

## News Release

For immediate publication

September 9, 2012

Moncton – « Eighty-six percent (86%) of all investments made in one year by Invest NB, 86% were for payroll rebates » says Jean-Claude Basque, coordinator of the New Brunswick Common Front for Social Justice.

The NB Common Front for Social Justice has analysed, Invest NB's track record since its' creation in September 2011. Here are the results of our study:

When we take a look at Invest NB's mandate, we can say that those responsible for the corporation have missed the mark. The first part of the mandate reads « Promoting New Brunswick as an attractive location for business investments » The Common Front considers that Invest NB used the same tools as in the past to attract industries: low labour costs, inexpensive facilities, lowest tax rate in Canada and the United States and affordable energy. (Invest NB website).

« We just can't understand how Invest NB considers it will enrich our province and its citizens, if companies are paying low wages to their workers while we are subsidizing the owners with millions of our tax dollars. » says M. Basque.

Another part of the mandate reads « Identifying and pursuing opportunities for strategic and commercially viable investment. »

« There is nothing strategic about an investment plan when the investment goes to a company closing its call centres in four regions and setting up in a fifth location. There is nothing strategic about opening another call centre (Aditya Birla Minacs) when this particular sector is declining, when the average salary in NB is lower than in other sectors of the province, and when only 2% of the gross domestic product comes from that sector. Also, we do not see anything strategic in investing in a company making oil tanks. Finally, we do not see anything strategic in subsidizing companies more than once, as was done with Xplornet or Thing5. » continues M. Basque

The third part of the mandate reads « Negotiating and providing financial assistance when required and as appropriate to secure investments » The Common Front believe this does not mean throwing public money out of the window but that is what happened!

M. Basque is asking « How can we justify the fact that 86% of the investments went for payroll reabtes? This is an unacceptable economic development strategy. We do not understand how this economic development policy serves the interests of citizens of the province. Such a policy only means:

- citizens in the province, through their income tax, subsidize other citizens in order for them to have a job;
- companies receive hundreds of thousands of dollars in gifts in order to generously pay their top executives and make profits instead of paying their employees;
- some companies are economically favoured to the detriment of others.

Finally the last part of the mandate reads « Managing portfolios of investments. » When analyzing the investments made, and the reasons why they were made, we can only come to the conclusion that Invest NB's executives did not manage our public moneys very cautiously.

Our analysis reveals the troubling fact that the investments done by Invest NB don't follow Alward's provincial economic development plan elaborated in the document **ReBuilding New Brunswick**. In this document the provincial government targets six (6) priority-growth sectors:

- The value-added food sector
- The industrial fabrication sector
- The aerospace and defense sector
- The value-added wood sector
- The information and communications technology sector
- The New Brunswick bioscience sector

When we analyzed the eight companies which were granted funds, it is obvious that the people at the head of Invest NB decided not to follow the government's plan.

Three of the six priority sectors identified by our elected officials did not get any funds, namely the value-added food sector, the value-added wood sector and the bioscience sector.

If we stretch the definition of aerospace and defense, we could probably include FFG Canada as an investment in that sector.

Regarding investments in Superior Tank Ltd, it does not correspond to the definition of the industrial fabrication sector. Fabricating oil tanks is not: "*...a category of metal fabrication covering the manufacturing of processing and support equipment for industrial use, particularly in large-scale construction projects.*"<sup>1</sup>

Four of the other six investments could fall into the category of information and communications technology. The government document defines that sector as follows:

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<sup>1</sup> [http://www2.gnb.ca/content/dam/gnb/Corporate/pdf/EcDevEc/Industrial\\_Fabrication.pdf](http://www2.gnb.ca/content/dam/gnb/Corporate/pdf/EcDevEc/Industrial_Fabrication.pdf)

*“... New Brunswick’s ICT sector consists of companies whose core business falls into one of the categories including information technology (IT) services and products, telecommunications, and interactive digital media such as game development, learning technologies and mobile device applications.”<sup>2</sup>*

We cannot see how call centres like Thing5 and Aditya Birla Minacs can fall into that economic development sector. However, Invest NB thought it would be a good idea to inject hundreds of thousands of dollars in them anyway.

« We are asking the following question: What is the real purpose of Invest NB? Is it economic development for the good of the whole province? Or is it the transfer of public funds into the deepening pockets of the business world? concludes M. Basque

For information  
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**The full document with our analysis is attached.**

The Common Front for Social Justice is one of the largest democratic and popular organization in New Brunswick, with close to 75,000 group and individual members. The Common Front brings together individuals as well as local, regional and provincial organizations to work towards the eradication of poverty.

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<sup>2</sup> <http://www2.gnb.ca/content/dam/gnb/Corporate/pdf/EcDevEc/Technology.pdf>

**Table 1 – Investments by Invest NB in the first year**

<b>Company</b>	<b>Location</b>	<b>Payroll rebates (\$)</b>	<b>Other investments</b>	<b>Jobs created</b>	<b>\$ invested to create one job</b>
FFG Canada (International joint venture)	Bathurst	700 000	Forgivable loan: 300 000  Northern Fund: 500 000	26	26 923
Genesys Laboratories Canada	Saint John	300 000	0	30	10 000
Xplornet <sup>3</sup>	Saint John	485 000	0	55	8 800
Salesforce-Radian6  (International company <sup>4</sup> )	Fredericton	3 800 000	0	300*	12 666
Élite (division of Thomson Reuters <sup>5</sup> )	Moncton	495 000	0	25	19 800
Thing5 (International company <sup>6</sup> )	Bathurst	275 000	Northern Fund: 77 000	51	5 392
Superior Tank Ltd.	St Stephen	100 000	0	13	7 692
Aditya Birla Minacs (International company <sup>7</sup> )	Bathurst	1 200 000	Northern Fund: 300 000	200	6 000
<b>Total (payroll rebates+other investments = \$8 531 000)</b>		<b>7 355 000</b>	<b>\$1 177 000</b>  <b>(877 000 - Northern NB Economic and Development and Innovation Fund)</b>	<b>700</b>	<b>Average of \$12 150 for each job</b>

<sup>3</sup> [http://www2.gnb.ca/content/gnb/en/news/news\\_release.2012.07.0633.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2012.07.0633.html)

<sup>4</sup> [http://www2.gnb.ca/content/gnb/en/news/news\\_release.2012.06.0522.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2012.06.0522.html)

<sup>5</sup> [http://www2.gnb.ca/content/gnb/en/departments/premier/news/news\\_release.2012.06.0493.html](http://www2.gnb.ca/content/gnb/en/departments/premier/news/news_release.2012.06.0493.html)

<sup>6</sup> [http://www2.gnb.ca/content/gnb/en/news/news\\_release.2012.02.0119.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2012.02.0119.html)

<sup>7</sup> [http://www2.gnb.ca/content/gnb/en/news/news\\_release.2011.11.1241.html](http://www2.gnb.ca/content/gnb/en/news/news_release.2011.11.1241.html) Profile\_120514\_Ver1.10.pdf et

