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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Nouveau-Brunswick | 51e | 2e | Discours sur le Budget | 30-03-1989 | M. Allan Maher | Ministre des Finances | PL |

Hon. Mr. MAHER: Mr. Speaker, I am honoured to rise today to present the second budget of our Liberal government. Before I do, however, let me once again congratulate you on your appointment as Speaker. I know that all members of this Legislature will continue to benefit from your experience and your profound wisdom as this session unfolds.

I am pleased to report to the people of New Brunswick that the last 18 months have seen a dramatic improvement in the financial situation of the province of New Brunswick. We, the citizens of New Brunswick, are on our way to regaining control of our financial situation, while at the same time improving the quality of our public services.

Many will want to claim responsibility for the improvements in our financial situation; however, it is clear to me that considerable credit must be given to the people of New Brunswick who have shown selfdiscipline in their financial demands on the government. New Brunswickers have also produced a dynamic economy, in which more jobs and revenues are being created at an impressive rate throughout the province.

The 1989-90 budget reaffirms our commitment to the people of New Brunswick to manage our financial affairs responsibly and to live within our means. At the same time, the budget demonstrates that in accepting fair and reasonable financial management, the citizens of our province have created room for important new initiatives to create jobs, to strengthen our economy, to improve our health, education and other social programs and to protect and enhance our environment.

New Brunswick is being recognized more and more for the tremendous improvement in its financial situation. In a recent article in the Financial Post, William Mackness, Dean of the School of Management at the University of Manitoba said,

"They (New Brunswick) have done a stunning job, putting in place one of the finest fiscal recovery programs in the country." Mr. Speaker, I want to take this opportunity to thank all New Brunswickers for working together with us over the past 18 months to improve the financial situation of our province so dramatically.

The budget I am presenting today is the product of many long hours of scrutiny and discussion with my colleagues in government. Their support and dedication to the job has been a source of encouragement and pride during this long process.

As well, Mr. Speaker, I want to single out for attention and thanks the public servants who worked with us throughout the process, from the departments themselves to the officials of the Board of Management, the Policy Secretariat, the Premier's Office, the Comptroller's Office and the Department of Finance. I witnessed and worked with a very professional, very dedicated and very capable group whose knowledge and expertise were invaluable in the preparation of this budget.

Mr. Speaker, I want to express a very special thank you to our Premier, under whose leadership, inspiration and continuing support we have brought this province to where we are today as a government and as a people. I can tell you I have truly appreciated his counsel throughout this budget process.

A review of virtually all government programs has been carried out in the course of preparing this budget. On a pilot project basis, we began a zero base approach to budgeting. Under this approach, a very detailed and comprehensive review of all programs is carried out in consultation with each of the managers involved. On the basis of the results of the pilot project, the zero base approach will be a larger part of our budgeting effort next year.

Mr. Speaker, the government is committed to ensuring that money is spent wisely, and that programs provide effective and cost-efficient services to our citizens. Therefore, this budget will show that important government programs and services can be improved in parallel with an overall improvement in the province's financial affairs. This budget demonstrates that hard work, commitment to a plan, and responsible financial management can make a difference.

In light of our improved financial situation over the past year, I am pleased today to inform the people of New Brunswick of the following:

Ordinary Account expenditures during the 1989-90 fiscal year will increase by $228.1 million over the 1988-89 budget. This represents a growth in ordinary expenditures of 6.9070, which is below the rate of growth in the economy which is expected to be 7070 in 1989.

The province's borrowing requirements in 1989-90 will be $220 million less than forecast in October 1987. This results in an annual saving to the province of over $20 million in interest payments on borrowed money.

Our economy is expected to grow at a rate of 7070; employment is again expected to increase faster than the labour force, and the unemployment rate is expected to continue to decline to about 11.6070, the lowest in the province since 1981.

New Brunswick is predicted to lead the country in new investment, which is projected to increase by 14.2070 in 1989. This investment rate is expected to result in a new record level of capital expenditures of almost $2.8 billion.

The budget of the Department of Health and Community Services will be increased by approximately $90 million, 10070 over last year.

The overall budget of the Department of Education will be increased by $26.4 million over last year.

An amount of $25 million in additional capital spending will be used from the highway trust fund to improve highways throughout New Brunswick.

Government will provide $10.4 million for Opportunity Corps, creating 2400 new jobs in conservation and community work.

Municipal Affairs and Environment will begin implementation of the $1.5-million Clean Water Act.

Government will commence a variety of new housing initiatives as an initial response to the recommendations of the Task Force on Housing.

This budget will increase funding significantly in critical areas such as health care, education, environmental protection and job creation, and it includes a budgeted surplus of $3.1 million on Ordinary Account.

Along with the recent third quarter ordinary surplus forecast of $31.8 million in the 1988-89 fiscal year, this represents New Brunswick's best financial performance, in terms of the Ordinary Account, this decade.

I firmly believe that these figures demonstrate clearly that we are regaining control of our finances and that the level of confidence in our province's economy is very high. Mr. Speaker, this is a day on which all New Brunswickers should be very proud. We are regaining control of our destiny, and that makes every member of this government very proud indeed.

Before outlining the government's expenditure plans for the coming year, I would like to review the progress we have made to improve our financial situation. It is important to appreciate that while we have made considerable progress during the past year, there are many challenges that still lie before us.

Mr. Speaker, in 1980-81, New Brunswick's net debt stood at $912 million; by October 1987, the province's net debt had risen to about $2.9 billion. Each year since 1980-81, the government of New Brunswick borrowed to cover part of its day-to-day spending, such as for salaries, as a way of expanding government programs and postponing their payment to another day. As well, the government borrowed to pay for the construction of roads, hospitals and schools, capital projects whose benefits accrue years into the future.

In addition to borrowing for capital projects, from 1981-82 to 1987-88 nearly half of the large increase in our net debt was incurred to meet day-to-day expenses. Indeed, over that period the province borrowed over $840 million to meet day-to-day spending alone.

As a result of that borrowing, today we are paying about $85 million in interest each and every year. Simply put, if the province had lived within its means during the 1981-82 to 1987-88 period, we would have had $85 million more to spend on programs and services this year and in succeeding years.

Mr. Speaker, interest costs to support our debt have become a very serious problem in New Brunswick. 1Wenty years ago, it took about 8070 of our revenues to pay interest charges; today, about 13% of our revenue is committed just to pay interest on the debt. Interest on our debt is now the third largest area of government spending after health and education. Of course, the more we spend on interest to cover the debt, the less we have for government services to the people.

Mr. Speaker, upon assuming office and reviewing the province's finances, our government concluded that we had to deal with New Brunswick's growing debt. The government determined that a responsible fiscal strategy was required to reduce borrowing and to reduce the growth rate in our debt service costs.

In my budget speech last year, I said that the government was determined to keep growth in ordinary expenditures in line with revenue growth. Last fall, the government formalized its policy in this respect and tabled a three-year fiscal plan which was based on the need for the province to live within its ability to pay. By keeping within our fiscal plan to keep ordinary expenditure growth at or below the growth in the economy, which is the broadest measure of our tax base, we are getting our Ordinary Account under control. In doing so, and by keeping within the range of our $300-million limit on capital spending, we have been able to make considerable progress in reducing the province's borrowing requirements.

As a result of the improvement that we have been able to achieve in the Current and Capital Accounts, we will have reduced our annual borrowing requirements by $220 million by the end of 1989-90. This results in savings of over $20 million in interest payments annually. It means that each year into the future, we will have an additional $20 million available to improve and expand our services to New Brunswickers.

Mr. Speaker, the thrust of the government's fiscal plan through 1990-91 will be to continue to keep the growth in ordinary expenditures within the overall growth rate in the economy.

On the capital side, the government established a limit on capital spending for a three-year period in the 1988-89 budget. Our plans for the second year of this approach were announced last fall, with the tabling of our capital budget for 1989-90. Our early capital budget confirmed our intention of keeping capital spending within a range of $300 million, excluding monies from the new highway trust fund, to be spent on improving the province's arterial highways.

When we assumed office, the Ordinary Account deficit was projected to be $155 million. By the end of 1987-88, the deficit was down to $106.8 million. As was shown in the recent 1988-89 third quarter report, we expect to have a surplus on the Ordinary Account of $31.8 million in 1988-89. The budget I am presenting today is predicting our second consecutive Ordinary Account surplus, a record the people of New Brunswick can be proud to compare with that of any other province in Canada.

Mr. Speaker, while all New Brunswickers can take some pride in our financial accomplishments, we must remember that as a province we have not yet been able to reduce our net debt, which still stands at approximately $3 billion. While we have reduced borrowing by over $220 million since we assumed office, we still borrow far too much money each year to meet our financial obligations.

Our Ordinary Account surpluses in 1988-89 and 1989-90 must also be viewed in the context of the large accumulated deficit that was run up in the 1981 to 1987 period. While two consecutive Ordinary Account surpluses will have been achieved, it is clear that the province must continue to make up for the large Ordinary Account deficits accumulated for much of the past decade. And, Mr. Speaker, through continued responsible financial management, New Brunswickers can build on what they have accomplished thus far and, as well, make further progress toward keeping the province on a stable financial footing.

The government is determined to continue to exercise responsible financial management. It is essential that we maintain our course and that we continue to manage the province's finances carefully. It is important, Mr. Speaker, that we not lose the ground we have gained.

As we have seen in the past year, regaining control of our financial situation allows for a larger proportion of provincial funds to be spent on programs and services, rather than an increasing portion to cover interest on the debt; allows the government to introduce new and expanded programs and services for the benefit of all New Brunswickers; helps to maintain high investor confidence, and encourages increased business investment and job creation in the province.

We have already seen that responsible financial management is having positive effects on the province's Ordinary Account. As well, there are other examples that economic management is producing positive results. For example, in 1988-89, growth in the province's net debt will be down considerably, and the same applies in 1989-90. In fact, the increase in the net debt in 1989-90 will only be about one third of what it was expected to be when we assumed office.

As well, Mr. Speaker, I am pleased to say that in 1989-90, as in 1988-89, interest costs, as a percent of our revenue, will be the lowest they have been since 1983-84. This means that we will be able to devote a larger share of our budget toward programs and services for our citizens than at any time since 1983-84.

Mr. Speaker, New Brunswick's economy has performed very well in the past year. In fact, as the year unfolded, all economic indicators improved from initial projections. In 1988, investment, consumer spending, employment and Gross Domestic Product were all higher than original forecasts. The unemployment rate and inflation, as measured by the Consumer Price Index, both turned out to be lower than expected a year ago.

I expect the economy will perform well again in the coming year. Indeed, the economy is forecast to grow by 7aJo this year. After adjustment for inflation, the economy is projected to grow by 2.9aJo in real terms.

In 1989, employment is again expected to increase faster than the labour force, so that unemployment will continue to decline to 11.6aJo this year, from 12aJo in 1988. The unemployment rate forecast for 1989, Mr. Speaker, is the lowest it has been in New Brunswick since 1981.

At the present time, investment spending in New Brunswick is expected to increase by 14.2aJo over 1988's record-setting level. Large projects such as upgrading of the Trans-Canada and other arterial highways, and construction of the proposed fixed link to Prince Edward Island, would have an even greater effect upon the long-term outlook for investment and employment in New Brunswick.

Mr. Speaker, our government will continue its energetic approach to economic development, designed to improve our economic outlook and create more jobs for New Brunswickers. The economic development strategy being presented later this session will be the cornerstone of our economic development agenda.

Our government will continue to actively pursue a number of federal/provincial development agreements and cost-shared financing for rebuilding the province's arterial highways. In addition, there are currently numerous active negotiations underway between industry and the government, which we believe will further improve business prospects in New Brunswick.

Mr. Speaker, the economic outlook for New Brunswick is bright for the next couple of years. However, our economic prospects could be adversely affected by national monetary, fiscal and taxation policies.

At the recent Finance Ministers Conference in Ottawa, I strongly urged the federal Minister of Finance to cushion provinces such as New Brunswick from any restraint measures that might be taken to reduce the federal deficit. Our government believes that the government of Canada has an obligation to offset the negative impacts of its restrictive monetary policies in regions of the country that are not contributing to rising inflation in Canada.

Reform of the federal sales tax is also an area of concern to New Brunswick. The federal government has proposed a multi-stage tax to replace the existing federal manufacturers' sales tax. One option being proposed at this time is the adoption of a new national sales tax, which would replace not only the federal sales tax but provincial retail sales taxes as well.

At the recent Finance Ministers Conference, I also raised a number of concerns that New Brunswick has with this proposal, including the fiscal impact on provinces such as New Brunswick, the effect of the tax on our economy and individuals, and the implications for our own tax structure. Of particular concern to our government is the impact the proposed national sales tax could have on the tax burden borne by New Brunswickers. The proposed new tax has the potential of shifting the tax burden from industry to individuals. Mr. Speaker, these and other important issues must be resolved before New Brunswick will be in a position to decide whether it will participate in the new national sales tax.

I am pleased to announce, Mr. Speaker, that this budget forecasts ordinary expenditures to reach $3520.8 million in 1989-90, an increase of $228.1 million over our 1988-89 budget. This represents a growth in ordinary expenditures of 6.9070, which is within the parameters of our fiscal plan. With the economy expected to grow by 7% in 1989, this will be the second year in a row in which we will keep the rate of growth in ordinary spending below the growth rate in the economy.

Mr. Speaker, I am extremely pleased to announce that in 1989-90 we are not only able to increase spending by $228.1 million over last year, but we can also forecast a surplus of $3.1 million on the Ordinary Account. Following the surplus of $31.8 million that is now forecast for 1988-89, this represents New Brunswick's best financial performance this decade. In contrast with the Ordinary Account deficits of the previous seven years, this means that for the first two years of our government's term, we will not be borrowing money to pay for day-to-day expenditures.

Mr. Speaker, with the introduction of the capital budget last fall, the government was able to outline its intentions for capital spending well in advance of this year's construction season. I am very pleased that we were able to honour our commitment to an early introduction of our capital budget. It has allowed our construction industry to plan ahead and it should lead to more cost effectiveness in the government's capital budget.

As with the early introduction of the capital budget last fall, I am pleased, Mr. Speaker, that the budget which I am presenting today is the earliest tabled in a spring sitting of the Legislature since 1980.

Mr. Speaker, several important government programs and services will receive additional funding in order that we may continue to improve services and opportunities for our citizens. I am pleased to provide some details of our expenditure plan for 1989-90.

The budget of the Department of Health and Community Services will benefit significantly from an increase of approximately $90 million over last year's budget. This, Mr. Speaker, represents an increase of approximately 10070 over last year's Health budget. In fact, the increase in the Health budget represents about 40070 of the increase in total ordinary expenditures in the 1989-90 budget.

Mr. Speaker, this budget contains significant increases in funding for hospital boards and the Medicare system in 1989-90. The funds for hospitals, including psychiatric hospitals, will increase to $474.6 million, and funding for Medicare will increase to $184 million.

Again this year, Mr. Speaker, I would like to call on representatives of hospital boards and health care professionals to work with us to improve health care services for our citizens, while exercising a responsible approacr to expenditure management.

A major government priority aimed at achieving a more equitable distribution of hospital services among regions and an improved range of services in northern hospitals will be continued. Under this initiative, $10 million will be available for recruitment of physicians and other professionals and for new and improved hospital programs in northern New Brunswick. The funds will be used for staff, supplies, equipment and renovation.

In this year's budget, funds are also provided for pilot projects that will enable seniors to remain in their own homes longer than would normally be the case. The Department of Health and Community Services will spend $975 ()()() on these pilot projects to develop a comprehensive support system for seniors living in their own homes.

The budget for the program for disabled adults will be expanded by $300 ()()() to provide emergency respite care for those families looking after disabled adults in their own homes.

Mr. Speaker, all provinces are having difficulty coping with growing health care costs. This matter was the main subject discussed at the recent Health and Finance Ministers Conference which my colleague, the Minister of Health, and I hosted this past February in Moncton.

Mr. Speaker, growth in our Health budget highlights the difficulty of managing total government expenditures when the largest component of the budget is growing so much faster than the economy. It was this concern that prompted the government to appoint the McKelvey-Levesque Commission to review the organization, structure, use and funding of our hospital, Medicare and prescription drug programs.

In addition to important increases in our Health and Community Services budget, there are a number of other new government initiatives and budgetary expansions which I would like to outline. My colleagues, the ministers responsible, will provide further details and a much fuller overview of these matters during the budget debate and during consideration of departmental estimates.

Mr. Speaker, I want to emphasize that this government is committed to expanding and improving education, training and postsecondary education opportunities for our people. This government also recognizes that education must be the cornerstone of any short-, medium- and long-term plan for economic renewal. At the same time, as we create new jobs, we must also ensure that our people are sufficiently prepared to compete for those job opportunities.

It is for that reason, Mr. Speaker, that this budget shows important increases in education, training and postsecondary funding. In fact, the increase in this year's funding available for education, training and postsecondary education is $46.7 million, an increase of 6.50/0 over last year.

Mr. Speaker, the government is increasing the Education budget by 5.3% over last year's budget. Given the declining student population, this represents a substantial increase of 6.7% per student over last year and over 9.9% compared to the previous year. The increase in the Department of Education budget for 1989-90 compares favourably to the increase announced for school boards in Nova Scotia.

I would like to draw to honourable members' attention the fact that the percentage increase to educational services is actually larger than 5.3% as a result of certain extraordinary items in the Education budget, such as reduced employer contributions to unemployment insurance, which will save the province $1.2 million. Investments in energy efficiency in provincial schools will save us a further $528 000 in 1989-90. If these overhead savings had not been realized, the increase in the department's budget would have been even greater.

The increase in the Education budget of $26.4 million includes provision for inflation and for anticipated wage increases. Also included are funding for a new high school program, increased resources for special needs education, and funding to reduce class size in Grades I and 2.

Through the new high school program, all students will receive a strengthened curriculum of core subjects in an expanded and enriched curriculum. School districts will have the option of implementing a more flexible scheduling option. This new program will be funded with over $2 million during the coming year and will result in the creation of a number of new teaching positions.

I would add, Mr. Speaker, that our contribution to primary and secondary education will be enhanced by other programs to be implemented in 1989-90. For example, the community component of Opportunity Corps will provide additional staff resources to school boards, as well as to other community organizations.

In existing education programs, the government will increase funding for special needs education by $1 million. This will bring total funding for this aspect of our educational program to $34 million for the 1989-90 school year.

Mr. Speaker, the government is also considering several new and expanded education initiatives which would require even greater human and financial resources in education in the coming years. These include the review of such initiatives as programs to enhance the educational development of disadvantaged preschoolers who may not be adequately prepared for school, and increased emphasis on second language education.

Mr. Speaker, I would like to take a few minutes to comment about our pension plans which are important to our teachers and public servants. As of March 31, 1977 the public service superannuation fund totaled $61 million, while no teachers' pension fund existed. In April 1977, the province began the practice of funding the teachers' pension plan and the public service superannuation plan by matching employee contributions to the pension plans and by placing these amounts into two separate pension funds.

The province also committed itself to pay future teachers' pensions out of general revenue until such time that the amount of money in the teachers' pension fund equaled the amount in the public service superannuation fund. In 1988-89 this goal was reached, and each of the two funds now exceeds $650 million. This funding decision represented a positive first step in building a financial base for the teachers' pension plan. Nevertheless, the level of funding for both the teachers' and the civil servants' pension funds continues to be inadequate. The unfunded liability for payment of pensions is in excess of $1 billion and is growing each year. Therefore, in this year's budget, an additional $41.9 million has been allocated to the teachers' pension and public service superannuation funds. The additional contributions will be allocated in proportion to the unfunded liability in each plan. It is estimated that approximately $25 million of the $41.9 million will be allocated to the teachers' pension fund, with the balance allocated to the public service fund. This $41.9 million is over and above the $39.9 million which the province will contribute through its practice of matching employee contributions to these two pension plans. These extra contributions represent an important step in addressing our unfunded pension liabilities and should continue in the years ahead.

Mr. Speaker, during the past year, a $70-million youth strategy agreement was concluded with the government of Canada. The year 1989-90 will be the first full year of operation of this innovative new program. During the coming year, counselling and assessment centres will be established at locations throughout the province. These centres will be the primary points through which young people obtain access to programs and services under the youth strategy. There is no doubt that the New Brunswick program remains the most ambitious of its type in Canada.

Through this program, our young people will have the opportunity to acquire knowledge, skills and job experience which they need to pursue employment and career opportunities. As well, through this program, we will intensify our efforts to encourage young people to complete their basic education as their best course for a secure economic future.

Mr. Speaker, the government remains committed to providing quality higher education through our universities and community colleges. There is $133.5 million in the budget for the Maritime Provinces Higher Education Commission. In addition, as recently announced, the government is making a further $3.5 million available to our four universities. My colleague, the Minister of Advanced Education and Training, will announce details later on how these funds will be allocated.

The Maritime Provinces Higher Education Commission recommended funding of $135.2 million for 1989-90, an increase of 7.41170 over last year. Our base level funding of$133.5 million, which is 61170 over last year, will now be supplemented by $3.5 million from the province, which will bring our percentage increase over last year to 8.81170.

Mr. Speaker, money is also provided in the 1989-90 capital budget to begin construction of a major addition and renovation to the Miramichi Community College. This renovation and addition will increase the capacity of the college from 235 students to 680 when it is fully operational in 1994-95. In this year's budget, an additional $400 000 has been allocated to allow the Miramichi campus to provide the basis for developing new training programs and to hire additional permanent staff.

In addition, Mr. Speaker, the department will introduce a new program for training respiratory technologists at the Saint John Community College. This new program will address a critical shortage in the health care field. It will help meet an acute social need as well as provide secure employment opportunities for New Brunswickers.

Mr. Speaker, the 1989-90 budget provides funding for a major new thrust in employment enhancement. The government will expand significantly its support of programs designed to provide skills and work experience to people currently on income assistance. A new program called Opportunity Corps will enable income assistance recipients to apply new or existing work skills and gain valuable work experience through paid employment. The budget provides a commitment of $10.4 million for Opportunity Corps. This will provide meaningful employment opportunities for 2400 income assistance recipients. This program can be broken down into two areas: the community component and a conservation component. The community component will provide jobs for approximately 2000 individuals in various services offered through municipalities and local service districts, the education and social service systems, and in the tourism, recreation and heritage sectors of our economy. The conservation component will provide jobs for about 400 persons involved in environmental enhancement work such as fish habitat improvement, silviculture work and boundary line maintenance. Every effort will be made to ensure that this work experience will lead to full-time employment beyond the government-sponsored programs.

As a result of retraining and skills upgrading that numerous former income assistance recipients have received through the government's FOCUS program, and because of the strengthening economy, the departmental caseload has been reduced appreciably. Hence, while the departmental budget for 1989-90 provides for important increases in social assistance rates, the reduction in caseload means that the overall budget of the department will be .8070 less than was budgeted in 1988-89.

Mr. Speaker, we have had similar success in our student aid program. With increased opportunities for summer employment, students rely less on government loan and bursary programs to further their education.

Once again, Mr. Speaker, these examples demonstrate that our initiatives such as the FOCUS program, the youth strategy and our student summer employment programs are having a very positive effect. Jobs are being created, economic activity and income are generated, and a great many New Brunswickers are regaining the pride and dignity that go hand in hand with meaningful employment.

Mr. Speaker, our government is committed to preserving and enhancing our quality of life and our environment in New Brunswick. In addition to the environmental enhancement initiatives to be carried out through the conservation component of Opportunity Corps, environmental enhancement is linked to several other budgetary measures.

Later this session, the government will begin to implement its $1.5-million Clean Water Act with initial funding of over $250 000. This important Act will allow for enforcement of the proper management and protection of our valuable water resources throughout the province.

Mr. Speaker, in response to numerous requests by New Brunswickers for improvements in our air quality, an additional tax will be levied on the purchase of leaded gasoline in New Brunswick to make the purchase of unleaded gasoline more attractive. Specifically aimed at reducing harmful lead emissions, this disincentive to environmental pollution is another approach the government is using to honour its commitment to environmental protection.

As an extension of a successful program begun last summer, the Department of Natural Resources and Energy will hire hundreds of New Brunswickers to participate in a major silviculture effort. This silviculture work will complement similar initiatives to be undertaken by the Opportunity Corps, and both will serve to further preserve and enhance our New Brunswick environment.

Mr. Speaker, the Task Force on Housing has identified many problems that affect New Brunswickers with respect to basic shelter. The recommendations of the task force report will form our long-range strategy with respect to the provision of affordable housing. As an initial government response to the task force report, I am pleased to put before you today a number of initiatives that will show the high priority the government places on helping low-income families improve their housing situation. We have provided $4.5 million in loans and advances and Ordinary Account expenditures in the 1989-90 budget to fund these new initiatives.

We will introduce a down payment assistance program to aid families wishing to purchase their own homes but who face a financial barrier with respect to private mortgage criteria. This program will be funded with $1.4 million in 1989-90 and will help finance 100 homes. We will also introduce a home completion program designed to help families who lack the funds to complete home construction. This program will be funded with $2 million in 1989-90 and help finance 100 homes.

To help further address many of the critical housing needs identified in the task force report, we are transferring responsibility for the $1-million emergency repair program from the Department of Income Assistance to the New Brunswick Housing Corporation. By supplementing that budget with $500 000, which is a 50% increase over 1988-89, we can more quickly provide funds for a wide range of shelter needs. These funds will address water and sewerage problems, electrical and heating deficiencies, insulation and other structural inadequacies. An additional $500 000 has also been added to the rent supplement program, with particular emphasis on the needs of disabled New Brunswick residents.

The Housing budget also provides $50 000 for a new household orientation and management program and $50 000 for a community involvement program. My colleague, the Minister of Housing, will be providing more details on these and other important housing initiatives.

Mr. Speaker, business development and job creation remain important priorities of this government. This is reflected in a 9.711fo increase in 1989-90 spending in the economic development and transportation sectors.

In Commerce and Technology, $700 000 in new funding is provided to encourage the growth of new and existing businesses throughout the province. This new initiative, which emphasizes the potential of the small business sector, is an important part of the government's economic development strategy.

Self Start, a new entrepreneurial support program, a Small Business Directorate and a mobile information unit are among the new and expanded initiatives which will be introduced to further reflect our emphasis on economic development in New Brunswick. My colleague, the Minister of Commerce and Technology, will provide further details on these and other exciting economic development initiatives for the coming year.

Mr. Speaker, as part of its overall economic thrust, the province of New Brunswick places a high priority on the development of effective cost-shared arrangements with the government of Canada. In this regard, the government of New Brunswick and the government of Canada are actively involved in the negotiation of new development measures under the economic and regional development agreement.

Recent announcements by the government of Canada indicating a freeze on negotiations for new economic development agreements are a matter of deep concern to New Brunswick. We must continue to impress upon the government of Canada our sincerity in wishing to conclude these agreements and their importance to the achievement of New Brunswick's overall economic development potential. In our view, a deficit-cutting effort placed on the back of economic and regional development programs is self-defeating.

In keeping with the spirit and intent of this costsharing process, the province of New Brunswick has made provision in this budget for a supplementary amount of up to $22 million, which we have offered as part of the federal government's share, in order to ensure that successful agreements receive all the funds required for full implementation in the 1989-90 fiscal year. We view these federal/provincial funding arrangements as critical and the government of New Brunswick is, by this extraordinary effort, demonstrating its willingness to front part of the federal share in order to get agreements signed and underway without further delay.

Mr. Speaker, this same offer to pay the federal government's share for the first year has been made with respect to the proposed major highways funding agreement. We understand the federal government's deficit situation and we are prepared to help by minimizing its cash flow during the first year.

Mr. Speaker, the government will be undertaking several initiatives in the coming year to improve highway conditions and services to motor vehicle operators. Last fall a trust fund was established by the government for use in improving our arterial highway network. I am pleased to announce that the government will be spending $25 million of the approximately $26 million raised to improve our major highways throughout the province. I would remind honourable members that this level of expenditure is in addition to the normal capital budget of the Department of Transportation, which was tabled with the capital budget last fall. I would also like to point out that the government is committed to spend all the funds collected for the trust fund on highway improvements. However, Mr. Speaker, in order to manage the cash flow, the government has set spending on this program at $1 million less than anticipated revenues at this time. As the year unfolds and revenue estimates are confirmed, trust fund spending on arterial highway improvement could exceed $25 million. As a result of the trust fund and our regular capital budget, the total highway capital improvement budget for 1989-90 is approximately 20070 greater than the amount budgeted for highway improvement spending in 1988-89.

In an effort to further improve transportation services for New Brunswickers, the 1989-90 Transportation budget provides over $450 000 as a one-time expenditure to begin to spread the motor vehicle registration program throughout the year. This will do away with the aggravation of long line-ups for registration in March, as well as eliminate the extra cost of providing this service during peak periods in the spring.

The Department of Agriculture budget includes an additional $319 000 for the New Brunswick Potato Council, the beef finishing program, new demonstration initiatives in sustainable agriculture and the Farm Products Marketing Commission. As well, Mr. Speaker, in response to the recommendations of the harness racing task force, we shall move to establish a New Brunswick harness racing commission under appropriate legislative authority.

In recognition of the growing importance of the aquaculture industry to the province, we are again increasing funding for aquaculture and fish hatchery development. Two person-years and $80 000 have been added to the department's budget, which builds further on last year's budgetary increase for this growing economic activity. The additional funding will support departmental responsibilities associated with the development of the province's aquaculture industry in areas such as fish health, environmental monitoring and the allocation, leasing and licensing of aquaculture sites.

The 1989-90 budget contains $250 000 for civil legal aid in the Department of Justice. This reinstates government participation in funding of this program.

Together with funding from the New Brunswick Law Foundation, civil legal aid will help disadvantaged New Brunswickers obtain legal services in civil matters.

Mr. Speaker, a major initiative in the 1989-90 budget of the Department of the Solicitor General is funding for an enhanced commercial vehicle enforcement effort. This involves 27 more staff and a commitment of $900 000 to controlling the weight and other aspects of commercial vehicle operation on New Brunswick highways. This is particularly important in helping us protect the considerable investment that we have in our road network.

Mr. Speaker, if I may, I would like to clarify some of the financial details regarding the transfer of highway law enforcement from the New Brunswick Highway Patrol to the RCMP. Given the run-down condition of the NBHP detachments and equipment, considerable investments would have been required over the next two years if the force were to operate at a reasonable level. To provide New Brunswickers with this level of service, including costs of new and improved detachments and equipment, would have required a budget of $24.5 million for the next two fiscal years.

Based on the actual contract signed between the province and the government of Canada, the total cost for RCMP policing of highways over the next two years will be $19 million, which represents a saving of approximately $5.5 million over the next two years. This $19 million in RCMP costs includes all costs relating to relocation, transfer of assets and one-time start-up costs.

A major initiative in the Department of Tourism, Recreation and Heritage is an additional $500 000 for tourism research and market planning. These new efforts in market research are an integral part of the government's plan for a more effective promotion program to encourage tourism in New Brunswick.

The government is committed to responding, in a meaningful way, to the recommendations made by the Premier's Advisory Committee on the Arts. The Premier will provide more details on the government's response to this committee's report, later in the session.

This budget also provides increased support and funding for amateur sport, which this government regards as an important element in the development of our amateur athletes.

Mr. Speaker, for many years, our Alcoholism and Drug Dependency Commission has gained valuable experience in the delivery of employee assistance programming. Increasingly, the private sector is wishing to benefit from this experience. In the coming year, as a result of increased funding, the commission will be able to respond more rapidly and more readily to private sector requests for assistance in developing programs to help employees overcome dependency problems.

Through responsible financial management practices and effective expenditure control, the government has been able to realize many economies in its internal operations, thus making more money available to increase and improve services for our citizens. For example, Mr. Speaker, interest payments on the debt are showing only a 4.2070 rate of increase over the 1988-89 budget. Part of this low rate of increase is due to the improved value of the Canadian dollar but, as I noted earlier, it is also due to the government's commitment to reduce the amount of money that we borrow and add to the provincial debt.

In the area of provision for losses, improved management of provincial lending programs and our strengthening economy have combined to result in an $11.5-million reduction in the amount we need to set aside as provisions for bad debt.

Mr. Speaker, as I indicated earlier, by providing more skills training and job opportunities for income assistance recipients, we have significantly reduced our caseload in the department. As a result, while the budget provides for increases in social assistance rates, the overall budget for the Department of Income Assistance has been reduced by .8% from the 1988-89 budget. I am pleased to say that the growth in the costs of running government have been kept to a minimum.

Mr. Speaker, we have also adjusted certain government programs in order to obtain the funds needed to meet the province's priority spending requirements. In the Department of Health and Community Services, measures will be taken to free up funds for expansion of the hospital services and Medicare budgets. Last year, the seniors' prescription drug program copay fee was increased to cover the cost of pharmacists' dispensing fees. These dispensing fees go directly to druggists. This year, the fee will rise by 11~, from $6.34 to $6.45, reflecting the increase in the dispensing fee charged by pharmacists. Any future increases in pharmacists' dispensing fees will be accompanied by an increase in the copay fee paid by seniors. The $120 copay limit that was established in last year's budget for recipients of the guaranteed income supplement will be maintained. Concerted efforts will be made to ensure that less costly generic drugs are prescribed. Monitoring of prescriptions and other measures will secure savings in the administration of drug plans amounting to $700 000 in 1989-90.

Mr. Speaker, with continuing substantial increases in the assessment base enjoyed by New Brunswick municipalities, the government will be holding the line on the total municipal grant for the 1990 budget year. We are satisfied that municipalities can continue to provide quality services to our citizens. However, I know that for planning purposes, municipalities appreciate a longer term perspective. Therefore, in an effort to help municipalities achieve medium- and long-term financial stability, I am pleased to announce that in 1991 the government will increase the municipal grant by 41tJo. The government believes that responsible financial management on the part of municipalities, together with continued strong growth in municipal tax bases, should enable municipalities to manage effectively with these additional funds from the provincial government.

Mr. Speaker, I would like to outline the revenue measures that will be introduced in this session. For the most part, the revenue measures contained in this budget are designed to remove inequities in the tax system, to protect our health and environment and to improve tax administration.

In last year's budget, I announced that tobacco products would be subject to the provincial sales tax. The ad valorem tobacco tax applies to the normal retail price of tobacco. In response to increasing representations from health groups and other concerned New Brunswickers, the government has further reviewed provincial taxes on various tobacco products. Effective midnight tonight, the normal retail price of cigarettes for purposes of determining the tobacco tax, will include the retail sales tax. Based on the normal retail selling price established in the March 1989 price survey, this will result in an increase in tax of .52~ per cigarette. This figure is expected to raise an additional $4 million in fiscal 1989-90. Effective midnight tonight, the tax on fine-cut tobacco will be set at 3. 96~ per gram. The tax per gram of preportioned, fine-cut tobacco will be set at 4.49~ per gram. These increases are in response to the growing gap in the taxation of cigarettes and fine-cut tobacco over the last decade. These measures are expected to increase revenues by $6 million.

As well, Mr. Speaker, taxation of cigars will be increased from 50070 of the manufacturer's suggested retail price to 100070, generating revenues of $800 000 per year.

Mr. Speaker, lead emissions are universally recognized as a health hazard and are particularly harmful to our children. Presently, New Brunswick is the only province which encourages the use of leaded fuel by having a lower tax on this grade of gasoline. At a minimum, all other provinces tax leaded fuel at least as heavily as other grades of gasoline. Ontario, Manitoba and British Columbia have gone even further and imposed an additional tax on leaded fuel in an effort to reduce this particularly harmful environmental pollutant.

In keeping with our policy to protect and enhance our environment, and in response to requests from concerned New Brunswickers, effective midnight tonight, a new 2.2~ per litre additional tax on leaded gasoline will be imposed. This addition to the existing gasoline tax is intended to make the pump price of leaded fuel equal to, or greater than, the price of regular unleaded fuel. It is anticipated that in the first year, $2 million will be generated. This tax will only last for two years, since the federal government has announced plans to ban the use of leaded gasoline by 1991.

Mr. Speaker, the final tax change contained in this budget provides for a reduction in the sales tax for candies and confections. The current exemption for candies and similar confections will be increased from 60«1: or less to 80«1: or less. This measure is primarily designed to ensure that the current exemption level for confections is not eroded by inflation. For example, recent price increases have caused many chocolate bars to be priced above the 60«1: threshold, which has resulted in tax being charged to consumers, many of whom are children.

Mr. Speaker, in the 1989-90 budget, we have planned expenditures to meet the needs of the province in a fair and responsible fashion.

- We have ensured that more resources will be available to improve our education and health care systems.

- We have provided funds for important new initiatives to protect our environment and improve our quality of life.

- We have allocated funds to expand the economy and create more jobs for New Brunswickers.

- We have used only modest and narrowly focused revenue-generating measures which will have positive social benefits for New Brunswickers.

With Ordinary Account revenues of $3523.9 million and Ordinary Account expenditures of $3520.8 million, the Ordinary Account is budgeted to have a surplus of $3.1 million in 1989-90. The year ahead will be the second year in a row that the province will pay for day-to-day spending without having to borrow.

Combining the surplus on the Ordinary Account with the province's capital spending program, the budgetary deficit is budgeted at $263.7 million for 1989-90. With net Loans and Advances of $37.7 million and adjustments for provision for losses and depreciation, financial requirements will be $346.7 million.

With sinking fund earnings of $ 131 million, net debt is budgeted to increase by $132.7 million in 198990.

Mr. Speaker, like all budgets, the 1989-90 budget is based on assumptions about the economy and our fiscal relations with the government of Canada. We have based our projections of revenue and expenditures on the assumption that our economy will perform as forecast and not be thrust into recession by high interest rate policies, and that the federal government will not change its transfer programs.

Notwithstanding these factors, the government intends to manage the province's finances as outlined in this budget. Within the context of the projections of revenues and expenditures that are now before the government, I believe, Mr. Speaker, that this budget is reasonable and is a fair balance between the needs of the province and our ability to pay.

Mr. Speaker, we have made considerable progress in turning our financial situation around. The fiscal targets that the government has set for 1989-90 will continue to move the province on the road to improved financial health while continuing to provide an expanding range of services and programs to the citizens of our province.

Thank you, Mr. Speaker.