

# Analysis and solution for the debt crisis of new brunswick assignment

[Business](#)



Cut yearly expense by a significant order of magnitude. 2. Increase taxes - in particular the HOST 3. A combination of both 1 and 2. 4. Do nothing and hope for significant new Job growth in the private sector in New Brunswick and that inflation does not occur in the next five years. (Both of these hopes are not supported by any real evidence they will occur and is basically one of denial of the problem and it will go away). Algorithm of steps to be taken One must accept the assumption the public is an informed public and communicate issues almost instantaneously.

The public does not want raised taxes. Statements by politicians do not carry any weight as the public has a tendency to distrust politicians and their statements. The public has to be informed and consulted of what is to take place before implementing the following steps. After the initial civil service unrest in two to three years the public will regain confidence in the politicians and appreciate what they have done. Because some of the steps below will not find favor with the civil service one should take any comments from them with a very large grain of salt.

The key to selling the public on the issue of restraint before raising taxes has to be sold by example. Some of the examples will be outlined in the step process below. Pension reform Step 1 Lead by example - The pensions for MEAL will be changed such that they would not be eligible for pensions until age 68 (three years beyond retirement at age 65). Likewise early retirement in pushed back by three years. Step 2 for full pension will not occur until age 68 and early retirement dates are likewise pushed back by 3 years. Effect of increasing the age of retirement. Step 3

From a certain date – say December 31, 2010 all civil service pensions plans will be changed as follows a. Existing plans will be frozen and the Province will not in the future make any further payments into such plans until such time as they are fully funded and the province will have 5 years to make such funding. B. Civil servants may contribute to their plans but there will be no matching of contributions by the province and the plans will become defined contribution only after December 31, 2010. C. All future pension plans that the province will provide are to be defined nutrition and not defined benefit. Existing defined benefit plans will continue only for those civil servants who are on pension or have gone on pension by December 31, 2010. The effect of these provisions will be to encourage a number of the civil service to retire by the end of the year. When announced there would have to be full disclosure of the debt and cost of the plans to the citizens and the options are to increase the HOST by several per cent and maintain the status quo or to bring the civil service into line with the private sector. The public will want pension reform.

The civil servants will be vocal but it is expected. Legislation as necessary will be enacted to reflect such changes. Civil Service Rationalization Step 4 After the first of the year (2011) proceed and downsize the civil service. The number depends on the budget after taking in account the pension reform. The cutting should not be done by the civil servants but by independent outside parties who have nothing to gain. In that regard it is anticipated that certain department would be the last to be cut – in particular health and education. That being doctors, nurses, teachers.

Senior and mid level bureaucrats in the department are not exempt. At the same time there will be legislation that prohibits the hiring directly or indirectly by any department or Manpower of any civil servant that is made redundant. The total number of cuts may exceed 10, 000 persons. Manpower alone would shed at least 1000 Jobs. There would also be a hiring freeze for a period of five years. At the time of the cuts again the public has to be informed of the options cuts or increase HOST by several per cent. Tax increase if necessary tepee 5 sufficient.

If not then a public dialogue about the need to raise the HOST. Point Leapers replacement power and refurbishment The province has a significant exposure be Point Leapers and every legal recourse should be taken to bring CELL to be accountable for the delay claim - the cost of the replacement power. Assuming CELL is able to effect repairs probably the claim for such will be in excess of 2 Billion dollars. That is in addition to the contract amount of 1. 4 Billion dollars. It is doubtful the Government of Canada will accept responsibility unless imposed by a court.

The public would want the government to take all necessary steps to recover the loss. It is anticipated from the comments of the Prime Minister that CELL would honor its contract are to the effect the contract would govern the amount CELL would have to pay. For that reason the Province must develop a legal basis of a claim that gets around the contract provisions and when appreciated by the Government of Canada then there would be a negotiated settlement with the Government of Canada paying more than their obligation under the contract.