

Province of New Brunswick Strategic Program Review

Public consultations



Our suggestions

New Brunswick Common Front for Social Justice Inc.

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Executive Summary

The Budget **Deficit** is the difference between what the government receive in revenue each year and the amount of money it spend in that year. A **Structural Deficit** is when you have budget deficit for a number of years. The **Debt** is the accumulated amount of money the government has to borrow each year to pay the deficits.

New Brunswick deficit for this year is estimated to be close to \$500 millions and the accumulated debt close to \$12 Billion. Ontario, Quebec, Nova Scotia, Newfoundland-Labrador and Canada have a debt per capita similar or worse than us.

Public Consultations

What are three things that you think government could stop doing to save money?

This is impossible to answer because we don't have all the facts in hand. That is why we are asking for a "White Paper" document which would explain what are the services, programs, jobs that are proposed to be reduced, downgraded or cut and what would be the impact on citizens, workers and communities.

It is not very helpful to ask citizens to make choices that will affect them and their families if we don't have all the information in place to make educated choices.

And above all, how are citizens living in poverty going to be directly affected by the proposed changes.

One place we could reduce is in the amount of money the Department of Economic Development is giving to businesses as forgivable loans, subsidies, payroll rebates, grants for infrastructure, etc. We have seen too often our tax dollars been misused. (ATCOM, Oxford Frozen Foods, etc.)

What three things do you think government could do to raise money?

- ✓ **Raise income tax and taxes.** Not popular but raising income tax will bring revenue but will have less of a negative impact on low-income citizens. Raise tax on the business sector and on specific items like gas and cigarettes. It could bring in \$225 million a year.
- ✓ **Increase the amount of royalties** from our natural resources (forest, potash, mines, etc.) and **reduce** the amount the government invest to

manage our Crown Lands (silviculture, seedlings, reforestation, herbicide, pest control, fish habitat, etc.); have companies pay for it.

- ✓ **Don't privatize** Crown corporations or public services because they are making money (NB Liquor) provide us with secure and quality services that the private sector can't do.
- ✓ **Pay Equity legislation** that could bring \$226 millions in revenues.
- ✓ **Others**



Public meetings- Strategic Program Review

Introduction

The provincial government considers that the provincial deficit and debt have to be reduced.

- **What is a deficit?** It is the difference between the government's revenue, (amount of money from income taxes, HST, royalties, fees, federal government, etc.) and its expenses (for health, education, social services, etc.) within the same year.
- **What is a Structural Deficit?** A Structural Deficit is when you have budget deficit for a number of years.
- **What is a debt?** The **debt** is the deficit accumulated each year. It is the total amount of money the government had to borrow over the years to pay the bills when it does not have enough revenue.

What is the present situation? This year deficit is projected to be close to \$500 million. The net debt is close to \$11.6 billion (not million) or \$15,400 per citizen.

What about other provinces? In 2013-14, Ontario, Quebec, Nova Scotia and PEI had a net debt to Gross Domestic Product (GDP) ratio higher than us (Table 1). Citizens in Ontario, Quebec, Nova Scotia and Newfoundland-Labrador and at the federal level had a higher debt per citizen than New Brunswick (Table 2). So yes, we need to address the deficit and the debt, but we don't need to panic.

Table 1. Net debt to GDP ratio

	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Canada
2013-14	16.9	-2.9	5.5	28.3	38.4	50.0	36.5	37.7	36.6	25.4	32.3

Economics-Research, *Canadian Federal and Provincial Fiscal Tables*, Royal Bank of Canada.
Dec. 2014

Table 2. Net debt per capita

	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	N&L	Canada
2013-14	8,462	-2,415	4,172	13,706	19,718	22,230	15,406	15,655	14,570	17,200	17,406

Economics-Research, *Canadian Federal and Provincial Fiscal Tables*, Royal Bank of Canada.
Dec. 2014

I. Strategic Program Review

The Gallant government has put in place a Strategic Program Review to find ways to eliminate the deficit and find revenues. He has also struck a four persons advisory committee

The first phase is consulting citizens by holding four closed meetings and 14 public meetings around the province, starting January 26, 2015. Citizens can also make their suggestions on the Internet on ways to eliminate the deficit and find revenues

The second phase is organizing a Provincial Conference in spring with stakeholders and experts.

The third phase will be for the Strategic Program Review advisory committee to make recommendations to the government.

II. Common Front Actions

- ✓ We published, with other community groups, an Open letter to Premier Brian Gallant asking him to produce a ``white paper`` a document presenting different options and their impacts on citizens and communities. The groups are also asking to open the Spring Provincial Conference to all citizens and to broadcast it on community television and/or on the Internet.
- ✓ We will participate in the public meetings.
- ✓ We will submit a brief to the Strategic Program Review advisory committee.

III. Public meetings. Our suggestions

The following proposals are to help you discuss the issues with your family, friends or in the public meetings.

At the provincial public consultations, the government will make a presentation of the economic situation and then participants will be divided into groups and will answer the three following questions.

A. *Question 1 : What does a thriving New Brunswick look like to you 10 years from now?*

A thriving New Brunswick would have less income inequality, more equality between men and women, a better educated workforce and less poverty.

In order to attain this vision we need to have a better re-distribution of the wealth between citizens. This can be done in a number of ways but one is through our tax system and public programs.

Right now there is too much wealth that is concentrated in the hands of too few people. The situation is so drastic that more and more international and national organizations are saying that the concentration of wealth and inequality is not good for the economy and for individuals.

According to the Broadbent Institute, *the top 10% of Canadians accounted for almost half (47.9%) of all wealth in 2012, the bottom 30% of Canadians accounted for less than 1% of all wealth.*¹

According to the Organization for Economic Co-operation and Development, *when income inequality rises, economic growth falls. Tackling inequality can make our societies fairer and our economies stronger. Tackling inequality through tax and transfer policies does not harm growth, provided these policies are well designed and implemented.*²

So it is clear that even if we have a vision on what New Brunswick should look like in 10 years, it will not happen if we don't start reducing the difference in wealth in our province, our country and in the world.

B. Question 2: Thinking of all of the things government spends money on to provide the residents of New Brunswick with services, what are three things that you think government could stop doing to save money?

This is impossible to answer because we don't have all the facts in hand, except for amount given to businesses. That is why we are asking for a "White Paper" document which would explain what are the services, programs, jobs that are proposed to be reduced, downgraded or cut and what would be the impact on citizens, workers and communities. Without the proper information, how can we be asked what we can or need to change.

- (i) What is certain, any cuts to front line services such as in hospitals, schools, nursing homes, services to the elderly, support for mentally challenge citizens, programs to help trouble teenagers, return to work programs, etc. should only be the last thing we consider.
- (ii) We should asked ourselves if we can afford the closure of the offices of the Ombudsman, the Child and Youth Advocate, the Conflict of

¹ Broadbent Institute, *Haves and Have-Nots: Deep and Persistent Wealth Inequality in Canada*, September 2014.

² OCED, Directorate for Employment, Labour and social Affairs. *Focus on Inequality and Growth*. December 2014.

- Interest Commissioner, the Consumer Advocate for Insurance as some as suggesting?
- (iii) We should ask ourselves what would be the impact of the closure of government regional offices and move these services to one location?

And the list could go on.

It is not very helpful to ask citizens to make choices that will affect them and their families if we don't have all the information in place to make educated choices.

And above all, how are citizens living in poverty going to be directly affected by the proposed changes.

Reduce the amount of money given to businesses through the Department of Economic Development

Each year, the provincial government gives millions of dollars to businesses through the Department of Economic Development . It has 12 offices and provides financial programs and incentives to businesses. It financially supports a high number of businesses with monies for infrastructure, expansion, innovation, trade shows, equipment purchase, research, etc. This financial support can take the form of forgivable loans, subsidies, payroll rebates, grants, etc.

Some examples are:

- the \$9 million the province has given to New Brunswick Southern Railway, a company owned by Irving, which is the third wealthiest family in Canada.
- -the \$500,000 payroll rebate given to Kent Homes, another Irving business.
- -Oxford Frozen Foods that is receiving \$37.5 million interest-bearing forgivable loans.

The Annual Reports of the Economic Development Department are a real gold mine to find out which companies are receiving our tax money.

The Auditor General had in the past been very critical of some of the investments made by this department.

We believe that there are too many programs and too much money given to the business sector for the return on our public dollars.

C. Question 3: With all of the financial challenges facing our province, what three things do you think government could do to raise money?

The provincial government does not have any real say in how the provincial, national or global economy is developing.

On the other hand it decides on:

- ❖ the level of income tax for individual and corporation,
- ❖ -the amount of tax on everything we buy,
- ❖ -the tax (royalties) on our natural resources and
- ❖ -the amount of money given to businesses.

The Common Front is making the following suggestions to get more revenue for the province.

1- Raise income tax and taxes

We know that raising personal income taxes and taxes on specific items like gas or tobacco is not the most popular thing to do but is the alternative of raising the HST, cutting services or programs a better option. Raising personal income taxes will affect less people living in poverty because their income is low so they are not paying a lot of income tax. On the other hand, they need public services and programs.

As shown in Table 5, the provincial government could raise nearly \$225 million annually by increasing, by only 1%, income taxes on individuals and corporations as well as tax on specific items.

We have not kept the suggestion of increasing the Harmonized Sale Tax (HST) even if a 1% increase would bring in \$140 million a year in revenue. The sale tax is a consumption tax. It has a greater negative impact on the budget of low income citizens than those with high revenue. Low income citizens need to spend a larger share of their revenue (often all of it) in order to pay for their regular needs. Comparatively, it does not have a similar impact on wealthier citizens.

We are against the reduction of the Small Business Corporate Income Tax because we believe small businesses need to contribute their fair share to the provincial coffer. The Gallant government has already lowered the Small Business Corporate Income Tax from 4.5% to 4% and plans to lower it further to 2.5%. For each half a point reduction, the provincial government loses \$4.5 Million a year.

The other avenue is a Carbon Tax. During the provincial election, the Green Party proposed a \$10 levy on each ton of carbon dioxide on import or extraction

of fossil fuel consumed in the province. This levy could bring \$164 million per year and would be applied to energy producers and importers.

2- Increase royalties on our natural resources and make companies pay more for managing our Crown Lands

Our natural resources belong to every citizen of this province. They are our collective wealth. In order to exploit these natural resources, the provincial government negotiates with private companies like Irving, Caribou Mine, PotashCorp, SWN, etc. These companies should pay a fair return to the province (royalties) so that our government can provide us with services and programs.

As shown in Table 3, the province total amount of revenue from royalties, Metallic Minerals Tax and the licences and permits from forest and mine had increased in 2011-2012 but has decreased since then, in part because of the closure of Brunswick Mine. Over the five last years, the province has loss \$12,5 million in revenue. The revenue from royalties from forest and mines has steadily increase in the last five years; it has brought \$11.5 million more (2010-2015). The biggest royalties come from the forestry sector. It represents between 70% to 80% of all royalties collected. Last year it brought in \$72.7 million and it is estimate to increase to \$77.7 million this year. (Table 4)

On the other side, our government is investing millions of dollars in the Forest Management and Protection of our Crown Lands (seedlings, silviculture, spraying, roads. etc) and even paying companies for what it call forest management. In 2013-2014 the expenses was \$73.5 millions while we only received \$72.7 Million from forest royalties. These monies comes from our tax dollars and help private companies, like Irving, Twin Rivers; **they should be the one paying for these expenses, not us.**

Table 3. Provincial Royalties on our natural resources, New Brunswick. 2010-2011 to 2014-2015

Year	Total Amount of revenue (in thousands of dollars)	Royalties on Forest and Mines (in thousands of dollars)	Metallic Minerals Tax (in thousands of dollars)	Licences and Permits from Forest and Mines only(in thousands of dollars)
2010-2011	108,789	82,715	24,000	2,074
2011-2012	137,622	87,655	48,000	1,967
2012-2013	126,919	89,660	35,000	2,259
2013-2014	92,297	90,410	0	1,887
2014-2015	96,195 (estimate)	94,255(estimate)	0	1,940(estimate)
Difference 2010-2015	-12,594	+ 11,540		

Table 4. Percentage of royalties coming from the Forestry sector 2009-2015

Budget Years	Forest (thousands of dollars)	Total Royalties on Forest and Mines (thousands of dollars)	Forest %
2010-11	62,790	82,715	76%
2011-12	66,925	87,655	76%
2012-13	62,625	89,660	70%
2013-14	72,700	90,410	80%
2014-15	77,725 (estimate)	94,255 (estimate)	83% (estimate)

Province of New Brunswick, Main Estimates 2010-2011, to 2014-2015.

3- **Privatization of Crown corporations and public services:** There are suggestions of selling public assets like NB Liquor, road maintenance, school buses, etc. to the private sector in order to bring in revenue. We don't understand why we would be selling NB Liquor, when it is making \$160 million in annual profit for the government, pay \$70 million in goods and services tax and has a payroll of \$25 million, all in all contributing \$225 each year to the province. If we privatize services, such as road maintenance, we as citizens will have to pay for it just the same, either through our taxes or fees and the services will not be of the same quality, as priorities become profits and not the service.

4- **Pay equity legislation** is required to ensure equal pay for work of equal value in both public and private sectors. A 2004 study showed that eliminating pay discrimination would have increased the provincial income tax and sales tax revenues by about \$226 million and resulted in about \$60 million in **healthcare savings**, income being a health determinant³. If workers in female dominated fields had better wages, they would be able to invest more in their **families' education** and increase **their purchasing power**. This would benefit **local businesses** and contribute to the **economy**.

5- **Other suggestions** could be proposed like a public childcare system, a tax on wealth, a tax on junk food, etc. but we don't have the time to elaborate on them.

³ Ather H. Akbari. 2004. Gender Wage-Gap in New Brunswick. Study prepared for GPI Atlantic, Halifax, N.S.

Conclusion

We are aware the province is confronted to a deficit and an increasing debt. Our proposals will help find new revenues, either through an increase of income tax, taxes, royalties or by reducing the amount of money awarded to businesses.

However, we think citizens in the province need more time and pertinent information to make informed decisions.

The public debate initiated by the fourteen sessions must continue. That being said, the provincial government must prepare a “white paper” in which all the options are well-documented, as well as the impacts, both positive and negative, of each proposal.

Table 5. Estimated Revenue Effect of Changes to Key Tax Rates

(Table 5 was adapted from: Department of Finance, *Pre-Election Economic and Fiscal Outlook, 2014-15 to 2017-18*)

Revenue source	2014 Taxation Year *	2015 Taxation year	
(All values refer to a 1 percentage point change except: tobacco tax is 1 cent per cigarette/stick/gram changes; gasoline tax and diesel tax are 1 cent per litre change)	Current rates	Increase 1%	Approximate value ⁽¹⁾ (\$ million)
Personal Income Tax			
1 st Bracket (up to \$39,305)	9.68%	10.68%	64.0
2 nd Bracket (\$39,305 up to \$78,609)	14.82%	15.82%	38.9
3 rd Bracket(\$78,609 up to \$127,802)	16.52%	17.52%	10.5
4 th Bracket (above \$127,802)	17.84%	18.84%	6.2
Total (1 percentage point on all brackets)			119.6
Note: In 2015, there is supposed to be two new taxation brackets. (21% -\$150,000 up to \$250,00 and 25.75% for above \$250,000)			30
General Corporate Income Tax	12%	13%	17.0
Small Business Corporate Income Tax ⁽²⁾	4.5%	5.5%	9.0
Financial Corporate Capital Tax	4%	5.0%	7.0
Insurance Premium Tax 3% for property and casualty; 2% for life insurance premiums)	3%/2%	4%/3%	19.0
Harmonized Sales Tax ⁽³⁾	8%	9%	140.0
Tobacco Tax (cent per cigarette/stick/gram)	19 cents	20 cents	8.0
Gasoline Tax (cent per litre)	13.6 cents	14.6 cent	10.0
Diesel Tax (cent per litre)	19.2 cents	20.2 cents	5.0
Grand Total			224.6

* The above estimates are based on information available as of May 1, 2014 and are subject to further revisions.

[1] The estimated revenue impacts do not include the resulting economic impacts.

[2] The small business corporate income tax rate applies to the first \$500,000 of active business income of Canadian Controlled Private Corporations (CCPCs).

[3] Provincial portion of the HST.