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| Terre- Neuve et Labrador | 42e | 3e | Discours du budget | 23 mars 1995 | Winston Baker | Ministre des finances | Liberal |

Mr. Speaker, it is my pleasure to present to this Honourable House today, a totally balanced Budget - a Budget that requires no borrowing, either for current account or for capital account; and, a Budget that requires no new taxes and no tax increases.

Our progress in deficit reduction over the last four years has been the most consistent of any government in Canada. This progress is a result of our comprehensive strategy to strengthen the foundation on which the fiscal, economic and social future of Newfoundland and Labrador will be built. It has been our objective to restore the fiscal flexibility of this Province, and we remain on course.

We have achieved a current account surplus in 1994-95. In our 1994 Budget, we committed to eliminating our current account deficit in 1995-96. We have delivered on that commitment one year ahead of schedule.

Last year, Premier Wells indicated that we would strive to achieve a totally balanced Budget by 1996-97. With the aid of some extraordinary revenues, we will deliver on that objective one year ahead of schedule.

But neither of these accomplishments can be one-time achievements. We must ensure that Government balances future budgets, and begins to reduce the debt burden that is the legacy of past deficits. The benefits of a deficit free Government to our generation will be substantial. The benefits of debt reduction to future generations will be immense.

Achieving our fiscal plan requires that we meet many significant challenges: major reductions in transfer payments from the Government of Canada; high public debt; a structural deficit; the need for economic renewal, particularly in light of the collapse of our groundfish industry; and unfunded liabilities in our public sector pension plans. We must overcome these challenges with a realistic plan and the determination to make it work.

Mr. Speaker, the first element in our fiscal strategy is to bring about change in the services we provide and the way they are delivered. The result must be more efficient, cost-effective and affordable government.

The second element in our strategy is to strengthen our revenue base by ensuring a growing, productive economy, and by attaining a more equitable transfer arrangement from the Government of Canada.

Mr. Speaker, we must continue to implement less costly ways to provide public services, while improving the effectiveness, quality and delivery of core programs. In 1995-96, there will be additional restraints imposed on the operating spending of all government departments and agencies. Some measures will apply across all programs, others will be directed at specific programs and services. Some job losses will result.

We have made significant progress in rationalizing and restructuring both the management and the delivery of health programs through board restructuring, and by changing the role of some facilities to fit a more efficient regional service focus. These ongoing changes will enable quality health care to be provided in all regions of the Province in a cost-effective manner. Funding in 1995-96 will not be reduced from last year's level.

Commencing in 1995-96, responsibility for home care services, formerly provided by the Department of Social Services, will be transferred to the Department of Health. Services will be delivered through a single entry system which will provide for coordination and effective delivery of programs by regional community health boards, ranging from home care to high level nursing care.

Cost efficiencies in the education system will be achieved, partially through normal adjustments in response to declining enrolments. Implementation of the recommendations of the Royal Commission on Education also is contributing to a more efficient system. In addition, discussions have been renewed with church groups to pursue educational reforms which, when implemented, will create a more efficient system for the benefit of our students.

In line with restraint measures imposed across Government, the grant to Memorial University of Newfoundland and other post-secondary contributions will be reduced below 1994-95 levels. Government anticipates that these educational institutions will implement efficiency measures in order to avoid reductions in student access to education programs. We also expect that these reductions will not cause financial hardships to students or to the institutions themselves.

Mr. Speaker, the costs of social assistance, until now, have been shared equally in a longstanding partnership between the Province and the Government of Canada. The Federal Government has ended its equal cost-sharing commitment to social assistance by freezing their contribution for 1995-96 at the previous year's level. Unlike the situation in many provinces, the number of families needing assistance in Newfoundland and Labrador continues to rise. The federal restraint will create a shortfall of $15 million in social assistance funding in 1995-96. While basic assistance rates will remain unchanged, some benefits will have to be reduced, and other savings will be achieved through administrative efficiencies.

Achieving the reforms necessary to ensure sustainable services and affordable government must be undertaken with the cooperation and input of stakeholders. Mr. Speaker, this Government is committed to a process of open consultation.

Collective agreements providing for a continuation of compensation restraint in 1995-96 already have been negotiated with most bargaining units. The same restraints will apply to non-bargaining, management and executive staff, and Members of the House of Assembly.

This year Government will be consulting with employee representatives to develop an equitable approach to addressing the unfunded liability in public sector pension plans, which now has reached a level of $2.4 billion. We must act now to protect the Province's financial position over the long term, and to secure the pensions of our public employees. A solution must be found this year, and both Government and employees must contribute to that solution.

Also, we will seek the input of the Newfoundland and Labrador Federation of Municipalities before we determine future levels of funding and services we provide to municipalities. The Province traditionally has provided considerable funding and services to municipalities to assist them to provide basic services and make capital improvements. This relationship must be re-examined in light of prevailing fiscal realities.

The long-term viability of the Province's forest industry requires responsible planned management, through the development of new technologies and maintenance of silviculture efforts. The Federal Government will no longer cost-share forestry programs with the Province and the pulp and paper industry. Government has decided that in spite of the federal withdrawal, these programs must be substantially maintained, and the Province will be funding them in this Budget.

Mr. Speaker, as part of our deficit elimination plan, our capital account spending program for 1995-96 is lower than it has been in recent years. Despite this reduction, expenditures related to Hibernia and the national infrastructure program will help sustain a high level of capital investment and construction activity in the Province.

As part of our privatization initiative, we are taking steps to enhance the commercial viability of Newfoundland Farm Products Corporation. We are reducing the annual operating subsidy, and will discuss with management and employee representatives ways to achieve these reductions. Also, we will start phasing out the subsidy to broiler producers.

As another efficiency measure, the Farm Development Loan Board and the Fisheries Loan Board will be merged with Enterprise Newfoundland and Labrador. This measure will enhance service quality by increasing access to services for farmers and fishers through the regional office network.

We are continuing to consolidate the administration divisions of departments. This year the administration divisions in the Departments of Environment, Employment and Labour Relations and Tourism, Culture and Recreation will be merged into one unit.

Mr. Speaker, while these measures assist us in dealing with the problem this year, we also must address foreseeable fiscal challenges impacting upon subsequent years. In 1996-97, we will have about $160 million less revenue, because of the restraint of federal transfers for social programs and the extraordinary revenues realized in 1995-96. Growth in other revenue sources will be insufficient to offset this. We have begun the process of dealing with this challenge.

Government recognizes that it is difficult to effectively plan for the efficient long-term delivery of programs and services, when they are subject to the funding uncertainty inherent in an environment of continuing restraint. Government will immediately implement a process to develop multi-year operating plans for departments and agencies, as well as hospital and school boards.

Each department and agency will prepare a multi-year human resource strategy during 1995-96. This will allow for a gradual and orderly reduction of compensation costs, which now account for two-thirds of program spending. A planned approach will enable us to take maximum advantage of normal attrition within the public service to lessen our compensation needs.

Mr. Speaker, expenditure measures are only one element of our fiscal strategy. We must continue to strengthen our revenue base - both transfers from the Government of Canada and our own tax sources.

Reductions in transfer payments for social programs announced in the 1994 and 1995 Federal Budgets will result in a revenue loss of an estimated $110 million in 1996-97, escalating to $160 million in 1997-98. These reductions will cause hardship in this Province, particularly if our social assistance caseloads continue to increase because of unemployment insurance reforms and the phase-out of assistance to people displaced as a result of the groundfish crisis.

Mr. Speaker, if transfers overall must be restrained as a part of federal deficit reduction, then the only way to treat all Canadians fairly and equitably is for the Government of Canada to allocate the remaining funds on the basis of demonstrated need. Funding must not be allocated on a per capita, or an historical share basis. The Constitution commits to ensuring reasonably comparable levels of services at reasonably comparable levels of taxation. Mr. Speaker, that commitment must be honoured!

In addition to attaining a more equitable fiscal transfer arrangement, we must pursue economic growth and job creation to strengthen the tax base of this Province and lessen fiscal as well as economic disparities.

Our Strategic Economic Plan continues to guide us toward long-term economic renewal. Consistent with the objectives and vision of this plan, Government has undertaken many initiatives designed to increase the attractiveness of the Province as a place to do business. These include the establishment of economic zones, tax reform, regulatory reform, and the recently enacted Economic Diversification and Growth Enterprises Act. In keeping with this strategy, the Province will implement a Scientific Research and Experimental Development tax credit in 1996, after consultations with the business community.

There are a number of positive signs in the Newfoundland and Labrador economy that give us cause for optimism. Our forest and mining sectors are performing strongly. Hibernia is proceeding on schedule. The Terra Nova oilfield is expected to be the next offshore development, and negotiations are being actively pursued with members of the Terra Nova consortium. Oil exploration is taking place on the west coast of the Province. There have been several significant mineral discoveries with development potential in the short term, including Voisey Bay, potentially one of the largest nickel-cobalt discoveries in Canada.

The rate of small business formation in this Province is amongst the highest in Canada. Several Newfoundland companies are making inroads in the growing high technology field. Newfoundland and Labrador has considerable tourism potential, and the Cabot 500 celebrations should generate considerable activity in 1997.

Mr. Speaker, during 1994, growth in the Newfoundland and Canadian economies exceeded expectations, contributing to higher than expected revenues from our own tax sources and from equalization payments. Expenditures also were somewhat higher than Budget, mainly because of increased social assistance and employment programs, and the decision to reduce public sector compensation restraints.

As a result, for 1994-95 we will achieve a surplus of $25.1 million on current account compared with a budgeted deficit of $24.6 million. Our net capital account spending also will be below Budget, by $10.7 million.

Mr. Speaker, our total budgetary requirement for 1994-95 will be $136.3 million. This is over $60 million below the amount estimated in the Budget, and is the lowest level of borrowing for budgetary purposes in 14 years. That, Mr. Speaker, is not projected. That is achieved.

Achieving the surplus on current account was made possible partly by the receipt of a $31 million payment from the Government of Canada to enable the Province to assume responsibility for the south coast ferry service. The balance of this $55 million agreement will be paid in 1995-96 and 1996-97.

Even without this payment, our budgetary requirement would have been almost $30 million below our Budget estimate. Mr. Speaker, we have bettered our target.

Mr. Speaker, in 1995, the Canadian economy is expected to continue to grow, although at a more moderate rate. The Newfoundland economy also will grow in 1995, albeit at a pace slower than the rest of the country. The goods producing sector, with the exception of the fishery, will contribute most to this growth.

Revenue growth from a stronger economy is not sufficient, by itself, to achieve a totally balanced Budget in 1995-96. The expenditure measures on both current and capital account contained in this Budget, when combined with dividends from Newfoundland and Labrador Hydro and extraordinary revenues, will allow us to eliminate our total budgetary requirement and achieve a small surplus in 1995-96.

The extraordinary revenue gains for 1995-96 will reduce net expenditures by about $90 million. They also will generate interest cost savings of about $8 million annually, reducing the deficit problems we must deal with in coming years. These extraordinary gains include: the second payment from the Government of Canada pertaining to the south coast ferry service; bringing into revenues accumulated sinking fund surpluses; and, proceeds from privatization of some government-owned corporations.

Mr. Speaker, Newfoundland and Labrador Hydro will pay the people of the Province a return on their investment in the electrical industry. Accordingly, Government will receive an annual dividend, starting in 1995-96. In the initial year, this dividend will be $19.6 million. The major portion of this dividend represents profits earned by Hydro on its electrical sales throughout Newfoundland and Labrador. The balance represents that part of the annual dividend which Hydro receives from Churchill Falls (Labrador) Corporation which is in excess of Hydro's cost of servicing the debt related to the purchase of shares in that corporation.

Our total budgetary requirement for 1995-96 will be eliminated, and, on current and capital account combined we will achieve an overall surplus of $1.9 million.

Mr. Speaker, even without the extraordinary revenues, the resulting budgetary requirement of about $88 million for 1995-96 would have represented a considerable improvement over previous years. It also would have represented a notable achievement in continuing the downward trend in deficits established over a five-year period.

Mr. Speaker, in 1995-96 the Province will achieve a balanced budget on current and capital account combined for the first time since Confederation. A consistent approach to prudent deficit reduction undertaken over several budgets, combined with some fortuitous factors, will allow us to realize that goal this year. Government is committed to seeing this objective achieved, and to seeing that this achievement will be a foundation on which future balanced budgets will be built.

There are many significant fiscal challenges ahead of us. No single budget can offer a solution to all of these challenges. But each budget must be an incremental step that makes its contribution to the restoration of fiscal flexibility to this Province. Each budget must build on the foundation of those that precede it, and become part of the sound fiscal foundation for those budgets that will follow it.

This foundation is essential to the attainment of our economic and social objectives. All Newfoundlanders and Labradorians, of present and future generations, will share in the benefits. There is simply no acceptable alternative. As a people, we will be able to enjoy the economic and social well-being necessary for a full and rewarding life in this Province only if a sustainable, sound fiscal foundation is built.

Mr. Speaker, this Budget is an integral component of that foundation. It will set us to work, better prepared to surmount the fiscal challenges which must be overcome to secure the future balanced budgets that this Province must, and will, achieve.