



January 13, 2011

Honourable Blaine Higgs
Minister of Finance
Centennial Building
P.O. Box 6000
Fredericton, N.B. E3B 5H1

Dear Minister Higgs,

On behalf of the members of the Saint John Board of Trade I respectfully submit this letter outlining our view and recommendations for the 2011 pre-budget consultation process. Our Government Affairs Committee, comprised of various member companies from a wide range of sectors, has focused on this issue, referenced the survey posted by the Department of Finance for feedback, and provided our Board of Directors with their recommendations. Following discussion of the recommendations, our Board of Directors agrees that the recommendations listed should be considered by the Department of Finance during the deliberations for the 2011-2012 Provincial Budget.

The Saint John Board of Trade feels that as New Brunswick faces an increasing deficit and debt, actions must be taken immediately to reverse this increase. The following are a number of recommendations the Province could undertake/examine in preparation of the 2011-2012 Budget.

- 1) Continue with the planned reductions for corporate tax rates – this is needed in order to ensure New Brunswick remains attractive for investment and to grow business. Potentially, also keep the personal tax decreases in place as well, which would further the goal of eliminating poverty. In order to fulfill the goals of poverty reduction for both Saint John and the Province we need to continue to grow business, in particular we need to attract more small to medium size companies to offset our relative reliance on a few large employers. A tax friendly environment would help this. Richard Currie's comments that the province is a "failing province" could be proven false by ensuring that the province remains an attractive location for investment. A low tax rate jurisdiction will certainly encourage investment in our province. An option that the government should consider (while not being attractive and would require strength of conviction to implement) would be to increase the provincial portion of the HST, as Nova Scotia has.
- 2) Increase the HST – having a tax on consumption would be preferable than having a tax on income as a consumption tax permits people to keep more of their income. It is also suggested that the increase in the HST should only be used to deal with the deficit – not election promises or new spending. This would potentially make the increase in the HST more bearable for consumers.
- 3) Need a realistic plan to deal with the deficit- In the near term a realistic plan to deal with the deficit needs to be created with a defined timeframe and measurable goals. We cannot allow the deficit to continue to increase.
- 4) Finn Report - The Saint John Board of Trade considers that the recommendations made by Jean-Guy Finn in his November 2008 report, *Building Stronger Local Governments and Regions*, were timely and significant at that time, and continue to be applicable today. We support the provincial government's decision to revisit the report. We are concerned that the recommendations might be implemented piece-meal, and encourage the provincial government to implement those strategies to consolidate service provision across the province with a view to securing significant cost savings.

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- 5) Economic Development Framework – The province’s economic development framework should be reconsidered during the pre-budget consultations. One issue is the lack of change in micro-development in New Brunswick since the mid-1980s which could be addressed and provide innovative opportunities. Increasing business start-ups from within NB and inviting others to set up shop here have to be priorities and areas of focus; more jobs and greater tax revenue.
- 6) Curb government spending, waste and duplication of services- One of the government’s tools to address the growing deficit should be to curb government spending, waste and duplication of services. We acknowledge and congratulate the Department of Finance on already requiring all government departments to find savings and efficiencies within each department. However, we feel more can and must be done in order to fully address the magnitude of the deficit.
 - a. We have seen most private businesses cut spending and tighten their belts during this recent downturn and the government needs to do the same. Also better processes need to be instituted to avoid wasting money on potentially bad investments or bailouts.
 - b. The suggested overall message is one of "we are all in this together so government needs to be good stewards of the public's purse ". The time is likely right to make some cuts and have people understand why it is being done given it is happening in most other Provinces and in fact, most other parts of the world.
 - c. Having a separate ombudsman or commission established to review and approve any changes to MLA expenses, salaries and pensions would provide transparency and a layer of accountability which would help control cost as well as help prevent an expense scandal similar to the one unveiled recently in Nova Scotia. By taking a lead on this the government will show the public they are connected and are taking concrete steps to share in the belt tightening.
- 7) Underfunded pensions - During the economic downturn, there was a double whammy of defined benefit pension plans losing value and therefore being underfunded, and the requirement for private business to inject new cash to bring the plans up to meet their requirements. Frequently governments are able to delay the payments of their pensions. It would make sense to ease the timeline so business can have more time to develop the cash instead of trying to come up with money in a tough economic environment and increase the fairness of the process. We also recommend examining the capping of pension liabilities.
- 8) Pension reform - We recommend examining the option of moving from a defined benefit plan for public sector employees to a defined contribution plan which is the norm in the private sector. Many municipalities and the provincial government are experiencing a short fall with the current defined benefit plan provided for employees. As people continue to retire early and live longer the strain on the defined benefit plans increases. This is placing an increase strain on the provincial and municipal budgets.
- 9) Enhanced Innovation -The new government has indicated an interest in supporting enhanced innovation, which would contribute to bridging this productivity gap which is existent in New Brunswick and Canada. Certainly, such an approach would require movement on the part of business as well as government. It would be a departure from NB's prevailing economic development paradigm. NB needs to create wealth as cost-control (or tax) will not be enough. A means to increase this wealth is through innovation, and not just in the science and technology sectors. There is a need to engage some of the underlying social issues which could be a specific agenda for innovation. An example is the work that is being done with University of New Brunswick Saint John students and the students of Hazen White-St. Francis in Saint John. Each elementary student from the priority neighbourhood is paired with a university student mentor.

- 10) Innovation in Healthcare- With the rapidly increasing deficit and cost of providing healthcare, in conjunction with an aging population, new innovative ideas are required to lower the cost of the health system while maintaining levels of patient care. Finding efficiencies in patient care delivery will be a crucial component to ensuring sustainability in the provision of healthcare in New Brunswick. For example, supporting research efforts currently underway at the University of New Brunswick in partnership with Horizon Health to move toward electronic records. This would help increase the efficiency of patient care through reducing the time required to share paper files and the administrative burden associated with the sharing.

We strongly encourage the Province to work with the medical community to identify efficiencies within the system, so health dollars follow the patient. The Canadian Medical Society has published a paper on *Health Care Transformation in Canada: Change That Works. Care That Lasts* which we encourage the Government to examine.

Also, the Province could work more closely with community-based organizations and volunteer groups to mitigate and manage chronic illnesses, similar to the partnerships that have been developed in the education sectors. Chronic illness places the greatest strain on our health system and funding preventative care and health education programs delivered through partner organizations like the YM-YWCA, the NB Lung Association, the UNBSJ/Horizon Health Mentor Program, and the Heart and Stroke Foundation has the potential to alleviate that strain.

We feel that these recommendations should be taken into consideration and implemented. The budget created for the 2011-2012 year should help sustain new business and remove roadblocks to further economic development in our region and our province. Our province needs more than just tax increases and service cuts to address and reverse the growing deficit and debt. We need wealth creation and investment in our Province. To achieve this we require our Provincial Government to make the Province of New Brunswick an attractive place for business to develop, grow and invest.

The Saint John Board of Trade is a nationally accredited business organization dedicated to fostering an economic climate that enhances growth, prosperity, and an improved quality of life in the community. With more than 1,000 members, representing 600 small, medium, and large businesses and organizations and therefore, the interests of more than 30,000 citizens, the Board is a dynamic advocate and the principal voice for the business community of Greater Saint John. The elected Board of Directors is representative of the diversity of the membership and their concerns.

We would welcome the opportunity to discuss this with you further.

Sincerely,



Michael Murphy
Chairman



Imelda Gilman
President