the "Agenda for Economic Growth" and enhance our real GDP growth potential, we recommend the following actions:

1. Commit to national mutual recognition on all items, including services and labour

The New West Partnership Trade Agreement (NWPTA) has been instrumental in reducing trade barriers between B.C., Alberta, Saskatchewan, and Manitoba. Expanding this agreement to include additional provinces would enhance interprovincial trade beyond the western Canadian region, allowing businesses to operate more seamlessly across Canada. Now is the time to work towards national mutual recognition, where goods, services, and professional qualifications certified in one province are recognized in all others.

2. Ensure all products that can be sold in one province can be sold across Canada

Different standards, market access barriers, and administrative paperwork across provinces are creating significant challenges for businesses seeking to trade within Canada, as highlighted by data from the Canadian Internal Trade Data and Information Hub. Ensuring that products allowed in one province can be sold in another would help promote consistency in standards, reduce regulatory costs, and enable businesses to scale more effectively.

3. Open direct-to-consumer beer and alcohol sales nationally

Allowing direct-to-consumer sales nationwide would support small and medium-sized producers, create new opportunities, and provide customers with diverse product choices. A national approach would allow the market to adapt to growing consumer demand for more convenient access to a variety of products, while respecting regional preferences.

4. A commitment by Premiers to not implement non-tariff barriers for inter-provincial projects

Divergent local procurement rules and inconsistent building codes create delays and add costs to interprovincial projects. A commitment from Premiers to avoid such barriers would streamline project delivery, boost investment confidence, and foster greater cooperation across provinces.

5. Mitigate regulatory complexities to enhance business competitiveness

As highlighted in the discussion section, provincial laws and the associated paperwork pose significant barriers to internal trade. To prevent adding further complexities, we recommend that governments delay the introduction of any new regulations that could undermine the competitiveness of Canadian businesses compared to U.S. counterparts, unless a comprehensive cost impact analysis, with a focus on competitiveness, is conducted. This will ensure that new regulations do not add unnecessary burdens in an already challenging business climate.