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| **Province** | **Législature/Legislature** | **Session** | **Type de discours/Type of speech** | **Date du discours/ Date** | **Locuteur/Speaker** | **Fonction du locuteur/ Function**  | **Parti politique/ Political party** |
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**Prince Edward Island: Budget speech, April 8, 1997**

**Introduction: Securing the Future**

MR. SPEAKER, IT IS A GREAT HONOUR to present our Government's first Budget.
This is a Budget for the future of Prince Edward Island. It is about meeting our challenges today to provide hope and opportunity for a better tomorrow. The people of Prince Edward Island want to know that tomorrow will be better than today -- for themselves, and for their children.
The need for government action has been urgent. My colleagues and I took office in November only to find the finances of the Province would present an immediate challenge. We were handed a $55 million deficit for next year should the Government continue to deliver the same programs and services in the same manner. Demands were also mounting for additional spending in many key areas of public services.
That was the challenge we were given, and the challenge to which we have responded.
In charting a future course for this Province, it was tempting to ignore the need for fiscal restraint, as some have advocated. That would have allowed us to avoid making some difficult budget decisions now.
However, in reality, ignoring financial problems does not make them go away - it just makes them worse. Deficits are rolled into the provincial debt whose interest costs are borne by today's Islanders and future generations. This is not a solution to the problem.
Our first step in solving the deficit challenge, while working towards the spending priorities, was to consult with Islanders. We wanted to hear from the people of the Province how to best manage public funds.
Public consultations were held. We consulted with Islanders from all walks of life.
This Budget reflects what we heard. This Budget reduces the cost and size of government. It spends taxpayers' dollars more wisely, and better focused to the priorities of Islanders. This Budget builds a better future for ourselves and for our children.

**The Fiscal Challenge**

Mr. Speaker, the question has been raised of how such a large deficit challenge arose. Allow me to explain the key factors.
A major contributor to the budget problems we inherited is that our Health system expenditures were $11 million over budget. At the very same time, the financial assistance the Province gets from the Federal Government for the support of health care is being scaled down substantially. The Canada Health and Social Transfer payment to Prince Edward Island drops $12 million in 1997-98 in addition to the $17 million drop last fiscal year. It will also decline in the next two years.
These problems have been compounded by other revenue losses. This includes the loss of significant tax revenue now that construction of the Confederation Bridge is essentially completed.
Also, the previous government cashed in last year on our Crown Building Fund to bring a one-time revenue of $10 million into 1996-97.
With all of the factors taken together, our Government was presented with an enormous fiscal challenge.

**The Economic Environment**

Mr. Speaker, in addition to the fiscal circumstances, a Budget must also give due consideration to the current economic environment and outlook.
This year will be one of transition for the Prince Edward Island economy. Economic growth has been strong in recent years, driven in large part by construction of the Confederation Bridge. With the loss of that major stimulus, the economic numbers will likely show a small drop in 1997.
However, with the benefits from the Confederation Bridge and other positive economic developments, our economy will soon strengthen and become more broadly based. This strength will be broad-based both in terms of being spread across industries, as well as being spread geographically across the Island.
With the opening of the Confederation Bridge, tourism is poised to expand by as much as 20 per cent in 1997 alone. But the Bridge will benefit more than just tourism. Lower transportation costs and better access to markets will also spur growth in all goods- producing sectors, including our primary resource industries and manufacturing.
Prince Edward Island is increasingly becoming a manufacturer and an exporter. In the last five years, manufacturing shipments grew at an annual average rate of 8.5 per cent. International exports averaged growth of 16 per cent. Improved land transportation after June 1997 can only encourage further growth for our manufacturers.
The timing has never been better for our Island to prosper. The Confederation Bridge is only one of many positive factors. We have improved transportation facilities, a stronger agricultural base, more trade with the United States, more competitive energy costs.
Prince Edward Island has developed a computer and telephone infrastructure that allows us to successfully compete for information technology industry. State-of-the-art telecommunications linkages established during construction of the Bridge will position the Island to move ahead into the new and rapidly expanding knowledge economy.
Some of the optimism for the future is already reflected in a rebounding housing market. In 1996, the number of housing starts on Prince Edward Island increased 24 per cent from a deep slump in 1995. Aided by low interest rates, continued strength is expected in 1997.
Private investment is also increasing in many industries, another indication of optimism.
The future looks promising.

**Government Priorities**

Mr. Speaker, Islanders have been made aware of the Government's financial challenges and the need for fiscal restraint. This has led to concerns about the impact of Budget cutbacks.
The Premier, sensitive to the concerns, has already stated that we will take a reasoned approach to addressing the deficit issue. We will be guided by our priorities.
The first step for Government, if it is to contribute to a better tomorrow, must be to work towards getting the Provincial finances in order. Governments, like individuals, must learn to live within their means, otherwise they quickly become a slave to debt.
With all of the advantages this great Island offers, we have every reason to expect a good future - a future with better jobs, greater prosperity, and more hope for our children.
Government has a very important contribution to make to that better future. However, a Government that spends more money than it takes in, saddles taxpayers with the interest costs from public borrowing. Over the years the debt accumulates and becomes a very high price to pay.
Interest costs of the Provincial Government were $120 million last year. We are already paying a big price for the deficits incurred in the past. That is a lot of our tax dollars that now cannot be used for public program spending.
While restraint measures are always difficult, the option of running a large deficit in the order of $55 million is simply unacceptable, and would be blatantly unfair to future generations.
In the interests of wise financial management and responsible spending, we must take the steps now, difficult as they may be, to reduce and eventually eliminate the deficit.
Given that we must learn to live within our means, Government still had to decide on how to best go about achieving our financial targets.
To guide us in our decisions, we turned to the people of this Province. We wanted to hear what Islanders had to say. Public input is a critical component of this government's policy and decision making process.
Islanders told us that public services, particularly health and education, are so very important to them. Deficit reduction should not be allowed to be disruptive to the provision of these essential services. We must also be sensitive to the impact on the economy in this transition year.
We have also been told that the deficit should be reduced in a manner that distributes the burden as fairly as possible, and that we should have compassion for those most in need. Finally, most of deficit reduction should be brought about as the result of Government spending less, and what is spent by Government must be spent wisely.
We were advised that a more efficient government must focus on the services that matter most: education for our children, quality health care, job creation, and support for agriculture and our rural communities. Our limited financial resources must be directed to deliver the greatest benefit possible to Islanders.
The people of Prince Edward Island have told us that the dollars spent in education constitute a critical investment in our future. If the Island is to prosper, its people must be prepared to live and work in our rapidly changing economy. The funds allocated to education should not be subject to the same degree of cost cutting as other government spending. There must also be improvements to how we use our limited resources so as to deliver the best education possible to our children.
For health care, another key priority area, we have been told to protect, not cut, front-line services. Savings should come from a reduced bureaucracy. Also, more community involvement is needed in health care.
For community development, building stronger communities requires that we maintain existing health care facilities and small schools which are an integral part of many communities. We must also make communities the focal point of decision making and development.
Economic development and job creation is an essential ingredient to a better and more prosperous future. To this end, Government must help provide an environment where businesses can grow and create jobs. It is the private sector, especially small and medium sized businesses, that will generate new jobs.
In partnership with the private sector, we must strengthen and diversify the economy using traditional industries and new technology.
These are the main priorities and goals of Islanders upon which this Budget is based. Using these as our guide, we have set the course towards a better tomorrow.

**Building a Better Tomorrow**

**Deficit Reduction**

Mr. Speaker, this Government has taken the necessary steps to reduce the very large deficit for this year, and put us on the road to a balanced budget in the coming year.
The deficit for 1997-98 has been reduced to $17.1 million. We would have liked to have completely balanced the budget for this year. However, it makes no sense to impose even more difficult expenditure reductions in one year than we have already had to make, especially when the economy and government revenues are expected to rebound a year later.
To accomplish our financial goals we had to find savings in all areas of government spending activity. Operating expenditures have been cut by $21 million. Realignments in departments have been made to reflect the priorities of Islanders. The size of the Cabinet has been reduced to nine members.
The Government has had to make those same type of difficult adjustments that we all have had to make in our homes and in our workplace in these difficult economic times. This has not been easy, but we did it. We now have a Government that is smaller and more focussed.
While deficit reduction and spending cuts have been necessary, we have protected key areas of public services. Education and Health and Social Services, together, have been reduced by only 0.3 per cent from previous year spending levels. All other areas of government spending, excluding interest charges on debt, are reduced by 8.4 per cent. This reflects a decision to spend our limited financial resources on the things which matter most.

**New Partnership**

Most of what government provides is in the form of services. Because of this fact, restructuring and expenditure restraint has, by necessity, an impact on employees.
This government is dealing in a fair and compassionate way with employees affected by restructuring.
We will honour all existing collective agreements. Breaking contracts is not the way to build trust in those who are essential to the provision of the public services. Breaking contracts is not the proper example for Government to set.
The impact of government restructuring on public employees is being managed through proper planning, attrition and a workforce adjustment program.
In February, the Government established the Workforce Adjustment Program in accordance with the Collective Agreement between the Union of Public Sector Employees and the Government of Prince Edward Island. The program has assisted the Government in meeting its business objectives by encouraging voluntary reductions in the size and hours of work of the Civil Service. Where involuntary approaches are necessary, the Workforce Adjustment Program is helping to ease employee separation.
The reality is that we have been managing downsizing in the provincial government public sector for a long period of time. Our workforce has been reduced by over 700 full time equivalent positions in the last four years. Our government recognizes that downsizing does many things to an organization and its people. For those who are leaving, there is uncertainty about the future. For those who remain, it is a period of stress, with a growing workload, increasing demands and more pressure. Notwithstanding this current environment, my colleagues and I acknowledge the dedication and ongoing commitment of our employees to find new and better ways to serve our clients. We recognize their contribution and will work towards creating a new partnership between government and its employees.

**Health and Social Services**

Health and social services is one of those key areas where we have ensured that basic services are preserved, even enhanced, and that the system is operated as efficiently as possible.
The Government will disband the Health and Community Services Agency. This will improve accountability and fiscal responsibility in the delivery of health care and social services.
The overall budget for Health and Social Services is reduced by only 0.5 per cent. That will leave Health and Social Services spending well above its initial budget allotment from last year. With the savings from administrative reform, it will allow the quality of health care services to be maintained at a high level.
While other provinces are closing hospitals, Islanders can be assured that our existing hospitals will be maintained. Oncology services will be enhanced, and we will introduce a Provincial Mammography Breast Screening program.
Despite our financial difficulties this year, the Government will not include GST rebates in determining the amount of social assistance that individuals and families require. These people will be allowed to keep their rebates above and beyond their assessed needs.
The Province will also be working with the federal government to develop a national child benefit program to reduce the number of children in poverty.
Health and social services is one area of government spending that is critical to our seniors population. A Seniors Advisory Council will be established to advise government on all issues of concern to seniors.

**Education**

The Education budget is also being protected relative to other areas of government spending. Education spending is lowered by only 0.1 per cent.
Priority will be given to classroom enhancement. We will ensure all Island schools have access to the Internet. We will ensure that all schools and educational facilities are interconnected, so all students and teachers can gain access to valuable new information and technology skills.
Funding allocated for special needs children is being increased. The Government will also implement the policy framework put forward in the Strategy for Adult Literacy/Education to ensure a continuation of learning opportunities for adults.
Many of our school buildings are now at the point where the demand for repairs and upgrading is increasing. The Government is implementing a School Capital Repair Program which will provide more regular and consistent funding for necessary school repairs. Capital funding is being increased by $1 million for 1997- 98.
In the short term, the issue of air quality in our schools will be addressed. Initiatives will also be undertaken to address the need for improvements in the bus fleet to ensure safe transportation for our children.
For Island post-secondary institutions, we will provide multi-year funding commitments to facilitate better planning.

**Community Support**

Strong communities are essential to the future of our province. This Government will provide better help to communities.
The Government has already made a commitment to work with the School Boards to maintain small schools. With input from the communities themselves, these schools can be utilized to help strengthen the communities where they are located.
It is also important to improve community access to government services and programs. As a pilot project, the Government will implement a one-stop shopping concept for government services in the City of Summerside. If that proves successful, similar projects will be started elsewhere.
The Government will also enter into a new Infrastructure Agreement with the Federal Government to provide additional funding for needed community infrastructure. There will be $7.1 million made available for new projects.

**Economic Development**

As noted in the Throne Speech, the Ministry of Economic Development and Tourism will focus on eight key sectors: small business, tourism, information technology, biotechnology, food production and value-added processing, energy exploration and diversified manufacturing.
Improved access to capital is important to small and medium sized business. The Equity Investors Program is being enriched and expanded to include more sectors, and red tape will be reduced.
Research and development is another key to economic growth. In conjunction with the Food Technology Centre, we will establish the Food Products Development Fund to assist clients in the development and testing of new products.
The Government will also support the establishment of the Belvedere Life Sciences Research Group. This is a new company comprised of our key research institutes. This company will focus on accessing international research and development opportunities in food production, food health and diagnostics, and technology.
Mr. Speaker, the Government is also initiating the Knowledge Economy Partnership. This innovative approach to the future knowledge economy will facilitate joint efforts between the Federal and Provincial Governments to advance our capability in the area of information technology.

**Government Operations**

Most areas of government operations have been directed to achieve costs savings. We will implement new guidelines covering the tendering, issuing and awarding of government contracts. A fully accountable process for the selection of construction management services will also be implemented.

**Revenue Measures**

Mr. Speaker, this Budget also contains some revenue measures.
The decision to proceed with tax measures to help with deficit reduction was not easy. However, these measures protect us from having to make larger reductions in essential public services, while ensuring that the costs of deficit reduction are borne fairly by all. When Government finances strengthen in the years to come, tax reductions will be implemented.
Effective midnight tonight, the Gasoline Tax is increased one cent per litre.
Also, the sales tax on private sales of used motor vehicle increases from 10 per cent to 12.5 per cent. I wish to note that this still leaves the Island tax rate on such purchases below the tax rate of the other three Atlantic Provinces.
To also assist in the Government's deficit reduction, annual motor vehicle registration fees are increased from $68 to $75 dollars, and driver licenses are raised from $10 to $15 per year.
There will be a change in our high income surtax. Starting with the 1997 taxation year, the threshold for the Prince Edward Island surtax is reduced from provincial income tax payable in excess of $12,500 to provincial tax payable in excess of $5,200. The new threshold level is designed so that individuals with taxable incomes in excess of $60,000 will start paying the surtax. With the change, the surtax will apply to approximately 3,700 people, the top three- and-a-half per cent of tax filers in the Province.
In 1992 the Province introduced an income tax credit for purchases of shares in a registered Labour Sponsored Venture Capital Corporation. This credit provided a substantial tax break for those able to make such investments.
So far, the reductions in provincial income tax revenue as a result of this tax credit have exceeded the investment of the venture capital funds in Prince Edward Island that the credit was designed to encourage. I am therefore announcing a moratorium, effective tonight, on the qualification of further venture capital investments for the provincial tax credit.
Corporations must also contribute to deficit reduction. The Prince Edward Island general corporate income tax rate is being raised from 15 per cent to 16 per cent, effective July 1, 1997.
Also, the government share from video lottery profits is being increased from 50 to 55 per cent, effective May 1997. The share of the profits for the owners of the VLT machines is reduced by 5 per cent, while the commissions going to the establishments wherein these machines are located will remain the same. This revenue measure has no impact on consumers.
Finally, Government will more efficiently collect the money owing to the government. Increased tax audits are expected to increase revenues by over half a million dollars.

**Debt Management Plan**

Debt management is a function of government that goes largely unnoticed, yet has important financial impacts given the large amount of our interest bearing debt.
Although proper debt management will reduce interest charges on debt, debt management is fundamentally about managing financial risks.
The Province owes $1.2 billion in interest bearing debt. About $890 million is in long-term marketable debentures, $155 million is borrowed from the Canada Pension Plan, and $125 million remains in Provincial Deposit Receipts. Sinking Fund assets, which are comprised of Canada and provincial bonds, offset some of this debt.
The Government will make improvements in how this large stock of debt is managed so that greater cost savings can be achieved.
The Provincial Treasury took the first step towards proper financial risk management this past January by terminating the taking of deposits under the Provincial Deposit Receipts program. Although this program served the Province well in past years, the flows in and out of the program became too large and conflicted with the cash/debt management priorities of the Province.
The Provincial Treasury will replace the monies currently held in Provincial Deposit Receipts with alternative sources of funding. Between 10 and 15 per cent of the total interest bearing debt will now be maintained in different floating interest rate debt instruments - primarily Treasury Notes and interest rate swaps.
Also, the Province maintains a large Sinking Fund to retire debt when it comes due. This Fund holds a considerable amount of Prince Edward Island debentures that have been purchased over a number of years. In essence, the Province is paying itself for monies borrowed. The Province will take a one-time opportunity to defease (cancel) its own debentures which it owns. Defeasance of about $88 million of debt will produce long-term cost savings for the Province.
The Province will manage Government's financial assets and liabilities better. Starting now, the Provincial Treasury will take overall responsibility for the borrowing, investing, cash management and other financial activities of a number of Crown Corporations and Agencies. Until now these entities have carried out their own financial management. The consolidation of activities will result in greater efficiency and coordination, generating lower overall borrowing costs for Government.

**Three Year Plans**

Mr. Speaker, proper planning requires that we know where we are going beyond the short-term. Islanders need to have more certainty about the future. We must have a financial plan that extends beyond the immediate year.
Beginning with this Budget, financial projections for two years after the Budget year will be provided.
Government must live within its means. Departments and Agencies have been given spending targets that will allow us to balance the Budget in the next two years - 1998-99 and 1999-00. This is a significant achievement given the federal transfer reductions that have occurred and our present fiscal situation. Fiscal responsibility will be made a hallmark of this government.
The three year business plans based on these targets are attached to the Budget Address. They allow Islanders to know where Government is going in the medium term.
Eliminating the deficit is not an easy task, but the rewards will be lower borrowing costs, now and in future years. It means that we can stop the burden of growing debt for our children and grandchildren, so that new financial resources can be directed to the public programs which are needed.

**Conclusion**

Mr. Speaker, due to our economic and fiscal circumstances this year, the Province has been presented with some difficult challenges.
This Budget has met the challenges and put Prince Edward Island back on the road to a better tomorrow.
This is a Budget that:

* Addresses the provincial deficit challenge now;
* Spends taxpayers' dollars more wisely;
* Protects key areas of public services;
* Helps create a positive economic environment.

This government has listened to the people of Prince Edward Island.
The people have told us they want a Government that works for them and not the other way around. They want a Prince Edward Island where their children can grow and attend school in their own communities, where young people have hope and opportunity. They want a Prince Edward Island where quality public services are available now and in future years.
This is what we all want, and what we must all be prepared to work towards. This Budget sets us in the right direction.
It is true there are challenges, but there are also opportunities. We must not become so concerned by the immediate problems that we fail to use our vision to create the best province in Canada to live in.
This government, under the leadership of Premier Pat Binns, has not only shown the courage necessary to meet our fiscal challenges, but is also providing the vision to carry us forward into the next century. There is no reason why Islanders cannot achieve greater prosperity than they have ever before enjoyed.
I have been pleased to have been part of the process, and look forward to working with Islanders to build a better Province for us all.