

# **2000 BUDGET SPEECH**

**NEWFOUNDLAND AND LABRADOR**

***“For The Health of Our People,  
For the Health of Our Economy”***

Presented by

**HONOURABLE LLOYD MATTHEWS  
MINISTER OF FINANCE**

**AT THE  
SECOND SESSION OF THE FORTY FOURTH GENERAL ASSEMBLY  
OF THE HOUSE OF ASSEMBLY**

**WEDNESDAY, MARCH 22, 2000**

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**FOR OUR PEOPLE AND ECONOMY**

Mr. Speaker, I am pleased today to deliver my first budget as Finance Minister and the first budget of this new century. It also marks another year of great celebration in the Province when we commemorate the 1000<sup>th</sup> anniversary of the European discovery of North America by the Vikings. We are again inviting the world to come celebrate with us.



This is also the fifth budget of this government led by Premier Tobin, a government that not only promised, but has delivered sound fiscal management. I am pleased to report today that for the fourth consecutive year we will have met or bettered our fiscal targets. This record is a testament to the fiscal responsibility that has been a hallmark of this government and is a credit to my predecessor as Finance Minister, the Honourable Paul Dicks, who presided over those four budgets.

For 2000-01 we have balanced the need to maintain the fiscal health of our Province with the need to maintain our growing economy. The health care needs of the people of this Province are the priority issue for this government and of this budget.

The health of our people is tied directly to the economic well-being of our Province. As our economy improves, so will our capacity to improve health care and other social programs. Supporting our economic health is also a priority for government. It is my privilege today to outline the many measures we are taking to ensure we address these priorities.

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## **BUDGET PLAN**

### **1999 Economic Review**

Mr. Speaker, in 1999 Newfoundland and Labrador had the fastest growing economy of any province for the second consecutive year, with real GDP rising about 5.3%. Together with 1998, this is the best consecutive two years of economic growth we have recorded since 1973-74.

Total exports, led by the oil and fishing industries, reached \$5.7 billion, representing a gain of 13.1%.


Hibernia produced over 36 million barrels of oil with an estimated production value in excess of \$1 billion. Oil and gas exploration increased from \$67 million in 1998 to \$250 million in 1999.

The value of fish landings rose 36% as a result of higher catches of crab, shrimp and groundfish. There was a 27% increase in newsprint shipments reflecting recovery from the previous year. The value of manufacturing shipments grew 13.1%.

Tourism, anchored by Soiree '99, continued to perform well, bringing non-resident visits to their highest level ever.

We had our third consecutive year of strong retail sales, with retail trade expanding 6.9%. Investment reached a record level of \$3.4 billion, an increase of 21%.

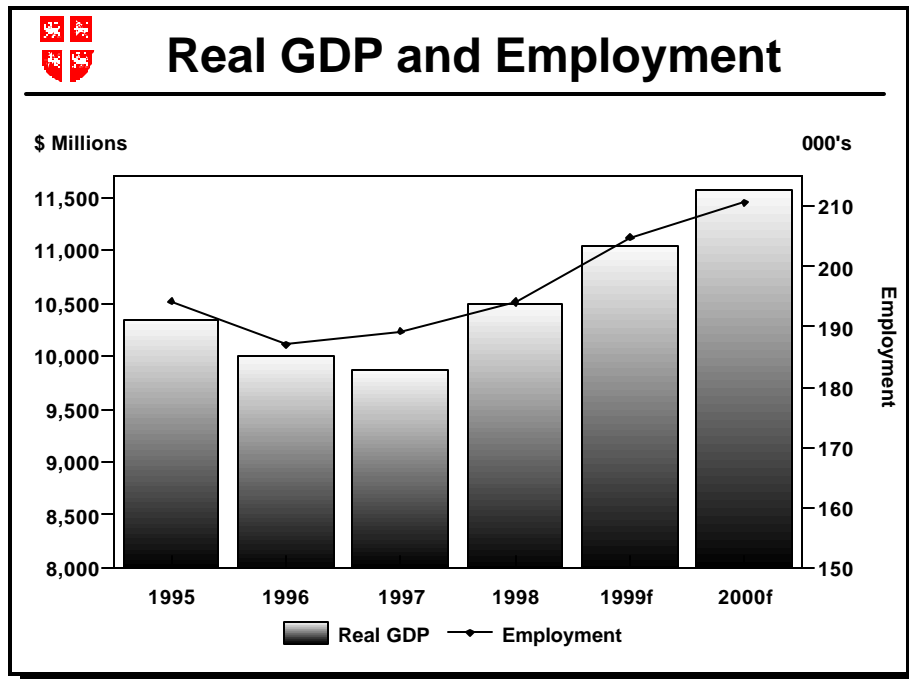
Our growing economy led to strong employment growth of 5.5% and brought employment to its highest level since 1990. This rate is double the national pace and the strongest growth of any province.

 <b>NEWFOUNDLAND AND LABRADOR</b> <b>Main Economic Indicators</b> (Percentage Change)		
	<u>1999</u>	<u>2000</u>
<b>Gross Domestic Product</b>		
Nominal	7.1	11.9
Real	5.3	4.7
<b>Personal Income</b>		
Nominal	4.3	3.8
Real	2.8	1.3
<b>Retail Sales</b>		
Nominal	6.9	5.1
Real	5.5	2.3
<b>Capital Investment</b>		
Nominal	21.0	(7.4)
Real	20.8	(5.0)
<b>Consumer Price Index</b>	1.5	2.5
<b>Employment</b>	5.5	2.8
<b>Unemployment Rate (percent)</b>	16.9	15.9

## 2000 Economic Outlook

Mr. Speaker, real GDP is forecast to again show significant growth in 2000, increasing by 4.7%. We should lead all provinces in economic growth for the third consecutive year. Increased exports and tourism, as well as personal income tax cuts and public sector spending, will be catalysts for growth.

Oil production should increase to reach its estimated annual peak production of 50 million barrels. Development of the Terra Nova oilfield, as well as delineation drilling at other offshore fields, will contribute to growth.



Fish landings should be on par with 1999, with markets expected to remain strong for most species. Iron ore prices are expected to rise, and both the value and volume of mineral shipments will recover. The volume of newsprint shipments should rise to near record levels, with prices strong internationally.

Tourism should experience its best year ever with the Vikings! 1000 Years celebration.


Retail sales are expected to be up a further 5.1%, brought on by employment and wage gains, as well as \$60 million in personal income tax cuts; an \$18 million federal cut and a \$42 million provincial cut.



Employment should grow 2.8%, with the unemployment rate falling another full percentage point, for a cumulative decline since 1996 of almost 3.5 points.

### 1999-2000 Fiscal Performance

Mr. Speaker, in the early years of this administration our economy struggled to adjust to the impact of the groundfish closure. Despite this setback, over our first three budgets we recorded the best fiscal performance for any three year period of any government since Confederation. Each year we met and bettered our deficit targets.

 <b>SUMMARY OF 1999-00 FINANCIAL PERFORMANCE</b> (\$Millions)			
	<u>Budget</u> <u>1999-00</u>	<u>Revised</u> <u>1999-00</u>	<u>Variance</u>
<b>Current Account</b>			
Gross Expenditure	3,277.2	3,297.2	(20.0)
Related Revenue	<u>346.5</u>	<u>226.9</u>	<u>(119.6)</u>
Net Expenditure	2,930.7	3,070.3	(139.6)
Provincial and Federal Revenues	<u>3,030.5</u>	<u>3,203.8</u>	<u>173.3</u>
<b>Current Account Surplus</b>	<u>99.8</u>	<u>133.5</u>	<u>33.7</u>
<b>Capital Account</b>			
Gross Expenditure	258.4	299.7	(41.3)
Related Revenue	<u>155.3</u>	<u>133.4</u>	<u>(21.9)</u>
Net Expenditure	<u>103.1</u>	<u>166.3</u>	<u>(63.2)</u>
<b>Contingency Reserve</b>	<u>30.0</u>	-	<u>30.0</u>
<b>Total Budgetary (Deficit)</b>	<u><u>(33.3)</u></u>	<u><u>(32.8)</u></u>	<u><u>0.5</u></u>

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I am pleased to report that we will again meet our fiscal target by recording a modest deficit of \$32.8 million for 1999-2000. Prior to this government taking office, the Province had not recorded a deficit this low since 1965-66. Large annual deficits were the norm in the intervening period, with deficits in excess of \$100 million in 22 of those 30 years.

Since taking office, we have now recorded the best fiscal performance for any consecutive four year period since the early 1960s. Our sound performance has not gone unnoticed. In 1998 and again in 1999 the Province received upgrades to our credit rating from two agencies. These upgrades are an expression of confidence in the fiscal and economic outlook for this Province.

The modest deficit, however, does not tell the whole story. We could have recorded a significant surplus of \$166.2 million. This was due mainly to higher than expected current account revenues of \$173.3 million. While recording a large surplus may have been a notable event in the short term, we are managing the finances of this Province for the long term and for the future sustainability of our social programs and our economy.

We will use our fiscal flexibility to defer certain revenues to 2000-01 to assist in achieving a satisfactory financial position in that year and to make a number of strategic investments before year end.


#### Strategic Year End Investments

Of the \$70.4 million allocated to strategic year end investments, \$48.3 million, or over two thirds, is dedicated to health care, our number one priority. To assist municipalities, an additional \$5 million will be put into the Debt Relief Program. Another \$11.2 million will go to enhancing education, \$1 million to library books, \$500,000 of a \$1 million commitment

to the School Children's Food Foundation, \$400,000 to heritage conservation and \$4 million to other initiatives.

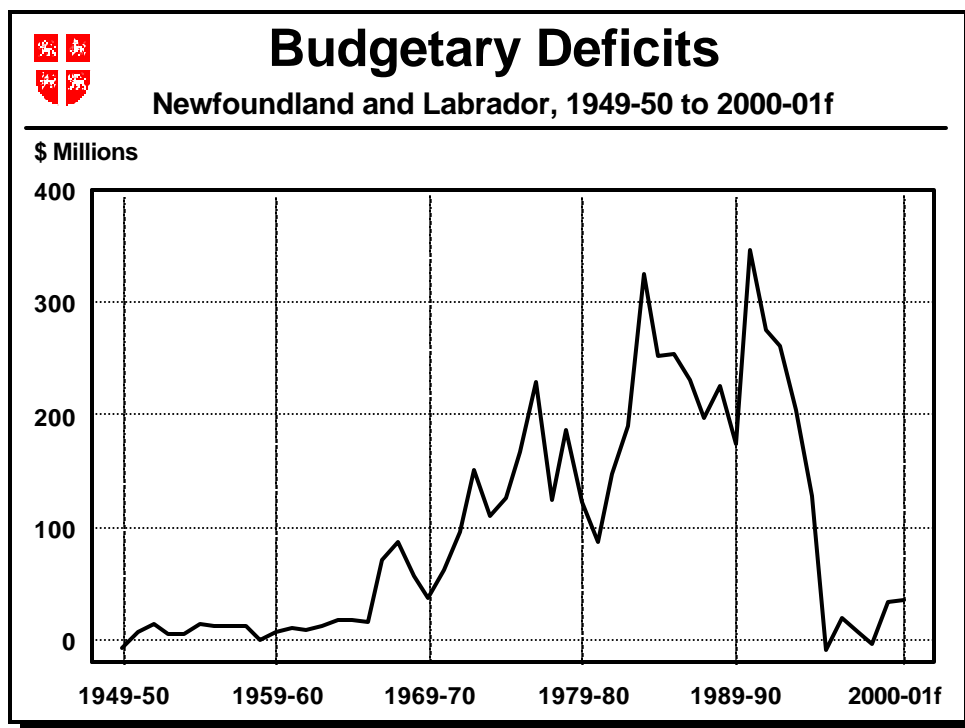
### 2000-01 Fiscal Outlook

Mr. Speaker, for 2000-01 our priorities are the priorities of the people of this Province. They spoke to us during the consultations on the Province's tax system held by the Premier's Advisory Council on the Economy and Technology, the Jobs and Growth consultations chaired by my colleague the Minister of Development and Rural Renewal and

 <b>ESTIMATED BUDGETARY POSITION</b> (\$Millions)		
	<u>Estimates</u> <u>2000-01</u>	<u>Revised</u> <u>1999-00</u>
<b>Current Account</b>		
Gross Expenditure	3,447.1	3,297.2
Related Revenue	<u>402.1</u>	<u>226.9</u>
Net Expenditure	3,045.0	3,070.3
Provincial and Federal Revenues	<u>3,146.2</u>	<u>3,203.8</u>
<b>Current Account Surplus</b>	<u>101.2</u>	<u>133.5</u>
<b>Capital Account</b>		
Gross Expenditure	261.9	299.7
Related Revenue	<u>156.0</u>	<u>133.4</u>
Net Expenditure	<u>105.9</u>	<u>166.3</u>
<b>Contingency Reserve</b>	<u>30.0</u>	-
<b>Total Budgetary (Deficit)</b>	<u><u>(34.7)</u></u>	<u><u>(32.8)</u></u>

the recent pre-budget consultations. We received sound advice. Mr. Speaker, the priorities of the people are clear.

We were asked to control the deficit so social programs and public services can be sustained. We have delivered this kind of sound and prudent fiscal management every year and this year will be no exception. The deficit target for 2000-01 has been set at \$34.7 million, which includes the \$30 million contingency reserve we have maintained each year against unforeseen events.



People have told us that the average family cannot afford to pay higher taxes. This administration brought taxes down for the first time since Confederation with the \$105 million HST cut in 1997. Taxes were cut again with the announcement last November that Provincial personal income tax would be cut by \$175 million over three years, commencing on January 1, 2000.

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People have told us that their priorities for any extra fiscal flexibility are straightforward. They want government to invest in health care, followed by education and helping those in need. Mr. Speaker, this is exactly what this budget does.

This budget also has another focus. We have listened carefully to the consultations held around the Province to renew our Strategy for Jobs and Growth. In this budget, we will be taking steps to respond to some of the things we heard.

A healthy fiscal position, combined with competitive taxes and a growing economy, is the only sure way to have adequate and sustainable social programs and public services. This first budget of the new century sets the course to achieving this goal.

### **Provincial Pension Plans**

Since 1998 we have been contributing special payments to public sector pension plans, which by the end of 2000-01 will amount to \$548 million. Further payments are required before government will have fulfilled its current obligations. The unfunded liability in all our public sector pension plans stands at \$3 billion. We have committed to make additional payments of \$116 million a year to reduce this obligation. These payments are necessary to ensure the pension benefits our employees have paid for are protected.

With the actions we are taking, pensioners can be confident they will continue to receive 100% of the benefits they paid for. Any increase in pension payments or indexing of the plans would require more payments by government and plan members. The present pension plans simply cannot afford any additional obligations for higher payouts at this time. We are open to discuss shared solutions with stakeholders.

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## FOR THE GOOD OF OUR PEOPLE

Mr. Speaker, of every three dollars we spend, two dollars is expended in the social sector. If we exclude debt servicing, we spend almost 80 cents of every dollar on health care, education and helping those most in need.

### Health Care

Let me be clear that the number one priority of this government is health care. As a government, we must ensure all Newfoundlanders and Labradorians have access to appropriate levels of quality health care. Escalating costs will continue to be our greatest single challenge in meeting health care needs.

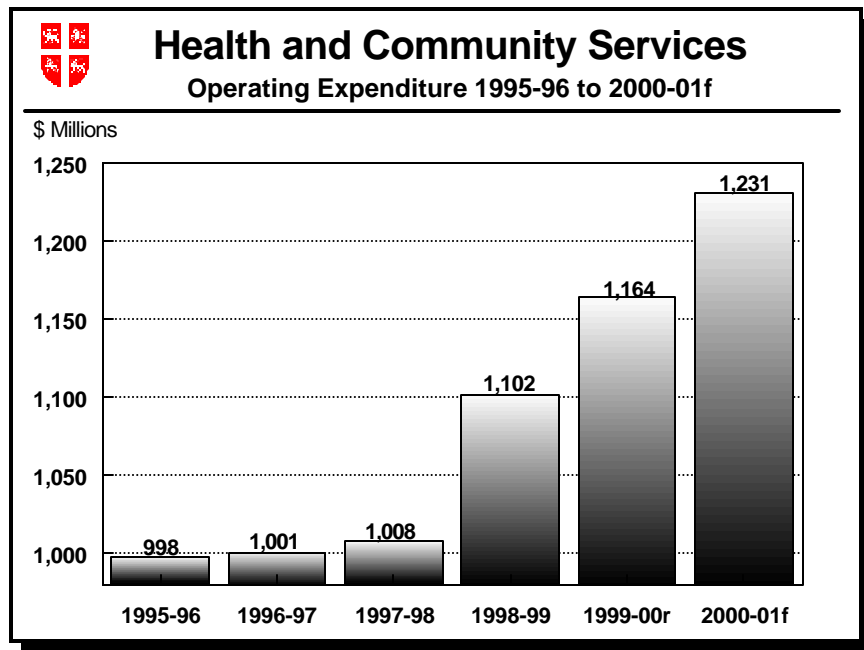
#### Our Record of Putting Health Care First

This budget highlights some of the measures we are taking to act on our commitment to health care. When this government took office at the end of the 1995-96 fiscal year the cost of operating the health care system was just under \$1 billion. This year, Mr. Speaker, we are allocating almost 1 billion 250 million dollars to operate the health care system, an increase of almost 25% in just five years. In comparison, the total cost of operating government over this same period has increased only 4.4%. Government will spend \$233 million more on health care this year than was spent five years ago.

When we took office we said the economy would have two tough years and then improve. We faced large deficits and had to undertake a program review exercise to rationalize our spending in the 1997 budget. Expenditures were cut in every department - except Health.

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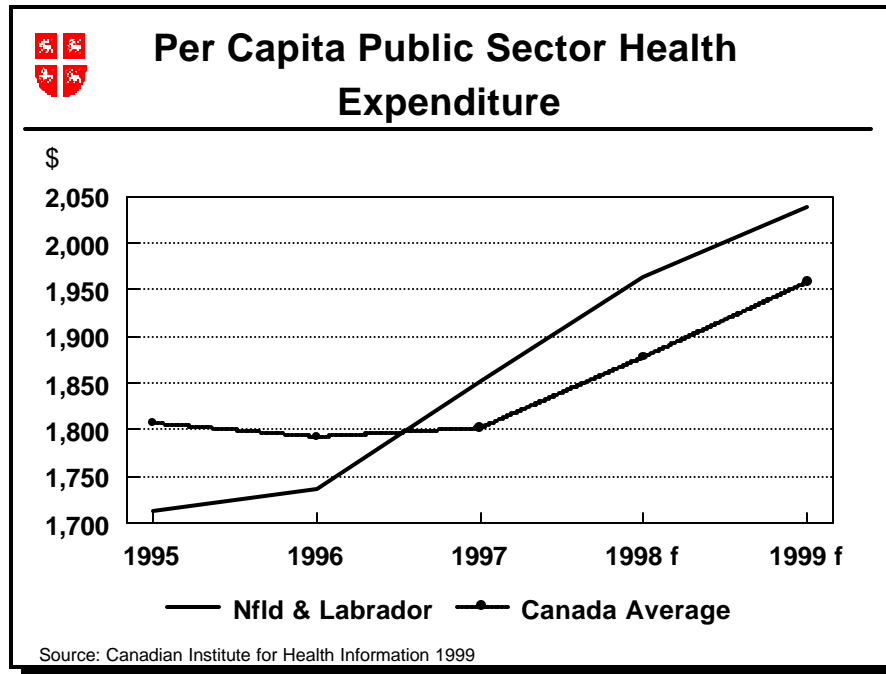
*for the health of our people, for the health of our economy*



Health care spending has increased in every year of this government's mandate. In total, we have dedicated \$516 million more to operating the health care system since we took office in 1996.

In addition, over this period, we have made commitments for \$273.5 million to be invested in health care facilities and equipment. Through the health and community services boards, a further \$160 million is being invested in capital projects approved by government. In total, these commitments represent an investment in health care facilities and equipment since 1996 of \$433.5 million.

The Canadian Institute for Health Information confirms that per capita public spending on health in this Province was below the Canadian average until 1996. But, since 1997 this Province has exceeded the Canadian average each year. This demonstrates the commitment of this government to health care.



At year end, an additional \$48.3 million is being allocated to health care. The budget increases spending for this year by \$87.5 million. This means that in this budget \$135.8 million more is committed by this government to health care spending. We are confident that this Province will again this year exceed the Canadian average for per capita public spending on health.

#### Stabilizing Health Board Budgets

In the 1999 Budget, \$40 million was allocated to eliminate deficits accumulated by institutional boards to March 31, 1998. Since the 1997 Health Forum, we have added to the base budgets of health boards each year. This includes a base budget increase at



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year end of \$16.7 million, the fourth increase in the annual allotment in four years. The cumulative amount that has been added since 1997 is \$173.4 million.

One of our primary objectives is to ensure the people's health care dollars are being spent wisely. I am announcing today that we have put in place a special review team to work with boards to identify core services, priorities, new directions and efficiencies. Following the work of the team, boards will begin to implement three year action plans. The objective is for boards to identify ways to optimize our health system and begin to define the system of the future.

#### Meeting Needs for Health Facilities

Mr. Speaker, the significant investment we have made in health care facilities in all regions of the Province is a legacy of this commitment. This year 14 major capital projects are being funded.

In 2000, we will see completion of the \$130 million redevelopment of hospital services in St. John's as the major centre for referrals for all the Province. The redevelopment includes a new Janeway Children's Health and Rehabilitation Centre with in-patient facilities for 103 children, renovations at St. Clare's Hospital and transfer of services from the closure of the Grace Hospital. Two other new hospitals will also be open in the Province this summer. In Happy Valley-Goose Bay the new \$30 million Melville health centre will open, as will the new \$8.2 million Harbour Breton Health Centre.

In addition, the redevelopment of the Gander hospital will continue. Work will be ongoing on new health centres in Old Perlican, Fogo and Bonne Bay. A new hospital for Stephenville will be completed in 2003-04. A long term care facility is being constructed in

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Grand Falls-Windsor. Planning and site preparation will commence on a new combined clinic/chronic care facility at Grand Bank.

As well, \$8.7 million will be spent to renovate and upgrade existing health facilities in the Province. Major renovations will be carried out at Carbonear, Clarenville, Corner Brook and Forteau. Many other projects will be undertaken throughout the Province.

Government has also approved funding of \$1.5 million towards construction of a new \$3.5 million Janeway Hostel.

#### Meeting Needs for Equipment

Additional investment in new health care technologies and equipment is also essential. Over the next three years, Mr. Speaker, government will spend \$54.3 million on equipment, \$24.3 million this year. The new Janeway will receive \$6 million for equipment. Together with \$5 million allocated last year and the \$6 million to be raised by the hospital foundations, the St. John's redevelopment will incorporate \$17 million in new equipment.

New equipment will be purchased for all regions of the Province. This includes X-Ray equipment for central and western Newfoundland and the Northern Peninsula; CT scanners for central and eastern Newfoundland, the Avalon Peninsula and Labrador; Ultrasound machines for central Newfoundland, the south coast and the Avalon Peninsula; mammography equipment for the Burin Peninsula; and kidney dialysis machines for the Northern Peninsula and eastern Newfoundland.

### Stabilizing the Health Care Workforce

One of government's goals is to have a stable workforce for the health sector. This budget allocates \$600,000 to provide incentives to graduating nurses who commit to work in the Province. Government will also undertake a 3 year \$225,000 program to assist nursing students gain experience in rural areas of the Province. An additional \$1.2 million is also allocated to hire Nurse Practitioner program graduates.

This year the Province will spend \$186 million for physician services. This includes \$8.2 million provided last year to hire more than 50 new physicians. This year \$2.1 million is budgeted to hire new salaried physicians in priority areas. Because of an increased number of fee-for-service physicians, \$1.9 million has been added to the physician services agreement this year.

### Investing in High Priority Programs

In programs and services, we have identified the needs which call for immediate investment, and are addressing specific requirements at this time.

#### *Cardiac Surgery*

Government has approved \$6.2 million to enhance the cardiac surgery program to meet current and future needs. New equipment is being provided, as well as an increase in operational funding. By the Fall of 2000 the number of surgeries will increase by 25%, or about 150 more surgeries a year. In the interim, to reduce the cardiac surgery wait list, the

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approved funding includes \$2.2 million to give 60 patients the opportunity to have their cardiac surgery performed outside the Province.

#### *Kidney Dialysis Pilot Projects*

Mr. Speaker, I am pleased to announce that new community based kidney dialysis programs will be established this year at Clarendville and St. Anthony, with more than \$570,000 provided to purchase new dialysis machines and to operate these pilot projects. This decision follows a report of the Provincial Renal Advisory Committee on Dialysis that identified these sites as locations for community based units in non-hospital environments.

#### *Breast Health Centre*

This year \$2 million is provided to create a comprehensive Breast Health Centre at St. Clare's Hospital. The Centre will serve as a screening and diagnostic facility for the St. John's area, as well as coordinate provincial diagnostic activities and be the administrative hub for the breast health program.

#### *Road Ambulance Service*

To improve road ambulance service in the Province, government is working with all operators and has approved a \$3.3 million increase in funding in this budget.

#### *Air Ambulance Service*

To replace the air ambulance with a more modern aircraft, \$6 million has been approved. The replacement plane will be faster and have longer range. It also will be able to

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accommodate two stretcher patients as opposed to the present one, and will be able to transport more medical equipment and attendants. Government will also increase funding for the service by one third, or \$400,000.

### *Drug Program*

An additional \$5.4 million is allocated this year under the provincial Drug Program to provide for coverage of new and proven drug therapies and for increased utilization.

### *Primary Care Projects*

This year \$1 million is provided to continue pilot projects in Happy Valley-Goose Bay, Twillingate and Port-aux-Basques to search out innovative ways to deliver primary health care through a team approach to health and well-being.

### *Enhancing Community Based Services*

Mr. Speaker, the integration of health and community services has achieved the goal of delivering services closer to the community. This year will also see enhanced services in this area through the implementation of the new Child, Youth and Family Services Act, and through other initiatives.

### *Children with Autism*

As part of a \$2.2 million three year commitment for support of children with autism, \$410,000 is provided this year.

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*Anti-Tobacco Strategy*

To reduce smoking in the Province, government has committed \$900,000 to a three year Provincial Tobacco Reduction Strategy. This year, the second \$300,000 has been allocated, reinforcing government's commitment to, in particular, curb smoking among youth.

*Cervical Cancer Screening*

For a cervical cancer screening program in western Newfoundland, \$200,000 is provided in this budget.

*Personal Care Homes*

For increases in subsidies and rates, an additional \$1.3 million is allocated this year for personal care homes.

*The Future of Health Care*

Mr. Speaker, this government has taken a practical, sensitive and forward looking view of our responsibilities to maintain and enhance the quality of health care in this Province. We are doing all we can within our means to address this number one priority. We strongly encourage the federal government to demonstrate the same level of leadership and commitment to health care nationally. The challenges facing our health care system are national in scope. Only with the full partnership of the federal government can we move to define together the health care system of the future.

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*Federal Financial Support for Health Care*

The Canadian Health and Social Transfer, or CHST, is a payment to all provinces and territories by the federal government in support of health care and other social programs. It recognizes that provinces have the constitutionally assigned responsibility to deliver health care services in this country and that it is the obligation of the federal government to ensure they have the financial resources to do so. Provincial-Territorial Premiers and Finance Ministers have been united in asking the federal government to restore the cuts made to transfer programs in the 1990s.

Mr. Speaker, governments, federal and provincial, must work together to secure the future of health care this year. Both myself and the Minister of Health will work with our counterparts in Ottawa and in the provinces to prepare a plan of action for a First Ministers' meeting on health care.

**Education**

Mr. Speaker, education is our second largest expenditure, accounting for 20% of the budget, or \$1 of every \$5 we spend. There is no greater responsibility we have as a government to our youth than to ensure they have the opportunity for a good education. Newfoundland and Labrador schools have the lowest pupil-teacher ratio in Canada and this Province has the highest spending on education as a percentage of total public expenditure, in the country.

## K to 12 System

In the K to 12 system our biggest challenge is how to deal with declining enrolments. Last August a Ministerial Panel was established to review curriculum and the way resources are provided to schools, and to make recommendations for a new method to allocate teachers. The Panel of two prominent educators, Dr. Len Williams and Dr. Ron Sparkes, consulted extensively with students, parents, teachers, administrators and other stakeholders. While the final report will not be submitted until the end of this month, key findings have been taken into account in this budget.

### *Teacher Allocations*

The decline in student enrolment and the closure of some schools could have resulted in a loss of 408 teaching positions for September 2000 under the current method for allocating teachers. The Ministerial Panel has recommended a new student-focused funding system which will allocate teachers based on the need to deliver an essential program for all students. The Panel has recommended the reinstatement of 300 teaching positions for September 2000, which represents a \$15 million reinvestment in the school system. Mr. Speaker, I am pleased to announce that government is accepting that recommendation and will be reinstating the 300 positions this year.

### *Professional Development*

We are increasing our investment in the continuing education of teachers to ensure they are provided with the most recent teaching strategies and skills. An additional \$900,000 has been allocated for increased professional development activities and to facilitate



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implementation of new curriculum, with emphasis on early literacy initiatives. This will bring the total investment in professional development this year to \$5.2 million.

### *Curriculum Enhancements*

Curriculum initiatives are also being undertaken this year. Funding of \$1.5 million has been allocated for implementation of new curriculum in September for mathematics, language arts and religious education. In addition, I am announcing that \$1 million is provided over two years for accelerated development and implementation of a new Newfoundland and Labrador history course. In technology support, funding of \$725,000 has been allocated for the purchase of new graphing calculators for all high schools to assist in implementing a new mathematics curriculum.

### *School Board Grants*

Government is allowing school boards to retain savings from school closures for three years. For some boards, who are now past the three years, government was entitled to deduct \$2.7 million this year from their grants. Instead, government has decided to reinvest this amount in the education system. Also, for the second year, government has decided not to reduce school board grants as a result of enrolment decline, allowing \$600,000 over the two years to be retained in the system. In total, as a result of school closures and enrolment decline, school boards have been able to retain \$7.6 million that otherwise would have been withdrawn from the education system.

*Student Assistants*

Government will also continue to respond to the special education needs of our children. This year, more than \$9 million is provided for student assistants to maintain the current level of service. We are listening to the concerns of parents. Assistants will now be assigned for terms of up to three years to better meet the long-term needs of students.

*Investing in School Buildings*

Mr. Speaker, in 1998 government embarked on the most significant school construction and redevelopment program undertaken since Confederation, a \$125 million initiative to be substantially completed by September 2001. To date, seven new schools have been constructed, including three on the northern Labrador coast in Nain, Hopedale and Rigolet. Under this initiative, some \$38 million will be spent this year on 11 new school construction projects.

An additional \$12 million over three years is being allocated to address priority repairs and maintenance for existing schools, with the principal focus being on roof repairs and air quality initiatives.

*Post Secondary System**Extending the Tuition Freeze*

Mr. Speaker, last year government announced a two year tuition freeze for post secondary students attending public institutions. Today I am announcing that, through the cooperation

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and participation of Memorial University and the College of the North Atlantic, agreement has been reached to extend this freeze for an additional year. This means the freeze will be in place for the coming two academic years. The cost to government over the three years will be \$36 million in increased grants to these institutions. This initiative will help maintain the affordability of public post secondary education and provide a measure of relief to the level of student debt.

### *MUN Opportunity Fund*

This budget also provides \$3 million to the MUN Opportunity Fund, bringing government's total contribution to date to \$18.3 million. Government's total commitment to this fund is \$29 million, matching other collections by Memorial on a dollar for dollar basis. It is particularly noteworthy that about \$15 million of this fund will be allocated to increase scholarships for students.

### *Investing in Facilities*

To relocate the Medical Science Program of the College of the North Atlantic from Topsail Road to a new facility to be built as an extension to the Prince Philip Drive campus, \$6 million has been allocated over two years, the first \$3 million this year. A further \$500,000 has been provided to purchase new equipment for the Program.

We are also providing \$2.1 million to refurbish and upgrade the exterior of Grenfell College in Corner Brook.

## Literacy Initiatives

### *Literacy Endowment*

Mr. Speaker, government has consulted with stakeholders and is about to release its Strategic Literacy Plan. Government is contributing \$1 million, to be matched by the National Literacy Secretariat of the federal government, to create a \$2 million Literacy Endowment Fund. The fund will be managed by the Literacy Development Council of Newfoundland and Labrador. The interest earned on the fund will be used for literacy initiatives based on the Strategic Literacy Plan. These monies are in addition to the \$500,000 allocated by government last year to commence implementation of the Plan.

### *Reading Materials for Libraries*

To ensure there is a good supply of current reading materials available through our public library system, government has provided a special \$1 million allocation for the purchase of new library books. This is in addition to their normal annual funding of some \$500,000.

## **Helping Those Most in Need**

### Strategic Social Plan

Mr. Speaker, implementation of the Strategic Social Plan began in 1999. Currently, two regional steering committees are operating. Within the next several months, the Plan will be set in motion in all other parts of the Province. I am pleased to announce that government has allocated \$2 million again this year for Strategic Social Plan initiatives.

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## Support and Employment Opportunities for More Families

We recognize that employment is the link between social and economic development. This is a central theme of the Strategic Social Plan and a recurring message in the recent Jobs and Growth consultations. We offer programs that help people in the transition to employment while ensuring supports for those who are unable to work.

This year \$12.8 million is provided for employment programs.

### *Social Assistance Rate Increase*

In 1998, we undertook to increase social assistance rates by 7% over three years. As part of this commitment, this budget provides for a 2% social assistance rate increase this year.

### *NewfoundJOBS*

Last year we implemented a provincial employment program, *NewfoundJOBS*, which helps social assistance clients find long term employment. This year, the program will receive an additional \$1 million, a 50% increase in funding.

### *Single Parent Employment Support Program*

We have also implemented a successful project, in partnership with the Single Parent Association of Newfoundland, to assist single parents on social assistance increase their employability skills. Almost 65% of participants are now employed. The project will receive funding of \$500,000 again this year to assist another 150 single parents.

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*Employability Assistance for People with Disabilities*

The Employability Assistance for People with Disabilities Agreement is valued at \$8.2 million annually, cost shared 50/50 with the federal government. As a result of consultations arranged by the Coalition of People with Disabilities, a report will be released in May that will help guide the future direction of the assistance programs.

To help persons with disabilities enter the workforce, \$500,000 is provided for the employment support services program. To give individuals with a disability the opportunity for employment and work experience in the public service, \$500,000 is provided, cost-shared with the federal government, for the Opening Doors Program.

*Children & Youth*

Mr. Speaker, this budget contains a number of initiatives directed at the needs of children and youth. The recent Jobs and Growth consultations highlighted the crucial role the youth of today will play in shaping the future economic success of the Province. To contribute to this success, this budget provides \$7.5 million for youth employment.

*Youth Employment*

To help 1,500 post secondary students find cooperative work placements and to help young people get their first job and gain work experience, \$5.5 million is provided this year.

*Student Work and Services Program*

Our award winning Student Work and Services Program will provide \$2 million again this year to create employment for post-secondary students. The program will create about 2,000 jobs for students, including 500 through partnership with MUN and the College of the North Atlantic.

*School Children's Food Foundation*

An additional \$1 million has been allocated as an endowment to the School Children's Food Foundation and recognizes the valuable contribution this organization makes to the well being of many children in our schools.

*Youth Service Grants*

An additional \$100,000 has been provided for Youth Service Grants, in recognition of the contribution youth organizations make to the development of our young people, bringing the total allocation this year to \$600,000.

*Supporting Sport*

We also recognize the dedication and hard work of provincial sport organizations and the contribution their volunteers make to recreational programs. To assist in these very worthwhile endeavours, I am pleased to announce that we are increasing our financial support to these organizations this year. Funding will increase by two thirds from \$300,000 to \$500,000 annually.

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Mr. Speaker, the Labrador Winter Games which concluded just last week were a huge success, and the people of Labrador need to know now that government will continue to support these friendship games. We are committing \$500,000 today to the next Labrador Winter Games in 2003. This will ensure organizers can commence planning for the next games and will benefit from any interest that may accrue on this contribution in the interim.

#### Local Government

##### *Debt Relief Program*

Mr. Speaker, over the last three years, through the Debt Relief Program, government has assisted many municipalities experiencing financial difficulty. This year government is committing another \$5 million to the program, bringing our total commitment over four years to \$22 million.

##### *Financial Support for Municipalities*

In total, the Province will spend some \$92 million this year in support of local government. Two thirds of this amount will go to pay the debt charges associated with existing municipal infrastructure. In addition, the Province also makes a substantial contribution to the general operating costs of municipal governments. Although Municipal Operating Grants were scheduled to decline, the Province increased their level to \$21.5 million last year. This provides municipalities with \$9 million more this year than they otherwise would have received.



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**FOR THE WELL BEING OF OUR INFRASTRUCTURE**

## Local Government

*Municipal Capital Works Program*

Mr. Speaker, in recognition of the significant challenges municipalities face in providing infrastructure for water and sewer, waste management facilities and roads, \$20 million will be provided again this year under the Municipal Capital Works Program. This cost shared program leverages the investment to about \$35 million a year. On average, this funding will allow about 100 municipalities to undertake about 140 projects.

The multi-year component of the Municipal Capital Works Program, introduced last year, is providing \$106.4 million to larger communities to allow for comprehensive multi-year infrastructure development. Cost shared on a 50/50 basis, the multi-year component resulted in 26 projects being approved in 10 municipalities.

*Disaster Relief*

A number of communities along the south and southwest coasts experienced significant damage to infrastructure and personal property as a result of a tidal surge in late January. The Province has been working to access funding under the Federal Disaster Assistance Arrangement. Mr. Speaker, I am pleased to announce that \$4.3 million has been provided to begin the process of restoring infrastructure in these communities.

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## Environmental Initiatives

To enhance environmental protection services, \$495,000 has been allocated in this budget. An issue that has raised concern in some municipalities is the level of trihalomethanes, or THMs, in drinking water. From the new funding, \$245,000 has been allotted for increased water sampling, to conduct training sessions for municipal personnel and for consultations with individual communities on THM solutions.

Environmental remediation, including PCB removal from several sites for destruction on the mainland, will be undertaken again this year at a cost of \$800,000. In addition, \$4.5 million is provided to commence work this summer on the environmental reclamation of the former Hope Brook mine site. New legislation has been passed to ensure that mining companies will have to fulfill their obligation for the environmental clean up of mine sites in the future.

## Roads and Transportation

Last year, the Province had the largest highway construction program since Confederation with an investment of \$118 million. Mr. Speaker, this year that record will be surpassed. We are announcing today a highway and road construction program for this year with a record investment of \$132.5 million. Since 1996 we have committed \$522.2 million to highway and road construction.

### *Trans Labrador Highway*

Phase 2 of the Trans Labrador Highway, the road from Red Bay to Cartwright, will continue this year at a cost of \$56 million, bringing the total investment to date to \$141.5 million.

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When completed in 2004, this project will represent by far the largest investment in road construction ever undertaken in Labrador.

The Committee on Future Transportation Needs in Southeastern Labrador will receive funding of \$30,000 from the Labrador Transportation Initiative. The committee, looking at southern Labrador's marine, air and road transportation requirements, will hold meetings over the next several weeks to get public input.

#### *Highway Depots*

An additional \$1.5 million has been allocated for the construction of two new highway depots in Labrador, at the halfway points between Goose Bay and Churchill Falls, and between Labrador City and Churchill Falls.

#### *Trans Canada Highway and Provincial Roads*

This year \$56 million will be spent to improve the Trans Canada Highway and regional trunk roads. Government will also be spending \$16 million on upgrading and rebuilding our provincial highways this year, matching the amount spent last year.

#### *Ferry Service*

Equally important to roads and highways in many parts of the Province is the ferry service. An additional \$2.3 million has been allocated for ferry vessel modification and repairs, including \$1.3 million for a recently acquired vessel undergoing refit which will begin service in the Fall of 2000.

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Ferry wharves are also being upgraded. The reconstruction of the Bell Island wharf will commence this year at a cost of \$1 million. In addition, work will be carried out on the wharves in Ramea and South East Bight at a cost of \$250,000. From the \$3.3 million budgeted for ferry terminals, the new mainland terminal for the Fogo/Change Islands Ferry Service at Farewell will be completed.

## **FOR THE PROSPERITY OF OUR ECONOMY**

Mr. Speaker, prudent fiscal management, quality social programs and modern infrastructure will not sustain this Province unless our economy is vibrant, growing and forward looking. Government recognizes that small business is a primary engine of economic growth in the Province. The small business sector accounts for over one third of all paid employment. This sector is creating new jobs at a rate faster than any other, accounting for about 95% of all net new job creation in the Province. Measures I am announcing today will contribute to sustaining this record and to the continuing growth of this important sector of the economy.

### **Renewal Strategy for Jobs and Growth**

Creating the conditions that will allow Newfoundlanders and Labradorians to capitalize on their economic opportunities is an integral part of this government's plan for the future. The recently completed Jobs and Growth consultations showed stakeholders are supportive of government's overall efforts and direction. Several measures we are announcing today respond to the consultations. As well, we are releasing an interim report on the major themes that emerged from the consultation process and the priorities for action that government intends to pursue immediately.

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*Seed Capital Equity Program*

Concern was expressed throughout the consultations about the lack of access by small business to sources of capital. I am pleased to announce a new Seed Capital Equity Program with funding of \$2 million. This program will make up to \$50,000 available, on a matching basis, to new entrepreneurs or existing small businesses seeking expansion opportunities in emerging areas of the economy offering significant growth potential.

*Venture Capital Tax Credit Program*

Government also intends to introduce a venture capital tax credit program. This program will provide investors with a tax incentive to invest in local businesses. Details will be announced this year following consultations with the business community and other stakeholders.

*Business and Market Development Program*

A new Business and Market Development Program is being established with an allocation of \$500,000. The program will provide new entrepreneurs or expanding small businesses with access to funding, on a matching basis, to help them acquire the necessary business expertise to pursue new business ideas and markets for their products or services.

## Tax Climate

Mr. Speaker, having a competitive tax climate was emphasized throughout the Jobs and Growth consultations as an important element of government's plan to encourage economic growth. Government is prepared to make changes to the tax system to create a

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more positive business climate. In 1997, this government cut taxes by \$105 million with the implementation of the HST and eliminated sales tax from the operating costs of businesses. Last November, government announced that personal income tax would be cut by \$175 million over three years, commencing with a \$42 million cut for the 2000 tax year. In both the 1998 and 1999 budgets, government cut the payroll tax by increasing the exempt threshold.

The Premier's Advisory Council on the Economy and Technology recommended in their report on the tax system that the corporate income tax rate for companies operating in the manufacturing and processing sector be increased from the current rate of 5% to 14%. Mr. Speaker, government has given careful consideration to this recommendation and has listened carefully to the business community during the Jobs and Growth consultations. We believe it is more important, at this time, to maintain the competitive advantage of businesses in this sector. Therefore, I am pleased to announce that there are no increases in corporate income tax rates in this Budget.

#### *Payroll Tax Reduction*

Mr. Speaker, I am also very pleased to announce today that this year government is cutting the payroll tax for a third consecutive year. The payroll tax threshold has been increased from \$100,000 to \$150,000 over the past two budgets, reducing the payroll tax burden by \$2.5 million annually. The threshold will be further increased this year from \$150,000 to \$400,000. In the last two years, the threshold was increased by \$50,000. This year we have raised it by another \$250,000.

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This measure will remove approximately 1,300 small businesses from the tax roll and lower the tax burden for all others. Over the past three years, 1,825 small businesses have been completely removed from the tax roll.

The 1% tax rate for renewable resource industries will be equalized at the general rate of 2%. The net impact of the changes announced this year will reduce the payroll tax by a further \$4.1 million annually. These measures are consistent with recommendations contained in the Advisory Council's report and the messages received during the Jobs and Growth consultations.

Payroll tax reductions since 1998 will put \$6.6 million annually back into the hands of employers, including many small businesses. Government remains committed to further reductions in the payroll tax as fiscal conditions permit.

### **Rural Revitalization**

Mr. Speaker, a special emphasis has always been placed by this government on rural revitalization. This budget commits \$40.3 million in new funding for small business and regional economic development under the \$81 million three year post-Tags economic development program and other cost shared agreements.

The Collective Enterprise Development Program provides micro-loans ranging from \$500 to \$5,000, as well as counselling services, to very small businesses and self-employed entrepreneurs. The program will be expanded over the next two years through a new investment of almost \$500,000.

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A \$10 million investment in 15 Community Business Development Corporations across the Province will provide risk capital for small to medium sized businesses in communities affected by the collapse of the groundfish industry.

An initial investment of \$500,000 also is being made to establish a network of Single Window Business Service Centres in each of the 20 economic zones to provide more accessible and streamlined services to the small business sector.

### **Fisheries and Aquaculture**

Mr. Speaker, one of the success stories of our economy continues to be the emergence of the new fishery and the growing aquaculture sector.

#### *Fisheries Diversification Program*

The Fisheries Diversification Program is a major catalyst for the rejuvenation of the fishery. This has been accomplished through investments in developing new fisheries, new products and new markets. This year, \$1.2 million is allocated to the program as part of the \$10 million federal-provincial Economic Development Component of the post-Tags initiative.

#### *Quality Assurance Initiatives*

A major factor in the recent success of the fishery has been the emphasis on quality control. An additional \$250,000 is being invested in quality assurance initiatives to permit increases in fish inspection quality, enforcement and awareness activities.



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*Fisheries Infrastructure*

Improving existing infrastructure is essential to the diversification of our fishing industry. An additional \$150,000 has been allocated for the maintenance and repair of community based fisheries infrastructure through the Special Assistance Grants Program and the Infrastructure Maintenance and Repair Program.

**Mining***Mineral Exploration Program*

To attract the investment necessary for mineral exploration and to support our growing junior mining sector, government announced last year a three year \$6 million Mineral Exploration Program, to be matched by at least another \$6 million from industry, for a total investment in mineral exploration of \$12 million.

The program is now being extended for an additional two years. Funding for the program will also be increased by \$250,000 a year. This will bring the Province's contribution to \$11 million over five years, and with the matching funds from industry, will see at least \$22 million invested in the mining sector, an increase of \$10 million over last year.

**Tourism**

Mr. Speaker, tourism continues to be a major success story for the provincial economy. With the success of the Cabot 500 celebration, the Canada Winter Games and Soiree 99, tourism is up over 30% since 1996.

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*Vikings! 1000*

To help ensure tourism meets our ambitious growth targets, government is providing an additional \$500,000 for the Vikings! 1000 Years celebration. A travelling entertainment showcase will accompany a Viking longship as she makes her way around the Province this summer to 10 ports of call. This is in addition to \$3.8 million already provided for planning, events and marketing for the Vikings! 1000 Years celebration.

**Cultural Industries***Newfoundland & Labrador Arts Council*

Funding for the Newfoundland & Labrador Arts Council will be increased in this budget by \$250,000, or over 50%. The cultural sector creates 7,500 direct and indirect jobs and generates \$200 million in revenue each year. Arts Council grants play a key role in initiating much of the activity in this sector. The increased funding will allow the Arts Council to give a greater number of grants, as well as more substantial grants to individual recipients.

**NORTHERN COASTAL LABRADOR STRATEGIC INITIATIVE**

Mr. Speaker, nowhere is the need to address the level of public services more acute than on the northern coast of Labrador. Here the factors of isolation and harsh climate combine with insufficient employment opportunities and high costs to make things like water and sewer, adequate housing, good roads and police protection, seem almost unimaginable luxuries for many of the residents. Because not enough has been done in the past to

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ensure these communities have the public services most of us take for granted, government must act now.

As a result of an interim agreement on self government, the Innu communities of Davis Inlet and Sheshatshiu will see more funding flowing into public services. When completed, the new community of Sango Bay will provide modern new facilities and infrastructure to residents of Davis Inlet. However, there is no similar agreement for the five communities with large Inuit populations, Nain, Hopedale, Rigolet, Makkovik and Postville, although housing conditions are the worst in the Province and other services clearly deficient. Good work is being done to upgrade housing in these communities by the Torngat Regional Housing Co-operative and the Newfoundland and Labrador Housing Corporation. The problem lies in that the pace of this work falls behind the needs that have been identified.

Mr. Speaker, to bring about improvements, we are announcing today the Northern Coastal Labrador Strategic Initiative. Under this initiative, government will provide \$23 million over three years for housing and infrastructure enhancement in these towns, consisting of aboriginal housing, water and sewer servicing and road upgrading. Other components of this initiative will repair community wharves and address policing issues.

#### *Addressing Housing Needs*

In aboriginal housing, there is an anticipated shortfall in housing construction and renovation, with an extra 65 new homes and 120 renovations needed over the next three years. Government will provide the necessary \$7.7 million in funding through the Newfoundland and Labrador Housing Corporation to address these extra needs. It is anticipated that between NLHC and the Torngat Regional Housing Co-operative that as many as 125 new homes and 280 upgrades could be completed over the next three years.

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*Water and Sewer*

The number of serviced building lots will have to be increased in the five communities to meet existing need and the requirements for new homes. Funding of \$9 million will be made available, \$3 million annually over the next three years, under the cost shared Inuit Communities Agreement to address this need. All existing dwellings will be serviced with water and sewer, as well as the additional new housing construction.

*Community Roads*

These communities all have gravel roads in generally poor condition. The Combined Councils of Labrador have been lobbying to have these roads upgraded. This budget provides \$6 million over the next two years through the cost-shared Labrador Transportation Initiative to provide the five communities with basic road upgrading, drainage and surfacing with crushed stone. This year \$3 million will be spent at Nain and Makkovik.

*Community Wharves*

In addition, to repair community wharves in Postville and Hopedale \$280,000 is provided.

*Policing Enhancements*

Government and the RCMP are proposing to implement an enhanced police presence in Rigolet, Postville and Makkovik. Under the proposal, an RCMP officer would be posted in each of Rigolet and Makkovik to work with two special constables. Postville will be policed

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from Makkovik. Government is also negotiating the re-establishment of an RCMP community policing office in Cartwright.

Government will be partnering with the Labrador Inuit Association, the communities and the Torngat Regional Housing Co-operative in the development and delivery of these initiatives.

Mr. Speaker, I want to recognize the hard work and tireless dedication of the honourable member for Torngat Mountains, whose efforts on behalf of his constituents are in large measure responsible for these significant investments.

Several other initiatives are being undertaken this year which will have wide ranging benefits throughout Labrador, including the completion of the new Melville health centre and work on the next phase of the Trans Labrador Highway. Government will be closely monitoring the situation in Labrador, particularly on the northern coast.

## **FOR THE VITALITY OF NEWFOUNDLAND AND LABRADOR**

Mr. Speaker, this budget does many things. It provides an overview of an economy showing great opportunity today and in the future. It demonstrates that firm fiscal resolve has rewarded us with sound fiscal performance. It shows that prudent fiscal management generates the fiscal flexibility to allow us to strategically invest in priority social programs and public services. It outlines our record of acting on the priorities of Newfoundlanders and Labradorians.

The number one priority of this budget and this government is health care. This has been amply demonstrated today. We have also taken action to enhance our education system

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and to help those most in need. We are refining our vision for sustaining economic growth in partnership with all stakeholders. This is truly a time of great promise for this Province. It is up to us, all of us, to work together, for the health of our people, for the health of our economy, and for the future of Newfoundland and Labrador.