|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Terre- Neuve et Labrador | 42e | 2e | Discours du budget | 17 mars 1994 | Winston Barker | Ministre des finances | Liberal |

**Newfoundland: Budget speech, March 17, 1994**

Mr. Speaker, this Budget is a report on the comprehensive strategy that this Government has been pursuing to strengthen the foundation upon which the economic, fiscal and social future of Newfoundland and Labrador will be built. This strategy has three components: the Strategic Economic Plan already in the process of implementation, the responsible fiscal plan that we have pursued consistently over our mandate, and the Strategic Social Plan which is now in the process of preparation.

Throughout our mandate, we have stressed the need for long-term strategies to address important public policy issues. We have presented the people of Newfoundland and Labrador with the facts, and then engaged in open consultation. They are familiar with our economic situation. They are aware of our fiscal position. They accept that this is a time when tough choices have to be made, and the right decisions have to be taken.

The rapid pace of national and international change makes economic development one of our crucial objectives. Without economic development there will not be the wealth or jobs needed to sustain this Province. Because competition for economic development has become extremely keen, we are becoming more competitive to enhance our economics prospects. This is essential for the Province to develop a more solid economic foundation.

To borrow a phrase from the recent Throne Speech, "economic diversification is not only an objective, but an imperative." An imperative, Mr. Speaker. Something that must be done. And it must be done with a sense of urgency.

Let me review the imperatives we must address in this Province today. Economic development. Not just jobs, but meaningful, productive jobs. Retraining. Fishery restructuring. Sound resource management. Educational reform. Affordable health care. Sound financial management. These are the issues that affect every resident of this Province. These are the issues that Government is addressing.

To address these issues, we will advance each component of our comprehensive strategy over the coming year. The objective of this Budget is to strengthen the financial foundation which will allow us to pursue our strategy for the future of this Province.

Mr. Speaker, our fiscal plan is simple. Live within our means. As a Government, we have the responsibility to provide an acceptable standard of public services, and a responsibility to ensure those public services are affordable, not only for this year, and for the next year, but for every year thereafter.

We must not make commitments today that will place an unmanageable financial burden on the taxpayers of tomorrow. We can no longer mortgage our children's future for short-term political gain today. That was the way of the past. Our approach has been and will continue to be, to plan for the future. In this Budget, we are planning ahead, to have a balanced current account in 1995-96, and a current account surplus commencing in 1996-97.

The 1993 Budget outlined our fiscal and economic strategy. In our fiscal plan for 1993-94, we committed to achieve a reduced current account deficit, and a further reduction in our total budgetary requirement.

In 1993, slower than expected economic growth, both provincially and nationally, resulted in lower revenues from our major tax sources, as well as lower equalization payments. Increased tobacco and alcohol smuggling further reduced our revenues. The economic situation also caused social assistance payments to increase and created the need for emergency job creation expenditures.

As a result, Mr. Speaker, the revised current account deficit for 1993-94 is $70.9 million. Although our budget forecast was $51.0 million, the difference was more than offset by achieving net capital account savings of $20.6 million.

Our fiscal plan for 1993-94 targeted an overall budgetary requirement on current and capital account combined of $223.3 million, that was the lowest level in four years, the lowest projected level in four years. The revised estimate is $222.6 million. Mr. Speaker, we have achieved our target.

In 1994, Canadian economic growth is expected to improve over 1993. While our efforts to promote business investment are showing promising signs for the future, in the short term Newfoundland economic growth is expected to under perform the national economy, due primarily to the problems in the fishery. This economic outlook, coupled with federal transfer restraint, will keep our revenue growth low.

In this economic and fiscal situation, we must continue to adhere to the commitment made in last year's Budget to achieve a consistently balanced current account. Adhering to this strategy in our Budget for 1994-95 means a further reduction in our borrowing from last year, for both current account spending and for overall budgetary requirement.

Meeting our fiscal targets for 1994-95, while moving forward at the same time with high priority economic and social initiatives, requires some modest revenue and expenditure actions. Our initial projections indicated, if we were to take no action back in November when we started this process, that our current account deficit would exceed $120 million. Mr. Speaker, this was totally unacceptable.

In taking the decisions needed to achieve an acceptable current account position, we were guided by a desire to share the task of deficit reduction in a fair and equitable manner. This Budget proposes a balanced approach for achieving our target. Modest reductions of a little over 3 per cent in our total compensation costs, to generate savings of $50 million. Modest reductions from current service levels in program spending, to generate a further $30 million. And modest revenue initiatives, to provide the remaining $20 million.

These actions allow us to achieve a financial position that is consistent with our long-term fiscal objectives. For 1994-95, our deficit on current account will be $24.6 million, less than half the amount budgeted for last year, and the lowest level in five years. Our budgetary requirement on current and capital account combined will be under $200 million for the first time since 1989-90.

Mr. Speaker, we have a prudent plan that will continue to show tangible results.

The revenue measures contained in this Budget reflect Government's desire not to add significantly to the tax burden.

The cost of a driver's licence will be increased by $5 a year. Registration for motor vehicles of up to 3000 kilograms, which includes passenger vehicles and light trucks, will increase to $120 per year. These increases will apply to renewals commencing April 1994. There will be no increase for classes over 3000 kilograms, which are predominantly commercial vehicles.

Commencing this year, we will be placing identification photographs on driver's licences. As well as assisting in enforcement, photographs will reduce demand for Newfoundland Liquor Corporation ID cards and will provide identification for retailers in complying with the new age restrictions on the sale of tobacco products.

Also, we are adopting a policy of equalized fuel tax rates. Effective midnight tonight, the gasoline tax rate will increase by eight-tenths of a cent, while the diesel rate will decrease by l.l cents, equalizing both rates at 16.5 cents per litre.

Finally, the Atlantic Lottery Corporation will be instructed to reduce commissions paid to establishments in this Province where video lottery machines are located. This change will be effective April 1994.

Mr. Speaker, the cost of providing health care continues to rise, and presently consumes one dollar out of every four we spend.

To meet our fiscal objectives, we are continuing to become more efficient in providing health care services. We are increasing the efficiency of administration. We are moving towards more short stay units in our hospitals, and same day admission programs. As well, we are expanding less costly ambulatory care, outpatient surgery, and home care programs, and putting more emphasis on health promotion and illness prevention.

Health care delivery in the Province is being rationalized through the restructuring of the existing system by establishing a network of institutional and community health care boards at the regional level. The result will be a significant reduction in the number of institutional health care boards and more streamlined and coordinated services in these areas.

Although there will be some job losses and bed closures, we are confident that the decisions taken will enhance patient care where it is needed most. Our approach to ensuring affordable health care will allow us to maintain a high level of patient care over the longer-term planning horizon.

Mr. Speaker, our spending on education rivals health care at nearly one-quarter of the total budget. Government has already made known it plan for educational reform, and we are proceeding to implement that plan.

One of our objectives in this Budget is to increase the amount of funding available to students. The provincial component of student aid will be converted from a grant program to a loan-based program, with a remission of a portion of the loan upon graduation. By making these changes, we anticipate being able to increase the annual amount of assistance provided, addressing the concerns of students that the current assistance levels are too low for the costs they incur.

Mr. Speaker, Government has had to augment the funding allocated to social services, as a result of the growth in caseload. Funding is also provided in addition, Mr. Speaker, for an additional thirty-three front line positions, to provide better service to social service recipients and to relieve the caseload on our existing staff.

Mr. Speaker, our approach to fiscal management is amongst the firmest and the most consistent in the country. We are the only Province to have reduced our total budgetary deficit in each of the last three years. The only Province. We are reducing it again in 1994-1995 and, adhering to plan, we will reduce it further in 1995-1996.

Our progress in deficit reduction has been accomplished through an unwavering commitment to enhancing the fiscal flexibility of the Province in the longer term. Throughout our mandate we have raised taxes when necessary, but the key to the success of our fiscal plan has been controlling our expenditures. Revenue growth in the foreseeable future will be limited, particularly in comparison to the inflation driven growth in recent decades, and particularly the 1980s. The successful continuation of our fiscal plan will require that our expenditure growth remain below the rate of increase in our revenues.

Adhering to this approach will allow us to achieve a balanced current account in 1995-1996. In subsequent years, this approach, aided by further reforms to program delivery, will result in current account surpluses, and hence, greater flexibility.

Our plan is to put these future fiscal dividends to good use. A portion will be used to make instalments towards Government's share of the unfunded liability in our public sector pension plans. A further portion will address other public sector compensation needs. The balance will be used to reduce our borrowing for capital account and to reduce our tax burden.

We must continue to pursue this course. To do otherwise would be totally irresponsible. The task of reducing deficits is difficult, but through perseverance we will see the rewards for our efforts.

Mr. Speaker, our plan to move the Province forward depends upon building and enhancing cooperative partnerships. Partnerships with the Federal Government. Partnerships between the people and those who provide their services. Partnerships with the business community.

Existing partnerships with the Federal Government are being strengthened and new ones are emerging.

We are encouraged by the recent renewal of the Equalization Program for a further five years. An equitable transfer partnership with the Federal Government, however, requires an enhanced commitment to fiscal equality among provinces, including the incorporation of expenditure needs, in the basis of determining payments.

The Federal Government has confirmed its intentions to reform the other major transfer programs, Established Programs Financing and the Canada Assistance Plan for the 1996-97 fiscal year, linked to its review of major social programs. This provides the opportunity to strengthen the partnership so that all Canadians are treated fairly. We will be seeking reforms which ensure that the distribution of transfers is made, not on the basis of ability to spend, but on the basis of need.

Predictable and equitable federal transfer payments play an important role in our plan, and these are a reasonable expectation of the Federal Government by residents of this Province and by its government.

The Province also welcomes increased cooperation with the Government of Canada in efforts to reduce overlap and duplication of programs, as well as efforts to improve the efficiency of our taxation systems. We are participating in efforts to reform and harmonize taxation policies, to reduce compliance and administrative costs and to enhance the business tax climate. We are cooperating in efforts to increase enforcement to combat tobacco and alcohol smuggling, and to reduce tax evasion by the underground economy.

The partnership between the people and those of us who provide their services, in the hospitals, in the schools, in government departments and agencies is also crucial to our plan. The public service consists of dedicated individuals striving to provide the best services possible within the ability of the people to pay.

Over recent years, budgetary limitations have necessitated constraints on public sector compensation. The decision to impose these constraints was not taken lightly. The people of the Province simply could afford no more.

Government and the people of the Province recognize that public employees already have made a substantial contribution to deficit reduction. We must also recognize that in order to continue to provide the quality service that Newfoundlanders and Labradorians deserve, we must find a way, in the future, to extricate ourselves from the wage freeze and concessionary atmosphere which surrounds public service collective bargaining. As soon as our fiscal circumstances allow, we must be prepared to provide the people who deliver our services with reasonable increases in pay to at least keep pace with increasing costs that we know all families are experiencing. To achieve a basis for this in the future, within the limits of the ability of the people to pay, is the challenge of the current round of collective bargaining.

There also is an urgent need for us to examine, in partnership with our public sector unions, ways in which we can jointly address the unfunded liability in our public sector pension plans. Over the years, pension commitments have been made, with insufficient or no provision for discharging the obligation. Prior to 1980, pension contributions were directed into general revenues. Now these funds must be replaced, with accumulated interest. Government will meet its commitment in this important area. With the public sector unions, we must jointly ensure that the pension plans become fully funded to protect current and future pensioners.

To achieve our economic development objectives, it is imperative that we enhance our partnership with the business community. To accomplish this objective, the Throne Speech announced our intention to introduce new legislation entitled "A Bill to Promote Business Investment in the Province of Newfoundland and Labrador".

Creating a better business climate in this Province requires the involvement of all the partners in the provincial economy. Each level of government. The business community. Labour. Each and every person capable of making a contribution.

Either we participate together in creating new viable economic opportunities, or we will be victims of the much tougher economic world of the 1990s and the next century. We must act together and we must act now. This Government has the plan. We have the will. We have the commitment, and Mr. Speaker, we are imbued with a sense of urgency to succeed.

In January, the Premier released a status report on the progress made in implementing the Strategic Economic Plan. The report indicates that each of the 134 action items is being addressed, and confirms that Government is firmly committed to the vision the Plan sets forth.

In 1993, we implemented the corporate income tax rate reductions outlined in the Strategic Economic Plan. In January 1995, we will be further reducing corporate income tax rates, sending a clear message to the business community that we want profitable businesses operating successfully in this Province.

The provincial tax rate for manufacturing and processing income will decrease from 7.5 per cent to 5 per cent, the lowest rate in the country. The general rate will be reduced from 16 to 14 per cent.

For 30 years this Province had among the highest corporate income tax rates in the country. To anyone who asks if we were perhaps reluctant to reduce business taxes at a time when restraint measures are imposed, let me answer this question now. No! Mr. Speaker, Newfoundland and Labrador is open for business!