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WHICH PROVINCES ARE DRAGGING THEIR FEET MOST ON INTERNAL TRADE?

The Agreement on Internal Trade signed by the federal, provincial and territorial governments has now been in effect for more than a year and a half. While the agreement takes an important first step in formally freeing the movement of people, goods, services and capital, there is much unfinished business that needs to be addressed if it is to achieve its objectives. Unfortunately, the agreement contains a hodge-podge of exceptions, exemptions and watered-down language that were necessary to get provincial governments to sign on the dotted line. Since the governments signed on, the federal government has been pushing the provinces hard to deliver on their commitments. But, this being Canada, provincial governments are dragging their feet. With no prying television cameras in the negotiating rooms and no Simon Reisman to ensure that the negotiations make the lead story in every newscast, the recalcitrant provinces have been able to avoid being held accountable for their inaction.

The cost of internal trade barriers is high. This is not only true in economic terms but in a political sense as well. If Canada is to work as a federation and achieve its potential as a global player, we need a strong internal trade agreement that sets out a concrete game plan for the reduction of barriers to the free flow of goods, services, people and capital.

Public pressure on laggards has been used very effectively to break logjams in international trade negotiations, as anyone that recalls the 1988 Canada-U.S. Free Trade negotiations will attest. It is important for the Canadian public to know which provinces are the worst foot-draggers and to apply pressure on them to address the unfinished business in our internal trade negotiations.

Identifying the foot draggers is not easy since the negotiations have taken place behind closed doors. However, a clue to the degree of provincial commitment to the principles of free internal trade is the schedules listing exceptions to the general provisions of the agreement. While it is hardly a scientific measure, a tallying of the list of non-covered provincial entities, legislation and practices probably gives a fair indication of which provinces have been resisting reductions in internal trade barriers the most.

Arguably, the most important chapter of the agreement is chapter 5 which deals with government procurement. This is the area with the largest barriers and greatest potential for gains in efficiency since Canadian governments and crown corporations purchase over $100 billion in goods and services per year. Procurement by the MASH sector (municipalities, academic institutions, schools and hospitals) valued at $30 billion per year was supposed to have been brought into the agreement by June 30 of last year. This has not yet happened as British

Columbia and Saskatchewan are still holding out.

There is also the question of exceptions to the provisions covering procurement by provincial entities -- another issue that was to have been addressed by now. An annex to chapter 5 lists provincial crown corporations that are excluded from the agreement. The provinces with the most on the list are, not surprisingly, Saskatchewan with 38; Quebec with 23; and British Columbia with 21. After that, the number of excluded entities drops off sharply to 6 for New Brunswick, 5 for Newfoundland, and 2 for Prince Edward Island. And Nova Scotia, Ontario, Manitoba and Alberta do not exclude any government entities.

The procurement chapter also contains a list of transitional and non-conforming measures. The most important of these are provincial legislation that allows governments to continue to favour provincial suppliers in Newfoundland, Prince Edward Island and British Columbia.

Chapter 6 of the agreement, which deals with investment, exempts Prince Edward Island's legislation on the acquisition or use of land by non-residents. Even worse, it extends an invitation to other provinces that might wish in the future to restrict the acquisition or use of agricultural, recreational or shore-front land. The Government of Saskatchewan took advantage of this exception recently to institute legislation to protect farmland in the province from out-of-province purchasers.

Not surprisingly, Chapter 10, which deals with alcoholic beverages, is rife with loop-holes. The chapter permits non-conforming measures for beer in Newfoundland, Nova Scotia, New Brunswick, and Quebec as well as for Ontario's grape content requirements for wine. With respect to the marketing of alcoholic beverages, Ontario and British Columbia are able to continue to sell only provincially-produced wine in private outlets, Quebec can still require that wine sold in grocery stores be bottled in the province and British Columbia can maintain its automatic listing measures for provincial wineries.

Chapter 14 on transportation stipulates that the agreement does not apply to taxicabs, liveries and municipal buses in Newfoundland, Nova Scotia, Quebec, Ontario and Manitoba; to bus transportation in Quebec and Saskatchewan; to truck transportation in Quebec and Manitoba; to provincial railways in Nova Scotia, Quebec, Manitoba and Saskatchewan; to local marine transportation in Quebec; and to ambulance service and dump trucks in Newfoundland.

The agreement also contains a long list of loopholes that are not readily attributable to any one province. Among the most prominent are the carve-outs relating to energy and electricity transmission, environmental measures, natural resource processing, regional development programs, and cultural and taxation policies. Moreover, broadly worded provisions such as those pertaining to "legitimate objectives" provide provincial governments with generous scope to continue to pursue discriminatory policies that violate the principles of the agreement.

Which are the biggest provincial foot-draggers? Based on the list of provincial exemptions, Saskatchewan, Quebec and British Columbia appear to hold this distinction. These are all provinces with activist provincial governments. B.C. Industry Minister Dan Miller recently publicly confirmed British Columbia's recalcitrance when he stated that his government has fundamental objections to extending the agreement to the provincially controlled public sector.

The next biggest lists of provincial exemptions are for the "have-not" provinces of New Brunswick, Newfoundland and Prince Edward Island. The smallest lists are for Nova Scotia, Manitoba, Ontario and Alberta. The latter two are the most prosperous provinces which tend to have the lowest levels of government intervention and the greatest "pro-market" orientation.

Citizens of the foot-dragging provinces must put pressure on their provincial governments to stop resisting efforts to strengthen the Agreement on Internal Trade. The time has come to put national interests ahead of narrow provincial self-interest and do what is needed to build a strong country.

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