RED FLAGS IN THE GREENE REPORT

NAPE

Newfoundland and Labrador Association of Public and Private Employees

INTRODUCTION

Over the past four decades, governments under heavy corporate pressure have cut taxes, slashed public services, and privatized major public services and infrastructure.[1] During economic downturns – and in the aftermath of economic crises such as the Financial Crisis of 2008-09 – these attacks on the public sector and public sector workers have only intensified. Such efforts to introduce 'austerity' are intended to improve the position of business and the wealthy relative to ordinary people while at the same time undermining labour rights.

With the current Covid-19 pandemic and unemployment crisis, Newfoundland and Labrador has been pushed into a similar 'crisis' situation, and public sector workers here as well as across Canada can expect business-friendly provincial governments to pursue a range of 'austerity' measures in the coming months and years.

The Moya Greene 'Big Reset' Report lays out a number of direct threats and serious challenges to public sector services and public sector workers in Newfoundland and Labrador.

Drawing on similar reports and language used in Great Britain, Ireland, and the United States to justify public sector service cuts and privatization, it defines the problems facing the province as 'overspending' and a 'too large public sector', when in fact the major problems that the province faces are long-term corporate tax cuts, an insufficient oil and mineral royalty regime, and cost overruns at Muskrat Falls.

By defining the problem as one of government 'overspending', the report's recommendations pose direct challenges to all public services and infrastructure in the province, and pose direct threats to public sector jobs, collective bargaining rights, as well as wages and benefits for NAPE and other public-sector unions in the province.

DIRECT THREATS AND LONG-TERM CHALLENGES

Direct threats include:

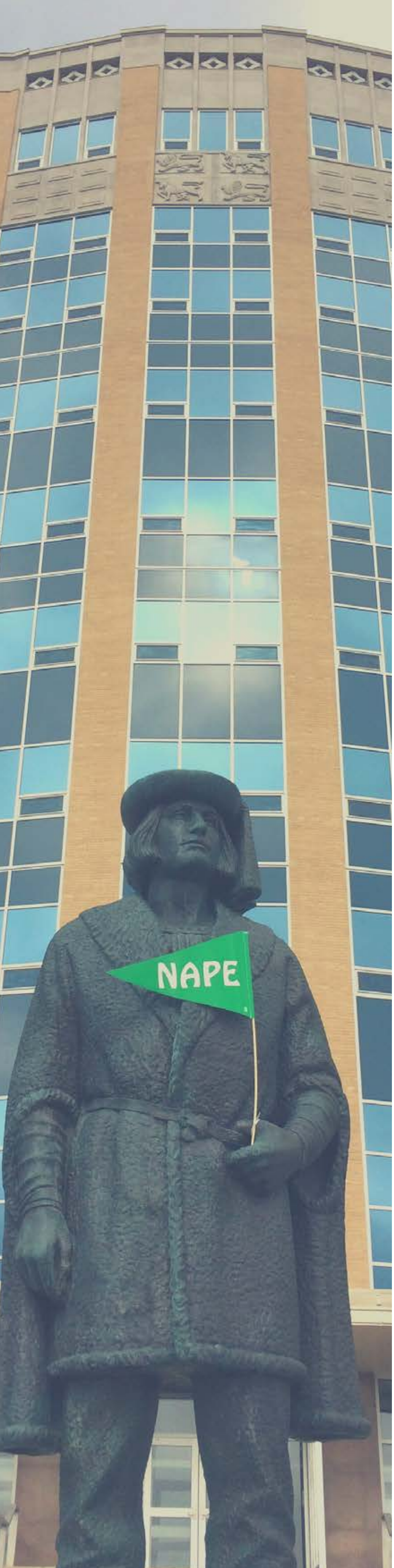
1. Job loss – Health Care, Long-term Care, Universities/College, Government agencies will be reduced by a minimum of 20% or by upwards of 6,940 members with expenditure cuts – all in sectors NAPE represents;

2. Privatization of NLC and Registries (Motor Vehicle, deeds, lands, etc.) – will also pose the potential loss of a considerable amount of jobs;

3. Concessions – with expenditure reductions in key public sectors, NAPE can expect employer demands for wage, job, benefit, and pension concessions in the coming years;

4. Alternative Service Delivery – the introduction of third-party providers/agencies and the sell-off of public services will potentially lead to the loss of jobs, the non-renewal of collective agreements, and a push for concessions in collective bargaining;

5. Balanced Budget Legislation – is ‘poison pill’ legislation that freezes the growth of public sector employment, freezes wage and benefit improvements, and, during economic downturns, is used for major cutbacks of public sector services and employment, as well as the legislative withdrawal of collective bargaining rights for public sector workers.



IMPACT

If these recommendations – as well as the many others in the report - are enacted, the challenges that NAPE and all public sector unions in the province will face include:

1. Continuing public debt and deficits – the privatization of NLC, registries, NALCOR and hydro projects – as well as the failure to secure higher corporate taxes and royalties and federal government support -- will deprive the province of hundreds of millions of dollars in long-term revenue putting at risk the revenue required to fund public services;

2. Long-term problems for public services because of 'declining quality' – job loss, privatization, and alternative service delivery once enacted all routinely worsen services, undermine job continuity, and increase profits for providers who underinvest in services. This then becomes a pretext for governments to enact further measures to privatize and marketize public service delivery;

3. Erosion of labour relations, worker's rights, and fair collective bargaining - Currently, Newfoundland and Labrador has one of the highest rates of union density in the country. The collective strength of workers resulted in significant gains for all workers in the province. If implemented, the use of legislation to override collective bargaining coupled with cuts, closures, and privatization would have a devastating impact on working-class people and their families.

SUMMARY OF MAJOR RECOMMENDATIONS AND ANALYSIS

1: REDUCE EXPENDITURES WITH NO EQUAL EFFORT TO RAISE TAXES

What the Greene Report says:

“The province must ‘control’ its fiscal situation and implement a ‘solid’ fiscal plan”

“An Unsustainable Fiscal Situation”

“the current crisis requires that difficult decisions be made in the short term”

“Expenditure reduction is the major component of reducing the fiscal gap”

What this means:

-Reduce government core expenditures by five percent, with no expenditure growth for six years;

-Reduce its operating grants to Memorial University and the College of the North Atlantic by five percent per year over six years, for a total reduction of 30 percent;

-Reduce its operating grants to the Regional Health Authorities by 4.15 percent per year over six years, for a total reduction of 25 percent;

-Reduce operating grants to other government agencies by 20 percent.

-Reduce administrative costs for the K-12 system and allocate these additional funds to classrooms, to support the teaching of math, technology, science, computer science, and the promotion of entrepreneurship;

-Reduce operating grants to Newfoundland and Labrador Housing and Legal Aid by two percent;

NOTE: none of these targets include inflation, so the resulting cuts would actually be higher than estimated

1: ANALYSIS

Analysis

The estimated program spending cuts would increase from $424.5 million in 2022 to $894 million in 2026 for a total cost of $3.5 billion.

The main targets include Health Authorities, Memorial University, the College of the North Atlantic, government agencies, government administration, as well as long-term care.

NAPE represents workers in all of these sectors and workplaces.

Labour and compensation typically make up 65-70% of public service expenditure. Expenditure cuts consequently mean major job layoffs in each of the above sectors, and are usually followed by employer's demanding concessionary agreements and major pension reforms including conversion to defined contribution.

Such recommendations for major austerity measures have been typical in the wake of recent economic crises, most notably in the wake of the financial crisis, where governments such as Ireland, Greece, and Great Britain cut public expenditures by more than 10% of GDP, with the majority of cuts occurring in social and educational spending.[2]

By comparison, in the wake of crises, taxes are either cut or new taxes increase only by marginal amounts and later reduced. In the case of NL, the report recommends increasing new taxes for a total of $1.5 billion for a balance of 65% expenditure and public sector job cuts and potential 35% revenue increases.

But many of the recommended tax reforms have never before been implemented. Others require federal government support.

Ignored in the report is the fact that corporate income tax revenues account for only 2.3 percent of revenues in NL – among the lowest in Canada. NL also now has – and continues to have – the lowest taxation revenues of any Atlantic province.[3]

2: PRIVATIZATION: SHORT-TERM GAIN FOR LONG-TERM LOSS

What the Greene Report says:

"Newfoundland and Labrador's financial challenges require a focused and immediate recovery plan"

"the province must monetize its best assets'

What this means:

-Proceeds from the sale of NLC, MVR, Registries, public services, and other assets are to be used to reduce the province's debt load in the short term.

-Sell Marble Mountain ski resort and related assets.

- Sale of Newfoundland and Labrador Hydro to a private entity;

- Offer transmission and distribution assets to the private sector to either own or operate;

-Offer the sale of island generation assets to the private sector;

-Sell the Provincial Government's oil and gas equity interests when oil prices increase; and

-Sell the Bull Arm Fabrication Site, currently owned by the Oil and Gas Corporation;

-Package the Churchill River resources as a single opportunity, including Muskrat Falls, Gull Island, and the 2041 contract on the Upper Churchill, and seek federal government and private sector partners to maximize the economic value and its renewable energy potential;

2: ANALYSIS

The proposed sell-off of major NL assets and infrastructure means the potential loss of billions of dollars for the people of NL. This is for a number of reasons including that crown corporation assets are routinely undervalued when sold, and that all future revenues from these crown corporations are lost to private shareholders and equity partners – firms which now often register in tax havens and pay no taxes.

But to make matters worse, the privatization of NLC, Registries, public services, NALCOR, Muskrat Falls, and the Churchill contract could potentially mean the involvement of private equity firms – firms that routinely register in tax havens in order to pay no tax, and that have no accountability to governments.[4]

Over the past two years for example, more than 600 renewable energy projects were sold by governments worldwide - the majority to private equity firms. Not only have these sales involved hundreds of millions of dollars in fees and transfer costs paid to these firms and lawyers. Banks such as JP Morgan – represented on this report by Oral Dawe – have used shell companies registered in tax havens to escape all taxes and accountability to governments.

Privatization is often promoted by governments as a way to save money. 5 provincial Auditor's General say that's often not the case, citing amongst other things, the higher rates the private sector pays to borrow money (almost double what governments pay). They also found that instead of transferring the risk to the private sector – one of the main justifications for privatization – provincial governments usually end up assuming all the risk.

On the sale of the NL Liquor Corporation, the recent privatization of the liquor board in Saskatchewan, led to layoffs, and the loss of successor rights in many stores. The expansion of new retail outlets has only created more part-time and temporary retail employees – employees who are far more precarious and far less likely to become unionized members.[5]

2: ANALYSIS (CONT'D)

Alberta has completely privatized the retailing of liquor. This has led to higher prices for alcohol, fewer choices in products, and increased social costs related to higher rates of alcohol consumption.

There is no economic rationale at all for the sale of NL Liquor Corporation. The report mentions that "The NLC is a profitable entity and has consistently paid the province a considerable dividend. In the last 10 years, dividends have totalled $1.6 billion."

On the privatization of motor vehicle registration and land registries, Ontario, Alberta, Saskatchewan, and Manitoba have privatized some or all of motor vehicle or land registries.

While Alberta and Saskatchewan got cash up front for privatization of their land registries, they continuously lose revenue each and every year as a result.

In 2019-20, our province received $91 million in revenue from vehicle and driver licenses and $70 million from registration of deeds, companies, and securities.

3: CUT THE PUBLIC SECTOR AS IT IS TOO LARGE AND TOO EXPENSIVE

What the Greene Report says:

“the public sector in the Province is too large. Its high salaries, benefits, and retirement payments are ultimately a tax on those outside the public service and the young people that will be the workforce of tomorrow.”

“Review union contracts and compensation”

‘the province has unfunded public sector pension liabilities

What this means:

Compensation, Benefit, and Job Cut Recommendations include:

-wage freeze

-unpaid days off - Measures to reduce the payroll base, such as a four-day work week for certain positions and creating seasonal positions targeted at peak demand periods

-pensions converted to defined contribution model

-major job terminations in health care, post-secondary education, and government agencies

3: ANALYSIS

The most immediate threat to NAPE members comes from the report's recommendations to enact major government expenditure reductions in health care, universities and colleges, government administration and agencies.

The report does not directly mention the impacts of funding cuts to regional health authorities. Any major reductions to public funding for Regional Health Authorities will have a direct impact on front-line healthcare workers, clinics, rural healthcare, and service delivery – services that are typically the most underfunded and most likely staffed with part-time and temporary employees. In the reduction of RHA funding, service delivery, particularly in rural NL, would be very vulnerable to funding cuts, closures, and further privatization.

In the short-term, this will mean job losses and concessions in these sectors as well.

Public Service Pension Plan Health

In 2014, the Public Service Pension Plan was shifted into a jointly managed plan between the government and the unions. This was done to de-risk the plan as the unfunded pension liability was creating concerns about the future health and stability of the plan in the future. Changes were made to the premiums and retirement age while the government funds amortized over 30 years to aid in the transition.

At the time of writing this report, the plan is 106% funded. The plan is more than fully funded and is very healthy.

It is unclear if Moya Greene was operating on inaccurate or outdated information when she made her recommendations relating to changes to the pension plan.

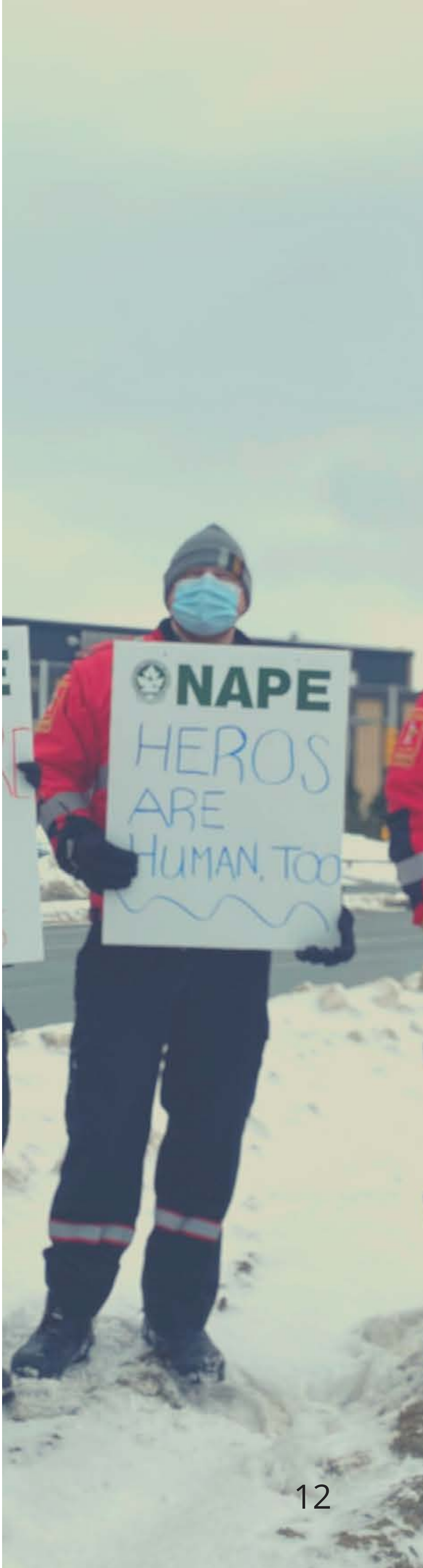
3: ANALYSIS

More worrisome is the report's recommendation that NL should convert its well-managed pension plan to a defined contribution. But such changes typically pose two major problems for unionized workers.

First, defined contribution funds typically provide less retirement income as pension managers siphon off returns through fees and market speculation – while also allowing employers to contribute less.[6]

Second, private management of defined contribution plans, takes away any input from unions and their trustees, leaving funds open for manipulation, wind down, and financial difficulties.

Pension legislation is already heavily weighted in favour of employers. The conversion of pension funds to defined contributions will make this situation worse.



4: ANTI-LABOUR AND ANTI-PUBLIC SECTOR MEASURES

What the Greene Report says:

“ the province must ‘refocus its social compact’

‘Reimagine government and governance’ /‘government should focus on core services

"the provincial government should redefine its role in the economy .. and private and not-for-profit sectors should deliver services.

What this means:

-Institute a moratorium on building new Long-Term Care facilities and determine the right number and mix of seniors care and housing options,

-Consolidate Regional Health authorities

-Deregulate tuition fees at Memorial University

-Remove local school board councils from input on schools

-Remove members from public-sector unions

-Implement ‘alternative service’ delivery models – to introduce competitive bidding and third party agencies

- Build-in “sunset provisions” for programs as appropriate. Programs should necessarily end or be modified after five years, based on outcomes, unless the specific evaluation directs otherwise

-Revise funding programs based upon analysis, with a focus on partnering with community-based organizations to ensure responsive program and service delivery – ie contracting out to local private service providers with no funds

- salary transparency – publication of salaries to shame public sector employees

- the Provincial Government should use back-to-work legislation to ensure these reforms are implemented

5: ISSUES THE GREENE REPORT IGNORED OR MISREPRESENTED

As a report focused primarily on public sector restructuring and cutting public sector jobs, the report presents a highly misleading analysis of the problems facing the province.

A) NL provincial program spending as a percentage of GDP is 23% - the lowest of any Atlantic province.[9]

B) Tax cuts have reduced NL revenues by one-third from 1990s levels

C) NL has the lowest corporate tax rates and among the lowest rates and fewest tax brackets for high-income earners in Canada.

D) Compensation for provincial employees has been flat since 2012 – and in inflation-adjusted terms has fallen.

E) NL has the lowest tax and royalty regime for oil of any jurisdiction in North America and much of the world.[10]

Over the course of 1997-2019, NL received only 16% in royalties on its oil production – the rest went to the shareholders of major oil corporations. But because of tax credits, write-downs, and subsidies, in 2018 it was receiving only 8%. Had NL only the same level of taxes and royalties as in Alberta – another low tax and royalty regime – it would have received another $10 billion more in royalties.

F) the decline of oil and mineral royalties since 2013 – which fell by more than $1 billion in 2014-17 – is the first key reason for the province's current deficit.

G) The second major cause of the NL's deficit is Muskrat Falls -- the now $13 billion project. The major payments for the Muskrat Falls began in 2014 – the same year that oil price declines led to a precipitous drop in oil royalties. The costs of Muskrats Fall has added $8 billion to the provincial deficit since 2014.

6: OPTIONS THE GREENE REPORT IGNORED

A) Increase taxes on high-income earners, lower thresholds, and institute new taxes on the ultra-wealthy and large corporations

B) Eliminate capital gains tax breaks

C) Introduce luxury taxes

D) Increase corporate taxes for largest corporations

E) Introduce a Carbon tax

These tax measures alone could raise more than $800 million a year.

F) Introduce new oil royalties and eliminate tax credits and subsidies – this could potentially raise $2 billion a year – and provide real revenues for a Climate Transition Fund

G) Federal introduction of national childcare, pharmacare, and long-term care – would lower health costs, increase labour force participation, and lower poverty rates. Put these policies in place, and families and women can balance work and family lives – just like in Denmark or Finland – and there is no longer a problem with an ageing workforce.

H) New federal funding for Muskrat Falls – beyond financing – could eliminate all provincial debt associated with the project. By way of comparison, the federal government has purchased the Trans Mountain pipeline for $4.5 billion dollars and has recently provided Air Canada with $6 billion in equity funding.

A similar federal equity commitment would secure the completion of the project and ensure that it remains under public control with benefits for all Newfoundlanders and Labradorians and Canadians.

FOOTNOTES

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