

CHOICES

TO MOVE NEW BRUNSWICK FORWARD

Strategic Program Review



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Province of New Brunswick
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www.gnb.ca

ISBN 978-1-4605-0999-9 (PDF: English edition)
ISBN 978-1-4605-1000-1 (PDF : version française)

10491 | 2015.11

Message from Minister Victor Boudreau

Our government has pledged to focus on three priorities:

1. **Job creation** — growing our economy to create opportunities for New Brunswickers to stay here or return home and for new New Brunswickers to move here, all the while generating tax revenue to help pay for important services;
2. **Getting our finances in order** — if we do not make changes we will not be able to afford to invest in services like health and education to support families, nor programs that create the conditions for job growth; and
3. **Improving services for families** — making strategic investments in programs such as health, education, child care and senior care; and reducing poverty to make New Brunswick the best place to raise a family.

Without action, our province faces mounting debt. It now represents the fifth-highest cost to government when compared with departmental budgets. If we keep going down the same path, our credit rating could be downgraded and our interest costs could go up. The less money we spend on paying interest on debt, the more we have to invest in health and education.

If the province does not get its finances in order, decisions may be forced upon us. Ministers involved in a similar exercise undertaken in Saskatchewan in the early 1990s have since acknowledged that their decisions were made in New York and Toronto rather than the provincial capital of Regina because they waited too long to act.

This does not have to happen in New Brunswick. We can make changes now to protect social programs and the economy. If we do not take action today, much more difficult decisions will have to be taken in the future which could mean irreparable harm to New Brunswick's social safety net.

The Strategic Program Review is about more than just balancing the budget. It is about making choices that will allow us to have a sustainable budget into the future that will enable us to make investments in health, education and other social services that New Brunswickers expect and deserve.

We know the status quo is not sustainable and changes need to be made for New Brunswick to thrive again. It is time to build a smarter government— a responsive government that is focused on the needs of New Brunswickers now and into the future.

Our government is committed to making these decisions, but we want New Brunswickers to participate in making them together. We all have a role to play in making the decisions necessary to get New Brunswick back on its feet financially and living within our means. The Strategic Program Review process will end when decisions are announced as part of the next provincial budget. While the review will be over, we will continuously focus on process improvements to ensure taxpayers' dollars are spent wisely.

I thank those New Brunswickers who took the time to participate in the Strategic Program Review process so far, whether in person, online or by other means. I would also like to thank the members of the Advisory Committee and government employees for their work on this project since January.



Victor Boudreau

Engagement process

The choices presented in this report are drawn from ideas brought forward by New Brunswickers from across the province.

The Strategic Program Review was launched on January 13, 2015, and included a variety of engagement opportunities for New Brunswickers:

- ♦ 14 public dialogue sessions were held across the province in January and February;
- ♦ five regional stakeholder sessions were held;
- ♦ community groups hosted their own sessions using the guide produced to assist in holding a complementary public engagement session; and
- ♦ New Brunswickers also had the opportunity to provide input online, by email and by mail.

More than 1,200 people attended our public dialogue sessions; more than 100 representatives of stakeholder groups attended our meetings; more than 9,000 ideas were submitted online, by email or mail; and 28 groups hosted complementary sessions. All of the input received from this first phase was summarized in the [What Was Said Report](#) that was released on March 26, 2015.

The Strategic Program Review Forum was part of Phase II, which also included budget review meetings hosted by departments.

Sixty-seven attendees participated in the Strategic Program Review Forum, including members of the general public, non-profit groups representing various community interests such as youth, low income New Brunswickers, seniors, and persons with a disability. There were also representatives from organized labour, the education system, regional health authorities, the academic sector, municipal government and business.

The forum consisted of guest speakers from inside and outside of the province, small group discussion sessions and a deliberation of the larger group to build upon and refine the ideas from the small group discussions. Videos from the forum are available on www.gnb.ca/SPR.

Input from New Brunswick youth has also been an important part of the Strategic Program Review. 21 inc. engaged its members and alumni in English and French dialogue sessions based on the format used for the public dialogue sessions. The Department of Education and Early Childhood Development, in collaboration with the Strategic Program Review Secretariat, initiated processes in both the anglophone and the francophone sectors to seek input from students related to the Strategic Program Review. Approximately 550 high school students participated in this process.

Throughout the Strategic Program Review consultation process, New Brunswickers made it very clear that they want us to first focus on eliminating waste and redundancy in government.

A review of spending and ideas brought forward through the consultation process has identified areas where we can better focus programs and services, streamline operations and transform the way we do business to achieve better results and meet the needs of New Brunswickers.

The ideas brought forward by departments, stakeholders and New Brunswickers through the Strategic Program Review process have been examined to ensure we are making evidence-based decisions. Each proposal has been given a fiscal impact analysis, an economic impact analysis, a gender-based analysis and a broader analysis for other possible public policy impacts.

More information about the Strategic Program Review process is available at www.gnb.ca/SPR.

The current situation

It is not news that New Brunswick is facing fiscal and demographic challenges. The deficit at the end of the 2013–2014 fiscal year was \$498.7 million. The deficit currently stands at \$453 million for the second quarter of 2015–2016. New Brunswick has not been in surplus position since 2007. Our debt has increased significantly over the past decade, as has the cost of servicing that debt. Credit agencies have issued warnings. We currently spend \$685 million per year to service our debt.

To put that in perspective, we are now spending more on servicing the debt than we are investing in post-secondary education. The combined budgets of Environment and Local Government, Energy,

Agriculture, Aquaculture and Fisheries, Tourism, Public Safety and Justice do not add up to what we spend annually on interest for our debt.

We need to change how we do things now so that we can provide New Brunswickers the services and programs they need and allow us to continue to invest in health care and education and things that will lift people out of poverty.

More information about our current situation can be found by visiting following links:

- ♦ [2015–2016 Budget](#)
- ♦ [Economic Outlook](#)
- ♦ [Economic and Social Indicators](#)

Previously announced choices

Our government is committed to returning balance to our finances. We began addressing the fiscal situation on our first day in government and have made some difficult choices over the past year. Difficult choices continue to be necessary. These decisions will provide us the strong foundation we need to invest in the future.

We understand that some of the choices may not always be popular, but they are necessary if we are going to move the economy forward and make New Brunswick the best province to raise a family.

Prior to the commencement of Strategic Program Review and within the 2015–2016 budget, government took steps to decrease the cost of administration, eliminate waste and redundancy within government, and implement process improvements to help ensure taxpayers' dollars were being spent wisely. Early actions focused on finding savings internally first.

Some of the actions already taken include:

- ♦ Premier Brian Gallant naming the smallest cabinet in 50 years;
- ♦ continuing to freeze MLA salaries for the eighth consecutive year;
- ♦ reducing the number of deputy ministers (the most senior rank in the bureaucracy) by nearly one-third;
- ♦ Premier Gallant taking a 15% pay cut;
- ♦ Ministers taking a 10% pay cut;
- ♦ freezing 2014–2015 funding levels for officers of the legislative assembly;
- ♦ centralizing some government services, including communications, inspections and enforcement; and
- ♦ continuing to implement the Lean Six Sigma process to eliminate waste and improve processes within government.

Choices

The choices contained in this report provide an estimated savings or revenue amount that would be achieved once fully implemented. Savings or new revenue will not always be seen immediately because some of these options will take time to implement. Some require legislative or regulatory changes; some will require negotiations; some will have an impact on employees; and some may require an initial investment in technology or infrastructure.

Not all choices contained within this report will be implemented, but the status quo is not an option. The challenge is to find the correct balance between revenue and spending measures to address the current fiscal situation while also recognizing the need to grow the provincial economy.

As decisions are made, we will follow the principles established at the outset of the Strategic Program Review. We will ensure that all regions of the province have appropriate levels of service. We will try to ensure that decisions align with our priorities, and we will also ensure coordination across government so decisions in one department are not at cross-purposes with decisions in others. We will also conduct a gender-based analysis of each decision.

Choices: Savings

Finding savings does not need to mean a reduction of services. There are opportunities to find efficiencies and modernize processes that improve services while delivering those services at a reduced cost. Savings can also be found through cost-recovery initiatives, cost-avoidance or finding alternate ways to deliver services.

Inter-jurisdictional cooperation

New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador work closely on a number of initiatives, but our close proximity and the common demographic challenges facing all of the Atlantic Provinces mean that there are undeveloped opportunities to realize savings through economies of scale.

These opportunities could include working with the other Atlantic Provinces on achieving cost savings; improving public services; reducing and harmonizing red tape; and enhancing labour market skills, energy security and development, and international trade. There may also be further opportunities for collaboration in the health sector and procurement.

Additional savings could be achieved by actively pursuing opportunities for cooperation on a bilateral basis with other provinces and the eastern United States.

Estimated savings: \$1 – \$2 million

Administrative efficiencies

An in-depth review of government spending has identified a variety of areas to eliminate waste and redundancy and find administrative efficiencies.

This includes:

- ♦ rationalizing and optimizing items such as subscriptions, memberships, computers, telephones, printing, vehicles and travel;
- ♦ limiting government employees' ability to carry-over vacation days to prevent employees from banking excessive time, which could result in replacement or payout costs; and
- ♦ streamlining and optimizing procurement processes.

As we move forward, government would continue to employ process improvement techniques to continuously find efficiencies within government.

Estimated savings: \$10 – \$15 million

Reshaping the civil service

As with many large organizations, the civil service is complex with departments, divisions, branches and units. Within departments there can be deputy ministers, associate deputy ministers, assistant deputy ministers, executive directors, senior directors, managing directors, directors and managers and some of these management levels may only have one or two direct reports.

This can lead to silos and ineffective use of human resources. Each management position adds to the complexity of an organization from decision making to communications within the organization.

There are a number of opportunities to reshape the civil service and find savings. This includes attrition, reclassifying positions, combining positions, eliminating unneeded and vacant positions. In addition to these activities, there is opportunity to find savings within the civil service by rationalizing the layers of management and right-sizing management.

By undertaking organizational effectiveness exercises to remove redundancy, the New Brunswick Civil Service could be reshaped to simplify management levels and to be more innovative and flexible, allowing it to more easily adjust to the needs of New Brunswickers.

Estimated savings: \$20 – \$45 million

Consolidate customer contact centres

Government operates more than 40 different contact centres with varying levels of cost and service provisions. Each operates independently, has a different approach to call handling, and there are technological differences from centre to centre. There is also a lack of formal documentation and training materials across the centres.

There is a tremendous amount of experience represented on the various teams and these employees are passionate about their ability to serve New Brunswickers.

By consolidating these centres, we could achieve financial savings, invest in technology and improve services by establishing service level agreements that consistently meet customer needs, promote stability, respect privacy considerations and the *Official Languages Act*. This would provide a more consistent approach and service time when New Brunswickers are contacting government.

Employees working in the new consolidated centres would receive better training including the ability to be cross-trained and would have a wider knowledge of government programs and services.

Through consolidation, government could enhance service delivery of programs, increase overall quality of service and expand hours of service.

Estimated savings: \$3 – \$5 million

Consolidate non-medical laboratory services

Currently, non-medical laboratory services exist under two different governance models, six different mandates and six separate management teams.

In 2014–2015, a total of \$13.6 million was expensed for laboratory services in these organizations, which include over 13 lab service areas with various sub-labs. There is significant duplication and variation across the various lab services, creating overlap, waste and unnecessary costs in such areas as the services provided, client base, administration, fees, operational processes, service agreements, procurements, accreditations, equipment and facilities.

Through consolidation, government could optimize services by ensuring they are in line with core services, find efficiencies, and remove duplication all while establishing consistent client service levels, increasing operating capacity, and respecting public health, safety and regulatory requirement.

Estimated savings: \$1.5 – \$3 million

Reducing visitor information centres

Government currently operates seven provincial visitor information centres throughout the province and a tourism communications centre that answers the toll-free line and responds to electronic requests for information. An additional 59 information centres are operated by municipalities and regions across the province.

Attracting visitors to New Brunswick is extremely important; however these centres are used by fewer than 10% of travellers, with more and more people looking to online resources for information. We need to find more effective ways to provide advice and information to visitors and potential visitors.

One proposal would see the closure of three visitor information centres beginning in the 2016 tourism season. The proposed centres are located at exit points, not entry points, and therefore do not result in increased visitation to the province.

Estimated savings: \$200,000 – \$300,000

Review of legislative officers

New Brunswick currently has eight legislative officers. The federal government and the other provinces each have no more than eight legislative officers. The provinces of Quebec, Nova Scotia, Prince Edward Island and Newfoundland and Labrador all have four or five legislative officers. If several of the offices were combined, government could realize savings either to reduce the deficit or to reinvest in the offices.

Estimated savings: \$400,000 – \$700,000

Education (kindergarten to Grade 12)

Education is a priority. It is essential that students receive the best education possible to succeed as they join the workforce. But that does not mean there are not tough decisions to be made in the education sector. We need to examine our education

system and the services we are providing within it. Savings found within the education sector would be re-invested to best help our students achieve.

Increase class size

Nearly a decade ago, class size was reduced by four students per class. This was subsequently ratified in the teachers' collective agreement. This decision has cost government approximately \$50 million per school year.

The restrictions on class size have resulted in a vast variation in class sizes and while there is a maximum, there is no minimum; the number of students in a classroom can vary from five to as many as 29 in some cases.

There is an opportunity to reduce the variations by returning to former class size limits and increasing the maximum class size by four students.

Changes to class size would see a reduction in the number of classroom teachers required across the province and free up more resources to be spent in the classroom.

Estimated savings: \$50 – \$70 million

Reduce teachers to reflect decline in student enrolment

New Brunswick's student population has been on a steady decline since the introduction of kindergarten in 1991. We now have 30% fewer students than we did 23 years ago. Despite this, the number of educators in the school system has not declined in the same fashion. We had more than 7,600 FTE educators across the province in 2013–2014, an 11% decrease since 1991.

Over the last three years, we have had, on average, 1,224 fewer students each year. We need to ensure that we are fiscally responsible while providing high quality education in New Brunswick.

There is an opportunity to align the number of teachers with yearly student enrolment numbers. It is proposed that, for each 20 students who leave our system, there would be one FTE reduction. This initiative would be managed through attrition.

Estimated savings: \$10 – \$12 million

Reducing the number of education assistants

With the declining student population, there is an opportunity to readjust the funding formula for education assistants. This would bring the number of positions more in line with the student population and classroom needs and would be sustainable for the future.

Estimated savings: \$3 – \$6 million

Privatize custodial services

To reduce cost expenditures within the education system, there is an opportunity to privatize custodial services.

Currently, the majority of custodial services are performed at schools by employees of the school district. However, there are contracted custodial services being performed at 15 schools. Costs at these 15 schools are 22% lower than in other schools.

If this option is chosen, any outsourcing arrangement would include service standards to ensure the health and safety of students are protected through appropriate cleanliness standards.

Prior to any outsourcing, situations and potential suppliers would be evaluated for cost and for capacity to ensure an acceptable level of safety and security.

There may also be the opportunity to mitigate job losses if the approved service provider rehires custodians currently employed by districts.

Estimated savings: \$5 – \$7 million

Post-secondary education

Government is committed to moving New Brunswick forward, which includes developing a framework for post-secondary education that supports the success of students and ensures that post-secondary education is sustainable in the long-term.

While a priority, this does not mean that efficiencies and savings cannot be found and re-invested into the system to support students in their education pursuits and to ensure our post-secondary institutions are graduating students prepared to join the New Brunswick workforce. It is vital that our post-secondary education system achieves and supports social and economic development, financial stability and accountability.

Government provides direct and indirect funding to public universities and colleges through various programs and agreements. Provincial operating funding to the four main public universities and two colleges in 2014–2015 was \$310 million, or 61% of their budgeted operating revenue.

A number of measures regarding the modernization of funding formulas, governance and administration are being proposed to help reform post-secondary education to ensure its long-term sustainability. Any savings found through these measures will be re-invested into the system. These include:

- ♦ *Performance-based funding for universities* — Government can have a more defined role in managing costs system-wide by fostering a well-developed post-secondary education system that identifies the outcomes to be met, such as: better graduation rates, having graduates aligned to provincial priorities, limiting duplication, and then having corresponding remuneration for institutional performance.
- ♦ *New funding formula for universities* — A new performance-based funding formula for universities would allow government to manage the post-secondary education system by providing the funding framework within which the universities operate. A model that focuses on performance outcomes would deliver value and accountability, while allowing institutions to manage their operations.
- ♦ *New governance legislation* — A revised governance model for universities would ensure a more effective link between government and the universities. This would operationalize the policies set by government, while being sensitive to the needs and constraints of the institutions.

Estimated savings: \$15 – \$45 million

Reforming local governance

A strong local governance structure can be a key contributor to improving the provincial fiscal situation, supporting economic and population growth while offering a high quality of life for residents.

Over the years, there have been many reports addressing the need for local governance reform in New Brunswick. In the report *Building Stronger Local Governments and Regions*, Jean-Guy Finn identified the minimum viability criteria for communities as a population of 4,000 people or a property assessment base of at least \$200 million. Today, only 54% of

New Brunswick's population currently lives in a community that meets the viability test of 4,000 population and a \$200-million tax base.

Other recommendations from these reports include reducing the number of local government entities; providing the current unincorporated areas (local service districts) with formally elected representation and decision-making authority; better balancing of the property taxation system; improving cost-sharing among communities; and modernizing local government legislation.

Local government stakeholders have also been vocal about the need for fundamental change in our local government system. During the public consultations held as part of the Strategic Program Review, the local governance structure was often raised as an issue – in particular, the inequity in the property tax system, both between municipalities and local service districts and between types of property within local service districts. The significant financial pressures facing smaller communities and the potential benefits of full municipalization were also raised as issues. At the same time, government has heard the concerns of many New Brunswickers, particularly in rural areas, apprehensive about forced amalgamations of areas that may not have a clear community of interest.

Reforming local governance would consist of a number of initiatives aimed at creating viable communities, including modernizing legislation to give municipalities powers to promote development and become hubs of job creation; establishing fair taxation for local and regional roads in local service districts to support better planning; increasing provincial revenues; and improving the voluntary community restructuring approach.

While opportunities exist to find efficiencies, savings and work more collaboratively together, reforming local governance is a complex initiative and would need to be done in cooperation with local governance stakeholders.

Estimated savings: \$25 – \$30 million

Motor vehicle registration process improvements

Opportunities exist to make the motor vehicle registration process more efficient and convenient for New Brunswickers while being more cost-effective to deliver.

Currently, vehicle owners receive a mailed reminder regarding their registration renewal. The annual cost of mailing these reminders is \$500,000. Vehicle owners also have the ability to sign-up for an email reminder; approximately 150,000 vehicle owners receive an email reminder. However, even when registered for email reminders, vehicle owners continue to receive a mail reminder.

Savings can be found by allowing vehicle owners who have registered for email reminders to opt-out of receiving mail reminders. This is unlike the previous elimination of the mail-out registration renewal reminders in years past. The changes would not be imposed on vehicle owners. Rather, they would be able to make the choice on which reminder option they would prefer to receive.

Another process improvement that could lead to more convenience for New Brunswick drivers is for multi-year vehicle renewals. Currently, vehicle owners must renew their registration on a yearly basis. Government is exploring the option of allowing New Brunswickers to renew every two years with potentially even longer renewal periods.

Estimated savings: \$200,000 – \$500,000

Outsourcing highway maintenance

Government currently delivers a full suite of transportation-related programs, many of which are delivered by the private sector in other jurisdictions at lower costs and/or improved levels of services.

The Department of Transportation and Infrastructure plans, designs, operates and maintains an extensive network of 18,785 km of highway connected by 3,212 bridges and 10 ferry crossings.

The vast majority of winter and summer maintenance activities are undertaken by government employees, as well as the vast majority of signage, line striping and lighting maintenance activities. Government has three long-term Public-Private Partnership (P3) highway contracts where maintenance is outsourced.

Routine maintenance of the highway network accounts for an annual expenditure of \$110 million.

Based on the experiences of other jurisdictions, there is an opportunity to achieve a savings of 10% to 20% through the outsourcing of routine maintenance activities. If all routine maintenance activities were outsourced, a significant percentage of the vehicle fleet would no longer be required; this would result in a reduction of the capital budget associated with vehicle maintenance and replacement. This additional saving is estimated to be between \$6 million and \$8 million.

If this option is implemented, service levels would be clearly stipulated in any contracts. These levels could be equivalent to current service levels or could be higher than current levels. New Brunswickers would not see service levels decline.

Estimated savings: \$11 – \$22 million

Reforming transportation and infrastructure

While the mandate of the Department of Transportation and Infrastructure has expanded over the years, the services and processes within the department have not necessarily adapted to the organization; rather, they were simply added to the department. This has led to inefficiencies, duplication and, in some cases, out-dated and non-standardized practices.

Significant savings could be found by reforming and modernizing the department to remove inefficiencies and duplication; standardize processes such as procurement and tendering; develop a central supply chain; outsource some services; reduce positions; and implement process improvements.

Estimated savings: \$10 – \$14 million

Managing government buildings more effectively

Government owns and maintains various properties across the province. Some of these house provincial government offices, municipal government offices and private sector or non-profit offices. Some of these properties have been deemed surplus.

Part of the maintenance of these properties includes ensuring that they are being used to their full capacity

and that they meet the needs of the tenants. This may require renovations and relocation of office space.

When a building no longer meets the needs of government, it is deemed surplus and is put up for sale providing an opportunity for individuals, businesses, organization or developers to purchase. Selling these properties not only generates revenue for the province but reduces expenses associated with the maintenance and servicing of these buildings. Refurbishment of these properties can also provide many benefits to the community, including revitalization of the area and job creation.

There is an opportunity for savings and revenue by actively examining how these properties are used; identifying and selling surplus property; and consolidating and moving provincial government offices to ensure the best use of government-owned space.

Estimated savings: \$1.5 – \$3 million

Transforming our health-care system

The New Brunswick health-care system has 22 hospitals, not including speciality and mental health facilities, which provide a variety of services from family medicine to complex surgeries. We also have the highest number of acute-care hospital beds per capita of any province in Canada.

With the health-care system structured the way it is now in New Brunswick, we spend more per capita for health care than other jurisdictions; however, we do not have better health outcomes.

Opportunity exists to redesign our health-care system to have better health outcomes in the province; to find savings in efficiencies, duplication and building maintenance; and to redirect resources to where they will make the greatest difference.

For many years, health policy experts and leaders have discussed the need to redesign the way we use hospitals in New Brunswick.

The proposals include closing many rural hospitals either altogether or converting them into community health centres. They also include a realignment of services in the major urban hospitals. They include decreasing the number of access points to specialized health services by moving to single centres of excellence at one location in the province.

For instance, New Brunswick could move to six full-service emergency rooms located in such a way that 90% of New Brunswickers are within one hour's drive of an emergency room. Other sites that remain would provide New Brunswickers with access to community care 12 or 16 hours per day.

Many specialized services would be treated like the New Brunswick heart centre in Saint John. There would be a single, high-quality access point for a particular service. While this would mean that some New Brunswickers would have to travel farther for particular services, they would receive a higher quality of care at a lower cost to taxpayers.

Estimated savings: \$50 – \$80 million

Optimize hospital laboratories and medical imaging

There is an opportunity to transform hospital laboratory services and medical imaging to improve quality of care and realize efficiencies.

The Department of Health has been working actively with the regional health authorities to make advance initiatives for medical imaging and laboratory services in an effort to transform these services to both improve quality of care/services and realize efficiencies. Optimizing hospital laboratories would see the creation of a single laboratory system for the

province. There would be few changes to where New Brunswickers currently go for specimen collection.

Optimizing medical imaging would improve the use of existing resources to full productivity and meet provincial averages. There would be a shift in the service delivery models with decommissioning of equipment as well as business process changes to improve exam appropriateness.

Estimated savings: \$20 – \$23 million

Pension Plans: school bus drivers, school custodians and nursing homes

A variety of government pension plans, including those for MLAs, nurses and civil servants have been converted to a shared risk model over the past few years. However, the pension plans for school bus drivers, school custodians and nursing home employees have not yet been converted to a shared risk model.

Transitioning these plans to a shared-risk model and bringing them in line with other government pension plans would help ensure their long-term sustainability and reduce costs and future risks for the province.

Estimated savings: \$7.5 – \$9 million

Choices: Revenues

Through the Strategic Program Review process, many people have proposed raising taxes as a potential solution to government's fiscal challenges. However, it is important to note that tax increases represent a withdrawal of money from the New Brunswick economy and can contribute to a slowdown in economic growth. In general, increases in consumption taxes are considered less damaging to the economy than increases in income taxes.

The tax measures presented in this report include estimates prior to any economic impact, which will vary depending on the combination of revenue and spending options chosen.

Once the province returns to fiscal balance, there may be an opportunity to decrease some tax rates as part of rebalancing the tax system, which would help promote economic growth.

Monetizing naming privileges

An opportunity exists to generate new revenue by allowing companies and/or individuals to purchase the rights to name government-owned assets such as buildings, parks and bridges.

This practice is not uncommon. National and local examples include: the Rogers Centre (Toronto), the B.C. Parks Program and Scotiabank Park North Complex (Fredericton). It is also actively used by universities and hospitals to recognize contributions.

New Brunswick examples under this initiative could include naming new or renovated buildings, wings of buildings, parts of trails or highways and program sponsorships. Part of this initiative could also include allowing advertising on or around certain assets such as ferries, roadways and government common areas (e.g., lobbies).

The objective would be to help cover the capital costs of building and/or maintaining the assets and program delivery. A policy would be established to oversee the selection and screening of partners, timeframes, value and the type and content of sponsors' names and messages.

Estimated revenue: \$1 – \$2 million

Monetizing data registries

The provincial government delivers registry services to the general public, business community and other government organizations through a number of different registries including: Real Property Registry, Motor Vehicle Registry, Personal Property Registry and Corporate Registry.

In the past 20 years, many provinces have pursued partnerships with private-sector organizations for the management of these registries. Some of the provinces that have pursued these arrangements realized financial benefits through a lump sum payment and annual royalties from the service provider. Additional savings could be found in the future as it would be the service provider's responsibility to invest in technology and upgrade the registries.

Ontario, Manitoba and Saskatchewan have already entered into alternative service delivery partnerships for the registration of some of their data registries. Ontario has recently resigned a 20-year agreement with its service provider. There is an opportunity to pursue arrangements similar to these other

provinces. Before undertaking such an initiative, it would be critical to ensure the continued protection of New Brunswickers' personal information.

Estimated revenue: \$8 – \$10 million

Monetization of NB Liquor

Government has been exploring multiple options to maximize the return to taxpayers from NB Liquor. These options could include the partial sale of the business, the sale of a minority stake in the business, or making strategic changes to how NB Liquor operates to increase revenues.

Estimated revenue: \$15 – \$20 million

Monetizing parks and attractions

Originally, provincially owned land and public attractions were established to preserve and protect public assets and were operated under a cost-recovery model. Now, many of the ski hills, golf courses, heritage attractions, parks and other recreational properties are not financially viable because the expense of running these operations surpasses the revenue generated. Government's ability to absorb these losses has been greatly diminished as more investments have been made in health, education and social services.

Efficiencies could be gained by providing opportunities to the private sector to acquire, lease and/or operate these attractions. These opportunities could lead to one-time cash payments, reduced costs and increased revenue.

Estimated revenue: \$3 – \$5 million

Targeting the illegal trade of tobacco

Government loses millions of dollars a year in revenue due to the illegal sale of contraband tobacco products and smuggling of tobacco from other jurisdictions. That is why government is proposing to establish a dedicated enforcement unit to actively identify and investigate individuals involved in illegal activities; to primarily disrupt and dismantle smuggling networks; and to recover the tax losses linked to the trade of contraband tobacco.

Additional revenues could also be found by increasing the fines associated with the illegal trade of tobacco.

It is estimated that a 1% interruption in the illicit tobacco trade would increase taxes collected by government by \$1 million annually. A dedicated enforcement strategy is expected to see a greater interruption, which would result in additional annual taxes.

Estimated revenue: \$2 – \$4.5 million

Increase tobacco tax

Tobacco taxes are imposed to discourage smoking and help pay for the additional costs smoking imposes on our health-care system. New Brunswick has the lowest tobacco tax in Atlantic Canada and the third-lowest in the country; only Quebec and Ontario are currently lower.

New Brunswick's tobacco tax is 6.52 cents/cigarette lower than in Nova Scotia and 4.10 cents/cigarette higher than in Quebec. It should be noted that, since New Brunswick also applies the Harmonized Sales Tax (HST), (Quebec does not apply the QST), Quebec's taxes on tobacco products are significantly lower.

To raise additional revenue, consideration could be given to increasing the tobacco tax.

With a tobacco tax rate increase, more New Brunswickers may buy their tobacco products in Quebec or Maine. It would also be anticipated that purchases by Nova Scotia consumers in New Brunswick would decrease as the rate differential with Nova Scotia would be reduced.

Any tobacco tax increase could result in increased prevalence of contraband tobacco.

Increasing the tax rate could have a considerable impact on revenues. For example, the estimated revenue for an increase in the tobacco tax by two cents/cigarette or gram to 21 cents is \$7 million. If government increased the tax rate by 6.52 cents/cigarette or gram to match the rate applied in Nova Scotia, the estimated revenue could be as high as \$25 million.

Estimated revenue: \$7 – \$25 million

Increase the HST

Along with our neighbouring provinces, New Brunswick harmonizes its sales tax with the federal Goods and Services Tax (GST) and applies tax to the same goods and services as the GST.

New Brunswick currently has the lowest HST rate compared to its neighbouring provinces. The table below outlines the provincial sales tax components and total HST rates for New Brunswick and neighbouring provinces effective January 1, 2016.

	NB	NL	PE	NS	QC
Provincial rate	8%	10%	9%	10%	9.975%
Combined HST rate	13%	15%	14%	15%	14.975%

The HST accounts for approximately 29% of total tax revenue in New Brunswick and 14% of total revenues. For 2015–2016, it is estimated that HST revenues will total \$1.18 billion.

Increasing the HST by 2% would result in an increase in revenue of nearly \$300 million.

To help mitigate the impact of an HST rate increase on low- to-middle-income New Brunswickers, a new HST tax credit could be created.

Estimated revenue: \$175 – \$295 million

Increase the corporate income tax

In 2013–2014, New Brunswick increased the general corporate income tax rate from 10% to the current rate of 12%.

For 2015–2016, the general corporate income tax accounts for an estimated \$258 million, or approximately 6.4% of total tax revenue in New Brunswick and 3.1% of total revenues.

To raise additional revenue, there is an opportunity to increase the general corporate income tax rate from 12% to 13% or 14%.

With a general corporate income tax rate of 14%, New Brunswick would match Newfoundland and Labrador, still be lower than Nova Scotia and Prince Edward Island, but be higher than all other provinces.

Estimated revenue: \$12 – \$25 million

Recovering highway maintenance costs

Maintaining New Brunswick's highway system is a large expense for government. While there are measures such as gasoline and diesel taxes that help fund this maintenance, there are opportunities to recover more of these costs by increasing these taxes or implementing tolls.

Highway tolls

Tolls can provide an ongoing revenue source, which is not tied to the annual government budgetary process. The revenues collected can be dedicated to finance maintenance and rehabilitation of our transportation infrastructure.

A variety of possibilities were examined as part of Strategic Program Review, including electronic toll collection versus manned collection booths, locations and number of collection points.

Through the Strategic Program Review process, some New Brunswickers suggested that tolls should only be added to provincial border points or that we should only charge vehicles with out-of-province licence plates. However, traffic volume at the borders is too low to make tolls profitable, and the majority of traffic on the highway system consists of New Brunswick vehicles. For instance, the busiest stretch of highway is Route 1 between Saint John and Rothesay, made up almost entirely of commuter traffic. Various tolling options were considered. It is estimated that, to raise approximately \$60 million in revenue, we could situate eight electronic tolling facilities around the province in high-traffic areas. Under this scenario, a round-trip by car from Edmundston to Moncton would cost the driver \$24, and a round-trip from Edmundston to Moncton for a truck would be \$96.

Implementation of tolls would likely result in increased traffic on secondary roads, which would increase the deterioration of these routes. Highway maintenance budgets would need to be adjusted accordingly to compensate for this. A capital investment would also be required to build tolling stations. Government would likely need to increase commercial vehicle enforcement to ensure commercial vehicles do not avoid tolls by using alternate routes, which would increase the rate of deterioration on these routes.

In addition, a regular commuter could incur significant annual costs from the introduction of tolls. Higher costs for travel may also make it more challenging for sports teams, buses and emergency vehicles. The higher cost of freight movement may be shifted to consumers. Given that New Brunswick is the most export-intensive province in Canada, the economic impacts of implementing highway tolls could be significant.

Estimated revenue with eight provincial tolling locations: \$60 million

Increase the diesel tax

The diesel tax is applied to transportation fuel to help finance the cost of roads and is considered by many to be a road-user charge.

The diesel tax in New Brunswick was last increased on April 1, 2015, putting the current rate at 21.5 cents/litre.

With that increase, New Brunswick has the highest diesel tax in Canada, with Prince Edward Island and Quebec having the next-highest rates at 20.2 cents/litre.

For 2015–2016, gasoline and motive fuel taxes account for an estimated \$270 million, or approximately 6.7% of total tax revenue in New Brunswick and 3.3% of total revenues.

While the majority of diesel users are large commercial vehicles, some cars and light vehicles also use diesel fuel and would be subject to the higher rate if the rate is increased.

Additional highway maintenance costs could be recovered by increasing the diesel tax rate by 10 cents/litre to 31.5 cents/litre.

With this increase, New Brunswick would continue to have the highest diesel tax rate of all of the provinces and would be 11.3 cents/litre higher than the two provinces with the next highest rates (Prince Edward Island and Quebec) and it would be 16.1 cents/litre higher than Nova Scotia.

Estimated revenue: \$40 – \$45 million

Increase the Real Property Transfer Tax

The real property transfer tax is a one-time payment on the purchase of a property when the deed is registered.

The current real property tax in New Brunswick is 0.5% of the sale price or assessed value of the property, whichever is higher.

Although, the real property transfer tax rate was last increased June 1, 2012 from 0.25% to 0.5%, New Brunswick currently has one of the lowest real property transfer taxes of all the provinces.

For 2015–2016, the real property transfer tax accounts for an estimated \$12 million, or approximately 0.3% of total tax revenue in New Brunswick and 0.1% of total revenues.

An increase in the real property transfer tax could yield additional revenue for the province.

For example, based on the average New Brunswick home price of \$164,000 (Canadian Real Estate Association) a rate increase of 0.25% (from 0.5% to 0.75%) would represent an additional tax of \$410 on the purchase. While an increase of half a percentage point (0.5% to 1%) would represent an additional \$820 on the purchase.

Estimated revenue: \$4 – \$10 million

Increase Insurance Premium Tax

New Brunswick's Insurance Premium Tax is applied at a rate of 2% to life, accident and sickness; and at a rate of 3% to any other contract of insurance though this excludes marine insurance.

For 2015–2016, the insurance premium tax accounts for an estimated \$54 million, or approximately 1.3% of total tax revenue in New Brunswick and 0.6% of total revenues.

Increasing the insurance premium tax by one percentage point for life, accident and sickness (from 2% to 3%) and for any other contract of insurance (OTL) (from 3% to 4%) would raise additional revenue for the province.

An insurance premium tax of 3% applied to life, accident and sickness insurance would mean that only Alberta, British Columbia and Ontario would have lower insurance premium taxes applied to these forms of insurance. Newfoundland and Labrador and Prince Edward Island would have a higher insurance premium tax than New Brunswick.

An insurance premium tax of 4% applied to OTL insurance would mean that New Brunswick would have the same rate as Newfoundland and Labrador, Nova Scotia and Saskatchewan. Only British Columbia's premium tax applied to property and automobile insurance would be higher, at 4.4%.

The insurance premium tax is levied on insurance companies, not individuals. However, it can be anticipated that insurance companies may pass any increase of the insurance premium tax onto the policyholder in the form of higher premiums or benefit changes.

There are some types of life insurance contracts that are bought in advance and in which the premium does not change over the term of the contract. In these cases, new policy holders may bear the full increase of the insurance premium tax while existing policyholders may not.

Estimated revenue: \$15 – \$20 million

We look forward to making the choices facing us with all New Brunswickers, and thank the thousands of residents who have actively participated in this important process.

Although we face many challenges we will overcome these challenges by making the right choices to make New Brunswick the best place to live, work and play. These choices will allow us to invest in New Brunswick's priorities of creating jobs, improving health care and delivering a world class education system. These choices will move New Brunswick forward.