

**Prince Edward Island**

**2000 Budget**

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**A Balanced Agenda**

**Presented to  
The Members of the Legislative Assembly of Prince Edward Island**

**by**

**Honourable Patricia J. Mella**

**Provincial Treasurer  
and  
Chair of Treasury Board**

**March 17, 2000**

The full text of the Budget Address is available on the Internet at the Prince Edward Island Information Centre located at the following World Wide Web address:

<http://www2.gov.pe.ca/budget/index.asp>

Files containing the Budget Address, associated tables and supporting materials are also available for download in several popular word processor formats at the same address.

# PRINCE EDWARD ISLAND 2000 BUDGET

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# THE BUDGET ADDRESS

## A Balanced Agenda

Mr. Speaker, Members of the Legislative Assembly.

This is the fourth budget that I have had the privilege of presenting to this Assembly and to the people of Prince Edward Island. I am pleased to report that over that time the Province has witnessed an unprecedented improvement in its economic and financial performance.

This Budget takes on special significance because it is the first of the new Millennium. It is also positive proof that our policies in the last years of the 20th century have placed the Island in a strong position as we begin the 21st century.

We are all aware that budgets are important indicators of the financial and economic health of the Province. As I stated a year ago, a budget is more than numbers, it is about building a secure future for individual Islanders. It is about providing a better standard of living; it is about optimism and opportunity; it is about fair rates of taxation and the effective delivery of public services. This Budget will further build on the successes of past budgets. We can look forward to the coming century on the basis of a strong and solid foundation and I am extremely proud of our accomplishments in this regard.

## Public Input

An integral part of our Budget making process is to assess the needs of all Islanders. Helping us in this regard have been the many groups and individuals who have taken the opportunity to provide their advice and opinions. In this context I am encouraged by the new found sense of self reliance that was

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evident in these discussions. Islanders are talking about growth, investment and the future. I have witnessed a profound interest in the development of our Island economy. I am taking this opportunity to personally thank the many people who have participated in developing this Budget, both internal to Government and those from the community at large who took the time to discuss their ideas and plans with me. As a result of these discussions, our Government sets forward a budget with a balanced approach to addressing the issues affecting Islanders.

### **Fiscal Performance**

Mr. Speaker, I feel we have a great deal to be proud of.

Our fiscal and economic performance has been very sound. All Islanders should take credit for their part in this achievement. We in Government are only one part of the picture. It is Islanders, working and investing, upgrading their education and skills, and managing their businesses, farms and enterprises that make all this happen. Islanders also form the backbone of our important public service sectors, such as public servants, teachers and health care workers, and all contribute to the economy. Government can facilitate and encourage economic growth, but it cannot create it.

The Prince Edward Island economy performed well in 1999, exceeding our expectations in most areas. The latest information points to an expansion in our economy of at least 3 per cent. Inflation remained low in 1999 at 1.2 per cent, though rising energy costs in recent months have placed upward pressure on prices.

The growth in the economy was reflected in numerous economic indicators and I will not attempt to detail them all, but in many areas the results have been outstanding. For example, the value of international exports from Prince Edward Island in 1999 was up from 1998 by 21.1 per cent. The value of exports of processed

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fish products climbed by 54.9 per cent. Residential housing starts were up by 17.6 per cent. Retail sales increased by 10.1 per cent.

Mr. Speaker, the increase in retailing on Prince Edward Island was the largest increase of any province in Canada. Our analysis of the data reinforces our belief that well placed tax reductions are a positive stimulus to the economy.

The strong economic picture was reflected in significant employment gains. The latest Statistics Canada figures show employment reaching 64,800. Mr Speaker, this is by far the highest level of employment in the Island's history. The February 2000 unemployment rate was down to 11.5 per cent. This is the lowest since December 1988.

Mr Speaker, the economic evidence shows that the engine that drives Prince Edward Island's economy is running smoothly.

The manufacturing sector is also doing very well. The value of manufacturing shipments from our shores reached close to \$1 billion, expanded by 11.6 per cent over 1998.

Tourism performed well, maintaining the expansion in numbers that occurred in 1997 and 1998. Expenditures by tourists valued some \$303 million last year, an increase of close to 5 per cent from 1998. Since 1996, tourism expenditures in this Province have grown by 77 per cent.

The fishing sector had another good year with the value of lobster landings growing to \$88.8 million.

Our farming sector struggled because of the early dry weather and low commodity prices. Although some world prices improved from previous years, they remained low, resulting in tight margins. Overall, farm cash receipts expanded by some 10.5 per cent in 1999 over 1998.

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There should be no doubt that the economic environment is critical to the Government's fiscal success. In turn, there can be no doubt that the management of the Government and its fiscal actions are working to foster the economic environment. I believe that the Government has set the appropriate direction to serve this end. That is not to say that our job is done. Overspending, heavy borrowing and over-regulation are not paths to economic success. Continuing prosperity hinges on Governments finding an appropriate balance between public services and taxation that fosters investment and employment. The nature of the new economic world in which we live in 2000 means that this balancing act is becoming increasingly complex.

### **Global Impacts**

Mr Speaker, the direction the global economy is taking is obviously critical to our own economic forecasts. The global picture is dominated by the sustained expansion of the U.S. economy. The U.S. is experiencing one of the longest periods of economic expansion in its history, increasing by 3.5 per cent per year since 1992. Similarly, the Canadian GDP increased by 4.2 per cent in 1999.

We might pause at this time to reflect on these numbers because hindsight is 20/20. Toward the end of 1998 there were grave doubts about the prospect of further economic expansion in 1999 in view of the sudden collapse of the East Asian economies, together with financial problems in Russia and South America. The Japanese economy also looked very weak. The Canadian Federal Budget for 1999 was predicated on national economic growth of only 2.0 per cent. It is now evident that these doubts concerning the strength of the North American economies in 1999 were incorrect.

The U.S. Federal Reserve has raised interest rates three times in 1999 and again in February 2000, in order to cool down the

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economy. In the meantime, the US and Canadian stock markets reached record levels, which is indicative of the levels of optimism in the North American economies. The Canadian dollar had been somewhat stronger in 1999 than in 1998.

### **Growth Will Continue**

It is likely that the current expansion will continue but at a somewhat more reduced pace than was experienced in 1999. Inflation has been affected by oil prices, but with the consumer price index increasing at an underlying rate of 1.4 per cent it is still well within the target range set by the Bank of Canada. Interest rates are still very low by historical standards. We believe the present economic environment will continue to stimulate economic growth in Prince Edward Island in 2000.

A full account of the Island economy can be found in Budget Paper A included in this document.

### **Island Revenues Improve**

Mr. Speaker, strong economic growth translates into strong revenue performance, and in particular the Provinces's own source revenues have done well in 1999. The two major tax revenues are the Provincial Sales Tax and Personal Income Tax, together contributing to about 34 per cent of all provincial revenues. In both cases tax revenues in 1999/2000 are up from Budget. Overall, Provincial source revenues in 1999/2000 are above Budget by \$45.5 million.

The strong economic performance nationally has also assisted in the growth of Equalization. The latest Equalization estimate is anticipated to be \$244.4 million in the current fiscal year. I might note that the 1998/99 Equalization payments were \$268.5

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million, of which \$46.9 million was the result of major prior year adjustments which cannot be anticipated in the future.

### **Multi-Year Surpluses**

For fiscal year 1999/ 2000 revenues totalled \$893 million, while expenditures were \$889 million. Therefore, I am very pleased to announce that the forecast for the 1999/2000 year will be a surplus of \$4 million. This is the first time in 25 years that the Government of Prince Edward Island has achieved actual back-to-back surpluses. And, Mr. Speaker, today I am tabling another surplus Budget for 2000-2001.

What do surpluses mean? Basically, they are an indication of the ability of the Government to live within its means. They also mean that the Provincial Debt is being reduced. This means that future Governments have increased flexibility to reduce taxes or respond to expenditure needs. The achievement of surpluses also sends a signal to the financial community that Prince Edward Island is a good place to invest, and more particularly it should over time raise our credit rating.

### **Cooperation**

Mr. Speaker, the need for the Province to be more self reliant is growing. Canada is changing rapidly, and it is evident that Canadian attitudes towards the smaller, less well off provinces are changing. We cannot take for granted that all Canadians will necessarily sympathize with the plight of the Atlantic Provinces in times of economic difficulty.

In order for Prince Edward Island to have a substantial voice on national issues we must forge new alliances with other provinces. It is therefore only natural for us to join with our neighbours in the Atlantic Provinces on issues in which we share a common

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interest. But, Mr Speaker, Finance Ministers of the Atlantic Provinces have rarely worked together in the past. Fortunately that is now changing and I was most pleased to host a meeting of the Atlantic Provinces' Finance Ministers in January here in Charlottetown that set out a process for us to work more closely together in the future.

Mr. Speaker, it is evident that all Provinces are troubled by the Federal Government's lack of commitment to adequately provide for its share of the funding necessary for health, social services and post-secondary education. The Province has therefore joined with other provinces in calling for full restoration of the federal reductions to the Canada Health and Social Transfer (CHST).

The Federal Government must provide adequate and sustained financial support to provinces to deal with the growing demands for health services.

The federal response to our calls to improve CHST and Equalization is of grave concern to myself and my colleagues in other provinces. The Federal Government has shown a consistent disregard for the concerns of Provinces in their struggle to provide health care to Canadians and a particular disinterest in the concerns of smaller Provinces in their struggle to provide provincial public services at reasonable tax rates. I will continue to forcefully bring our concerns to the Federal Government and to our fellow Canadians.

Details on the CHST and Equalization transfers can be found in Budget Paper B.

### **The Year Ahead**

Mr. Speaker, I would like to turn to the expenditure side of the Budget.

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In 1996, this Government set clear priorities, and in making spending allocations since that time, we have been guided by those priorities. We have been able to enhance many existing services, provide new ones, and address important needs. This Budget builds on those successes.

We believe Government should be prepared to work with all Islanders in building a better future for our citizens and ensuring a solid financial future for our province.

### **Health Care**

Mr. Speaker, today we spend approximately \$857,000 a day in the provision of health and social services to Islanders. Over the last three and one-half years, our support for health care has increased 11.6 per cent. As a Government, we have worked hard to maintain the principles of Medicare and to enhance the level of services provided to Islanders.

We have implemented important new support programs for those with Multiple Sclerosis. We constructed the Island's first Cancer Treatment Centre, and we will soon break ground for a major new hospital in Prince County.

We built a new provincial Addictions Centre, and invested \$3.6 million in enhanced regional addiction services, offering new programs for youth, women and those addicted to gambling.

We maintained existing hospitals, increased support for nursing and community care facilities, and increased staff.

Last year we established the Health Care Stabilization Fund. That fund supported the creation of 85 new full and part-time nursing positions. Because of that fund, 81 casual nurses now have permanent employment and are retained in the Province. This year further funding of \$3.3 million will support that initiative.

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In February the Government announced a \$4.2 million Enhanced Physician Recruitment Strategy, to recruit new doctors, support existing physicians and strengthen Prince Edward Island's position in the recruitment market place. In the same month, the Government announced the creation of four new physician positions at a cost of \$800,000 annually. From 1997, this Government has added 12 new positions in the physician complement. During that same time, seven physicians have been successfully replaced, plus four long-term vacancies have been successfully filled.

The Health Research Fund, established in last year's budget, has resulted in partnerships with the Medical Research Council, University of Prince Edward Island, Canadian Health Research Fund, Canadian Cancer Society, Heart and Stroke Fund, the Lung Association and the Canadian Diabetes Association. Our support for these partnership initiatives is in excess of \$300,000 and will leverage other dollars necessary for the completion of very valuable research which will benefit the health of Islanders.

Mr. Speaker, many health care services are provided in partnership with others. I am pleased to announce that the Provincial Government subsidy rate for nursing homes will be increased by \$445,000 this year, and a further \$445,000 next year.

Nursing Home Residents Comfort Allowance will also be increased by \$100,000 - the first increase since 1992.

Community Care facilities will see program funding increased by \$465,000 to support higher per diem rates. This provides for a 29 per cent increase in the per diem rate.

Mr. Speaker, the Budget includes \$250,000 to provide increased support to a number of community based, volunteer organizations that are partnering with Government in the provision of health services and education.

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Funding of \$250,000 has been allocated to support a new Provincial Children’s Mental Health Team to address the increasing demands for mental health services.

There will also be more funding this year in support of services for speech therapy and autism.

As I stated, Government has an obligation to assist those in need. In December, we announced a doubling of the school allowance and a 10 per cent increase in the food allowance for those on social assistance. We also indicated at that time a review of other supports was ongoing.

Today, I am announcing a further \$1 million in funding to support social assistance clients.

New technology is enhancing our ability to provide quality health care services and I am pleased to announce this budget funds three specific, multi-million dollar equipment initiatives that will further improve health care services.

Our Government will purchase an MRI. This means that the 500-600 Islanders who are now referred off-Island each year for an MRI will be able to get it here. More importantly, it will assist in the detection and treatment of a variety of health problems.

The new Cancer Treatment Centre, built by this Government, is providing quality care to hundreds of Islanders. To further enhance the ability of the Centre to respond to treatment needs, a Linear Accelerator will be purchased. This means that 300 more Islanders will receive treatment here at home.

As I indicated, the new East Prince Health Facility will proceed and the community foundation will undertake a major equipment fundraising drive for the new facility. To assist in that effort, our Government will commit \$2.5 million to the equipment fund.

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## Education

Mr. Speaker, as an educator, a parent, and an elected representative, I know the importance of a good education as the basis for development of our children.

Today, I am pleased to announce several new initiatives aimed at supporting education services in our Province.

Today I am announcing another historic first. Our Government believes that education should begin with the very young. Therefore, a province-wide, publicly-funded kindergarten program will be implemented this year. This program will be community based, and will work in partnership with those now providing kindergarten services. Our objective is to provide our youngest students with a positive head start, and ensure a standard level of program, while at the same time supporting those who have been providing such services. Funding of \$1.5 million has been allocated in this Budget, with an objective of having the program operational by the Fall of 2000.

Mr. Speaker, we must also continue to upgrade those services we now provide. The new Athena School is fully operational and the new West Royalty School will open soon. The Capital Construction Program has so far supported the upgrading of 48 schools. Construction will begin on the new Fort Augustus School in the near future. Over the past three years, \$25.8 million has been invested to improve our schools.

Education is about more than buildings. That is why today I am announcing that funding for elementary and secondary education will be increased by over \$3 million. We have met with the School Boards and the Teachers' Federation and are taking the first steps to address many of their suggestions.

This funding will be invested in 11 priority areas, including administrative grants, teacher assistants and support workers,

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Internet technology, the Senior High Transitions Program, and in-service training for teachers. These funds will also support special-needs students, introduce a new math curriculum, French Language Schooling, and funds to keep our schools safe.

Mr. Speaker, our Government supports the vital post-secondary education facilities at Holland College and the University of Prince Edward Island. When we were elected we promised a three year funding commitment to the post-secondary institutions to assist them in planning for the future.

UPEI will receive an additional \$1.2 million in operating funds. Holland College will receive \$1.4 million to cover its operating deficit and a \$1 million increase in its operating fund. These additional investments, along with our commitments to funding increases in the next two years to education and training, will benefit students by controlling the increasing costs of tuition.

In addition, the Minister of Education has already announced a new award program of \$600 per student for those entering the third and fourth years at UPEI and second year of a two-year program at Holland College.

The Student Debt Reduction Program has also been enhanced to one of the very best in the country. We have provided \$1.3 million to assist students through the Student Debt Reduction Program.

### **Communities**

Mr. Speaker, I am conscious of the continuing need for improved physical infrastructure to support economic development throughout the Province.

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In support of needed infrastructure, this Budget allocates \$2.5 million for a new infrastructure program in partnership with the federal and municipal governments.

A solid infrastructure is vital for the delivery of goods and services. That is why last year, the Government took steps to improve our infrastructure by investing in many large capital projects, including \$1.2 million for the construction of the Vernon River Bridge and completion of the last stretch of the \$5 million Charlottetown Perimeter Highway.

Roads and road safety are priorities for this Government. In 1999, the Government completed numerous highway capital projects. Over 135 kilometres of roads were re-constructed and many improvements to roads and bridges were made.

These highway initiatives were complemented by environmental management projects that added to our sustainable environment. Numerous rehabilitations were completed, including MacInnis Pond, the Ross Dam and Mill River Estuary. Supporting all of these activities was the development of an Environmental Protection Plan that defines protection measures for roadway and bridge construction and maintenance.

We all cherish our Island way of life and the safety and security of our communities. In response to community needs and new demands for services from increased tourism, we will invest \$350,000 to enhance policing and security.

Three years of careful planning will culminate this May in the official launch of the province-wide 911 system which will provide Islanders and visitors access to emergency services through the internationally recognized 911 system.

Mr. Speaker, our volunteer firefighters are a tremendous community resource. They are individuals who spend many hours training and stand ready to respond to emergency situations.

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Not only are they volunteers, they often travel to emergencies in their own vehicles.

Our Government appreciates that effort, and I am pleased to announce that effective immediately the Province's 1,200 volunteer firefighters will receive motor vehicle registration for their primary vehicle free of charge.

Monsieur le Président, notre gouvernement reconnaît la contribution importante des communautés acadienne et francophone à la société de l'Île-du-Prince-Édouard. Par conséquent, nous sommes heureux d'établir un programme global visant à améliorer les services en français offerts par notre gouvernement.

In 2000/2001 the Government will begin implementing the *French Language Services Act*, a process that was proclaimed earlier this month and will continue during the next five years. When fully proclaimed, the Acadian and Francophone community as well as visitors to the Island will be the beneficiaries of increased services in French. Proclamation will occur gradually over the next number of years respecting the capacity of Government as well as the desire of Acadian and Francophone community. Existing bilingual services will be maximized and increased bilingual resources will allow the Province to take full advantage of economic development opportunities.

Good employment prospects strengthen communities and over the past year the Community Development Bureau and the employment of Community Development Officers have actively fostered new opportunities across the Province.

## **Agriculture**

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Mr. Speaker, the Food Strategy is the cornerstone of our Government's development efforts in the primary industries.

Prince Edward Island is a major food producer, and we have the opportunity to introduce more products to the world marketplace. The Food Technology Centre will invest \$2.7 million in 20 projects in support of economic growth and jobs in agriculture, seafood and food-related businesses.

In agriculture we will establish a new Sustainable Agriculture Industry Development Program that will encourage organic and low-input production and will see the implementation of a Pesticide Reduction Strategy.

This Budget includes provision for a new \$1 million Seed Potato Crop Insurance Program to help seed growers reduce the financial risk of growing high quality seed under current conditions and increase the availability of high quality seed for future years.

The Department of Agriculture and Forestry is working closely with all sectors of the potato industry, including processors, and with the Federal Government through the Industry Seed Strategy Committee to address the current issues concerning the seed potato sector. Prince Edward Island is the only province in Canada to introduce a mandatory Post-Harvest Virus Test Program, and the only province with a cap on virus levels for seed.

The continued growth and development of Prince Edward Island's livestock industry is a priority for this Government. Along with other Maritime provincial governments, packers, the beef industry and Co-op Atlantic, the Department of Agriculture and Forestry has provided support for the introduction of a new Maritime Beef Brand to increase market access and returns to producers. Although the hog industry has gone through a difficult period of low prices, there is a great deal of confidence in its future.

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Funding of \$1 million has been budgeted for continuation of the Agricultural and Environmental Resources Conservation Program which provides technical and financial assistance for on-farm projects which include soil conservation, manure management, hedgerow establishment and structures to store fuel and pesticides.

Continuing with our commitment to sustainable forestry practices, I am pleased to announce that seedling production at the J. Frank Gaudet Tree Nursery will increase to three million seedlings this year.

### **Fisheries**

Mr. Speaker, the lobster industry is by far the most important component of the Prince Edward Island fishery, and is a significant contributor to the provincial economy, especially in coastal and rural areas.

To support this vital sector, the Government will introduce a Lobster Strategy in year 2000 to focus upon maintaining and developing the lobster industry as a key element of our rural economy. The strategy will build upon the lobster research initiatives undertaken by the Department, with emphasis on building partnerships with the fishing industry, the Federal Government and research institutions. The lobster strategy will also focus on quality programs, product development and marketing.

The Department of Fisheries and Tourism has worked with representatives of the Prince Edward Island Shellfish Industry and the Federal Government to revitalize the Aquaculture Leasing Program. To strengthen the aquaculture industry, Government will work with representatives of the Prince Edward Island Shellfish Industry and the Federal Government to improve funding for the Aquaculture Leasing Program. The new program

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***Environmental Resources Conservation Program....”***

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will seek out industry input and guidance and will address the backlog in leasing applications.

### **Job Creation and Development**

The global market offers new opportunities to Island community-based businesses.

Small business continues to be the engine of our economy and therefore, a primary focus of Prince Edward Island business development. The Province will continue to work with small businesses to help them in reaching their customers by using technology; to enter into new export markets; and to expand their business with appropriate infrastructure.

Job creation remains one of the key objectives of all business development initiatives undertaken. Recently, the Province assisted call centres to expand on Prince Edward Island which will create close to 350 new jobs for Islanders in this industry alone.

Aerospace is growing significantly, based on expanding international markets. Information technology has seen growth across the Province, taking advantage of the Province's broadband network and advanced technological infrastructure. Diversified manufacturing and life sciences are two sectors that continue to expand on Prince Edward Island and are recognized as areas of potential growth for our Province.

Mr. Speaker, acceptance and use of the Internet has been rapid and E-Commerce is taking off at an explosive pace. Prince Edward Island has been very successful in putting infrastructure in place to support efforts in the knowledge based economy. During the past year, the Province entered into a partnership arrangement with a consortium which included two Island companies and GE Capital, which is an internationally respected company, to foster an economic development initiative for the

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management of information technology networks. This initiative is expected to produce 73 jobs and provide more than \$5 million in industrial benefits.

To strengthen Island communities, the Government will invest \$140,000 to establish Community Access Program training facilities in communities across Prince Edward Island. Through the federally funded Electronic Post Office - Canada Post Project, our Government will work in partnership with the Federal Government to establish Canada Post's new electronic post office boxes across the Island, for Prince Edward Island residents.

2000/2001 marks the second year of the Business Web Presence Program which assists Island companies to initially develop a web site using Island-based expertise. The Province and Industry Canada will invest \$100,000 in 2000/2001 under this Program on a cost-shared basis. Through an investment of \$120,000 in year two of the E-Commerce for Export Program, the Province and Industry Canada will cost share supports for Island businesses to develop their electronic commerce capabilities, thereby stimulating new export opportunities.

The Government will support partners in their use of video conferencing to enhance teaching and learning. To assist educators of special needs students, we will offer support for the Western School Board's application to the Office of Learning Technologies to create Prince Edward Island's first ever on-line course for special education teachers. And to further help students, we will invest \$95,000 to support the offering of a co-op initiative in the Bachelor of Computer Science degree program. This co-op initiative will provide students with "hands-on" experiences with the local businesses.

Cultivating our growing environmental industry sector is a priority for this Government. Through the Environmental Industries Initiative, \$200,000 will be invested to create new support services to provide technical evaluation and assessment

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services to participants in environmental-related industries. To better protect the environment, the Fish and Wildlife Division will be strengthened by an investment of \$125,000 to add additional Wildlife Technician positions on a permanent, full-time basis.

The Province continues to support the Island's primary industries and small businesses by providing lending services through the Prince Edward Island Lending Agency. In 1999-2000, there was in excess of 150 new loans provided to the primary and small business industries. In addition, loan assistance to major developments in Slemon Park, Souris, and West Royalty have provided tremendous employment opportunities for Islanders in the aerospace and manufacturing sectors.

In the present economic climate, we believe there will be more opportunities in which the Lending Agency can and will play a key role toward the support of economic growth on Prince Edward Island.

The Province assisted more than 80 small businesses, totalling more than \$1.5 million, by way of the Entrepreneurial Loan Program and has assisted with various major developments in Souris, Brudenell, West Royalty and Slemon Park.

### **Tourism**

Following the successful Skins Game in 1998, the Province is proud to play host in August 2000 to Canada's first ever women's skins game, The Lori Kane Island Challenge. Attracting world class competitors and media coverage, this prestigious sporting event will provide opportunities for the people of Prince Edward Island to showcase our world class golf product and hospitality.

Mr. Speaker, golfing products and services on the Island will continue to diversify and prosper. Crowbush Cove Development

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***“Mr. Speaker, golfing products and services on the Island will continue to diversify and prosper.”***

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Inc. will conduct a \$14.5 million development project consisting of a four-star resort in 2001, featuring 118 rooms and the most modern accommodation facilities, adjoining the Crowbush golf course.

Plans are in place to complete the Confederation Trail, from tip to tip, by August of this year. Prince Edward Island will hold the distinction of being the first province in Canada to have a fully completed, multi-use recreational trail which will benefit rural tourism and serve as a magnet to attract the growing outdoor, soft-adventure tourism market.

Under the Island Welcome Centre Program, private and community operated Visitor Information Centres will increase their levels of service to the travelling public. In cooperation with the Tourism Industry Association of PEI and Tourism PEI, the centres will be identified by a common visitor information symbol, will adhere to new quality service standards and will distribute quality information to visitors to Prince Edward Island.

Developing our tourism services includes upgrading our tourism facilities. Due to its age and location, the Visitor Information Centre at Portage in West Prince is in need of vital repairs. To support our tourism industry in this region, and to create a welcoming environment, the Visitor Information Centre at Portage will be rebuilt to better serve the public.

### **Tax Relief and Tax Fairness**

Mr. Speaker, I now turn to tax initiatives. In 1999, I was pleased to put into effect the Province's first ever reduction to our Personal Income Tax rate. Today I am taking tax reduction even further. I am pleased to announce a significant program of income tax measures for 2000 and beyond that will deliver broad-based reductions for all taxpayers and targeted reductions for thousands of low income Island families.

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***“Prince Edward Island will hold the distinction of being the first province in Canada to have a fully completed, multi-use recreational trail”***

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***“In 1999 I was pleased to put into effect the Province's first ever reduction to our Personal Income Tax rate. Today I am taking tax reduction even further.”***

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As I said at the beginning of this address, the financial success of the Province is the result of the economic progress that Islanders have achieved through their own efforts. It is only right that Islanders share in this success.

I am pleased to announce three income tax measures. First, the Provincial Personal Income Tax rate will be reduced again, to 57.5 per cent. Second, the Government will pass through in full the additional provincial tax savings to Prince Edward Islanders that stem from federal income tax reductions in their 2000 Budget. And third, a Low Income Tax Reduction Program will be introduced that will significantly reduce tax paid by low income families and individuals.

The one percentage point drop in the Provincial Personal Income Tax rate, from 58.5 per cent to 57.5 per cent will be fully effective from January 1, 2000. Each of Prince Edward Island's 66,300 tax payers will benefit from this measure. This measure is worth some \$2.2 million annually.

The reductions in the provincial personal income tax that are the result of the latest federal Budget measures will flow through in full to all Island tax payers both in 2000 and 2001. The reduction in Personal Income Tax from this commitment is \$5 million in 2000 and \$7 million annually thereafter.

The Prince Edward Island Low Income Tax Reduction Program will also go into effect January 1, 2000. It will provide tax savings for low income families in a way that recognizes the extra costs faced by families with children. As a result of this program, approximately 17,200 tax filers will see their taxes reduced. The program will eliminate provincial income tax entirely for some 4,860 Islanders, who represent 7 per cent of all Island tax payers. The annual reduction in personal tax revenue from this measure is estimated to be \$3 million.

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***“... a Low Income Tax Reduction Program will be introduced that will significantly reduce tax paid by low income families and individuals.”***

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***“... approximately 17,200 tax filers will see their taxes reduced. The program will eliminate provincial income tax entirely for some 4,860 Islanders...”***

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The Low Income Tax Reduction Program will be administered through our tax agreements with the Federal Government as a non-refundable credit against tax payable. It will provide a \$250 credit for the tax filer, \$250 for the spouse or equivalent-to-spouse and \$200 per child. The credit will be available in full to all Island families with taxable income up to \$15,000, reducing by 5 per cent on income over that amount. Examples of these reductions are shown in the Budget Paper C.

It is particularly satisfying for me to be able to introduce this important equity measure in light of my joint responsibilities as Provincial Treasurer and Minister Responsible for the Status of Women. The social well-being of low income families is closely tied to their economic well-being and this program recognizes the need for income tax relief for working families with limited income, many of whom are headed by women. The Low Income Tax Reduction will provide relief to 42.7 per cent of all single parent families, totally eliminating tax payable for 11.2 per cent of such families.

This program is additional to measures previously announced to raise Social Assistance allowances to families.

Details on the Personal Income Tax measures can be found in Budget Paper C.

I am also announcing the Government's intention to join with other provinces in moving to the Tax on Income system in the calendar year 2001. Under this system the Federal Government will continue to administer the provincial income tax, allowing provinces to set their own tax rates and income schedules. It will allow our Province the flexibility of continuing with a tax policy that raises the standards of living for Islanders while at the same time addressing our social needs.

In its move to a Tax on Income system, Prince Edward Island will adopt the federal income thresholds and rates that will be effective on January 1, 2001 and so ensure that the tax reductions

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***“It is particularly satisfying for me to be able to introduce this important equity measure in light of my joint responsibilities as Provincial Treasurer and Minister Responsible for the Status of Women.”***

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***“In its move to a Tax on Income system, Prince Edward Island will ... ensure that the tax reductions for 2001 described in the Federal Budget are passed on in full to Island tax payers.”***

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for 2001 described in the Federal Budget are passed on in full to Island tax payers.

Islanders have accomplished broad-based economic successes in diverse areas including exports, construction, investment, retailing, tourism as well as our primary industries. This hard work of individuals has improved the revenue position of Government and I am pleased to be able to participate in further successes by putting money back in the hands of Islanders by way of significant tax cuts. The combined effect of the federal and provincial income tax cuts over the past two years adds up to a very sizeable annual saving of \$41 million to Island taxpayers.

To provide tax relief to owners of farm land that is leased to bonafide farmers, or part-time farmers, our Government will introduce tax legislation to create a reduced, fixed tax for that farmland. The measure addresses current disparities in existing legislation that requires the full assessment be applied to non-farmers who rent out their lands for farming purposes.

The issues surrounding our tax burdens are significant. We must continue to create a favourable taxation environment and remain competitive. A strong, healthy competitive economy is essential to our future health and standard of living. These tax measures, in time, will boost overall economic activity thereby resulting in other enhanced tax revenues.

### **Conclusion**

I believe that this, the first Budget of the new Millennium, responds to the economic and social needs of the Province. It is based on the firm belief that fiscal responsibility is paramount to the future of the Province. It recognizes the need to deliver tax

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*“I believe that this, the first Budget of the new Millennium, responds to the economic and social needs of the Province”*

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relief to Islanders, both from a sense of social responsibility as well as economic well being. The Budget continues to provide for the expansion of vital social services, particularly in the area of Health and Education. The Budget encourages future economic development by supporting high tech industries, primary producers and tourism, by fostering a competitive environment, and by ensuring that the infrastructure is adequate to serve Island industry.

Last year we stated that we would help to create the best Province in Canada in which to live. Mr Speaker, I am sure you would agree that at the start of the new Millennium, we in Prince Edward Island can be proud to claim that we not only live in the best country in the world, Canada, but also in the best Province in that country.

In closing, Mr Speaker, I want to thank my colleagues for their assistance and support in producing this Budget. I also want to thank the dedicated Government workers in the Provincial Government for their commitment to our goals. Finally, I would like to extend my sincere gratitude to all Islanders who have contributed to the revitalization of this great Province.

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***“... Prince Edward Island can be proud to claim that we not only live in the best country in the world, Canada, but also in the best Province in that country.”***

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***“I would like to extend my sincere gratitude to all Islanders who have contributed to the revitalization of this great Province.”***

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