

Budget 2014-2015

Brief

submitted to

Blaine Higgs, Minister of Finance

New Brunswick

Common Front for Social Justice Inc.

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1. Introduction

The New Brunswick Common Front for Social Justice Inc. is the most important bilingual provincial organization working to reduce poverty. Over more than fifteen years, we intervened in regard to different causes affecting, directly or indirectly, the near 100 000 citizens living in poverty in the province.

Discussions around the preparation of the provincial budget are very important because the budget establishes the government's priorities for the next year. The budget translates into action the government's priorities. Therefore, decisions taken at the tabling of the budget have an impact on all of us, yet they affect even more the most vulnerable people in our society.

We want to express our disagreement with your decision to hold pre-budget consultations before Christmas and for giving such short notice. It is a serious breach of the democratic consultation process which should always accompany discussions around the budget. In fact, is it not the citizens' budget rather than the government's budget?

That being said, we still want to take the opportunity to communicate our position and suggestions in regard to the 2014-2015 budget.

2. The situation

We are fully aware of the economic context in the province. It stems, in part, from the decisions made by the last Liberal government (reduction of personal and corporate income tax, refurbishment of Point Lepreau nuclear power plant without any guarantee of participation from the federal government, unjustified investments, etc.). Your government is also responsible for some of the financial hardship: respecting the tax reductions for two years; cuts to the government public service; investments in enterprises; etc. We recognize that the 2008-2009 economic crisis, as well as a high Canadian dollar exchange rate, have an impact on importation costs. We are also influenced by the precarious economic context in the United States, our most important commercial partner.

At the same time, we are witnessing an increase in poverty and in income inequality. A small proportion of citizens are getting richer and richer. According to a report published by the Conference Board of Canada, there has been a large increase in income inequality in the last 20 years. Since 1990, the richest group of Canadians has increased its share of the national income to the detriment of the poor and the middle class. In 2010, near 40% (39.1%) of the total national

income was shared by 20% of the richest group of Canadians while 40% of the lower earners shared only half (20.1%), even if they represented a much larger group.

<http://www.conferenceboard.ca/hcp/details/society/income-inequality.aspx>

3. We must invest in citizens

a. Minimum-wage workers

In New Brunswick, 11.1% of workers earn a minimum wage of \$10 per hour (\$20 800 a year). There was a \$0.25 an hour increase in 2012 but the hourly rate is not indexed to the cost of living as planned in the Poverty Reduction Plan. There was no increase in 2013 and no increase seems planned for 2014. Therefore, the income situation for these thousands of workers has worsened and will continue to do so. One indication of that is the following: between 15 to 21 % of people visiting NB food banks have employment income or receive employment insurance (which means they have worked). Those workers must be better paid.

We propose *increasing the minimum salary by \$0.25 per hour every year, and for the next four years, and indexing it to the cost of living.*

b. Citizens living on Social Assistance

Close to 40 000 citizens rely on social assistance to survive. They are among the poorest in our society. Among all provinces, our province is the one which helps the less. To get an idea of their desperate situation, consult Appendix 1. Since 2009, there has been a near 10% steady increase in food bank frequentation by citizens living on social assistance.

Only in October 2013 did the government increase the welfare basic rate, which had not changed since October 2008 for the majority of recipients, even though the cost of living increased by 8.9%. Even with the two planned increases (October 2013 and April 2014), they will still lose.

Poverty is very costly to society. According to a 2010 study conducted by the Canadian Centre for Policy Alternatives, the cost of poverty in New Brunswick was estimated at 2 billion dollars in 2009, or 7% of the gross domestic product.

<http://www.policyalternatives.ca/publications/reports/cost-poverty-new-brunswick>

Since the economy did not improve, we can assume the situation is the same today. We must invest to reduce poverty.

We propose *making provisions, in the next budget, for higher increases so that citizens living on social assistance can better meet their basis needs.*

c. Citizens without a prescription drug plan

According to government data, close to 70 000 families are without a prescription drug plan. At the beginning of 2013, the Economic and Social Inclusion Corporation (ESIC) made a proposition to the provincial government in regard to the implementation of a prescription drug plan which would be, among other things, mandatory and involve the financial participation of three partners: citizens without a plan, private companies not offering a plan to their employees, and the provincial government. Our first option, the less expensive in our view, would have been a public plan financed the same way as Medicare, by our taxes. We were ready to consider the ESIC proposition but with major changes, mostly regarding financing coming from the citizens. Instead of that, we now have a two-phase bill where the private sector is absent. Therefore, the most important proportion of costs will be bore either by citizens already having difficulty paying their medications or by a government facing financial hardship.

We propose *that the government postpone the implementation of such a plan until it has guaranteed financial participation of the enterprises that do not offer any plan to their employees.*

3. Where can we find the money?

We understand how difficult the financial situation is right now and that is why we propose the following solutions.

a. Provincial personal income tax (+ \$64 million)

Since 2009, the province lost hundreds of thousands of dollars because of the reductions to personal and corporate income tax. The Common Front lobbied for re-establishing the 2008 tax rates. In last year budget, the government came back to the 2006 personal income tax rates. We are really happy about that decision but more needs to be done. According to economist Rod Hill from UNBSJ, the province could add \$50 million more a year if it adopted the 2008 personal income tax rates. By adding a 21% tax bracket for the richest group of citizens (+\$150 000), it could recuperate \$14 million more. Overall, it could add \$64 million.

We propose *that the budget implements the same personal income tax rates as those in effect in 2008, and that it implements a fifth tax bracket of 21% for individuals earning more than \$150 000 a year.*

b. Corporate income tax (+ 2%).

NB corporate income tax has always been inferior to that of other Atlantic provinces (see Table 1). In 2008-2009 we were 1 to 2% lower and, in 2011-2012, we were between 4 and 6% lower. In the last provincial budget, the rate increased to the 2009 level but we are still the province with the lowest rate. We must ask the following question: do these rates help the economy in the province? We don't think so because, since 2008, we lost jobs and, in general, our economic performance is far from brilliant.

Table 1 - Corporate income tax, basic rate

	NL	PEI	NS	NB
2012-2013	14%	16%	16%	10% - 12%, July 2013
2011-2012	14%	16%	16%	11% -10%, July 2011
2010-2011	14%	16%	16%	11%
2009-2010	14%	16%	16%	12%
2008-2009	14%	16%	16%	13%

Source: Department of Finances, Nova Scotia:

<http://www.novascotia.ca/finance/en/home/taxation/othercomparativetaxrates.aspx>

We propose a 2% increase of corporate basic tax rates in order to come closer to those in effect in the other Atlantic provinces.

c. Property tax (+ \$49 million)

Property tax for large industrial corporations, commercial centres, cottages, apartments, etc. has been reduced. That translates into a \$49-million loss for the provincial government (see Table 2). We believe it is not these employers or citizens who need help from the government, quite the opposite.

Table 2 - Reduction of property tax for some large NB companies

Name of the company	Reduction of property tax
1. Irving – refinery, paper mill, etc.	Approximately \$800 000
2. Potash Corporation	\$343 633
3. Champlain Place	\$97 579
4. Costco	\$100 000
5. Home Depot	\$90 000
Source: CBC News, December 3, 2012	

We propose the elimination of the property tax reduction for large companies in order to recuperate these moneys.

d. Wood industries property tax (\$?)

The provincial government reduced the property assessment for wood industries. Because of that decision, municipalities, where such industries are located, lost revenue. It seems the reduction was made without consulting the municipalities, it is not spread over many years, and there is no guarantee from those companies in regard to jobs or investments.

We propose the elimination of the property assessment reduction.

e. Large companies capital tax (+ \$? million)

In 2006-2007 and 2007-2008, large companies had to pay a capital tax. A comparative analysis of the financial statements – looking more specifically at the anticipated gross revenue by source in the regular account – we found that this tax was not included in the revenues in the 2008-2009 budget. Therefore, it has been eliminated and the government is losing millions of dollars each year.

Table 3 - Main Budget

Large corporation capital tax:

2006-2007 (revised) = 26 300 000

2007-2008 (revised) = 14 000 000

2008-2009 to 2013-2014 = 0

Source: Main Budget, 2007-2008 to 2013-2014

We propose *reinstating the large corporation capital tax.*

f. Invest NB (+ \$16 million)

Last year, the Common Front published a report on the investments made by Invest NB. We discovered that most of the money went to wage subsidies and, mainly, to companies which did not need it. The situation is about the same this year. In our view, the Regional Development Corporation already makes investments and, therefore, Invest NB just replicates services which are very costly for the citizens.

We propose, *therefore, to abolish Invest NB.*

g. All types of subsidies to companies (+ \$?)

The present government, as the previous one, decided to offer financial support to companies despite the serious financial hardship of the province, and despite the fact that we have to tighten our belts, pay more for public services, and accept cuts in those services, etc.

We believe many of these investments are not justified because they are offered to companies that do not need them.

Here are a few examples which, in our view, are exaggerated. We plan to publish a brief on that subject next year.

1. **Mariner Partners Inc.- (\$12 550 in payroll rebates for each job)**
September 13, 2013. The province grants **\$750 000** to **Mariner Partners Inc.** (Saint John) in **payroll rebates** for the creation of 60 jobs within two years (equivalent to \$12 500 in rebates for each job).
2. **New Brunswick Southern Railway (\$18 million)**
The provincial government grants **New Brunswick Southern Railway, a company belonging to the Irving family** up to **\$9 million** while the federal government grants another **\$9 million** (Infrastructure Stimulus Fund).
Irving is the third wealthiest company in Canada, with a net worth of 7.85 billion dollars. (*Canadian Business Magazine*, November 21, 2013)
3. **Pattison Sign Group – (\$498 250)**
Pattison Sign Group belongs to the Jim Pattison Group which has more than 465 locations worldwide, with a total of 35 000 employees. In 2012, their sales reached 7.7 billion dollars. <http://www.pattisonsign.com/index.html>
4. **CGI – (\$2 million in payroll rebates)**
CGI received, from Invest NB, **\$2 million in payroll rebates** for the creation of 125 jobs within the next three years (\$16 000 per job). CGI annual revenue is more than 10 billion dollars.
http://www2.gnb.ca/content/gnb/en/news/news_release.2013.11.1194.html
5. **Oxford Frozen Foods (\$37.5 million)**
Invest NB provided a **\$37.5 million** interest-bearing repayable loan towards the construction of a processing facility. Oxford Frozen Foods also got Crown land.
6. **Radian6 (\$3.8 million)**
Invest NB granted **\$3 800 000 to Salesforce-Radian6** for the creation of 300 jobs over a period of many years. In 2011, the annual revenue of the company was 2 billion dollars.
<http://www.salesforce.com/assets/pdf/ivestors/FY12AnnualReport.pdf>

h. Reducing the number of programs targeting enterprises (\$?)

There seems to be a major problem when the private sector, supposedly the economy driver in the province, must be financially supported by millions of dollars coming from our taxes, and when we must implement all kinds of programs to support that sector, assist in its development, finance its workforce, help develop its markets, etc.

Do we need all these programs?

Digital Media Development Program
Export Development Program
Financial Assistance to Industry Programs (FAIP)
NB Growth Program
Startup Investment Fund
Industry Innovation Challenge
Northern New Brunswick Economic Development and Innovation Fund
Miramichi Regional Economic Development and Innovation Fund
Large-Scale Industrial Projects
Grants to the Business Network in the province
Small Business Investors Tax Credit
Reduction of provincial property tax for wood industries
Research and Development Tax Credit
Employer Wage Incentive
One-Job Pledge Initiative

We propose *the elimination of some of these programs.*

i. Government promotional campaign (+ \$217 000)

Last September, and recently, the government launched two TV ads. The first, at a cost of \$90 000, was to show an eventual improvement of our economy and, the second one, at the cost of \$137 000, was to show that thousands of NB workers head West to work. <https://www.telegraphjournal.com/telegraph-journal/story/35372587/government-tv-ads-partisan-bni>

We fail to understand the purpose of those promotional campaigns and believe it is money wasted in a period of financial hardship. The cost of these two ads could have almost covered the missing \$0.06 an hour in salary adjustment for 3 200 home support workers.

We propose *that, in the future, the government put a stop to such campaigns and invest those moneys to reduce poverty.*

Conclusion

The government tells us the province faces financial hardship and that we must tighten our belts but, at the same time, it implements measures going against the economic health of the province.

By implementing our propositions, the government will then have the money needed to adjust the basic rate of welfare recipients. It will also respect its obligations in regard to pay equity for home support workers, and it will help individuals reduce their share of costs in the new prescription drug plan.

The government has a choice: either helping people in need or helping those who are not in need.

Appendix 1

New Brunswick food banks - 2008 to 2013

HungerCount - highlights	2008	2009	2010	2011	2012	2013	Difference 2008-2013
Individuals assisted by food banks	15 638	17 889	18 517	18 539	19 524	19 989	+ 4 351
Assisted who are under 18 years of age (%)	33.2%	33.8%	34.3%	34.4%	32.0%	33.2%	
Households assisted by food banks	7 060	7 710	8 440	8 160	8 975	9 376	+ 2 316
Provincial population assisted (%)	2.09%	2.39%	2.46%	2.46%	2.58%	2.65%	+0.56%

Source: <http://www.banquesalimentairescanada.ca/getmedia/b2aecaa6-dfdd-4bb2-97a4-abd0a7b9c432/HungerCount2013.pdf.aspx?ext=.pdf>

Percentage of citizens on social assistance, report employment income or on EI using NB food banks. HungerCount 2009 to 2013

Year	2009	2010	2011	2012	2013	Increase 2009 to 2013
Social assistance recipients	60.0%	61.0%	65.6%	65.9%	69.3%	+ 9.3%
Report employment income	12%	13%	10%	10.4%	9.7%	-2.3%
Receive Employment Insurance	9%	9%	6.4%	6.2%	4.6%	-4.4%

