



Joint Submission of:
Fredericton Chamber of Commerce
Greater Moncton Chamber of Commerce
Saint John Region Chamber of Commerce

February 2015

Introduction

This submission to the Engage NB strategic program review is on behalf of the Fredericton Chamber of Commerce, Greater Moncton Chamber of Commerce and the Saint John Region Chamber of Commerce. As a group, we appreciate the importance of this initiative to our cities' long-term fiscal future as well as New Brunswick's viability as a sustainable entity and support the government's attempts to reduce the deficit and debt.

As Minister Boudreau has stated in his public and stakeholder sessions, approximately 80% of the provincial budget is spent on Health, Education and Social Development. It is therefore likely that these three areas will receive the bulk of any reductions in expenses. We submit that if cuts are necessary, they have to be strategic, proportional and equitable. Careful attention must be paid to ensuring that the economies of our three cities are not significantly affected as this is where the bulk of the province's wealth is generated - decisions affecting these three centres have provincial consequences.

We further submit that the best source of ideas for finding savings within the government will come from current civil servants. Those who work in the system everyday have the most specific and actionable information on where the Province can save. Anecdotally, one of the primary causes of demoralization within the civil service is that their ideas are not given proper credence by supervisors or political leadership. Implementing ideas generated by this group therefore has the twofold benefit of saving expenses and increasing morale. In our three cities alone, there are more than 30,000 public servants (Fredericton - 11,811; Saint John - 10,759; Moncton - 10,622)¹ with the kind of specific knowledge needed to make this a meaningful program review.

What does a thriving New Brunswick look like to you 10 years from now?

The baseline starting point for a 'thriving' New Brunswick in ten years is a diverse and dynamic economy based on two main pillars - the knowledge economy and natural resource development. These are two areas of current and historical strength for the province and the basis of many of the strongest economies around the world. A strong economy leads to job growth, which is the only sustainable solution to the province's greatest issue - a declining and aging population.

Making New Brunswick the "Smart Province," as Premier Gallant has stated is a sensible and attainable goal. Our cities have been moving in this direction for well over a decade - there is existing infrastructure and talented people throughout the province that can accelerate this process, but will require cooperation between our three levels of government to make a reality. As much as we have in common, our communities tend to work in silos more than we

¹ 2013 GNB Workforce Profile:

http://www2.gnb.ca/content/dam/gnb/Departments/ohr-brh/pdf/other/workforce_profile2013.pdf

should - the provincial government has an opportunity to be the link to connect the great work being accomplished across the province. Fredericton's Vision 2020, Saint John's True Growth 2.0 or Greater Moncton's development strategy are prime examples of bringing together stakeholders throughout a region to form a consensus on a plan moving forward. This is also possible on a provincial level.

The overarching goals of each of these initiatives is to grow the economy and make our cities communities of choice. New Brunswick must have the same goal as a province. Immigration will continue to be a key contributor to this vision, equal in importance to retaining and repatriating native New Brunswickers.

Natural resource development is the bedrock that New Brunswick was built on centuries ago. We must not lose sight of the importance of continuing to use our natural advantages for our own benefit. This means not only harvesting resources, but adding value in-province and preserving our environment for future generations. The conversation in the public discourse is often framed as economy vs. environment. It is our position that this is a false narrative. It is impossible to have a healthy, sustainable economy without matching environmental conditions. Every activity carries some amount of risk - the question is - how much risk are we willing to accept for a potential benefit. This is a question that requires a measured conversation based in the evidence, not a dogmatic argument based in political rhetoric.

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

There is no question that the province needs to "save money," but the larger issue is that some expenses contribute to grow the economy and some contribute to the status quo, which we all recognize is not acceptable. Again, it is our position that the best source for specific and actionable ways to save money will come from the civil service. We do not have enough knowledge of the inner-workings of government departments to meaningfully respond to this question. However, there are some basic themes that we will be looking for in the months and years to come:

1. *The Government of New Brunswick should not be the "employer of choice" in the province.*

While a high quality civil service is critical to the success of our government, over the past several decades, the wages, benefits, and working conditions provided to public sector employees has made the government the employer of choice in the province. This means competition with the private sector for talented employees, exacerbating our businesses' issues with attracting and retaining skilled workers - in addition to driving up costs for government. However, this puts the province's economy in a "catch-22" situation since the disposable income of our civil servants is a driver in our communities. Therefore, any reduction in the civil service must be incremental, equitable and logical.

2. *Use some of the work completed by previous governments.*

New Brunswick's precarious fiscal situation is not a new circumstance for the current government. Much consultation, study and tough decision-making have been accomplished by previous governments. Wherever possible, we encourage the government to use information gathered and policies enacted by previous governments (regardless of political affiliation) that fit with their vision for the province. Decisions made based primarily on political considerations not only often hurt the economy, but generally shake public confidence in government. This latter point is particularly troubling since it has been acknowledged that New Brunswickers can expect to "feel some pain" at least through the first two Liberal budgets. The public will accept this pain if they have confidence that the government's actions are genuine, but will grow even more cynical if they appear to be politically motivated.

3. *Efficiencies can be found in every department.*

Again, while we agree with Minister Boudreau's oft-repeated statement that "a 2% cut across the board isn't strategic," there are likely savings to be had throughout the government. Even in departments that may see an increased budget, we encourage the government (and civil servants) to actively search for ways to be more efficient. Several municipalities in the province have had great success implementing the Lean Six Sigma philosophy without having to drastically reduce their workforce or services provided. Finding efficiencies should be a mindset in the government, not an initiative.

Beyond efficiencies within departments, rationalizing infrastructure should be a top priority for the review. Again, we cannot be experts in knowing what infrastructure is needed and where - but surely the province doesn't need more infrastructure for fewer people. We also have to consider where and what infrastructure is needed to increase our economic capacity. Infrastructure spending should reflect New Brunswick's 21st century realities, not its 20th century politics.

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

Particularly in light of the Liberal Government's plan to repeal the *Accountability and Transparency Act*, raising the harmonized sales tax seems like the most obvious way of increasing revenue in the short-term that the government is considering. We do not support this idea. Increasing taxes should be the method of last resort, particularly in the poorest province in Canada. There are a myriad of options to consider first, such as enhancing royalty structures for natural resources, reverting from an income-based means test to an asset-based test to determine personal contribution to long-term care, or other ideas that may be "out of the box."

A HST increase hurts all New Brunswickers, everyone from businesses to our most vulnerable population. It discourages investment in the province and will push some businesses on the margins over the edge. As business organizations that see the effects of these decisions on a daily basis, we cannot support this route. However, we also recognize that there is the possibility that the government may decide to raise this or other taxes. We submit that if any taxes are raised, 100% of increased revenue should first be directed towards eliminating the deficit and then towards decreasing our provincial debt - not on new spending initiatives.

1. *Work towards lifting the hydraulic fracturing moratorium*

Allowing hydraulic fracturing in New Brunswick will not be the silver bullet to economic success, but could be a significant contributing factor. David Campbell, the Province's Chief Economist, estimates that after initial private sector investment of \$2.2 billion over the first five years, that industry could support 4,400 full-time equivalent jobs, a \$1.56 billion boost in annual GDP and \$310 million in annual taxes *in addition to royalties*.² It is well worthwhile for the government to expediently attempt to satisfy the five conditions of the moratorium. The moratorium not only closes the door on this opportunity, but signals that New Brunswick is closed for business.

2. *Incentivize small business*

Premier Gallant has stated several times that small business is the engine of the economy. The constitution of our memberships suggest that he is correct. We absolutely need more large companies investing in the province, but the small- and medium-sized businesses are the glue that holds the economy together. "Incentivizing" small business is often interpreted as financial support - and this is one of the ways to accomplish the goal in some circumstances. But the concept is much broader. Reducing red tape is a primary example of a way that the government can have a direct positive impact on the economy and jobs without spending any money.

Furthermore, the vast majority of small business owners in New Brunswick also reside in the province - they are citizens who want to be a part of the solution. They want the province to grow as much as their business and recognize that the two are linked. They want the government to wisely use their tax dollars, to provide effective social services and to make decisions for the good of the province. In short, they want politics taken out of governing and will be incentivized as citizens if that is what they see. If the government has the political will to holistically create conditions for success, businesses will grow and create jobs.

² Our Path to a Stronger New Brunswick - 2014: <http://www.strongernb.ca/>

3. *Recognize tourism, art and culture as economic drivers and incorporate into a larger economic development strategy*

Both the 2014 Liberal Party Platform and the 2014 Speech from the Throne talk about investing in tourism, art and culture. We agree that this is an area where there is potential for growth and economic impact. New Brunswick's natural beauty, diverse geography and talented artists are under-appreciated not only across the country, but in our own province as well. With the American economy improving, we can expect to see an increase in visitors from south of the border to Canada. We cannot accept being a 'drive-through province,' as we sometimes perceive ourselves to be. Like exporting or foreign investment, tourism is critical to grow since it increases the wealth in the province.

Conclusion

As a collection of business organizations, we readily appreciate the difficult financial position faced by governments in New Brunswick over the past several mandates. We are encouraged by the apparent intent to act quickly by the current government and generally encourage it to make the tough decisions as soon as possible. However, we must ensure that actions undertaken by the strategic program review, are indeed 'strategic.' Equal focus should be paid to finding efficiencies and raising revenue. The effects of cuts must be viewed holistically and in the long term, not designed to win favour during the next election cycle. Listen to your public servants. Hiring Jacques Pinet, David Campbell and Susan Holt for the new Jobs Board is a great start and a test for the government. Do not then handcuff them - empower them. Give them the freedom to use their talent, creativity and commitment to making New Brunswick a successful and sustainable province. Apply this philosophy throughout the civil service - cultivate our greatest resource, our people.