

# 2023

## New Brunswick Pre-budget Submission

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CANADIAN TAXPAYERS FEDERATION

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# About the Canadian Taxpayers Federation

The Canadian Taxpayers Federation is a federally incorporated, not-for-profit citizens' group dedicated to lower taxes, less waste and accountable government.

The CTF was founded in Saskatchewan in 1990 when the Association of Saskatchewan Taxpayers and the Resolution One Association of Alberta joined forces to create a national organization. At the end of 2020, the CTF had over 235,000 supporters nationwide.

The CTF maintains a federal office in Ottawa and regional offices in British Columbia, Alberta, Prairie (Saskatchewan and Manitoba), Ontario, Québec and Atlantic Canada. Regional offices conduct research and advocacy activities specific to their provinces in addition to acting as regional organizers of Canada-wide initiatives.

CTF offices field hundreds of media interviews each month, hold press conferences and issue regular news releases, commentaries, online postings and publications to advocate on behalf of CTF supporters. CTF representatives speak at functions, make presentations to government, meet with politicians and organize petition drives, events and campaigns to mobilize citizens to effect public policy change.

Any Canadian taxpayer committed to the CTF's mission is welcome to join at no cost and receive emailed Action Updates. Financial supporters can additionally receive the CTF's flagship publication *The Taxpayer* magazine, published three times a year.

The CTF is independent of any institutional or partisan affiliations. All CTF staff, board members and representatives are prohibited from donating to or holding a membership in any political party. In 2019-20, the CTF raised \$4.8 million on the strength of 39,792 donations. Donations to the CTF are not tax deductible as a charitable contribution.



# Executive Summary

Near-record increases to the cost of living have hit New Brunswickers hard. Bills are now more expensive and families need relief.

Thanks to prudent fiscal management over the past several years, New Brunswick now has a strong track record of balancing the books and reducing the debt. To the government's credit, a series of income tax cuts have also been announced in recent months. However, given New Brunswick's relatively stagnant economic growth and rampant inflation, now is the time to further reduce the tax burden on New Brunswickers.

The province is forecasting a \$774 million budget surplus for the present fiscal year.<sup>1</sup> This strong fiscal position means the government is well-positioned to deliver meaningful sales tax cuts for taxpayers all across the province. Lower taxes will help provide relief from decades-high inflation while continuing to ensure the fiscal sustainability of the province.

The measures outlined in this report aim to lower the tax burden, stimulate the economy and maintain New Brunswick's surplus. They provide tax cuts to both individuals and businesses to save families money and help grow the economy. Reducing taxes and helping grow the economy means more money in the pockets of New Brunswickers who will be able to spend it as they see fit.

To finance the relief, this report relies on ending corporate welfare and finding additional efficiencies, including through reducing labour costs. It will also call on the province to consolidate health networks and review spending in every ministry.

The measures proposed in this submission include:

1. Cutting the provincial portion of the HST by two percentage points.
2. Replacing business subsidies with business tax relief.
3. Bringing government compensation in line with New Brunswick's labour market.
4. Conducting a thorough review with the aim of reducing overall spending levels.
5. Consolidating health networks

With these proposed measures we are confident that New Brunswick will be able to provide much needed tax and inflation relief, while not negatively impacting its fiscal position.

This report includes two main sections: tax relief and spending reductions.

Costed Measures	Fiscal Stimulus/Relief	Budgetary Savings
<b>Cutting the provincial portion of the HST by two percentage points</b>	<b>\$336.9</b>	
<b>Replacing business subsidies with tax cuts</b>	<b>\$103.9</b>	<b>\$134.1</b>
<b>Bringing employee compensation to market levels</b>		<b>\$337.8</b>
<b>Total per category</b>	<b>\$440.8</b>	<b>\$481.2</b>
<b>Net budget impact:</b>		<b>\$40.4</b>

*All numbers are in millions.*

<sup>1</sup> <https://www.cbc.ca/news/canada/new-brunswick/new-brunswick-finance-suprlus-budget-1.6647233>

# Tax Relief

## Introduction

New Brunswickers are confronting increases in living costs that haven't been seen in decades. Canada as a whole saw prices rise by 6.9 per cent last year,<sup>2</sup> while New Brunswickers were hit at a slightly lower rate of 6.8 per cent.<sup>3</sup> The cost of food alone has increased at a rate of roughly 11.4 per cent.<sup>4</sup>

The government of New Brunswick has stepped up to the plate by delivering income tax cuts for most tax brackets.<sup>5</sup> However, more can and should be done to provide inflation relief to all New Brunswickers to help them weather the present storm and set the province up for a more prosperous future.

To provide additional tax relief to every taxpayer, the CTF is calling on the government to reduce the sales tax. Governments profit off of inflation through higher sales tax revenue. When the price of goods rises, so too does revenue brought in from sales taxes. This submission is calling on the government to cut the provincial portion of the HST from 10 per cent to eight per cent to help lower costs for consumers nearly everywhere they shop.

Sales tax cuts would not only provide inflation relief for families and boost incomes, but it would also lead to higher economic growth and more prosperity.

There exists a prosperity gap between New Brunswick and much of the rest of Canada. Out of 10 provinces, New Brunswick's GDP per capita was eighth compared to all other provinces. In 2020 the GDP per capita was \$41,844, compared to the national average of \$52,564.<sup>6</sup>

This translates to lower salaries for workers and lower profits for local businesses. As the government aims to grow the province's economy, addressing this gap through growing business investment should be at the top of its economic priorities.

Growing business investment involves making sure individuals and businesses have the funds available to make investments and grow their local markets.

An effective way for the government to do this is to take less cash out of citizens' and local businesses' pockets by reducing their taxes.

Recent periods of low levels of business investment have been cited as a main reason why Atlantic Canada has struggled relatively in economic growth compared to the rest of the country.<sup>7</sup>

To help further stimulate investment, the government should replace subsidies with business tax cuts. Tax cuts attract investment and job creators, unlike subsidies, where economic research has found no statistically significant relationship between business subsidies and economic growth or per capita GDP levels.<sup>8,9</sup>

<sup>2</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000402&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2022&referencePeriods=20220901%2C20220901>

<sup>3</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1810000402&cubeTimeFrame.startMonth=09&cubeTimeFrame.startYear=2022&referencePeriods=20220901%2C20220901>

<sup>4</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm>

<sup>5</sup> [https://www2.gnb.ca/content/gnb/en/news/news\\_release/2022.11.0614.html#:~:text=As%20previously%20announced%2C%20for%20the,increased%20to%20%2417%2C840%20from%20%2417%2C630](https://www2.gnb.ca/content/gnb/en/news/news_release/2022.11.0614.html#:~:text=As%20previously%20announced%2C%20for%20the,increased%20to%20%2417%2C840%20from%20%2417%2C630)

<sup>6</sup> <https://royal-bank-of-canada-2124.docs.contently.com/v/hot-provincial-momentum-to-lose-steam1>

<sup>7</sup> <https://www.fraserinstitute.org/sites/default/files/promoting-capital-investment-in-atlantic-canada.pdf>

<sup>8</sup> <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>

<sup>9</sup> <https://www.oecd.org/mena/competitiveness/41997578.pdf>

Reducing taxes also has an added benefit of increasing competitiveness with other jurisdictions, incentivising new businesses and individuals to set up and invest in New Brunswick, rather than in some other locale.

Peer-reviewed studies have found a clear link between tax cuts and economic growth.<sup>10 11 12 13 14</sup> Given the heavy tax burden that New Brunswickers shoulder,<sup>15 16</sup> there is room to reduce it to stimulate the province's economy and provide relief.

These recommendations would help New Brunswickers better afford their bills and increase competitiveness.

## Cutting the provincial portion of the HST by two percentage points

**Tax relief: \$366.9 million**

Inflation has hit New Brunswickers hard this year. Necessities have only gotten more expensive, with the cost of living rising this year by 6.8 per cent.<sup>17</sup>

To help families and businesses directly deal with the issue of high prices, the government should lower the provincial portion of the HST. Cutting the sales tax will help to lower costs for families and businesses nearly everywhere they shop.

Sales taxes exacerbate issues caused by inflation. Since the tax is applied at the end of transactions, higher prices means higher taxes. This problem hits low-income taxpayers the hardest, as sales taxes are regressive.

The government can help families afford their higher bills by charging them less when they go to buy things they need.

New Brunswick is tied with the other Atlantic provinces for the highest sales taxes in Canada.<sup>18</sup> Reducing the total tax to 13 per cent would see New Brunswick with the lowest sales tax in the region.

Lowering the HST would not only help New Brunswickers better afford their bills, but it would also increase competitiveness and attract consumers looking to save on their tax bills. Sales tax revenue was \$304.9 million higher in the previous fiscal year than originally projected.<sup>19</sup> This windfall should be passed back to New Brunswickers in the form of tax relief.

New Brunswick has the third-lowest level of GDP per capita in the country at \$41,844 per person.<sup>20</sup> One of the factors explaining this poor economic performance is the fact that New Brunswick households have an after-tax disposable income level that is 12 per cent below the national average.<sup>21</sup> This means that after New Brunswickers have paid all of their taxes, they have less cash available to spend in local businesses or to invest in the local economy. This only becomes worse after considering near-record levels of inflation.

<sup>10</sup> <https://academic.oup.com/qje/article-abstract/133/4/1803/4880451?redirectedFrom=fulltext>

<sup>11</sup> <https://www.aeaweb.org/articles?id=10.1257/pol.20170241&&from=f>

<sup>12</sup> [https://www.nber.org/system/files/working\\_papers/w20753/w20753.pdf](https://www.nber.org/system/files/working_papers/w20753/w20753.pdf)

<sup>13</sup> <https://www.journals.uchicago.edu/doi/abs/10.1086/701424>

<sup>14</sup> <https://www.jstor.org/stable/41789231>

<sup>15</sup> <https://www150.statcan.gc.ca/t1/tbl1/en/cv/action?pid=3610022201>

<sup>16</sup> <https://cftp.recherche.usherbrooke.ca/wp-content/uploads/2021/01/Bilan-de-la-fiscalite-Edition-2021.pdf>

<sup>17</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/221019/dq221019a-eng.htm>

<sup>18</sup> <https://www.retailcouncil.org/resources/quick-facts/sales-tax-rates-by-province/>

<sup>19</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>20</sup> <https://royal-bank-of-canada-2124.docs.contently.com/v/hot-provincial-momentum-to-lose-steam1>

<sup>21</sup> <https://royal-bank-of-canada-2124.docs.contently.com/v/provinces-enter-advanced-stages-of-recovery-in-2022-pdf>

There is a clear relationship between household disposable income and household consumption, and between consumer spending and GDP growth. Economic research is also very clear about the link between tax relief measures and economic growth.<sup>22 23 24</sup>

Lowering the HST by two percentage points would free up \$366.9 million to be invested into the local economy and help families ease the burden of inflation.

## Replacing business subsidies with business tax relief

**Savings: \$134.1 million | Tax relief: \$103.9 million**

The pandemic was difficult for businesses and the labour market. The province’s economy continues to struggle. The government should help improve outcomes for businesses by providing tax relief to free up cash flow and allow for growth.<sup>26</sup>

Weathering economic storms and finding employment for out-of-work New Brunswickers is not a matter of helping a handful of sectors. It depends on creating a good business environment for all sectors to thrive in. When job creators decide where to relocate or expand, their primary focus is on long-term profitability rather than one-off subsidy packages.<sup>27</sup>

Other factors, such as regulatory burdens, tax regime, workforce education, and availability of transportation infrastructure, have a much bigger impact on decisions

to locate in one jurisdiction than one-off financial aid packages at taxpayers’ expense.<sup>28</sup> Subsidies merely act as icing on the cake for companies who have already analyzed the risks and potential returns for their project.

Economic research found no statistically significant relationship between business subsidies and economic growth or per capita GDP levels.<sup>29</sup> What is clear is that the level of corporate taxation, compared to competing jurisdictions, affects a company’s profitability, and ultimately its bottom-line and growth.<sup>30</sup>

In other words, competitive tax rates attract job creators and direct investment.<sup>31</sup> Lower tax rates also contributes to lowering the cost of capital for job creators, thus increasing their ability to re-invest in their company.<sup>32</sup>

Provincial general corporate tax rates	
Canadian Jurisdiction	General corporate tax rate
Prince Edward Island	16%
Newfoundland and Labrador	15%
Nova Scotia	14%
<b>New Brunswick</b>	<b>14%</b>
<b>Canadian provincial average</b>	<b>12.7%</b>
Manitoba	12%
Saskatchewan	12%
British Columbia	12%
Quebec	11.6%
Ontario	11.5%
Alberta	8%

Source: Provincial government websites

<sup>22</sup> [https://www.brookings.edu/wp-content/uploads/2016/06/09\\_effects\\_income\\_tax\\_changes\\_economic\\_growth\\_gale\\_samwick.pdf](https://www.brookings.edu/wp-content/uploads/2016/06/09_effects_income_tax_changes_economic_growth_gale_samwick.pdf)  
<sup>23</sup> <https://www.taxpolicycenter.org/briefing-book/how-do-taxes-affect-economy-long-run>  
<sup>24</sup> <https://taxfoundation.org/what-evidence-taxes-and-growth/#:~:text=In%20sum%2C%20the%20U.S.%20tax,a%20higher%20standard%20of%20living>  
<sup>25</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>  
<sup>26</sup> <https://thoughtleadership.rbc.com/canadas-recession-to-arrive-earlier-than-expected/>  
<sup>27</sup> [https://www.mercatus.org/system/files/farren\\_and\\_philpot\\_-\\_policy\\_brief\\_-\\_amazon\\_hq2\\_the\\_story\\_so\\_far\\_-\\_v1.pdf](https://www.mercatus.org/system/files/farren_and_philpot_-_policy_brief_-_amazon_hq2_the_story_so_far_-_v1.pdf)  
<sup>28</sup> <https://www.brookings.edu/wp-content/uploads/2016/06/cohen-1.pdf>  
<sup>29</sup> <https://medium.com/concentrated-benefits/florida-man-seeks-a-quarter-of-a-billion-dollars-6bb6fe36a96e>  
<sup>30</sup> <https://www.oecd.org/mena/competitiveness/41997578.pdf>  
<sup>31</sup> <https://www.oecd.org/mena/competitiveness/41997578.pdf>  
<sup>32</sup> [https://files.taxfoundation.org/legacy/docs/TaxFoundation\\_FF477.pdf](https://files.taxfoundation.org/legacy/docs/TaxFoundation_FF477.pdf)

Compared with other provinces, New Brunswick's corporate tax rate puts the province at a disadvantage, at 14 per cent versus the 12.7 per cent national average.<sup>33</sup>

Last year, the government of New Brunswick spent \$134.1 million sending direct and indirect subsidies for specific economic sectors through a variety of government funds and programs.<sup>34</sup> This is equivalent to 25.9 per cent of what the province collected through corporate income taxes over the same period.<sup>35</sup>

Replacing business subsidies with corporate tax cuts would have an added advantage: reducing the economic distortion associated with targeted financial measures.<sup>36</sup> New Brunswick's economic strength should not be based on growth expectations in a few targeted sectors, but rather by a broad-based growth of its economic pie and the associated employment and incomes that come with it.

The province should replace these subsidies with a tax cut in the general and small business tax rates by 20 per cent. Lowering the small business tax rate from its current 2.5 percentage points to two percentage points, and the general corporate tax rate from its current 14 percentage points to 11.2 percentage points, would put New Brunswick's corporate tax rate under the national average and amount to \$103.9 million in savings for New Brunswick businesses of all sizes.<sup>37</sup>

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<sup>33</sup> <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-tax-rates.html>

<sup>34</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>35</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>36</sup> [https://www.jec.senate.gov/public/\\_cache/files/fe2eafaa-f355-462f-b515-15ad4a8f5e74/the-inefficiency-of-targeted-tax-policies-april-1997.pdf](https://www.jec.senate.gov/public/_cache/files/fe2eafaa-f355-462f-b515-15ad4a8f5e74/the-inefficiency-of-targeted-tax-policies-april-1997.pdf)

<sup>37</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>



# Finding Savings in Government Expenditure

## Introduction

Increases in the cost of living have hit near-record levels in Canada and in New Brunswick. High levels of federal government spending enabled by the government bond purchasing of the Bank of Canada has strongly influenced the rise of inflation.<sup>38 39</sup>

The government of New Brunswick posted a large surplus last year.<sup>40</sup> A larger surplus came from higher-than-expected tax collections largely due to the unprecedented levels of inflation. The government should maintain its unexpectedly stronger fiscal position while passing the greatest amount of savings possible onto taxpayers.

Nonetheless, to finance further tax relief and ensure New Brunswick is on sound fiscal footing over the long term, spending restraint it required. The section below will provide recommendations of various areas to find savings to help the government balance the budget while still providing tax relief to families and help to stimulate the economy.

## Bringing government compensation in line with New Brunswick’s labour market

**Estimated Savings: \$337.8 million**

Salaries and wages have represented the largest line-item in the government of New Brunswick’s budget over the past five years.<sup>41</sup>

Last year, the province spent over \$4.6 billion on employee compensation, representing over 84 per cent of what it collected via taxes.<sup>42</sup> In the interest of fairness, and to free up resources for much-needed inflation relief, the government must make sure its employee compensation costs are in line with that of non-government workers in New Brunswickers.

	2018	2019	2020	2021	2022
<b>Employee compensation</b>	\$4,034	\$4,149	\$4,240	\$4,261	\$4,692
<b>Total Consolidated Expenditures</b>	\$9,272	\$9,625	\$9,843	\$9,910	\$10,613
<b>Share of Total Consolidated Expenditures</b>	<b>43.5%</b>	<b>43.1%</b>	<b>43.1%</b>	<b>43.0%</b>	<b>44.2%</b>

Source: Government of New Brunswick. In millions.

<sup>38</sup> [https://www.scotiabank.com/content/dam/scotiabank/sub-brands/scotiabank-economics/english/documents/inflation-reports/inflation-report\\_2022-06-19.pdf](https://www.scotiabank.com/content/dam/scotiabank/sub-brands/scotiabank-economics/english/documents/inflation-reports/inflation-report_2022-06-19.pdf)

<sup>39</sup> <https://www.bankofcanada.ca/rates/banking-and-financial-statistics/bank-of-canada-assets-and-liabilities-weekly-formerly-b2/>

<sup>40</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>41</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>42</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

After adjusting for 11 different individual characteristics, it has been found that the average government employee in Atlantic Canada earns a 7.2 per cent wage premium over their private sector counterparts.<sup>43</sup> The cost of paying government employees in New Brunswick has also seen a 13 per cent increase since 2019.<sup>44</sup>

Government employees are also more likely to be enrolled in a pension plan than a private sector employee. Only 13.4 per cent of private employees are covered by a pension plan compared to 70.7 per cent of those that work for the government.<sup>45</sup>

The type of pension plan given to government employees is also typically much more generous than those of the private sector. Of those who have a pension in the government sector, 97.9 per cent of them are defined benefit plans, compared to only 24.2 per cent of plans for those covered in the private sector.<sup>46</sup> A defined benefit plan offers the employee a guaranteed benefit during retirement. This guarantee is often on the back of taxpayers who would be saddled with the cost of a bailout if pension funds do not perform well.

Those who work for the government in New Brunswick also retire earlier and have higher levels of job security than those who work in the private sector.<sup>47</sup>

Given the province's long term financial unsustainability<sup>48</sup> and ever-increasing compensation costs, New Brunswick needs to look at its biggest line-item expense: employee compensation.

To bring government employee wages in line with private sector practices, the government of New Brunswick must implement a 7.2 per cent reduction in compensation costs.

This will reduce the estimated cost for government salaries and benefits from \$4.69 billion to \$4.35 billion,<sup>49</sup> saving New Brunswick taxpayers an estimated \$337.8 million by the end of the fiscal year. These savings can be used to provide much needed tax-relief for taxpayers, while securing the fiscal sustainability of the government of New Brunswick.

## Consolidating health networks

### Estimated savings: Unknown

New Brunswick's taxpayers continue to fund two separate health bureaucracies – the English Horizon Health Network, and the French Vitalité Health Network – which perform the same roles, but for different language groups at an expensive cost.

Former Vitalité Health Network's CEO Gilles Lanteigne, correctly diagnosed the province's health-care budget woes by recognizing that New Brunswick had “too many programs in the province for the population we have.”<sup>50</sup> Eliminating the duplicative costs of having two provincial health authorities, and as Lanteigne suggested, “concentrating (resources) in one place” is an obvious place for savings; especially when the health services cost taxpayers more than \$3.4 billion, representing more than 62 per cent of all revenue from taxes collected last year.<sup>51 52</sup>

<sup>43</sup> <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

<sup>44</sup> [https://www2.gnb.ca/content/gnb/en/departments/finance/comptroller/content/public\\_accounts.html](https://www2.gnb.ca/content/gnb/en/departments/finance/comptroller/content/public_accounts.html)

<sup>45</sup> <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

<sup>46</sup> <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

<sup>47</sup> <https://www.fraserinstitute.org/sites/default/files/comparing-government-and-private-sector-compensation-in-atlc-2021.pdf>

<sup>48</sup> <https://distribution-a617274656661637473.pbo-dpb.ca/93a1e3bc1b4432c0b2eac192241b866d36c048b5efc1aa8224e15364551f0c8e>

<sup>49</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

<sup>50</sup> <https://tj.news/telegraph-journal/101401508?>

<sup>51</sup> <https://tj.news/telegraph-journal/101401508?>

<sup>52</sup> <https://www2.gnb.ca/content/dam/gnb/Departments/tb-ct/pdf/OC/public-accounts-vol-1-2022.pdf>

As the government rightly recognized via its amalgamation of laboratory services, there is efficiency to be found in reducing the number of structures in charge of the same task.<sup>53</sup> Patient experience can be ameliorated thanks to faster service delivery, and savings can be realized on the administrative costs.

While efficiency savings could be found in all areas of operations by amalgamating the two health bureaucracies, one key element where taxpayers could get better value for money is in administrative costs. Last year, taxpayers spent \$56 million paying administrative services in two separate health bureaucracies.<sup>54 55</sup>

By concentrating resources in one place and consolidating the two health authorities, New Brunswick would do away with the need to pay two executive suites, two purchasing departments, two finance department, etc.

Consolidating the two regional health authorities would result in significant savings in administration costs and would help better utilize the various resources health authorities have at their disposal. Reducing the cost of redundant healthcare bureaucracy must be a top priority for New Brunswick to control its ever-increasing health-care expenditures.

## Conducting a thorough review with the aim of reducing spending

**Estimated savings: Unknown**

Bureaucracy grows to meet the needs of the expanding bureaucracy, as the saying goes. Over the course of the last five years, spending in New Brunswick has gone up by \$1.34 billion, or 14 per cent.<sup>56</sup>

	2018	2019	2020	2021	2022
Total Consolidated Expenditures	\$9,272	\$9,625	\$9,843	\$9,910	\$10,613

Source: Government of New Brunswick. In millions.

In its efforts to balance the budget in the nineties, Prime Minister Jean Chrétien's government set forth the best practices for program reviews. The review was comprehensive and applied six tests to every expense:<sup>57</sup>

1. Does it serve the public interest?
2. Is government involvement necessary?
3. Is this an appropriate role for this level of government?
4. Are public-private partnerships possible / desirable?
5. Are there ways to make it more efficient?
6. Can taxpayers afford this expense?

The savings identified thanks to this process led to \$9.8 billion in spending reductions, equivalent to 18.9 per cent of federal program spending at the time.<sup>58</sup>

<sup>53</sup> <https://www.cbc.ca/news/canada/new-brunswick/new-brunswick-hospital-lab-testing-1.6551730>

<sup>54</sup> <https://horizonnb.ca/wp-content/uploads/2022/06/Annual-Report-2021-2022.pdf>

<sup>55</sup> <https://www.vitalitenb.ca/sites/default/files/documents/rapportannuel20212022annualreport.pdf>

<sup>56</sup> [https://www2.gnb.ca/content/gnb/en/departments/finance/comptroller/content/public\\_accounts.html](https://www2.gnb.ca/content/gnb/en/departments/finance/comptroller/content/public_accounts.html)

<sup>57</sup> [https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper\\_Web\\_F.pdf](https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf)

<sup>58</sup> [https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper\\_Web\\_F.pdf](https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_F.pdf)

This program review allowed the federal government to balance the budget in 1997-98 and pay down more than \$100 billion in federal debt before the financial crisis hit in 2008.<sup>59</sup> This reduced the proportion of tax dollars going towards debt interest payments from 30 per cent in 1996-97 down to 13 per cent in 2008-09.<sup>60</sup>

The savings also allowed for significant tax relief, such as GST reduction, business and personal income tax relief, and the establishment of TFSAs as a vehicle to boost household savings.<sup>61</sup> Relief that that is needed by New Brunswickers who are faced with an ever-increasing rising cost of living.

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<sup>59</sup> [https://www.rbc.com/economics-subscriber/pdf/Template-provincial%20fiscal%20tables\\_October2022.pdf?\\_ga=2.45019876.1912156774.1668026480-1443291271.1665068851](https://www.rbc.com/economics-subscriber/pdf/Template-provincial%20fiscal%20tables_October2022.pdf?_ga=2.45019876.1912156774.1668026480-1443291271.1665068851)

<sup>60</sup> [https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper\\_Web\\_E.pdf](https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_E.pdf)

<sup>61</sup> [https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper\\_Web\\_E.pdf](https://macdonaldlaurier.ca/files/pdf/MLI-Anglosphere-CanadaPaper_Web_E.pdf)



# Conclusion

Higher living costs have hit families hard. The government of New Brunswick should take bold action to reduce both spending and taxes to provide families with much-needed relief while improving the province's fiscal position.

To help New Brunswickers faced with higher bills, the province should deliver universal tax relief to help all taxpayers weather the storm of inflation. Doing so will increase household incomes and enhance New Brunswickers' ability to spend and invest in local businesses. Lowering the HST by two percentage points would put \$336.9 million back into the pockets of families.

Economic research is clear about the positive relationship between disposable incomes and economic growth.

To further help the province's economy grow, the government should also take steps to make the province more attractive to investment in all industries by replacing its subsidies with corporate tax cuts. Reducing the corporate income tax by 20 per cent and eliminating subsidies would see the government save \$134.1 million and put \$103.9 million directly back into the hands of New Brunswick businesses.

Given the wage and benefit premium enjoyed by government employees over those in the private sector and the impact of rising compensation on the government's bottom line, it is necessary to make fundamental changes and reduce the cost of government employee compensation. Eliminating the compensation gap between private sector employees and those working for government promotes fairness and would save taxpayers \$337.8 million next year.

Interest payments on government debt represent a recurring expense that is not going away unless the province finds a way to dig itself out of debt. Making it a clear priority to continue reducing the debt would reduce the amount spent on interest payments and go a long way to ensuring the fiscal health of the province's finances.

Overall, the measures recommended in this report will put \$440.8 million back in New Brunswicker's pockets and help save at least \$481.2 billion in government operations. This will have a net positive budgetary impact of \$40.4 million.