EMPLOYERS' COUNCIL
NEWFOUNDLAND & LABRADOR

Position on Fiscal and Economic Recovery

Response to THE BIG RESET Report of the Premier's Economic Recovery Team (PERT)

June 2021

About us

The NL Employers' Council is the only **province-wide** business advocacy organization that connects and represents **senior business leaders** from **all industries** of the province. We advocate to enhance employers' ability to contribute to the economic growth and prosperity of NL. The Employers' Council provides a strong collective voice for business leaders on public policy issues in a respectful, socially and environmentally conscious manner. Issues of importance to the Employers' Council will equally benefit all industries and the economic sustainability of the province as a whole. **Our vision is to improve the competitiveness of NL's business environment through credible, solutions-focused public policy recommendations, effective advocacy, and support to individual employers.**

Response to the Premier's Economic Recovery Team (PERT) Report

The PERT has recommended some significant but achievable spending reductions within government over the next six years. They have also recommended a program review, balanced budget legislation, and enhanced reporting and accountability frameworks. If enacted, these recommendations would help remove short-term politics from financial management and ensure politicians are held accountable for achieving these reductions while improving outcomes to citizens. Government should action these recommendations immediately. PERT also recommended tax increases and the sale of some assets. While we all must share the burden of fixing our fiscal crisis, and some temporary tax increases may be necessary, we are in this situation due to a spending problem, not a revenue problem. Any revenue measures should only be enacted AFTER government has taken action to reduce spending. Otherwise, these revenue measures could be used as short-term band-aids to provide relief and inhibit government from making the hard but necessary job of restructuring and modernizing program delivery to be sustainable. We have seen this in the past. While some individual tax rates in NL may be competitive with other provinces, NL has one of the highest personal tax burdens in the country. Unnecessary increases will make us uncompetitive and make it difficult to attract people to live and work in NL and attract investment. Before taking more money from hardworking NLers in taxes, the government must ensure it is spending tax dollars as efficiently and effectively as possible.

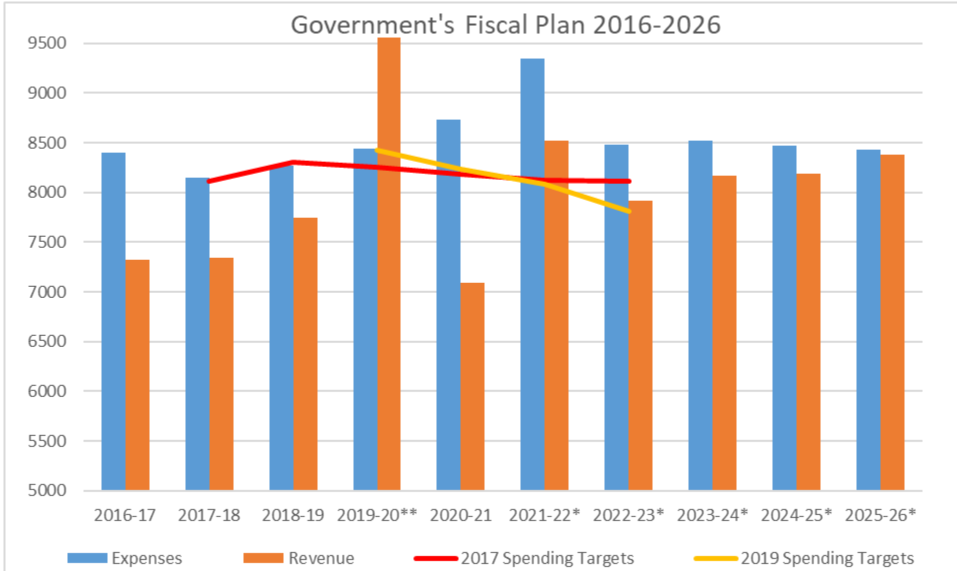
Budget 2021 plan not aligned with PERT recommendations

The long-term forecast released in the 2021 Budget lacks detail and is disappointing. The Employers' Council would like to see government implement a plan for spending reductions that is more aligned with the targets in PERT and those recommended by other think tanks and academics through modernization and reform of program and service delivery. The finance minister announced some transformations that should result in cost savings. However, spending is projected to increase by $611 M next year. Over the five-year plan to return to balance, spending

Multi-Year Targets ($ millions)

	2020-21 Revised	2021-22	2022-23	2023-24	2024-25	2025-26
Revenue	7,089	8,518	7,913	8,167	8,191	8,384
Expenses	8,733	9,344	8,485	8,519	8,470	8,427
Oil Risk Adjustment	-	-	15	25	35	45
Deficit	(1,644)	(826)	(587)	(377)	(314)	(88)

reductions amount to less than $300 M. We would like to see government take more proactive control of the situation and plan to restructure program service delivery to achieve more substantial cost savings.



*Source: Provincial Budgets, *Forecast, **Includes one time recognition of 2.4B in Atlantic Accord revenue to be paid over 38 years.*

Finance officials told the Employers' Council that approximately $400 M of the $611 M increase in spending for 2021-22 is made up of temporary transfers from the federal government. In their long-term forecast, government does plan to pull spending back $859 M for 2022-23. However, given the increase in expenses indicated above, net structural spending reductions from now until 2022-23 will amount to just $248 M. While this adjustment will also have to accommodate inflationary pressures, this is nowhere near the nearly $1 B in cost savings that PERT, most economists, think- tanks and the Premier himself have referenced would need to be achieved over 4-5 years to truly tackle our structural program overspending.

The Employers' Council is concerned that government seems to be relying on projected increases in revenue once again. In 2021-22 alone, they predict more than a $1.5 B increase due to increased oil royalties, increased tax revenue from improved economic activity and federal support. Government announced some small tax increases in this year's Budget on high-wage earners, but these changes are only predicted to generate $15M in additional revenue. Therefore, these projections are largely based on volatile resource revenues. Some experts have called these revenue projections "optimistic" and "risky." Revenues are subject to fluctuations due to factors outside of government's control, such as oil price, the global market, and interest rates. If any of these change, this plan is not likely to achieve balance in the timeframe projected. What is needed is a plan that addresses our program spending problem by laying out credible, well-planned reduction targets.

PRINCIPLES FOR FISCAL & ECONOMIC RECOVERY

NL continues to be in a risky fiscal and economic position. The people and businesses of this province need a credible plan forward and strong leadership to action this plan to provide hope for our future. The Employers' Council has done significant work on the province's fiscal and economic situation and has been speaking publicly on this issue for more than a decade. We have sought advice and commissioned research from economists, academics, think tanks and former provincial and federal politicians from NL and other provinces. The following principles are based on this research and have formed our recommendations to the Premier's Economic Team and government. Government must:

1. **Create a globally competitive business environment.**
2. **Create a competitive tax mix.**

3. **Quickly release a clear and transparent fiscal plan to reduce program spending, educate the public on the need for the plan and provide hope for the future.**
4. **A plan for fiscal reform must include substantive structural spending reforms early in the plan.**
5. **Eliminate our structural spending problem through modernization of program delivery that improves outcomes to citizens.**
6. **Partner with the private sector.**
7. **Eliminate the public sector "no layoff clause" and include strategic workforce planning to reimagine government.**
8. **Limit new spending initiatives and evaluate all spending for long-term return on investment (ROI), not just short-term political benefit.**
9. **Include more transparent and detailed spending targets, with increased accountability to meeting them.**
10. **Use federal government support to improve competitiveness, not delay needed reform.**

Background on these issues follows.

1) Create a globally competitive business environment.

Policy that creates a globally competitive business environment is the only way to grow our economy and ensure prosperity for NLers. The government should eliminate current barriers to productivity and competitiveness and develop a plan for an economic recovery that supports major industries and fosters growth. That means no increased tax burden; a stable fiscal situation to attract investment; reducing regulations and red tape; competitive labour legislation; a skilled, educated, and available workforce; flexible and more agile government operations; and appropriate investments in infrastructure, immigration, and support to industries with the most substantial economic impact and future growth potential.

NL has room to improve our competitive position. In 2015 the Employers' Council commissioned the Conference Board of Canada to benchmark NL's business and economic environment against peer jurisdictions. They graded NL against nine national and international competitor jurisdictions in innovation, investment, education and skill level, the labour market, and the business and policy environment. In the report *Achieving Sustainable Prosperity: Benchmarking the Competitiveness of Newfoundland and Labrador*, NL scored in the bottom half of all peer jurisdictions in 21 of the 32 benchmarking indicators. Since this time, NL has not progressed on these indicators and has fallen further behind on many. The recommendations and research are still relevant and continue to form the basis of the NLEC's lobby efforts. We suggest government utilize the principles from this report in any economic recovery plan.

2) Improve tax competitiveness.

NL relies on high tax rates and high rates of borrowing to finance current program spending levels. According to the Auditor General, NL has one of the country's highest per person tax burdens. At the time of the last tax review in 2017, The Conference Board of Canada found that our business tax burden was the second highest in Atlantic Canada. These high tax rates have significantly affected our competitiveness as a place to live, work and do business. NL has the fastest ageing population and the least in-migration of all our competitor jurisdictions. We are the only province in the country that experienced negative population growth last year. A 2017 CRA survey found that more than 40% of NLers under 34, with post-secondary education, or who earn over $75,000 had considered leaving the province due to tax levels. To grow our economy and our population, we must provide an incentive for young families to put down roots in the province.

These high tax rates also have not fixed our fiscal problems. In an attempt to deal with our ballooning deficits and debt, in 2016 government took nearly $1 B more in taxes and fees from citizens annually and secured $2.4 B from the federal government in Atlantic Accord payments. The problem has gotten worse. In 2020, our deficit was $1.84 B, and our net debt was $16.44 B. These revenue increases have not fixed our fiscal crisis because it is rooted in a spending problem, not a revenue problem.

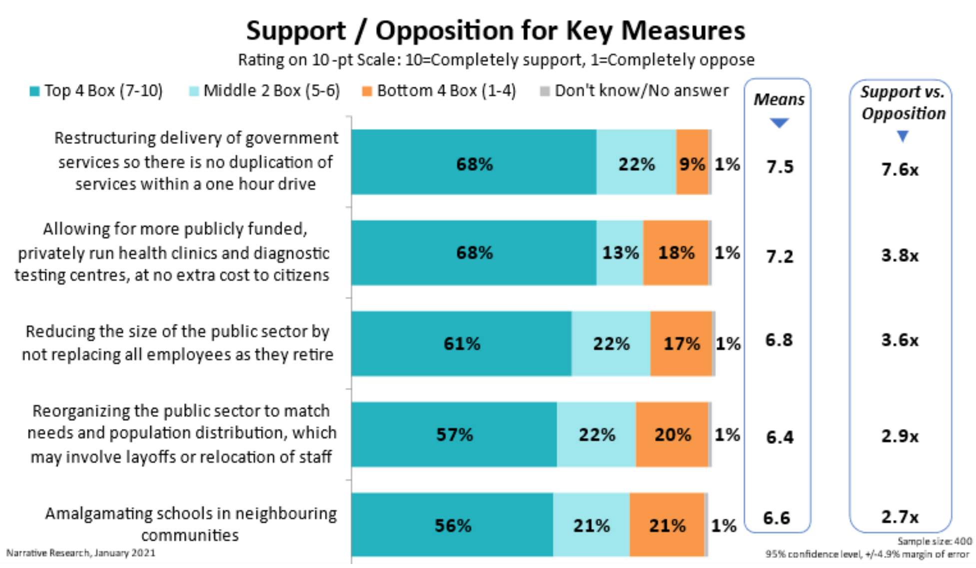
We need to provide certainty to our young people, our best and brightest, and newcomers that NL is a place where you can have a bright future. The government must also create a competitive business environment that encourages outside investment and motivates local businesses to grow, expand, and create jobs. The Employers' Council has recommended the following changes to NL's tax system:

- Reduce income tax for citizens earning $50,000 or more to the most competitive in Atlantic Canada.
- Eliminate the payroll tax (HAPSET) as it is a job and wage killer.
- Maintain corporate income tax rates or eliminate unproductive incentive programs and use the revenue generated to broaden and reduce the overall CIT rate. "Labour-based incentives" are not recommended as they are not productive or efficient.
- Eliminate corporate capital tax.
- Reduce taxes on insurance (reduced for automobile insurance in 2019 but not property).

Read the NL Employers' Council position on provincial taxation submitted to the last tax review here. We recognize that we all must share in solving our current fiscal situation. If some short-term temporary tax increases are necessary, the Employers' Council could accept taxation in forms that do not disincentivize growth. However, any tax increase, particularly during an economic downturn, will have a long-term negative impact on the economy. Tax increases should only be implemented temporarily, be the least impactful as possible, and only be considered once government has shown they are serious about addressing the real reason we are in this situation – overspending.

3) Quickly release a clear and transparent fiscal plan to reduce program spending and provide hope.

Establishing a credible plan to fix our fiscal crisis is essential to our future. NLs ability to recover will be largely determined by the government's willingness to act on recommendations in a timely fashion. Each day the province is accumulating interest on our massive debt, compounding an already bad situation. A modern system will provide the services people want and need in 2021. Wholesale service cuts are not a good idea, but a shift in *how* we deliver services is needed. Public opinion polling conducted in January 2021 shows that the public supports these types of



changes, but political leaders have been resistant. People are frustrated with the lack of action and are ready for change.

It is crucial that government position reform and modernization as positive and educate the public on the long-term benefits. In the 1990s, many governments across the country acted decisively to enact spending reductions. While challenging in the short term, such actions led to better results in the medium to long-term. The advice received by the Employers' Council from Dr. Janice MacKinnon, who was finance minister in Saskatchewan when they restructured their public service in the 1990s, was to educate the public and transform their ideas about what government can and cannot do. The public must understand what government can fix and things that are beyond their control. People want their leaders to be honest, dare to make difficult decisions, give specific targets, explain the benefit of acting and provide a vision for the future.

The Employers' Council has already begun educating the public on the benefits of reducing government expenditures to more manageable levels by modernizing and restructuring government. Our ItsTimeToAct campaign has been well received by the public. Information on the benefits of action are currently available on our campaign website ItsTimeToAct.ca.

Action to modernize and restructure government services will mean:

1. Less money going to interest charges, more available for services and infrastructure.
2. Better outcomes from government programs, shorter wait times.
3. The right services, in the right place, at the right time.
4. A stable and secure public service.
5. More accountable leaders.
6. The certainty that we will have a bright future.
7. Showing the rest of the country we can stand on our own two feet.

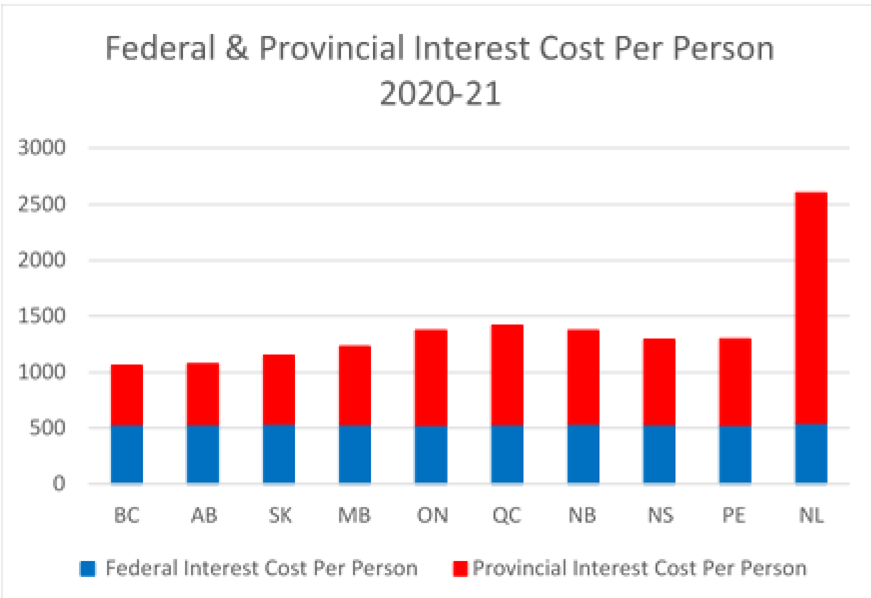
Once we have an affordable government, here's what we can look forward to:

8. A growing economy with businesses motivated to invest.
9. Tax rates that make NL an attractive place to live and work.
10. More jobs in growth industries.
11. Hope for our children that they can build a successful life in NL.

Background on these benefits can be found here.

Government must stand firm against opposition from special interest groups. The silent majority of the public supports change. Not acting will have much more extensive and longer-term consequences, and that must be explained. We have seen the doom and gloom of such policy play out over the last five years. The current situation leaves the province exposed should bond ratings further deteriorate or if interest rates increase. Interest costs eat up money available to fund programs and services people need. Uncompetitive taxation drives people away from the province, businesses are uncertain about the future, and investment and employment are negatively impacted. This uncertainty also leads to a lack of stability in the public sector. Public-sector unions oppose structural reform, but MacKinnon pointed out that they will be most impacted if the government does nothing and "sleepwalks" further into a crisis. It is not in anyone's best interest to leave the fate of NLs public sector to be decided by outsiders, whether banks or the federal government. The longer government takes to act, the more severe "austerity" will be required. It is important that as they implement changes to modernize and restructure public services, political leaders continually provide a vision that emphasizes the brighter future that will be on the other side.

4) A plan for fiscal reform must include substantive structural spending reforms early in the plan.
It is imperative that government act early. NL cannot afford to wait any longer. Every year government has waited to solve the problem; we accrued more and more debt and interest on that debt. Last year the province borrowed more than a third of all expenses. Our net debt is the highest of any province. Our per-person government debt is the highest in the country, by far. NLers also pay the highest per-person federal-provincial interest payments ($2,604) in the country, by far, most of which is provincial. According to the PERT, government has added $12.6 B to our total debt over the last seven years alone. If nothing is done, the province will add at least another $7 B to our debt over the next six years - $2 B more than was accrued during the first 45 years of confederation. This is staggering. Without meaningful, structural spending reform, debt servicing costs are crowding out spending on programs like health and education - and services to citizens are suffering. Government now spends more on interest than on education and income assistance combined. Meaningful, structural spending reform will actually lead to better-resourced programs. Modernizing and restructuring will allow us to pay down our debt and free up money currently leaving the province in interest payments.



Source: Fraser Institute, Provincial Budgets, Statistics Canada

As we have seen over the last six years, dragging out difficult spending reform decisions or pushing them into later years of a multi-year plan does not work. Vague long to medium-term commitments are unlikely to materialize due to political pressure. The advice the Employers' Council has received from past politicians is that to maintain political will government must go far enough to achieve actual results, as they will "take a hit" publicly from some groups for any change. It is important to ensure reforms are meaningful, sustainable, and worth it. They encouraged our government to act now, early in their mandate, while they have the support of the people. Early action will also have a dramatic and cumulative impact on interest costs, moving us out of the "viscious cycle" of borrowing to service our debt and allow the province to emerge from the fiscal crisis more quickly. If done right, by the time the next election comes around, the fiscal situation will be improving, and the benefits of modernization will be proven.

5) Eliminate our structural spending problem through modernization of program delivery and improving outcomes to citizens.

Our fiscal situation is rooted in a spending problem, not a revenue generation problem. NL spends more per capita than any other province in Canada and has continually spent more money than we bring in, even when per capita revenues were the highest in the country. Spending increased 80% from $4.97 B in 2004-05 to $8.97 B in 2020-21. Despite this increase and spending significantly more than other provinces, our outcomes in health care, education and other programs lag behind almost all other provinces.

Our public systems were developed more than 50 years ago for NL's demographics of that time. But the Health Care Task Force found that there has been a dramatic population shift in NL, with fewer people under 15, many more over 65, and significant migration from rural to urban communities. Wholesale reform to program delivery is needed to bring our program spending in line with what we can afford. "Cuts" of "mass layoffs" that skim off the top of current service delivery models will not be effective long term. Evidence shows innovative service delivery methods can improve access to quality services and outcomes for citizens, despite the need to restrain spending. The allowance of more innovation and reform in delivery of all public services is vital to fiscal stability.

Health care:

- According to Health Accord NL, we have the highest health spending per person in the country but the worst health outcomes and system performance.
- In 2017 the Conference Board of Canada identified that NL spent 27% higher per person than the Canadian average on hospitals and other institutions and the most in the Atlantic region on "other health spending," including research, physicians, other professionals, and capital.

There are opportunities to reduce the number of acute care hospitals and replace them with lower-cost alternatives that better meet the current population's needs, including ambulatory care clinics, community health, long-term care, home care, and increased transportation to centers of excellence.

There is an opportunity to reduce the cost of professionals by better utilizing lower-cost alternatives such as pharmacists, nurse practitioners, LPNs, etc., where appropriate.

There is an opportunity to build on the comfort level provided by the COVID-19 pandemic to increase technology and telehealth use.

Publicly funded, privately delivered clinics and diagnostics can improve outcomes for citizens at a lower cost.

Education:

- K-12 education outcomes in NL range from average to below average, despite having a high educator-student ratio and above-average spending per student.
- In 2017 the Conference Board of Canada found NL had the highest number of educators per 1000 students of any province in Canada. There were 25 schools in NL with fewer than 25 students enrolled and five schools with less than three students.

NL must take a visionary approach to rural education. Despite some of the highest costs, NL's educational outcomes lag other provinces. PERT found 22 English schools have 25 or fewer students, including three schools with no students and 11 with between one and ten students. In 2018 the Eastern School District recommended the closure of 5 schools with 89 students, who could be bused to nearby schools less than 40 minutes away for a savings of $1.7 M, or $19,101 per student annually. The school board trustees voted to keep these schools open. According to the PERT, keeping a small school open with one or two students costs around $150,000 per year; helping a family take the student(s) to the next nearest community costs around $10,000-$15,000. Decision-making focus seems to be on reducing bussing distance versus educational outcomes, leading to inefficient use of educational resources. School district officials have told the Employers' Council that amalgamation of small schools can improve educational outcomes due to increased access to resources, role models and opportunities. Despite high profile localized opposition to school closures, a survey of NLers done by Narrative Research in early 2021 found that overall, there is 2.7 more support than opposition for amalgamating schools in neighbouring communities. Government must lead a mindset and policy change in this area.

There also may be an opportunity to leverage the comfort and experience with online learning gained from COVID-19 to increase the use of online learning in rural schools at a younger age.

Post-secondary:

- Government spends more on post-secondary education per student than any province but has the lowest portion of the population with a university degree.
- In 2017 the Conference Board found NL spent well above the Canadian average at more than $36,000 per student. NL had the 2nd highest spending in the country on post-secondary academic salaries and the highest on other wages and benefits.

There appears to be a disconnect between education at Memorial University and employment opportunities in the local market, and the needs of employers. NL has difficulty retaining graduates, including international students, despite years of high investment to maintain low tuition. Government must reimagine the delivery of university education to improve the return on investment.

There is also an opportunity to evaluate the number of CNA campuses across the province based on student demand and enrollment.

6) Partner with the private sector.

The majority of NLers support increased private sector involvement in delivering government services, provided there is no increased cost to citizens. Partnerships with the private sector help reduce government spending with the added benefit of improving citizens' outcomes. For example, last year, marine service operations cost the provincial government just under $82 million. More than 10% (4,100) of the nearly 38,000 runs were made without any passengers. Government's cost per resident for ferry services can be up to $28,000 annually for some communities. Publicly funded, privately delivered ferry services are much more cost-effective. There is no reason they cannot be utilized in more jurisdictions.

In 2016 the Employers' Council commissioned a report on partnerships from university professors Dr. Tom Clift and Tom Cooper, called *Why Wait in Line?* which reviewed hundreds of successful partnerships across Canada and internationally. They found that partnerships result in significant reductions in cost overruns and delays on infrastructure projects and improve citizens' outcomes on program and service delivery. Benefits include dramatic reductions in wait times, improved service and satisfaction levels, and service modernization. Partnerships work because they separate regulation from service delivery and take advantage of both party's strengths. They increase accountability through outcome-based contracts, introduce competition into public services and grow the economy. This report developed a list of "low hanging fruit" for partnerships in NL based on ease of adoption, success in other jurisdictions, and public support. Public opinion polling found dramatically more support than opposition for private sector involvement in the delivery of services in ALL areas tested, and more than three times more support than opposition in some. 2018 polling shows that since then, support has increased.

Areas of opportunity include:

- Food Services, laundry services, janitorial and other support functions in government facilities
- Staffing and administration of long-term care facilities
- Construction and maintenance of hospitals and long-term care facilities
- Publicly funded, privately delivered diagnostic imaging and low-risk health clinics, i.e. day surgery
- Ferry services for remote communities
- Construction and maintenance of highways and bridges
- IT and other back-office support functions within government
- Administration of Motor Vehicle Registration and MCP
- Collection of outstanding government fees and taxes

The Employers' Council supports PERT recommendations to utilize partnerships. Given the high level of criticism from special interest groups, it is essential that government implement early contracts right. Clift & Cooper recommended establishing an independent entity to undertake an audit of partnership opportunities. It also suggested government seek council from experts from other jurisdictions to help develop contracts and employ an "early wins" strategy focusing on less complex partnership deals in the short term to build public confidence. Read *Why Wait in Line?* here.

7) Eliminate the public sector "no layoff clause" and conduct strategic workforce planning to reimagine government.

"If debt levels get too high, NL is at risk of not being able to make its financial commitments such as paying salaries, operating hospitals, offering other public services or making payments to pension plans." – PERT

Borrowing money to pay public servants puts their wages, benefits and jobs at risk. In 2020, NL could not borrow to maintain operations, and Premier Dwight Ball wrote a desperate letter to Prime Minister Trudeau for support. If bond ratings further deteriorate, interest rates increase, the price of oil drops or an unforeseen economic downturn occurs, we have no buffer or plan. Modernizing and restructuring government will require change and will not always be easy in the short term. But it will mean more secure and stable public sector jobs and less uncertainty in the long term. Every time we have a provincial budget, public servants live in fear their jobs will be cut. This uncertainty leads to a lack of stability in the public sector. Over the last five years government has operated under continuous budget restraint, with no meaningful attempts to restructure and no long-term plan. This strategy has not worked and has led to doom, gloom and inefficiency.

Government recently renewed agreements with public sector unions through which the "no layoff clause" will remain until 2022. It is impossible to "reimagine" public service delivery while maintaining a commitment of "no layoffs" to the workforce. Mass layoffs may be unnecessary. Attrition can and should be used to reduce the public sector's size wherever possible. In 2017 the Conference Board found that public administration spending is high mainly due to wages that, as of 2017, were 28.6% higher than the Atlantic Canadian average. Early retirements and changes to salaries and benefits can also save jobs. Other cost-saving but job-saving changes, such as increased remote work, reduced workweeks, and job-sharing, have been implemented in the private sector to survive downturns. PERT has recommended performance-based incentives and pay structures that reward achieving budget targets which should be implemented. However, a strategic resizing must accompany a plan for modern, restructured service delivery and improved outcomes to citizens. Once government establishes its vision for what "reimagined" public services will look like, they must undertake strategic workforce planning focused on desired outcomes. The "no layoff clause" is a barrier to such adjustments.

To implement innovative, "big-bold" ideas, government will have to address collective agreements with public-sector unions. Government systems are often focused on the ingrained institutions and practitioners within the system, not on the best way to achieve citizens' outcomes. Workforce planning should stem from a modernized service delivery plan that makes the most sense for NL today. This plan should not be predicated on union agreements. An affordable public sector well-resourced in the right areas will be a secure and productive public service. The longer government takes to act, the more severe action will be required in the future, and those actions may not be our choice. NOT acting is the path to deep and severe austerity. Public sector workers will be the most impacted if the government does not put a plan in place now.

8) Limit new spending initiatives and evaluate all spending in terms of long-term fiscal and economic impact, not just short-term social or political benefit.

Tighter expenditure controls and increased transparency and accountability on spending decisions are needed. Employers' Council members expressed concerns with COVID-19 related "stimulus" spending, as well as the number of pre-election funding announcements. In 2019 when revenues increased due to the one-time Atlantic Accord payment, government increased spending and pushed planned expenditure reductions further down the road. As indicated in PERT, politicians seem incentivized to spend for short-term political reasons versus making strong long-term financial decisions. With so much borrowing, every dollar spent means debt and interest payments, increasing taxpayers' future costs. Given our perilous fiscal position, the province should limit new spending and scrutinize new funding announcements in terms of their fiscal impact and long-term economic benefit, not just their immediate benefit. Federal government support measures have been adequate through the COVIC pandemic—supplanting the need for additional stimulus from the province. If new spending initiatives are needed, the province should focus on investments to ensure the province's long-term potential or improve efficiency and reduce long-term spending, i.e., technology. Spending at agencies, boards and commissions must be evaluated in the same manner. Better reporting and accountability systems are needed to disincentivize these types of short-term spending decisions.

9) Increase transparency and accountability through more detailed long-term spending targets.

Increased transparency, more reliable budget targets, and better adherence to those targets are critical. In Budget 2016, the government laid out a seven-year plan to achieve a balanced budget by 2021-22. Government never released detail on how they would achieve these goals, and a plan for addressing our spending problem never materialized. Without a plan, not only did government not achieve targeted spending reductions for 2019/20 and 2020/21, spending has increased substantially year over year since 2017. After winning a minority government in the 2019 election, the government backed away from achieving surplus by 2022-23. Then Finance Minister Osborne said these long-term forecasts were just projections that are subject to change and that he doesn't plan more than a year at the time. We need our government to be more accountable to the long-term needs of the province.

The PERT outlines how our large number of electoral districts with small populations means decisions do not always serve the entire province. The four-year election cycle hampers long-term decision-making. The PERT recommends implementing balanced budget legislation requiring the mandatory meeting of budgets for all departments, Agencies, Boards and Commissions (ABCs), ensuring five-year projections in each Budget, and setting long-term budget targets in legislation. This legislation would also tie Ministers, DM's and ADM's salaries to the meeting of budget targets, implement an external advisory group of experts to review annual budgets, and ensure that 50% of oil and mineral royalties be used to pay the debt or placed in a Future Fund. These combined recommendations could be the biggest opportunity presented by the PERT report. These policies could help remove short-term politics from the budgetary process, reduce real or perceived cronyism and ensure citizens receive value for their tax dollars. The Employers' Council fully supports these recommendations.

NL has recently forecast bottom-line deficit targets and overall revenue and spending goals. Other provinces like Alberta provide much more detailed and robust departmental spending targets and multi-year forecasts, which increases accountability. The government's attrition plan, for example, should include clear planning and targets. The province should publish targets for compensation budgets and FTEs for all government departments and agencies as part of this plan, stemming from their strategic vision and overall fiscal targets, to improve accountability. Implementing such targets at the PERT's request is an excellent opportunity to depoliticize some of these decisions. Increased transparency and accountability will also increase the province's credibility to ratings agencies and help attract investment, grow our economy and reduce risk.

10) Use federal government support to improve competitiveness, not delay needed reform.

The province is receiving significant funding from the federal government for the coming fiscal year. While some continued targeted funding from Ottawa may be needed to deal with our current situation, it should not prolong the inevitable. The Employers' Council would prefer the provincial government do what it can to reform our systemic structural spending problem once and for all before looking to Ottawa for special treatment. The COVID-19 pandemic has placed fiscal demands on all provinces, many of whom have been hit much harder than NL. We are in this fiscal crisis largely due to decisions that pre-date the pandemic. Other provinces would contest NL getting no-strings-attached support from the federal government because we have the highest per capita revenues of any province but have managed these revenues poorly.

Any support from the federal government will come with demands to get our spending under control. If government cannot pay its debts, lenders will dictate changes that must be made. Outside forces could impose massive cuts overnight. The PERT says most of the increased spending was on public sector hiring, wage increases well beyond inflation, public sector pensions and offers of more government services, which we could not afford. These will be the same items on the chopping block if outside groups dictate changes. If the province does not act, the federal government or bond rating agencies will force changes. NL should control its own financial affairs versus leaving our fate to be decided by bankers or looking for a bailout from Ottawa. Homegrown solutions will take our values into account and ensure the difficult choices are *our* choices. Industry-specific relief and regulatory reforms that make our hardest-hit industries more globally competitive are preferable to costly long-term tradeoffs or short-term political fixes that delay needed reform. It should be a matter of pride for NLers to show the rest of the country that we can credibly manage our own finances.

View past Employers' Council positions on provincial fiscal policy here.

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