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| Ile-du-Prince-Edward/ Prince Edward Island | 62 | 2 | Discours du Budget/ Budget Speech | 07-04-2005 | Mitch Murphy | Provincial Treasurer and Chair of Treasury Board | Progressive Conservative |

THE BUDGET ADDRESS

A Plan to Protect the Priorities of Islanders

Mr. Speaker, Members of the Legislative Assembly,

In this my second Budget I am pleased to announce that the past year marked a major improvement in the fiscal position of the Province.

This turnaround is the product of the hard work and dedication of all members of Cabinet, the public service and most particularly the leadership of Premier Pat Binns.

The public expect a level of service appropriate for the 21st Century and it is our role to provide it. We must be forward looking, do things smart and be in touch with the needs of the province. Islanders should expect no less.

When we first accepted this responsibility, we established four priorities to guide us: heath, education, jobs and communities. These priorities were clearly articulated in our first budget address and I quote:

Since then we have remained focussed on these priorities because they were, and they still are, the priorities of Islanders.

Mr. Speaker, this budget delivers a plan to protect and preserve these priorities into the future.

Mr. Speaker, at this time I should like to take the opportunity to thank all those persons and groups who took the time to see me during our pre-budget meetings over the past several weeks and months. I view these discussions as very fruitful and in all respects there was a level of knowledge and responsibility in terms of advice provided us that I found most heartening.

Changing Circumstances

While our principles and priorities remained the same throughout the decade, other circumstances changed. Circumstances like spiralling program costs, deteriorating federal funding and unforeseen events are now seriously challenging our ability to grow our economy and provide high quality social programs.

To illustrate Mr. Speaker, in the past ten years, spending on health increased by 68 per cent. In 1996 we spent on average, $550,000 dollars a day on health. Today we spend over $920,000 a day on these services. During the same period, provincial spending on education increased by 42 percent. Ten years ago we spent just over $4,900 per year on each child's education. Today we want more from our education system and we spend well over $7, 1 OO a year on each child' s education.

Mr. Speaker, during this time, our primary industries were negatively impacted by unforeseen circumstances such as drought, disease, market closures, SARS and soaring energy prices.

As a result of all these things, the cost of providing government services has now grown higher than the money we take in. Health care costs are growing far faster than our economy. At this rate of growth, they will soon consume two-thirds of total program spending.

Mr. Speaker, these circumstances have brought us to a crossroads in determining the future delivery of programs. Costs have spiralled and new money is limited. Adding more money to maintain and enhance programs is no longer an option. We must make better use of the resources we have available. We must live within our means so that our high quality services continue to be there for us and for future generations.

The alternative is to leave our children the bill for the high quality services we enjoy today. This government will not do that, Mr. Speaker.

A critical aspect of our fiscal position is the financial relationship between the Province and the Federal Government.

As a precursor to the Health Accords, provinces and territories discussed the need to extend additional funding to less wealthy provinces through a reform of the Equalization program. I will say more about this later, but the upshot of these difficult negotiations is that significant improvements in federal transfers through Equalization and Health transfers were accompli shed in the past year.

I should like to acknowledge the singular role played by our Premier in countless meetings both with his counterparts across Canada and with the Prime Minister, in pressing for increased federal funds for Prince Edward Island.

As we stand at this crossroads, there are two paths before us and we must choose which path we will take. This is an important decision. The path we choose will have a far reaching effect on the future of services like health care and education that are so important to Islanders.

The first path will take us to the Status Quo. If we go there, we would essentially resist change and tinker with programs, taxes and fees. As a result, we would likely find ourselves in the same place next year, except we would be deeper in debt and the same major problems would loom before us. Status Quo is a place where we would continue to spend more money than we take in, put our high quality programs at risk, and pass up opportunities for economic growth and prosperity.

The other path we have before us, leads us to the place called sustainability. To get there we would have to take control of the underlying issues, make prudent and responsible fiscal decisions and effect meaningful change. Sustainability is a place where we would live within our means, have no deficits, pay clown our debt and have the fiscal flexibility to invest in new opportunities for Island ers.

We think sustainability is the place that Islanders want us to go, and that is the road we will take, the road to sustainability.

This budget will lead us there. It is a budget that delivers strict short-term spending targets, structural improvements and fiscal responsibility. It sets out challenges that are unavoidable and ambitious but achievable. Mr. Speaker, we have overcome such challenges before and we will overcome them again.

Islanders are committed to fiscal responsibility. In our pre ­budget consultations, we asked them how they thought this budget should look. Among the many careful and thoughtful submissions we received, the overriding theme was clearly to balance the budget and pay clown the debt. Islanders also asked us to shape a smaller and less expensive government and to do this in a way that reflects our values and protects our most vulnerable citizens. Finally, they asked us to take immediate action to reduce program spending in a responsible manner so we can support strong economic growth, job creation, prosperity and essential social programs.

Economic Performance

The Canadian economy grew last year by 2.8 percent.

Our own provincial economy experienced modest growth in 2004. The provincial Gross Domestic Product increased by about 1. 6 percent.

The main strengths in the provincial economy were in housing construction and in manufacturing. In fact, the value of our manufacturing shipments, at $1.4 billion, was a record for the province. This resulted from expansion in the aerospace sector and the continued growth of processed potato production.

Employment expanded by 0.9 per cent in 2004. According to Statistics Canada, in November 2004, we reached the highest level of employment in the history of the Island at 68,900.

Not all parts of the Prince Edward Island economy fared as well, however, and these difficulties reduced the rate of growth of the economy as a whole.

While potato production improved in terms of volumes harvested, the value of potato sales were hurt by poor prices. At $152.7 million, potato sales were clown 18 percent from 2003. The value of beef sales in 2004, at $14.5 million was only about half of what they were in 2001. Consequently, total farm incomes in 2004 were negative $20 million, compared to $5.9 million in

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2003.

While residential housing construction remained strong, non-­residential construction did not enjoy the same growth.

Overall retail sales were unchanged from 2003, which indicates a drop in volume. Much of the decline stemmed from a drop in new car sales. Other contributing factors were the poor situation facing farmers, rising energy prices, a decline in tourist visitation and a modest ri se in interest rates. The consequence is that sales tax revenues in 2004-05 are $6.7 million below budget.

Mr. Speaker, looking ahead to the coming year, we estimate that the provincial economy will expand at a somewhat improved rate of 1.8 percent, compared to 1.6 percent growth in 2004. This expansion is expected to be driven by improvements in non­-residential, increased construction activity, an upturn in tourism and further increases in manufacturing shipments.

More information on the economy is contained in Budget Paper A

**Federal Revenues**

Mr. Speaker, no factor has more impact on our economy than federal transfer payments.

Federal-provincial discussions in 2004 culminated in wide ranging changes to federal revenues. As a result of the Premier's discussions with his counterparts and the Prime Minister at the First Ministers' meetings in October 2004, Equalization, our largest revenue source, was increased.

The 2004 Health Accord provides welcome relief from the impact of cutbacks in federal health transfers that we have endured since 1995.

The details on the changes to federal transfers are discussed in depth in Budget Paper B.

Mr. Speaker, I must emphasize that the financial impact of the renewed transfers only puts a halt to the collapse in federal revenues that the Province has experienced in recent years. The amount of these increases pales in comparison to ongoing increases in expenditure demands, especially in health care.

Mr. Speaker, federal transfers have fallen by over $10 million per year since 2000. The combined value of federal transfers to Prince Edward Island under Equalization and health care was $371 million in 2001-02. This fell to $360 million in 2004-05. The new Health Accords rai ses this to $408 million, which after taking inflation into account represents $370 million in 2002 dollars. In other words, after inflation these major federal transfers provide no actual growth in the Province' s bottom line since 2001-02.

It is clear that a very large part of the additional federal money for health care comes from money the Federal Government saved through cuts to Equalization payments to provinces since 2000. If these payments had grown with the Canadian economy, Equalization entitlements should have increased to $13 billion in 2004-05 and not $8.9 billion.

While I do not wish to dwell on this, I think it is important to point out that a very large part of the increased support for health care has come from ad hoc decisions taken by the Federal Government at year-end to prevent their surplus position from becoming too great. It is very much a product of the fiscal imbalance that exists between our governments, which ultimately serve one taxpayer. It is an unhealthy system that requires change.

Mr. Speaker, let it not be said that this Government has been silent on these issues. We will argue our points at every opportunity.

Fiscal Outlook

Mr. Speaker, in 2004-05 we planned for a deficit of $33 .1 million. The final deficit number of $39.5 million includes an additional $5 million to allow for Workforce Renewal.

Mr. Speaker, the most important budget indicator is the difference in Net Debt, which tells Islanders how much has been added or reduced from the debt. 1 am pleased to announce that today we are projecting an increase of only $24. 7 million, $ 8 .1 million lower than was anticipated in the 2004 Budget.

The increase in Net Debt for 2005-06 is $9.9 million which represents less than 1 percent of total expenditures. The deficit, including accounting changes for tangible capital assets, is projected to be $22 million.

Mr. Speaker, this budget contains a balanced mix of expenditure reductions and revenue measures. It was a very difficult one to prepare. It required us to do very careful analysis and make difficult choices. It contains overall spending reductions in every department of government except Health and Social Services and Education, which received budget increases. With a strong focus on the preservation of front line services, it is a plan to effect real change that will enable the Province to live within its means.

It is also a very transparent budget. Islanders are asking us to keep them better informed of the public accounts and to communicate our plan for debt reduction in a clear, consistent and transparent way. Mr. Speaker, they are right. We can do better and we will do better.

**Program Renewal**

Mr. Speaker, during the past year we have taken the necessary steps to renew and sustain government programs in a planned and orderly fashion through our Program Renewal process.

The first step was to develop a profile of every one of government' s more than one thousand programs. The second step was to actively engage employees in a thorough evaluation of each program. The next step will be to establish a permanent Program Renewal office.

Program Renewal has been an inclusive process. It involved 19 teams and a total of 165 employees from all levels of our organization. Another 150 employees provided input directly. Teams evaluated each program and identified ones with potential for change. Their evaluations were reviewed by each departmental management team and a Steering Committee of Deputies before going to Cabinet.

Some of the initiatives identified in this budget are recommendations of Program Renewal. Others are decisions made by Cabinet to reduce the deficit and ensure the Province' s finances are healthy.

Many people have the perception that Program Renewal had a beginning and end, and that it is now over. This is not the case. Program Renewal is an ongoing process that we will engage even further in to ensure that our programs continue to be effective, efficient and affordable. As a result of Program Renewal, we now have a much clearer picture of which programs are working well and which ones are not.

Program Renewal teams also evaluated corporate services that are provided government-wide. In the coming year, many of these corporate recommendations will be implemented. These include the streamlining of pension administration, payroll, finance, human resources, and policy and planning services.

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Action will be taken to implement several other opportunities identified through Program Renewal. Working with health professionals, our Government will lead a process to examine scope of practice and maximize the contributions of various health professionals. Improvements will be made in the way we provide school bus maintenance. We will also take steps to improve the utilization of government facilities and non-essential capital assets.

Mr. Speaker, the first major step to implement Program Renewal was the Workforce Renewal Program. Government chose to offer employees incentives to voluntarily retire as a means to provide flexibility in our budgets and workplaces. As positions become vacant, work will be reorganized and redistributed.

Revenue Measures

Mr. Speaker, Islanders should share equally in the challenge to improve our finances. In addition to expenditure reductions, this budget includes some new revenue measures.

In last year' s Budget Address, I referred to the need to be bold and innovative in developing the provincial economy and to conduct a comprehensive review of our tax system. As a result of this review, we introduced a series of income tax based measures to attract investment to the province. The new Progressive Tax Rebate program includes an Innovation and Development Credit, an Enriched Investment Credit, a Share Purchase Credit and a Specialized Labour Credit.

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Ialso indicated that we study the Corporate Income Tax structure to sustain our industries' competitiveness. As a result, as of April **1,** 2005, the Corporate Income Tax rate on small business will be lowered by one percentage point, from 7.5 per cent to 6.5 per cent.

Further, Mr. Speaker, as a result of our analysis of the impact of existing special corporate tax provisions for manufacturers and processors, we are eliminating the special rate reduction for manufacturers and processors. Small, growing manufacturers will continue to benefit from the lower tax rate for small businesses, and to access the new tax based incentives. The provincial manufacturing and processing investment tax credit will be maintained.

The net revenue impact of these corporate tax changes is estimated to be $3 million per year.

The tire tax will increase from $2 per tire to $4 per tire to reflect the true cost of disposing of old tires.

Currently, seniors can defer their property tax as **1**ong as they live in their own home and their income is $22,000 or less. This income threshold is now increased to $30,000 to provide more assistance to lower income seniors.

Mr. Speaker, as of midnight tonight, we are changing the way we tax gasoline and diesel fuel. We will drop the tax on gasoline from 17 cents per liter to 11.5 cents, and on diesel from 16.5 cents to 11.5 cents. The provincial sales tax will then be applied to the wholesale price of these fuels. This will allow tax revenues to vary with the price of fuels. The price of gas on Prince Edward Island will still be less than on the mainland. The revenue impact in 2005-06 is expected to be $5.6 million.

Mr. Speaker, the Province will continue to levy no tax on home heating fuel.

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Finally Mr. Speaker, 1 am announcing the introduction of a new Real Property Transfer Tax. It will be based on the gross value of all property sales. We expect the new tax to come into effect in 30 days time. This is in line with such a tax in several provinces, including Ontario, Manitoba and Nova Scotia.

The impact of these revenue measures is to improve our total revenues in 2005-06, by $10.6 million. While we would prefer not to raise taxes, 1 believe that they are necessary from a fiscal perspective and that their economic impacts are minimal.

Sustaining Our Health Care System

Mr. Speaker, in health care, we have much to build on. Over the years we have held fast to our commitment to front line health care. Accordingly, we maintained and enhanced hospital services, replaced and modernized health facilities, invested in new medical technology and expanded provincial drug programs. We recruited more doctors and nurses, increased base funding for health and invested in key health policy areas. As a result, Islanders now enjoy high quality health services and we are well on our way to creating a culture of healthy living in our province.

During the past year, we opened a new $55 million hospital in Summerside. Ten new long term care beds were opened at the Community Hospital in O'Leary. We continued towork with the QEH Renewal Committee to develop an orderly upgrade for our major referral hospital, which is now 22 years old. Funding is included in this budget to continue this planning process.

Funding for provincial drug programs increased by $1.2 million. Drug coverage was further expanded through new financial assistance for medications to treat rheumatoid arthritis and Crohn's disease. New funding of up to $200 per month was introduced to help Islanders with the cost of home oxygen equipment and supplies. An additional $1.8 million was allocated to meet rising costs in blood services.

A total of 86 new registered nurses were brought into the health system in 2004-2005.

Three family physicians and five specialist physicians were recruited to Prince Edward Island last year. Another 55 physicians were recruited to provide temporary locum services.

We worked in partnership with cancer survivors and community organizations to introduce a new *Cancer Contra! Strategy* to reduce incidents of cancer while improving the lives of cancer patients.

Through the *Strategy for Healthy Living* we continued to work with communities to make healthy living the norm in our provmce.

We recognize the great value of preventing illness and last year, we invested $262,000 to immunize children against meningitis. W e also vaccinated over 7, 000 students against whooping cough. As a result, our children now have the most complete coverage in North America against this serious childhood illness.

Mr. Speaker, I am pleased to advise that this year, we will invest an additional $465,000 for a new pneumococcal vaccine to immunize infants against meningitis.

Mr. Speaker, funding health and social services has been, and continues to be, the biggest challenge facing government. In the past five years alone, spending on health and social services has grown from $310.6 million to $435.6 million, an increase of over 40 per cent. If we fail to slow the present rate of growth in health spending now, it will consume two-thirds of total program expenditures in five years time. This is a level of expenditure that we, as a small province, simply cannot afford.

For these reasons, we will begin immediately to improve the way the health and social services system is organized. Cost savings will be realized by reducing overlap, duplication and administration. These savings will help to address the rising costs in front line patient and client services.

Mr. Speaker, we are a very small province and we can no longer afford to deliver health care through five separate systems. We do not have the financial or human resources to duplicate work in several areas. Accordingly, the four Regional Health Authorities and the Provincial Health Services Authority will be brought together as one system under the *Department of Health.* To ensure a strong community voice in health care, Community Hospital Boards will be established to oversee, manage and plan for community hospitals.

A separate *Department of Social Services and Seniors* will be created. It will be dedicated to social services, children and meeting the special needs of our growing seniors population.

Mr. Speaker, this reorganization of services will result in cost savings of $9 million each year. Wherever possible, employees affected will be offered positions that have been vacated through the Workforce Renewal Program.

Mr. Speaker, people are the most important element in the delivery of high quality health and social programs. This type of change is always difficult for staff Rising costs and inefficient structures are not the fault of our dedicated employees. We will make every possible effort to ensure that staff are supported throughout this transition.

Collective agreements will be honoured. By eliminating vacancies, early retirement and voluntary departures, layoffs will be a last resort. We will ask the unions to work with us to ensure that we can continue to afford our publicly funded and publicly administered health care system.

Further cost savings will be realized through a funding delay this year for the Montague Family Health Centre renovation, reductions to the Seniors Home Repair program, nurse recruitment, including the Health Care Futures program and the Dental Public Health Budget.

Additional investments to be made this coming year in Health and Social Services include: expansion of the Souris Hospital; an additional $9.5 million for salaries and benefits as per the collective agreements; $2.6 million for physician and hospital services; $837,000 for the Disability Support Program and $600,000 for Early Learning and Child Care; $3.3 million for increased operating costs; and $2.7 million for provincial drug programs.

New funding of$400,000 will be made available for Alzheimers medications. An additional $1 million will increase financial assistance for subsidized residents of private nursing homes.

Additional funding of $155,000 will restore provincial funding for the *Best Start* program this year to $720,000. This will help new parents improve their ability to care for their children and to give them a good start in life.

Through these combined initiatives, the Health and Social Services budget will increase by $15.8 million.

Sustaining Our Education System

Over the years, Mr. Speaker, we have continued to invest in student learning. Islanders take great pride in the inclusionary practices we adopted in our schools which now provide all students with an equal opportunity to learn. We built school facilities and made new technology available to improve learning. We invested in new curricula, a universal kindergarten program and early literacy initiatives.

We added teachers and reduced class sizes, particularly in the primary grades. Mr. Speaker, had Government continued to staff teachers using the previous funding model, today we would have

165 fewer teachers than we did in 1997.

Last year, over 600 computers were added to classrooms and labs. New enhancements to our data network now enables all schools to access internet information, on average, 33 times faster.

The Bluefield High School expansion, officially opened in August 2004, is a fine example of how we improved student learning by investing in modem and well-equipped school facilities. During the first phase of construction in 2000, eight new classrooms and an administrative area were added at a cost of $2 million. The latest $6 million phase includes new science labs, music and art rooms, an updated gymnasium, career exploration and trades training facilities.

The $6 million addition and renovation of Summerside Intermediate School, officially opened in December, offers many similar features.

Our Government recognizes that good reading, writing and math skills are essential to learning everything else in life. For these reasons, we continued to invest in early literacy programs such as the Reading Recovery program which dramatically improves a child' s ability to read by the end of Grade One. This year, eight more teachers were trained in Reading Recovery.

Mon gouvernement reconnaît que de bonnes compétences en lecture, en écriture et en mathématiques sont essentielles à apprendre quoi que ce soit dans la vie. Nous avons donc continué à investir dans des programmes de littératie tels que le programme d'intervention préventive en lecture-écriture qui améliore considérablement la capacité de l'enfant à lire rendu à la fin de la première année. Cette année, huit autres enseignants ont été formés pour offrir le programme d'intervention préventive en lecture-écriture.

Mr. Speaker, learning is a lifelong process that begins in the early

years and continues long after we finish high school, college or university. For these reasons, Government will work with our partners this year to develop a strategy to improve literacy and learning in our province.

In February, the Premier named a task force to recommend ways to improve student achievement in Prince Edward Island. The task force will take a close look at how our students are achieving and how our education system is performing. They will recommend actions to ensure that our children are getting the best education possible. The task force will provide its report to the Minister of Education by September 30, 2005.

Mr. Speaker, although Government remains committed to the new staffing model, we cannot make the progress we wanted to this year. We, however, remain committed to achieving the outcomes of the model. Our present teacher complement will be reduced in 2005-2006 in accordance with declining enrolments. The resulting student-teacher ratio will not change from the ratio this school year.

Other cost savings will be realized through reductions of $615,000 in administrative services and $200,000 in materials and program resources.

Our Government continues to ensure that Island students have access to high quality post-secondary education here at home.

Last year, UPEI and Rolland College each received additional operating grants of $750,000. We continue to support the growth and development of UPEI through our $25 million pledge to the Legacy campaign.

Through funding of $720,000 for the Island Student Award program, we provided $600 awards to 1, 172 Island students in their third and fourth years at UPEI and Rolland College.

Another $7.9 million was provided directly to 2,250 students through the PEI Student Loan program. This represents an increase of 36 percent over the previous year.

Mr. Speaker, over the past five years, we increased funding for higher learning by over 60 percent. This support has helped to bring enrolments at UPEI and Rolland College to record levels. UPEI' s tuition rates are now the second lowest in the Maritimes and the fourth lowest in the country. Our quality programs make our institutions among the best values in the Maritimes today.

We applaud the tremendous success being achieved by UPEI, Rolland College and our students. To help them build further on this success, and in acknowledgement of increasing enrolments at UPEI, we will provide UPEI with increased operating funding of $1 million and Rolland College with increased funding of $500,000.

I am pleased to announce that over the next ten years, the Province will make special payments of $16 million a year to the Teachers' Superannuation Fund. This will result in greater security benefits for members and savings to the Province of $3 million per year.

In conclusion, Mr. Speaker, the Education budget will increase from $223.9 million in 2004 to $226.3 million in 2005.

Sustaining OurCommunities

Mr. Speaker, our Island way of life is defined by our strong and supportive communities. This Budget supports sustainable growth in Island communities.

Last year, our Community Development Bureau funded 59 projects worth $1.1 million.

In partnership with the other governments and communities, 77 new affordable housing units were opened across Prince Edward Island last year.

We are pleased to endorse the work of the 2009 Canada Summer Games Bid Committee. This budget allocates $575,000 toward preparation for this prestigious national event. Of this amount, $437,400 will help with start-up costs for the Games. Another $138,000 is allocated to the *Best Ever* program which prepares Island coaches and athletes to compete with the best in the country. There will be $500,000 redirected to support the development of sports facilities needed to host the Games. These investments will produce economic benefits for Island communities and a lasting legacy for Island athletes.

We are making substantial progress in our negotiations with the Federal Government to sign the best possible deal for Islanders through new federal infrastructure funding. Our goal is to insure that the agreements meet the needs of Island communities and our ability to financially contribute. These programs will involve a provincial investment of more than $18 million in Island communities through the Municipal Rural Infrastructure Program and $15 million through the second phase of the Strategic Infrastructure Program. We are also working closely with the Federal Government on the implementation of the New Deal, funding which will involve an expenditure of $37.5 million from federal gas tax revenues over a five year period.

We hope to finalize negotiations with the Federal Government in the near future. At that time, when the negotiations are concluded it will mean $122.6 million in much needed infrastructure improvement for the province.

Grants for culture and heritage will decrease by 6 percent. The operating grant to Confederation Centre will be reduced by 5 per cent for this year.

Grants will also be reduced in sport and recreation by less than 5 percent. These sectors have enjoyed significant funding increases over the last number of years. These one-time reductions should not unduly impact our continuing support in this area.

Sustainable Economic Growth

Mr. Speaker, Islanders have made great progress in growing and diversifying our economy in recent years.

Today there are seven aerospace companies operating successfully in Prince Edward Island. They employ over 800 Islanders. Aerospace sales are projected to be $263 million in 2004, an increase of $83 million or 46 percent.

Our investment in the Atlantic Technology Centre is an investment in the growth of an industry that has paid off Today, there are approximately 300 people working in 20 different enterprises at the Atlantic Technology Centre. Sales of the tenant companies in 2004 were approximately $21 million. The annual payroll was approximately $14 million and activity of companies accounted for over $5 million in local purchases.

During the coming year, the Institute for Nutri-Science and Health will open at UPEI. The Institute will partner with private business for their research, a new approach by the National Research Council to encourage continued business growth and investment.

Cost savings of $1. 6 million will be realized in the Development and Technology budget this year through administrative, property and lending operations cost reductions of $863,000 and reductions of $150,000 in the Equity Investor Incentive Program, $30,000 in the Short Film Program, $457,000 in the Strategic Infrastructure Business Development Program and $100,000 in capital acquisition programs.

**Tourism**

Mr. Speaker, during our pre-budget consultations, representatives of the tourism sector made an excellent case for increased investments in tourism. I am pleased to respond positively to their requests today. This budget includes an additional $1 million for tourism marketing this fiscal year. This represents a 30 percent increase in our tourism marketing budget.

Savings of $618,000 will be realized through reductions in the Department of Tourism.

Additional cost savings will be achieved through the closure of some campgrounds, day parks and visitor information centres. These include the Campbell's Cove and Strathgartney campgrounds; the Fisherman' s Haven and Victoria day parks; the Brackley Visitor Information Centre and the Poole' s Corner Visitor Information Centre. In addition, we will work with the Summerside Regional Development Corporation to relocate the existing Visitor Information Centre in Summerside to the waterfront.

Mr. Speaker these were not decisions that were taken lightly. They reflect our ongoing discussion regarding which types of services should be delivered by govemment and the private sector. These campgrounds are very expensive to operate and keep up. They have been experiencing downward trends in utilization. Visitor Information Centre transactions have been on a steady decline as more and more people seek tourist information through our website and expanded network of Welcome Centres in Island communities.

**Agriculture, Fisheries and Aquaculture**

The Department of Agriculture, Fisheries and Aquaculture continues to improve the competitiveness of our primary industries and the quality of our products.

Our Government has been there to help farmers through difficult periods. In the past five years, we have contributed $65 million through CAIS and previous disaster relief programs. Coupled with revenue foregone through tax exemptions, we have provided support of more than $170 million to assist farmers.

The 2004-05 budget forecast includes one-time expenditures of $3 million for the new Borden-Carleton beef plant and the second installment of a $1.8 million investment in hooks and shares at the plant.

The proposed budget estimate for 2005-06 includes cost savings of approximately $1 million.

The Department will maintain its commitment to safety net programs. Our share of payments under the Canadian Agricultural Income Stabilization program and other support programs is more than $10 million annually, or more than one ­third of the Department' s total budget.

Programs to protect soil and water quality will be continued. Close to $1.5 million has been allocated to the Sustainable Resources Conservation program for on-farm conservation projects.

Funding for *Future Farmers* will continue, with provisions for business planning, training and other supports. An additional $300,000 will support skills development through the Canadian Agriculture Skills Service program.

Food Trust is achieving success in marketing and branding our products. This helps us to achieve greater stability and access to agricultural and fisheries markets. Over the next two years, Government will continue to support Food Trust, on a declining basis, as it works toward its model of self sufficiency.

The Department continues to encourage organic and low input production through support for research, extension and certification.

Support for the post-harvest virus testing program will be continued at a reduced level.

Cost savings will be found in Farm Extension Services. The Fur Advance Program is eliminated and the annual grant to the Artificial Breeders Association will be phased out over the next two years.

We will continue to work with the industry to further develop aquaculture production with expenditures of approximately $400,000.

The Department' s test production program in Fisheries and Aquaculture will be terminated, although initiatives to support value-added product development will continue. We will work closely with other provincial agencies and the industry on fish processing opportunities.

The Department of Agriculture, Fisheries and Aquaculture will continue to work closely with industry partners to ensure that priority areas continue to be addressed using a flexible and coordinated approach that ensures effectiveness and efficiency.

**Environment, Energy and Forestry**

Wind energy development is a key component of our new Renewable Energy Strategy. We will proceed this year to pursue a 30-megawatt wind development in eastern Prince Edward Island. Islanders will be invited to share in this development.

We are also exploring the potential for biodiesel, a cleaner-burning alternative fuel made from natural, renewable sources such as canola. A provincial Biodiesel Working Group is now evaluating expressions of interest and will recommend ways to proceed.

Prince Edward Island has been a leader in taking action on climate change. A Climate Change Coordinator was hired in 2004. A Legislative Assembly Committee on Climate Change carried out extensive consultations and will report during this session of the Legislature.

Government is committed to lead by example in energy conservation through its new ***Greening*** *Government* initiative. New fuel efficiency standards for government vehicles came into effect this month. Measures are now in place to reduce unnecessary lighting at the public administration buildings. They are estimated to save 2.3 percent of the annual electricity costs for the complex, and in turn, reduce greenhouse gas emissions.

Mr. Speaker, I am pleased to advise that effective immediately, the purchase of small-scale renewable energy equipment and technology are exempt from provincial sales tax. This will encourage homeowners, small businesses, and agricultural operations to take advantage of technology to reduce reliance on fossil fuels. The tax exemption will apply to such technologies as infrastructure for wind energy systems less than **1** OO kilowatts; ground-source heat pumps; solar panels for domestic hot water heating systems and electricity production; and biogas systems under 100kilowatts to capture methane from farm operations to produce energy.

Cost savings of $406, 1 OO will be found this year in the Environment, Energy and Forestry budget. The private sector will be offered new opportunities to work in the provincial forest program through public tenders. The department will continue to set the standards for forest management on public lands, and deliver services not available from the private sector.

The *Greening Spaces* Program, which provides seedlings and technical advice to schools and communities is reduced by $66,000. This brings the 2005-2006 budget of $176,900 in line with actual expenditures in 2004-2005. This budget reduction will not impact delivery.

The Forest Improvement Association grant of $25,000 has been eliminated. Prince Edward Island' s $40 million forest industry has reached a level of maturity where it is able to support its own association.

The trout angling licence exemption for farmers and commercial fishers has been eliminated. The cost of a trout licence for Island residents remains at $10. Youth under age 16 do not need a licence to fish, and anglers 65 years of age and older are issued a courtesy licence at no cost.

Transportation and Public Works

Our infrastructure is critical to our sustained economic growth. This year, the Department of Transportation and Public Works completed major capital projects at Reads Corner and along Route 2. More than 400 bridges were inspected; five bridges were replaced; and 43 bridges received maintenance work.

More than $1.5 million was invested to upgrade the Mill River Waste Treatment Plant

An agreement was reached with the Federal Government to increase the definition of the National Highway System to include

a portion of Route 2. This has made those sections of Route 2 eligible for federal funding sources. 2005 will be the first-ever construction season where federal-provincial funding will be invested to improve the quality of Route 2.

Funding for highway and bridge reconstruction is increased by $3 million.

Beginning this year, the Capital Budget for highway and bridge work will be approved in the fall session instead of the spring. This will allow five additional months for the Department and the industry to finalize designs and undertake the tendering process. This will create efficiencies, remove some risk and provide a better environment for construction and resource planning. All of this translates into a more efficient delivery system and improved infrastructure.

Needed investments will be made in 2005 in three major bridge replacements: the Migell Bridge on Route 2 East in Kings County; Scales Pond Bridge on Route 109 in Freetown; and Goff’s Bridge on Route 12 in Roxbury. Each will be tendered for a complete replacement.

Ten major highway reconstruction projects are planned on sections of the TransCanada Highway, Route 1 A, Route 2 West, Route 3 and Route 4.

Due to recent storm damage, $1. 7 million will be allocated to reconstruct Basin Head with the Province's Risk Management Program paying $500,000 of that amount and the remaining $1.2 in the Department's Capital Budget. An investment of $400,000 will be made to protect and preserve the Panmure Island causeway.

Operational savings of $3 million have been identified and are reflected in changes to the budget.

Mr. Speaker, this Department continues to deliver programs in a more efficient and cost effective manner. This year, snow removal operations will be streamlined to make better use of equipment and human resources.

Summer highway maintenance planning and execution will be delivered more efficiently. Equipment rental requirements will be reduced by 10 per cent.

Leased accommodations will be reduced through improved organizational planning and co-location. A number of expired leases will not be renewed.

The fee charged to insurance companies for driver abstracts will increase by $5. This is the first time this fee was increased in ten years.

**Office of the Attorney General**

Mr. Speaker, the Office of the Attorney General upholds the laws of the Province and helps to ensure that Islanders have a fair and unbiased justice system.

New initiatives implemented this year included the launch of the National Sex Offender Registry to aid police in locating sex offenders; the Province' s regulations were made available online; in September 2004, all provincial correctional centres went smoke free.

Cost savings of $53 8,600 will be found this year in the Office of the Attorney General.

Since 1998, the demand for youth custody declined by 80 per cent in Prince Edward Island. Much of this extraordinary drop can be attributed to community-based early intervention programs which keep young people out of the formal justice system. In response, the Georgetown Youth Centre will be closed and the Prince Edward Island Youth Centre in Summerside will be designated as both an open and closed custody facility, effective this month. This will result in cost-savings of $437,800.

The budget of the Human Rights Commission budget will be reduced by $75,000. This is nota reflection of the excellent work of the Commission, but a response to declining demand for the service.

The Orderly Payment of Debts Program will be phased out in 2005-2006. Several private debt counselling services are now available for people who would otherwise use this program.

The licensing fees for real estate agents and salespersons will increase, for the first time since 1995, by an amount of $1 OO for a two-year license. Insurance companies, adjusters and salespersons will pay $50 to $300 more for their operating license. In addition, fees for services provided by the Office of the Public Trustee and fees to incorporate a co-operative will increase. In total, these changes will generate an additional $140,000 in revenue.

New investments of $122,000 this year will assist the RCMP to operate the Sex Offender Registration Centre.

Conclusion

In conclusion Mr. Speaker, this Budget is a plan to bring the size and structure of government in line with what the Province can afford. It focusses on program spending while keeping revenue measures to a minimum.

The reorganization of some services will reduce administrative costs, overlap and duplication. This in turn will free more resources to address rising costs in front line patient and client services.

Targeted measures will reduce spending in areas where under­utilized programs are not cost effective.

This Budget contains overall increases to the health and education budgets, and new funding for other services that are valued by Islanders. New funding will keep post-secondary tuition rates affordable and support growth in our tourism industry. It will reduce energy costs and promote the use of renewable energy sources. New investments in vaccine programs will prevent serious childhood illness and more money will be added to the Best Start program. Islanders will have access to effective new Alzheimer' s medications and there will be more financial assistance for seniors in nursing homes. Rural areas will have more access to family violence prevention services. Public health and safety will be improved through additional inspection and fire protection services.

This Budget also supports several new policy measures that will have a very positive impact on government services and the way we do business. Lower corporate taxes will enable our small businesses to be more competitive. Planning for capital projects will be significantly improved through a new policy to move the capital budget process from the fall to the spring. Tourism operators will benefit from timely access to current research on tourism expenditures and visitations. A new school improvement planning initiative will improve accountability for education outcomes. Our new *Greening Government* initiative will enable government to lead by example in energy conservation. Through our healthy living strategy, we will continue to reduce lifestyle­related diseases and address the key drivers of health care costs. Through Program Renewal, we will ensure that government continues to improve its performance and outcomes.

Mr. Speaker, this Budget will not be an easy one to implement. It will require significant resolve on the part of all of us to achieve these targets.

Mr. Speaker, I have every confidence that we will rise to this important challenge. And the payout will be worth it.

I acknowledge and thank all members of the staff of the Provincial Treasury who have spent countless hours assisting in the preparation of the 2005 Budget, as well the many staff members who worked hard to make the evaluation phase of Program Renewal a success.

As a result, we now have a firm plan in place to preserve and protect our priorities.

Together we can ensure that Prince Edward Island continues to be a place where our people have easy access to high quality education and health care, where we enjoy growth and prosperity, and where our strong and supportive communities continue to define our Island way of life.

Thank you