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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Terre- Neuve et Labrador | 41e | 4e | Discours du budget | 26 mars 1992 | Hubert Kitchen | Ministre des finances | Liberal |

I move that the House resolve itself into a Committee of Ways and Means and that the Speaker do now leave the Chair.

Mr. Speaker, today I am pleased to present to this Honourable House the fourth Budget of this Administration.

This Budget advances further our progress towards ensuring the financial integrity and flexibility of the Province, while meeting the special challenges posed by the recession in a manner consistent -with our means. This Budget puts in place more of the building blocks necessary to ensure sustainable economic recovery and growth.

Mr. Speaker, the Newfoundland economy, like that of the rest of Canada, has been sailing rough waters. The causes, like the current difficulties in the fishing industry, are largely beyond our control. The people and the economy of Newfoundland and Labrador historically have demonstrated considerable resilience in times of adversity. The current difficulties also will be overcome. This Government will continue to do everything within its means to ensure that assistance is provided to those whose livelihoods are affected, and to instill confidence in our economic prospects by seeking long-term constructive solutions.

Recovery of the Canadian economy from the recession has been slower than anticipated. Continued weakness in export markets, the high Canadian dollar, high corporate, public and personal debt, the restructuring of industry in response to a more open and competitive international economy, cross border shopping, and weak consumer spending, all contributed to the economic slowdown during 1991. It now appears that it will be late spring before the recovery is firmly in place. However, in 1992, with low inflation and low interest rates, growth in the Canadian economy is expected to be third highest of the G-7 countries.

In last year's Budget, we projected the economy of Newfoundland and Labrador would experience in 1991 a modest growth of about 0.7 per cent, after adjusting for inflation. As it turned out, there was a decline of 0.5 per cent caused largely by the unanticipated deterioration in the fishing industry and the persistence of the recession. Total employment in the Province declined by 2.0 per cent, resulting in an average unemployment rate of 18.4 percent.

Mr. Speaker, last year was not a good year for the fishery. Lower landings by the offshore fleet, and the virtual failure of the inshore fishery in some areas, resulted in a total volume of landings 24.0 percent less than the previous year. The value of those landings declined by 14.5 percent.

Weak national economic performance in the last quarter of 1991 has caused most forecasters to lower their expectations for 1992. The Canadian economy now is expected to grow by 2.0 percent in real terms. The Consumer Price Index is forecast to increase by 2.3 percent nationally and 1.8 percent in this Province.

Many forecasters had been projecting that Newfoundland would lead the country in economic growth in 1992. However, in light of recent announcements regarding the fishery and Hibernia, provincial GDP is now expected to contract by a further 0.5 percent in 1992, after adjusting for inflation. Total employment is forecast to be 3.0 percent below last year's level, resulting in a rise in the average unemployment rate to 20.4 percent.

Mr. Speaker, in 1992 the Newfoundland economy will continue to be dominated by events in the fishery. The single most important economic issue facing this Province today is the fisheries resource crisis. For years, the Provincial Government and the fishing industry have warned that mismanagement and foreign overfishing were jeopardizing the fish stocks. The existence of hundreds of communities, and the livelihoods of thousands of people are threatened.

While Government supports the recent quota reductions, we are concerned that they will not be enough to revitalize the cod stocks. Further effective action must be taken. The international community also must be made more aware of the ecological devastation caused by overfishing. Mr. Speaker, overfishing must stop!

The many Newfoundlanders and Labradorians directly employed in the fishing industry should not have to shoulder the responsibility for the mismanagement of the resource. This Government has offered the Government of Canada assistance in developing an appropriate economic diversification and adjustment program that would minimize losses in employment and income. Also, to build a stronger fishery for the future, the Province has proposed joint management through the establishment of a Canada Newfoundland Fisheries Management Board. This Board would provide a structure to integrate the fisheries management and development policies of both levels of government. We urge the Government of Canada to work more closely with us on this issue so vital to the future of the Province.

Mr. Speaker, the recent decision by Gulf Canada to withdraw from the Hibernia project was unfortunate but not totally unexpected. They indicated more than a year ago that they wished to sell a portion of their share of the project. The commitment of the remaining partners in the Hibernia consortium to the development of this resource remains firm. They would not continue to spend about $1.5 million daily and continue to transfer staff into Newfoundland, if they did not believe in the viability of the project or in their ability to attract new investment.

Despite the announced rescheduling of the Hibernia project to now produce first oil in 1997 instead of in late 1996, average employment on the project is expected to increase this year by about 180 person years from last year's level of about 1,060 person years.

Driven in large part by spending on the Hibernia project, overall investment in the Province is expected to grow by 4.6 per cent in 1992.

Mr. Speaker, discussions are continuing between Newfoundland and Labrador Hydro and Hydro Quebec concerning the development of the hydroelectric potential of the Lower Churchill. If an agreement can be reached, there would be significant economic benefits to the Province, and to the rest of Canada. Labrador would be the focus of 15,000 person years of employment over an eight-to-ten year period. Also, the Province would have an assured, long-term supply of electricity for its industrial, commercial and residential needs.

Mr. Speaker, a Strategic Economic Plan for the Province soon will be released. In addition to the challenges facing the Province as the result of globalization, the Plan will take into account the results of the public consultations conducted last fall by the Advisory Council on the Economy. The Strategic Economic Plan will offer a solid framework for focusing development and will provide a basis for action aimed at economic growth and diversification.

Mr. Speaker, the formulation of economic and fiscal policies in the 1990s must be made in response to many new realities. National and international policy agendas increasingly are focusing upon enhancing productivity and competitiveness. High levels of past borrowing have reduced the ability of all governments to sustain high levels of spending. Tax rates in Canada are relatively high. Fiscal restraint by the federal government coupled with slow revenue growth in all provinces, has reduced growth in transfer payments.

Mr. Speaker, the most serious fiscal problem facing Canada is the high level of public debt. Among G-7 countries, Canada's public sector debt as a proportion of economic output is exceeded only by that of Italy.

This relatively high debt burden must be reduced if we are to maintain our standard of living.

Taxes in Canada, while lower than in many G-7 countries, are significantly above those of the United States, our largest trading partner, and of Japan, an increasingly important market for our products and services. Governments must restrain the proportion of economic output taken in taxes, if the private sector is to be competitive in the international marketplace.

Mr. Speaker, this government has demonstrated a steadfast commitment to prudent management of the Province's finances. In 1989, our first Budget set out a realistic, responsible fiscal plan that was within our means. We adhered rigorously to those principles in our 1990 and 1991 Budgets.

We have made substantial progress towards our priorities, without imposing an undue burden on future generations. Our fiscal plan is working. Mr. Speaker, we have no intention of changing our strategy or reversing that hard-won progress.

To ensure our continued ability to provide quality services in areas of priority, we have taken initiatives designed to make government more efficient and cost-effective. In previous Budgets, we streamlined operations by reorganizing and reducing the number of departments and agencies. We have reduced the size of the public service. We have made major organizational changes in the delivery of health care, municipal and educational services, and economic development programs, labour that exist in this country, we must ensure that there is a level playing field with respect to taxation, services and infrastructure, so that the goal of increased national efficiency is not achieved at the cost of increased regional economic disparity. All regions must be properly prepared to compete successfully in this new environment.

As a result of these initiatives, many of the ongoing operating expenses of government, including departmental salaries, travel, supplies, furnishings and equipment have grown at a rate less than inflation.

The purpose of controlling our spending is to reduce our budgetary deficit, so that we will borrow less. As our reliance on debt declines, relative debt service costs also decline, freeing up more funds to spend within the Province on health, education, economic development, and other priorities. Mr. Speaker, interest payments as a percent of revenue, have declined from a peak of 17.5 percent in 1986, to 12.8 percent this coming year.

Despite the real improvements, more needs to be done to control our debt. Government has taken steps to address the unfunded liabilities of our pension funds, and is considering measures to address the unfunded liability of our Workers' Compensation Commission fund. The public sector, including municipalities, Crown corporations and agencies, still borrows to finance a substantial portion of expenditures on services and capital infrastructure. Mr. Speaker, the financial viability of all public institutions must be preserved.

The principal vehicle through which to level the playing field with respect to taxes and services is the Equalization Program. Changes to this program, such as the incorporation of expenditure need, are required to ensure that all Canadians have access to reasonably comparable services at reasonably comparable levels of taxation, a commitment enshrined in the Canadian Constitution.

Other changes also are necessary if our efforts to encourage economic efficiency and equity are to succeed. We must make available throughout the country, effective education and skills training that will prepare our work force and our businesses to participate internationally. We also must ensure that appropriate adjustment mechanisms are in place to assist those who are displaced by the changes in the economy.

Federal transfers are a central component in the Province's revenue structure. While a major portion of our current revenue originates with the Government of Canada, this contribution has been in relative decline in recent years. Fully one-half of current revenue was derived from federal sources in 1986-1987. Six years later, in 1992-1993, the federal component will have fallen to 45 percent, from 50 to 45 percent.

We do not have the luxury of borrowing endlessly, as some would have us do, for borrowing is simply deferred taxation. If we are to borrow today at the expense of future generations, it should be to benefit the future, not to insulate ourselves from the difficult realities of today. The responsible course of action is to target our resources to established priorities that will contribute most effectively to our long-term wellbeing.

Federal-provincial transfer programs have been the subject of extensive review over the past two years. Negotiated formula adjustments will generate in 1992-1993 an increase in transfer payments of $31 million for Newfoundland. However, these gains will offset only partially the negative effect on transfer payments of other factors such as slow economic growth in Canada.

Mr. Speaker, the requirement to become more efficient and competitive does not imply that Canadians should abandon the sharing principles upon which this nation has been built. Neither can we force change at a rate faster than that to which our people and institutions can adapt. Before removing all the barriers to the free flow of goods, services and The Equalization Program is to be renewed for two years, commencing April, 1992, rather than the usual five-year period.

These two years afford an opportunity to pursue unresolved issues and to link the equalization review with potential reforms to other major transfer programs and with the broader constitutional discussions. We are encouraged by the federal commitment to address the excessive and inequitable equalization tax-backs such as the dollar for dollar loss associated with revenues from offshore oil and gas. The federal government also has committed to examine means to reflect in the transfer programs, the different costs of providing services in different parts of Canada.

Mr. Speaker, over the past two years, there has been considerable positive discussion of these matters between the federal government and the provinces. We look forward to a continued productive review of fiscal transfers.

In our 1991 Budget, the Government took decisive action to avoid an unacceptably large deficit on current account, and to bring in an overall budgetary position that was reflective of our means.

Despite the impact of a significantly weaker economy, both national and provincial, we will have contained the current account deficit at $59.5 million, an increase over Budget of only $5.7 million.

Truly, Mr. Speaker, this is a remarkable achievement.

Total current revenue for 1991-92 will be $46.5 million below Budget. Retail sales tax revenue will be $22 million lower than Budget, and there will be a $47.3 million shortfall in equalization transfers. These and other smaller revenue shortfalls will be partially offset by higher than expected revenues from gasoline tax, lottery revenues, Established Programs Financing (EPF) transfers and other sources.

Current account expenditures for the year just ending will be $40.8 million lower than the Budget forecast. The most significant saving will be the cost of servicing the public debt. A higher Canadian dollar, lower interest rates and changes in our planned borrowing program, all will have contributed to the saving of $32 million. Included in this amount is $5.2 million in annual savings resulting from the use of early call provisions to refinance six bond issues at lower interest rates.

Increased social assistance payments and an additional $12.5 million in support of employment generation, necessitated by the recession and the problems in the fishery, will be more that offset by savings achieved in other operating expenditures.

On capital account, the 1991 Budget estimates projected net expenditures of $241.3 million. Adjustments to the original estimates during the year included a Government decision to assume $14.5 million of the debt of the Marystown Shipyard, despite the fact that the expected sale of this Crown corporation to a Norwegian interest did not materialize. As well, a decision was made to leasepurchase three health care facilities originally included in the capital Budget. Also, lower than anticipated spending occurred under cost-shared agreements with the Government of Canada. In total, net capital spending will be about $14 million less than Budget.

Despite difficult economic circumstances, Mr. Speaker, I am very pleased to confirm that the total

budgetary requirement of the Government of Newfoundland and Labrador for the 1991-92 fiscal year will be under Budget by $8.3 million.

I am going to repeat that, Mr. Speaker, for it is a remarkable achievement. We will come in under Budget by $8.3 million this past year.

Mr. Speaker, for 1992-93 the budgetary deficit would have been unacceptably high without corrective action. In January it was projected that the current account deficit for the coming year would reach $114 million. Subsequent deterioration in the economic and fiscal transfer projections further increased our expected shortfall.

Mr. Speaker, the measures taken in today's Budget have enabled us to bring the projected current account deficit down to $29.0 million. On capital account, gross expenditures of $372.3 million will be partially offset by related revenues of $161.5 million, leaving a net capital account expenditure of $210.8 million, $16.5 million less than in the year just ending.

Mr. Speaker, the combined current and capital budgetary requirement will be $239.8 million in 1992-93, $47.0 million less than in 1991-92.

Mr. Speaker, the fiscal realities which I have outlined today demand that we continue on the course of getting our fiscal house in order. At the same time, we must discharge our responsibilities to provide quality economic and social programs and services for the people of Newfoundland and Labrador.

In our first Budget we announced that it was our plan to balance current account. We remain resolved to do so and did accomplish that objective in our first year. In 1990-91 we experienced a deficit of $103 million due to the recession and lower than expected transfer payments. Last year, determined to eliminate that deficit, we developed a plan to cut it to $54 million in 1991-92, to no more than $30 million this coming year, and to balance current account in 1993-94 and subsequent years. Accepting higher deficits would mean discarding the progress we have made in improving our finances, and in moving towards a more secure credit rating.

Mr. Speaker, to achieve our planned objectives, this Budget establishes spending guidelines for this year and next. A long-term plan for capital expenditures will be presented in the near future.

Achieving our target for 1992-93 required difficult decisions and continued restraint, particularly in our operating expenditures. We are unable to meet many of the requests for new expenditure initiatives. We are responding, however, to the needs created by the recession by maintaining significant capital spending.

Mr. Speaker, Government has set the municipal capital works commitments this year at $59.9 million, including water and sewer projects, municipal roads and recreational facilities.

This $5 million increase over last year is to advance construction, thereby providing additional employment throughout the Province in this difficult year. There will be a corresponding reduction in municipal capital works next year.

In our last Budget it was necessary to implement significant public sector layoffs. This year, while there is a need for continued restraint, Government will minimize further job losses within 'the public service.

On the revenue side, we are continuing our efforts to reform the Province's tax system, and we are implementing in this Budget revenue measures necessary to improve that tax system and to reduce the burden of regulation.

Mr. Speaker, it is a priority of this Government to ensure that the Province's tax system is fair and equitable. We are continuing a comprehensive examination of our tax system with a view to implementing reforms that would be in the best interest of the Province, including analyzing the prospects for retail sales tax reform in light of the federal goods and services tax.

During 1991, Government undertook a public consultation process to solicit input on tax reform options, which resulted in a large number of submissions to Government by a broad cross section of interested groups, businesses and individuals. After due consideration, Government decided to delay a final decision on sales tax reform pending the completion of further analysis and public consultation, focusing on whether the Province should proceed to full sales tax harmonization.

On a matter related to harmonization, governments across the country recently have been examining their consumption tax regimes in light of the seriousness of the cross border shopping issue. The federal government already has taken some positive steps, such as reducing the duty on a wide range of imported goods and lowering the duty free threshold on packages entering the country. The effects of the cross boarder shopping problem are being felt here, primarily through catalogue and mail order shopping and the goods imported by returning travelers. Such activity is unfair to taxpayers who purchase here and pay their taxes, and is detrimental to businesses operating here. The federal and provincial governments are examining options that could see provincial taxes, particularly sales taxes, collected at border points and on mail orders.

We hope proposals will come forward to address the border collection issue for jurisdictions which do not share a border with the United States.

There may be an even larger problem for businesses in this Province relating to goods brought by local residents from other provinces. I remind consumers that if an item is brought into the Province for consumption here, then it is the responsibility of the purchaser to ensure that all relevant provincial taxes are paid. The national effort to address the cross border shopping issue also should consider a mechanism to track consumer items presently crossing provincial borders without relevant taxes being paid.

Mr. Speaker, since assuming office one of our priorities has been to put the financing of education on a fairer and sounder basis.

We gave a commitment to address the inequities and shortcomings of the school tax system by either reforming it or replacing it. The existing school tax is wasteful in its excessive collection costs and grossly unfair both in the sharing of the tax burden and the application of the benefits. Our review, therefore, resulted in our decision to abolish the tax as of June 30, 1992.

In abolishing the school tax, Government assumed the obligation to replace the revenue school boards otherwise would have received.' In addition, Government made a commitment to overcome the revenue deficiency experienced by most boards under the school tax regime. In our first Budget, this Government increased funding for the school tax equalization program from $4.5 million to $10 million. Mr. Speaker, our recent commitment to enhanced equalization will increase this amount by a further $8.8 million in 1992-1993 and $11.5 million in 19931994.

Government's commitment for school tax replacement and full equalization amounts to $35 million in 1992-1993 and $46 million in 1993-1994. It is Government's intention to fund this commitment from the same sectors that will be I relieved of the school tax burden and, to the extent practical, in the same proportions.

Mr. Speaker, the school tax system derives about two-thirds of its revenue from individuals by means of a poll tax, which varies throughout the Province from $85 to $150 per year for each person between the ages of eighteen and sixty-four years with an income of more than $7,000. Government will replace the poll tax by increasing the personal income tax.

We are seeking from the personal income tax system an additional $21 million in 1992-1993, by increasing our tax rate for 1992 by 2.5 percentage points from 62 percent to 64.5 percent of basic federal tax. The requirement for 1993-1994 will necessitate an additional 1.5 percentage point increase for calendar 1993 from 64.5 percent to 66 percent.

The substitution of personal income tax for the poll tax will make for a fairer, more progressive tax system for individuals. This change will measurably reduce the tax burden on low income earners, who are presently required to pay the same amount of school tax as those in the highest income brackets.

A single taxpayer in St. John's making $30,000 a year will pay the same net tax in 1993. Those between $7,000 and $30,000 will pay less tax after the school tax is eliminated while those with incomes in excess of $30,000 will pay progressively more. All individuals at the same income level, regardless of where they live in the Province, will now pay the same amount of tax to support education.

And all will benefit from the removal of the $4.5 million administrative cost of the school tax system. Mr. Speaker, we have replaced a regressive and unfair tax with one that is progressive and equitable.

The other element of the school tax regime is a commercial property tax. Government decided against retaining this tax, because there is a wide disparity in property values between different regions of the Province, making it difficult to distribute the tax burden equitably. Further, Government did not feel taxpayers should have to bear the relatively high administration costs of a commercial property tax system, when other, more cost-efficient alternatives were available.

Mr. Speaker, in place of the commercial property tax Government will make adjustments to the payroll tax. This will accomplish our goal without having to implement any new taxes, and without having to make many smaller tax adjustments. Our revenue objective is to generate from the business sector $10 million in 1992-93 and $15 million in 1993-94.

Because the existing school tax has a broad commercial base, the payroll tax base will be broadened by lowering the current tax free amount permitted each employer from $300,000 to $100,000. The general tax rate will increase by one half of one percentage point, from 1.5 per cent to 2.0 per cent.

These changes will apply to government, non-profit organizations and most of the business sector. The fishing, forestry and agriculture industries, currently zero-rated, now will be subject to the tax at a rate of 1.0 per cent. While the changes will add 2,200 businesses to the tax roll, over 10,000 businesses with payrolls less than $100,000 will remain exempt from the payroll tax and will have their school tax burden eliminated. The new payroll tax regime will have effect from July 1, 1992 to correspond with the elimination of the school tax.

I am announcing one additional revenue measure required to reduce the projected current account deficit to an acceptable amount. The provincial tax on cigarettes will increase effective midnight tonight by one cent per cigarette, from 6.78 cents to 7.78 cents, with a concurrent increase in fine cut loose tobacco of 0.67 cents per gram. This measure will raise about $7 million during 1992-93. With this increase, our cigarette rate is still lower that four provinces. There are no other measures to raise new revenue contained in this Budget.

Mr. Speaker, I am pleased to announce today the continuation of a significant reform, namely the elimination of a number of fees and licences and the consequent reduction in the cost, inconvenience and paper burden imposed by Government on individuals and businesses in this Province. I will highlight some of the changes.

The Department of Education will eliminate both the $5 per course public examination registration fee and the $20 GED testing fee.

The $5 fee for a certified copy of public examination marks or GED results also is being dropped. Commencing with the 1992 season, the $11.25 seasonal vehicle entry permit for provincial parks, as well as the $2.25 daily vehicle entry permit will be eliminated.

As well, admission fees to the Salmonier Nature Park will cease to be charged this year. For hunters, the small game license, which was consolidated last year, will have its cost reduced this year from $15 to $3 to cover only the sales commission paid to retailers.

All fees charged for the inspection of sewage systems, including septic tanks, have been eliminated. The $10 fee for marriage certificates and death certificates will be removed. There will be no charge for an initial birth certificate or for replacement of MCP cards. The validation period for a beginner's driving permit will be extended from six months to one year, eliminating the need for a renewal permit and the second $10 charge. The $10 fee to replace defective licence plates is being eliminated. There are a number of others.

Me. Speaker, to benefit the business community, the tourist establishment licence fees, and hunting and fishing camp licence fees will be eliminated.

We will remove licence fees for well drillers, pesticide users and fur dealers, as well as certificate fees for waste management systems, and for industrial or processing works. Government no longer will charge private trade schools registration fees or course evaluation fees. No licence fees will be collected from fish buyers and fish processors. The existing nine categories of food establishment licences will be reduced to four, and the fees eliminated.

Several changes are being initiated at the Newfoundland Liquor Licensing Board and the Newfoundland Liquor Corporation that will affect licensed establishments. The revenues from the 3 percent purchase assessment, along with the annual liquor licence fee and waiter's licence fee, are being

replaced with simplified levies, one to apply to liquor and wine, and one to beer. As of April 1, licensed establishments will pay only a 12 percent purchase levy on liquor and wine, lowering their purchase price to that of other customers. A levy of 60 cents per dozen will be applied to beer sold to licensed establishments, an increase of 26 cents per dozen over the outgoing purchase assessment. The new levies will recover only the same amount of revenue in total as was generated by those being eliminated.

1 am pleased to announce that not only is the annual waiter's licence fee being eliminated, but also the licence itself, saving about 9,000 individuals the annual inconvenience of having to renew the licence, and about 1,100 licensed establishments the nuisance of having to display them.

This is an excellent example of what Government wants to achieve in reviewing the Province's fees and licences regime.

After March 1993, the only Newfoundland Liquor Licensing Board fees will be for special events licenses and personal identification cards.

Mr. Speaker, throughout Government we have eliminated 171 fees, reduced others, and eliminated a number of permits and licences.

The review of fees and licences will remain an important part of Government's ongoing effort to improve the overall taxation and. regulatory climate in the Province. I will be reporting further progress in due course.

Mr. Speaker, last year we eliminated for most businesses the unnecessary requirement to provide Government with monetary security against failure to comply with tax legislation. This year we have taken a further step. Considering the present economic climate and the recent decline in interest rates, effective April 1, the rate of interest on all tax arrears is reduced from 1.5 per cent to 1.2 per cent per month.

Mr. Speaker, in light of these positive initiatives, I am requesting that municipalities consider reducing any unnecessary fees and charges they might have.

It also might be beneficial to business if our financial institutions would consider reductions in or removal of some of their miscellaneous charges. We appreciate the efforts of our financial institutions in providing appropriate lines of credit and other funding in these difficult times, particularly to small businesses. Governments, financial institutions and business must continue to work together to create the best possible business environment in this Province.

Mr. Speaker, not including the effect of the payroll tax changes on the government sector, the revenue measures announced today will yield about $38 million in 1992-93. The net impact on taxpayers, however, will be lowered to $6 million when this amount is reduced by the $32 million they will save from the elimination of the school tax and the reductions in fees and licences.

The $6 million net increase in taxes will cause the provincial-local government tax effort in this Province to increase by less than one percentage point to 103 percent of the all-province average.

Provincial taxes will remain at about 18 percent of Gross Domestic Product, a figure that has been constant since the early 1980s. Our relatively high consumption and income taxes are balanced by the lowest property tax effort in the country.

Mr. Speaker, our overall business tax effort remains at only 86 percent of the all-province average. We recognize, however, that businesses in this Province often have to contend with more geographic and other disadvantages than similar operations in other parts of Canada. It is important that the business tax climate in the Province not only be favourable to business, but that it be perceived to be favourable. One of the principal objectives of Government's tax reform exercise is to ensure that the business tax climate will promote and complement Government's economic development objectives. Tax reform will continue to be a major initiative. I will be reporting further progress during the coming year.

Another tax reform issue on which progress should be made in 1992-1993 is the federal-provincial review of personal income tax flexibility. This review was initiated at the request of the provinces to examine the feasibility of lessening the constraints that the income tax collection agreements place on the provinces' ability to adapt their personal income tax regimes to their priorities.

Mr. Speaker, I am confident that most people will regard the changes to the taxation and education financing systems announced today as equitable and necessary; especially given the grossly unfair nature of the school tax system.

Mr. Speaker, the expenditure plan for 1992-1993 strikes a realistic balance between the people's need for quality public services and Government's ability to provide.

Mr. Speaker, I am announcing today the expenditure guidelines for 1992-1993 and for 1993-1994, whereby net expenditure growth will be limited to not more than 3.0 percent each year, on current and capital account combined. In developing our expenditure program for 1992-1993, except for several high priority areas, government departments and agencies were directed to operate with frozen, or in some cases, reduced operating budgets relative to 1991

1992 budgeted levels.

For capital expenditures we are limiting construction this year to roads, schools, municipal works, and projects already started. We are providing $3.7 million for planning and designing new buildings, to fit into the long-term capital plan presently being developed.

Mr. Speaker, our total 1992-1993 net expenditures, current and capital, will be just under $3.0 billion, an increase over our 1991-1992 expenditure of just 2.9 percent.

This increase really reduces to 1.5 percent when allowance is made for one-time adjustments. These adjustments include the additional. $35 million required to replace the school tax and to provide full equalization to school boards, and the $6 million increase in payroll tax paid to government by provincial departments and agencies.

Mr. Speaker, public sector wages, salaries and benefits constitute 65 percent of our total spending on programs and services. Accordingly, if government is to control its total expenditure while maintaining essential programs, wage costs must be addressed. In recognition of this, government initiated, commencing last fall, a series of consultations with the leaders of our major public service unions to consider jointly ways in which our expenditures, particularly wages and salaries, might be controlled. Unfortunately, that process did not produce recommendations for the spending reductions necessary to meet our fiscal targets.

Government had only two options for reducing the projected wage bill: reducing the number of employees, or reducing compensation. In last year's Budget, it was necessary to take difficult measures and to layoff a substantial number of public employees. The public service has adjusted to those reductions, but further layoffs at this time, in addition to posing hardship for many more individuals, could create program delivery problems in certain sectors. Government felt that this would be inappropriate in today's economic circumstances, and accordingly chose actions that would have minimal employment impact.

Mr. Speaker, new wage restraint legislation will be introduced shortly. The new legislation will cancel all negotiated compensation increases, will provide no compensation increases for 1992-1993, and a maximum of 3.0 percent total compensation increases for 1993-1994. Bill 16 will be rescinded and collective bargaining can occur within these expenditure guidelines when existing contracts expire. An exception to the new legislation will be the necessary corrective action to increase the rates of pay for student assistants. The new policy will apply throughout the provincial public sector, covering all departments, Crown corporations, agencies and boards, impacting all unionized employees, managers, executives, Cabinet Ministers, and Members of the House of Assembly. While this wage policy will not be extended to municipalities in the enabling legislation, in fairness we expect these guidelines to be respected by the municipal component of the government sector.

Mr. Speaker, Government will continue with its commitment to phase in pay equity adjustments over a maximum five-year period as they are determined, but without retroactivity.

Mr. Speaker, it is the policy of Government not to expand the public service. For the next two years, no new positions will be created except where special circumstances warrant. Positions vacant through attrition will be filled only where essential.

Mr. Speaker, in last year's Budget, Government committed to study the impact of indexing its pensions. We have consulted with all major employer and employee groups, as well as those groups representing pensioners, to seek their input on the design of a suitable and affordable indexing program, that would be funded equally by Government and its employees. All groups responded favourably to Government's initial proposal. However, there are concerns with implementing such a program in the current economic and fiscal climate.

The program proposed by Government would require that employees make additional contributions to their pension plans which would be matched by the employer. Mr. Speaker, as a result of the extension to the wage freeze it would be inappropriate at this time to introduce an indexing program that would require further financial commitments by both employees and employers. Therefore, Government will defer the indexing program and give further consideration to implementation in 1993-1994. In the meantime, we will continue to finalize the details of the indexing program through consultation with the interested parties. Hence, there will be no indexing provided in 1992-1993 for existing pensioners.

Mr. Speaker, Government is continuing to create the right conditions for a stronger, more diversified economy. By implementing a sound development strategy we can attract new investment, encourage new and diversified business, and compete nationally and internationally through enhanced technological and marketing capabilities. We must balance the strengths of our traditional sectors with the skills, services, products and technology of our emerging industries. To be successful, we must promote aggressively and with confidence ourselves, our products and our services.

Government soon will release its Strategic Economic Plan, which will help point the way to a sound economic future for the Province. Funding of $3.0 million is provided to begin the implementation of the Plan.

Enterprise Newfoundland and Labrador Corporation has just completed its first year of operation under its new structure. The Corporation has been very active throughout 1991-1992 in support of small businesses throughout the Province. In 1992-1993 Government will be contributing $46.1 million to the Corporation.

Mr. Speaker, Government must continue efforts to expand the scope of our fishing industry. Particular emphasis will be placed on secondary processing, marketing, aquaculture, and the development of underutilized species. Under the Canada Newfoundland Fishery Development Agreement approximately $6.9 million will be spent in the coming year on current and capital account initiatives.

Approximately $2.3 million will be spent under the Coastal Labrador Development Agreement on fisheries initiatives in Labrador. This will complement the expanded Department of Fisheries presence in Labrador announced last year.

Government, in cooperation with the Government of Canada, recently announced a $39.1 million licence buy-back program for the commercial salmon fishery. The Province's share of this program over the next two years will amount to $11.7 million, of which $7.6 million will be spent this year.

Mr. Speaker, as I stated earlier, this Government has offered the Government of Canada assistance in bringing in an appropriate economic diversification and adjustment program that would minimize employment and income losses and build a stronger fishery. It may be necessary to seek further spending authority to meet the Province's share of this program. This expenditure likely would be offset by the additional provincial revenues derived from the associated economic activity.

Mr. Speaker, to raise awareness of foreign overfishing and the crucial importance of dealing with the devastation of the fishery resource, funding has been provided for a national and international public relations campaign.

Mr. Speaker, the tourism industry holds much promise for further development. More than two-thirds of our travel and tourism revenues are generated by Newfoundlanders and Labradorians traveling within the Province. To develop this market, funding is provided to expand the marketing program entitled "Ours to Discover".

Under the five-year, $20 million Tourism and Historic Resources Agreement with the Government of Canada, funds will be provided for travel generators and the development of 10 major historic resource sites throughout the Province. Also, funds will be provided under the Atlantic Canada

International Marketing Agreement to promote the Atlantic Provinces in Europe, the United States and Japan.

Funding has been provided to establish the 500th Anniversary Corporation to administer, market and promote activities in 1997 surrounding the celebration of John Cabot's landing in the new found land.

During the 1992-93 fiscal year, in the mining industry, Government will spend $2.8 million under the Canada-Newfoundland Cooperation Agreement on Mineral Development to assist in the exploration for and development of new mineral deposits in the Province, and to continue development at existing operations.

The offshore Development Fund has committed $95 million to the construction of a dry dock and fabrication facility at Bull Arm, some $52 million of which will be spent in the 1992-93 fiscal year. In addition, funding of $11.2 million is provided to complete work on the oil rig facility at Cow Head.

Mr. Speaker, a total of $106 million will be spent in 1992 on the further development and improvement of the Province's transportation system. Funding of $25.5 million will be provided under the Provincial Roads Program. Under ERDA agreements with the Government of Canada, and through the Newfoundland Transportation Initiative, a further $61 million will be expended on our road network. During 1992 we will finish paving the Burgeo Road, complete the road to Petit Forte, and continue the work on upgrading to four lanes the Trans-Canada Highway from St. John's to Whitbourne, and from Comer Brook to Deer Lake. The Province is seeking additional funding from the Government of Canada for further cost-shared highway construction.

Many communities in the Province rely on ferry services to link them with the highway network, and Government will continue to upgrade that system. Funding is provided for a new provincial ferry service between South East Bight and Petit Forte. This service will provide eight round trips a week as opposed to the current two. The separate vessel service to Change Islands is extended to six months of the year instead of the current three, to Little Bay Islands and Long Island for the full year.

Mr. Speaker, this Government is committed to preserving and promoting the richness of our natural environment. Government will provide additional staff to strengthen our ability to carry out environmental assessments, to enforce environmental laws and regulations, to administer air quality programs, and to provide appropriate educational and outreach services.

Under the National Contaminated Sites Remediation Program, cost-shared with the Government of Canada, $4.6 million is provided for the cleanup of contaminated sites at Mackinsons, Come By Chance and Gander.

In response to concerns about the effectiveness and safety of our wildlife protection staff, funding is provided to ensure that additional staff are available during the fall and winter periods when hunting pressures are greatest. Funding also is provided to improve equipment for our wildlife officers.

Funding of $1.0 million is provided under a costshared agreement with the Government of Canada to assist farmers in meeting environmental standards.

Mr. Speaker, in light of the current economic difficulties and high rate of unemployment in the Province, funding for employment programs will be increased over that provided in last year's Budget. Government will continue to emphasize the creation of permanent employment and the provision of training and work experience that will result in a stable attachment to the workforce. Funding for the Employment Generation Program and the Graduate Employment Program has been increased, as well as for Job Bridges, a program designed to assist women in obtaining employment in jobs traditionally held by men.

New funding of $ I 35,000 has been approved to facilitate the Province's participation with the federal government in the Industrial Adjustment Service, which establishes committees to find economic alternatives and to access existing programs, for communities and industries facing shutdowns or major layoffs.

The Department of Social Services will be spending $18 million under its employment programs, to enable social assistance recipients to gain valuable work experience.

These programs, like roads, municipal capital works and other capital projects, will spread additional employment generating activity throughout the Province.

Mr. Speaker, Government allocates 29 percent of its total program spending to providing health services to the people of the Province. In 1992-93, $860.6 million is budgeted on current account, an increase of $22.7 million over 1991-92.

In last year's Budget, a number of changes in health services' were announced, including modifications to the roles of several health facilities. Many of these changes have been implemented, others are in progress. Funding is provided to open all 27 beds at the redeveloped Baie Verte Peninsula Health Centre providing more chronic care, in addition to its primary and acute care roles. Funding is also provided to open the newly developed 15 bed Special Care Unit for alzheimer patients in Bonavista.

In light of changing demographics, Government is taking other steps designed to meet the needs of people requiring continuing care, either in institutions or in their homes. Funding is provided to open by the fall of 1992, the remaining 16 beds at the Dr. Hugh Twomey Centre in Botwood and to open the 28 beds at the Agnes Pratt Home in St. John's.

Work will proceed on multipurpose health centres for Burgeo and Port Saunders and on a new nursing home and medical clinic at St. Lawrence, at a total capital cost of $24 million, financed through lease-purchase arrangements.

To strengthen community health services, Government will establish Regional Community Health Boards to coordinate the organization, management and delivery of community based services. Government will consider implementing a single point of entry system for better coordination of the assessment and placement of people in nursing homes and other programs.

As another step, Government will integrate into the newly established Regional Community Health Board system the programs and services offered by the Alcohol and Drug Dependency Commission. These services are complementary to many of the services to be offered by the new boards, and Government believes that they can be delivered more effectively through this structure. This decision will result in operational efficiencies, but will maintain the same high level of client services provided by the Alcohol and Drug Dependency Commission.

Mr. Speaker, to help recruit and retain nurses for Coastal Labrador, and to provide residents of that area with better access to nursing education programs, funding is provided for a Nursing Access Program.

The financial position of the Province dictates that we continue to control expenditures for general health care programs.

Accordingly, there will be significant changes in the services insured under the Children's Dental Program. The elective removal of impacted wisdom teeth will no longer be covered under MCP. The capping of the medicare fund will continue in 199293, with a small adjustment for increased utilization. There will be no provision for fee increases to physicians.

Mr. Speaker, in reviewing health care programs and expenditures, we have taken all reasonable measures to support and enhance the maintenance of a system of quality primary health care services at the community level, more specialized services at the regional level, and highly specialized services at the provincial level. That approach, combined with an integrated approach to community health services, is important to ensure that the health care needs of the present and the future are adequately provided for.

As another major step designed to improve health care for the people of the Province, and at the same time to address the significant budgetary problem associated with the organization of the health care system, I am pleased, Mr. Speaker, to announce that during the coming year Government will be exploring ways to reduce substantially the number of hospital boards, from twenty-five to five.

Mr. Speaker, in an effort to reduce workplace accidents and injuries, funding has been provided for additional staff and resources in the Department of Employment and Labour Relations.

This will enable the Department to adopt a more proactive approach, and thereby increase the number of workplace inspections, develop new occupational health and safety programs in the workplace, and continue to target specific injury prevention programs, such as those directed at back injuries in the health care sector.

Mr. Speaker, Government is committed to the creation of a stronger post-secondary education delivery system. Accordingly, we have taken steps to reorganize the post-secondary system into five Regional Colleges of Applied Arts, Technology and Continuing Education, and to affiliate the Fisheries and Marine Institute with Memorial University of Newfoundland.

To enhance the ability of the Province to provide educational and applied research opportunities, and to position Newfoundlanders to compete in global technology opportunities, funding of $5 million has been provided towards the construction of the Centre for Engineering Technology in St. John's.

Mr. Speaker, in replacing the school tax, Government has provided for full equalization of

school board revenues. No board will receive less funding in 1992-93, and total funding will be $8.8 million greater than if the school tax had been retained.

This additional funding will be distributed in accordance with a new grant system

currently being developed by the Department of Education.

Mr. Speaker, $20 million will be provided in 1992-93 to build new primary, elementary and secondary schools and to make major renovations. For 1993-94 and beyond, capital funding needs will be assessed when Government has received the report of the Royal Commission on Education, and the long term capital plan currently being developed.

During 1991, Government supported the Newfoundland and Labrador Milk Marketing Board and the dairy industry in introducing a School Milk Program. Response to the program has exceeded expectations, with 70 per cent of the schools in the Province now participating. Funding of $150,000 has been provided for this program in 1992-93.

Additional funding of $150,000 over and above last year's funding of $350,000, has been assigned to the Literacy Program for pilot projects and an additional $155,000 to distance education.

Mr. Speaker, this Government is committed to the development and maintenance of a quality service system for those young people who find themselves in difficulty with the law.

Funding has been provided to complete and open the Newfoundland and Labrador Youth Centre at Whitbourne this summer. This modem facility will enable the Department of Social Services to consolidate its secure custody services and to phase out the existing Youth Centres at St. John's and Whitbourne. This Budget allocates funding for counseling, treatment, and intervention programs for youth at the Centre.

To enhance the delivery of services by front-line social workers to social service clients, funding of nearly $2 million is provided for the ongoing development of a comprehensive computer system. When this is complete there will be a fully-integrated information system linking all regional and district offices.

Mr. Speaker, I am pleased to announce that effective April 1, 1992, basic social assistance rates will be increased by 2.2 percent.

Based upon the success last year of a Victim Services Pilot Program and the federal government's withdrawal of cost-shared funding for criminal injuries compensation, Government has decided to develop a permanent Victim Services Program, providing practical support and assistance to victims of crime from the time of their initial contact with the justice system. The services presently provided by the Criminal Injuries Compensation Board will be phased out. That Board will retain funding for compensation awards based upon applications already received, but no new applications will be accepted after today.

The Law Reform Commission, which had been established to inquire into and consider any matter related to reform of provincial law, and, in particular, statute law, will no longer be funded by Government. In order to meet our needs in this area, Government will dedicate a staff person to address emerging reform issues, and will encourage input from the Law Society of the Newfoundland Branch of the Canadian Bar Association.

Mr. Speaker, the provincial and national economies are going through a difficult period of uncertainty and adjustment. The problems facing our fishing industry and the announced rescheduling of the Hibernia project have diminished prospects for economic recovery this year.

Government's ability to counter these circumstances is challenged by the realities of declining federal transfers, our high levels of debt, our tax burden, and the need to adapt to a changing world where governments will become less intrusive, and people and industry will become more efficient and competitive. Our response is consistent with our means. Addressing our current economic difficulties by significantly increasing spending clearly would have been inappropriate.

Instead, we have chosen to continue seeking and implementing lasting solutions that build upon our existing strengths, and diversify our economic base. We have chosen also to continue progress towards restoring the fiscal flexibility of the Province. That has been the policy of this Administration since we were elected. This Budget continues on that course.

In this Budget, we have reduced both our current account and total budgetary deficits despite continued recessionary conditions. We have maintained or improved all of the basic programs and services that government provides, and enhanced our commitment to economic development and social priorities.

In this Budget also, we have continued to make the tax system fairer and more efficient, and we have taken steps to reduce the regulatory burden on businesses and individuals.

Mr. Speaker, with this Budget, government has presented a realistic, responsible fiscal plan for the coming year, a plan that responds to our current economic circumstances and advances our economic prospects, without compromising our financial integrity.

Mr. Speaker, I would like to invite yourself, all other hon. members and our guests to a reception which we will be holding in the cafeteria in the West Block after this is over.

Mr. Speaker, I move that the debate be adjourned until tomorrow.

The motion is that the debate be adjourned until tomorrow.

Those in favour, 'Aye', those against, 'Nay'. Carried.

The hon. the Minister of Finance.

Mr. Speaker, I wish to inform the House that I have received a message from His Honour, the Lieutenant Governor.

Mr. Speaker, I move that the Message together with the Estimates be referred to a Committee of Supply.

On motion, that the House resolve itself into Committee of Supply to consider the Message from His Honour the Lieutenant Governor, together with the Estimates, Mr. Speaker left the Chair.