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| **Province** | **Législature/Legislature** | **Session** | **Type de discours/Type of speech** | **Date du discours/ Date** | **Locuteur/Speaker** | **Fonction du locuteur/ Function** | **Parti politique/ Political party** |
| Ile-du-Prince-Edward/ Prince Edward Island | 62 | 1 | Discours du Budget/ Budget Speech | 30-03-2004 | Mitch Murphy | Provincial Treasurer and Chair of Treasury Board | Progressive Conservative |

**THE BUDGET ADDRESS**

**Working Together for a Secure Tomorrow**

Mr. Speaker,

Members of the Legislative Assembly,

This is my first Budget as Provincial Treasurer, and I would like to say how proud I am to have been afforded this opportunity. Governments do not have money, but rather are the managers of the money that belongs to the taxpayers of the Province. I am acutely aware of the tremendous responsibility and expectation that accompanies the role of Provincial Treasurer. Islanders expect their governments to be prudent managers of their tax dollars and that's what we will continue to do.

It will come as no surprise that the fiscal position of the Province deteriorated significantly in the past year and this Budget will outline a responsible plan of action to deal with the situation. The task is a daunting one but our Government believes that this Budget keeps the Province moving on the right track.

Mr. Speaker, the provincial economy continues to perform well. Our estimates of economic growth indicate that growth in 2003 was somewhat better than what was expected at budget a year ago, and that we exceeded national growth both in terms of employment and Gross Domestic Product. This was despite BSE, SARS, Hurricane Juan, the power blackouts, forest fires and other negative impacts on the national economy. I will discuss the economy in more depth later in this address.

Mr. Speaker, budgets often contain a common thread or a theme. The theme of this address is sustainability. Sustainability in everything we do, from managing the finances, delivering programs and services, and developing policy.

**Fiscal Sustainability**

Mr. Speaker, I am convinced that our present fiscal arrangement with the Federal Government is significantly flawed, and this is the major contributor to our fiscal challenges.

The current federal/provincial dispute on fiscal imbalance was triggered by the 1995 F ederal Budget, which was the centre-piece of Ottawa's strategy for restoring federal public finances. At that time, the federal minister of finance announced that two of the largest federal transfers to the provinces - Established Program Financing (EPF) and the Canadian Assistance Plan (CAP) would be rolled into a single block transfer, the CHST. The transfer would be conditional upon the provinces upholding the principles of the *Canada Health Act* and continuing to provide social assistance without minimum residency requirements.

In 1994-1995, the combined cash transferred to provinces and territories through CAP and EPF was $18.7 billion. In 1996- 1997, the new CHST delivered $14.7 billion, falling to $12.5 billion in 1997-1998. Recent infusions have restored some of the cuts, however, the federal contribution to overall health care spending remains at 16 per cent. We should all remember that publicly-funded health care started off on a 50/50 cost-shared basis between the federal and provincial levels of governments. The Federal Government simply contributes insufficient funding to sustain the ability and the right to play the role it has historically played.

The audited Public Accounts for the Province of Prince Edward Island for fiscal year ending March 31, 2003 indicate a reduction of $67 million in federal transfer payments from 2001-2002. I believe that when the Public Accounts are tabled for fiscal year ending March 31, 2004, we will still be $30 million less than that year. This means we received close to $1 OO million less in federal transfers over the last two years.

We have been told by the Federal Government that they will take steps to les sen the volatility and improve the stability of transfer payments. If this is the case, it will be helpful in managing the provincial budget.

Equalization is the largest federal transfer to the Province. Indeed it is the only federal program that is enshrined in the Constitution. Section 36(2) reads as follows:

"Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that the provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation."

During recent equalization renewal discussions we sought four main changes to the program. First, we wanted the Federal Government to strengthen the program by raising the standard to one based on all ten provinces. Second, we stressed the need to sustain revenue coverage in the program after 50 per cent reductions to the user fee revenues in the formula were imposed after 1999. Third, we wanted measures incorporated to reduce the volatility of entitlements and to allow for improved ability to predict payments. Fourth, serious technical problems that were recognized in some measures needed to be corrected. In addition, we wanted the claw back adjustments involving the Census to be removed.

Mr. Speaker, we are convinced that Equalization is not receiving the attention by the Federal Government that it deserves. The budgeted amount in 2004-2005 is $245.8 million. This amount is substantially less than was received between 1998-1999 to 2001-2002. The Equalization Program for receiving provinces is estimated to decline by about $3 billion or about 25 per cent from previous forecasts by the Federal Government.

Mr. Speaker, I might point out that the Equalization program involved federal expenditures in the order of $11 billion in recent years. This amount has now dropped to about $8 billion, in part because of savings from the reduced revenue coverage and the Census impacts. Notwithstanding this, the Federal Government claims that a move to a ten province standard is not affordable. It is difficult to accept this argument.

In terms of user fees, the federal response is that we have to live with 50 percent coverage in this base.

In terms of technical changes, there are some improvements in the package, but the phase in provisions in the renewal will not begin until 2005-2006, and will take several years to occur, which means that present technical deficiencies will continue to cause serious inequities in entitlements in the coming years.

In terms of the Census impacts, the federal minister is insisting they are applied to present and past entitlements.

Mr. Speaker, there is a multitude of studies and analyses to support our position on federal/provincial fiscal imbalance. The Conference Board of Canada in their February 2004 report provides this summary:

"With current fiscal regimes in place, this discrepancy will widen in the future. Only the Federal Government will have the financial capacity to implement new initiatives, such as tax cuts and new discretionary spending. In contrast the provinces and territories will have no leeway to

implement new policy initiatives over the next two decades; as a collective group, they will neither be able to increase spending, nor cut taxes, without falling deeper into debt."

Mr. Speaker, there is only one taxpayer and those revenues collected through taxation must be distributed equitably to the provinces who have the constitutional obligation to provide the services.

We have been recently encouraged by the Prime Minister's acknowledgement that the Federal Government must contribute more than 16 per cent of the costs of health care spending.

Iwould like to thank Premier Binns, who as chair of Canada's Premiers, has led the charge for a more equitable distribution of tax dollars. In this regard, all Islanders indeed all Canadians, owe him a debt of gratitude.

Fiscal sustainability is a necessity for all Governments. The logic is clear and the explanation straight forward. Continuing to spend in excess of revenues adds to the debt. Increased debt adds to debt service costs, increased debt service costs leads to less money for programs and services and an unfavorable position with financial markets. It is a top priority of this Budget for the Province to improve its fiscal sustainability.

During the course of this fiscal year a number of measures will be introduced. Changes will be introduced curtailing the use of special warrants.

Government departments, crown corporations and agencies will submit quarterly updates to Treasury Board on their budgets. For the purpose of transparency in Government spending these updates shall be placed in the public domain.

Government must continue to focus on the priorities of Islanders.

To make sure these priorities continue to be met, a new expenditure review process will be undertaken to identify where savings can be realized. Indeed expenditure review must be a continuous ongoing process and to that end, Government will create a permanent expenditure review division from within existing resources.

Economic and Fiscal Performance

Mr. Speaker, I have already noted the series of events that negatively impacted the Canadian economy in 2003. Statistics Canada estimates that the national GDP increased by only 1.7 per cent last year, which was significantly below the 3.3 per cent achieved in 2002 and below the forecast of 3 .2 per cent in the Federal 2003 Budget. In response to the growing evidence of economic weakness in 2003, the Bank of Canada lowered interest rates beginning in July 2003, the most recent change being made in March 2004 when the Overnight Rate was set at 2.25 percent. In the USA the federal fund rate was reduced to 1 percent in June 2003, where it has remained.

In contrast to Canada, the United States economy expanded strongly in 2003 with GDP growth up to 3 .1 percent from 2.2 per cent in 2002. Household spending, Federal Government expenditures, and private sector investment were the key factors behind the improved rate of growth in the USA However the massive fiscal and trade balances that now exist have caused a depreciation in the US dollar.

In Canada, the main factor assisting the economy has been housing construction, which is a reflection of low interest rates. By contrast, export activity has been weak, reflecting in part the relatively high Canadian dollar and the special factors previously described.

Here on Prince Edward Island we estimate that the economy expanded by 2.1 percent in 2003 and employment increased by 2.5 percent. As occurred nationally, housing construction was at a very high level. Housing starts on Prince Edward Island have not been equalled since 1989. Virtually all our employment gains were in service industries such as trade and transportation. The unemployment rate fell to its lowest rate since 1980.

However, the primary sectors were beset by a series of problems in 2003. Beef, and to a lesser extent, dairy producers were impacted by the BSE problem. Potato farmers now face very low prices for a very good crop. Hog farmers again have low prices. The fall lobster fishery was sharply clown from previous years. In addition the tourist sector fell into decline in 2003 on Prince Edward Island as it did across Canada. Fears of SARS, global uncertainty and the strong Canadian dollar all contributed.

Mr. Speaker Budget Paper A provides a more in depth look at the economy.

In terms of our fiscal position in 2003-2004, several own source revenues underperformed relative to budget, including the Personal Income Tax, Corporate Income Tax and the Health Tax on Tobacco. In total, own source revenues were $8.4 million below budget.

It is unfortunate that our weak revenue situation was made considerably worse by the sharp decline in federal transfers.

All sources of revenue are now expected to be $27.2 million below budget.

The Province's cost of borrowing (interest bite) has remained relatively stable over the past few years despite the decreases in revenues because of the ability to rollover debt at low interest rates.

Program expenditures were budgeted at $911.8 million in the 2003 Budget, which represented an increase of $44 million over actual spending in 2002-2003. This level of spending was regarded as affordable at the time although it was expected to leave a $22.9 million deficit on the Operating Account and an $11. 5 million deficit on the Consolidated Account. Our present estimate of program expenditures for 2003-2004 is $962.5 million.

The bottom line is that expenditures are now estimated to be in excess of revenues by $85 million for 2003-2004.

Clearly this is not a situation that can be allowed to prevail.

Our own economic outlook suggests a slower growth of the provincial economy in 2004, largely in view of the difficulties being experienced in the primary sectors, coupled with the impact of reduced government expenditures on the economy. Clearly the Province must rationalize its programs and we estimate growth of 1.2 per cent in constant dollars in the coming year.

Mr. Speaker, this Budget is a responsible reaction to the loss of federal transfers. The situation has become so serious that we are forced to undertake both expenditure reductions and revenue measures. We feel it is better to take the medicine now rather than wait until major surgery becomes necessary. I wish it could be otherwise but this is the reality that we must face.

Looking forward to 2004-2005 we anticipate effectively no growth in total revenues from their 2003-2004 budgeted levels.

In other words it is impossible for revenue growth to solve the deficit problem. When we started the 2004-2005 Budget we forecasted a status quo deficit of $107 million. Mr. Speaker, I am pleased to announce that the measures taken in this Budget will reduce that deficit to about $33 million in 2004-2005 and it is our firm intention to continue to move towards balancing in subsequent years.

Mr. Speaker, the Province has faced a similar fiscal situation in the past. In 1993 and again in 1994 Federal transfer payments to Prince Edward Island were slashed.

In addressing the deficit, the provincial government of the day made decisions that were wrong. Mr. Speaker, those same decisions would be just as wrong today.

That is why collective agreements and contracts will be respected in this Budget and why we have consulted with representatives of our public sector and have asked that they work with us in addressing fiscal challenges.

Cuts in 1993 and 1994 had a negative impact on consumers and thus contributed to a slowing of the economy. Mr. Speaker, we have been very cognitive of this in our spending reductions.

Mr. Speaker, I wish to thank all of those Islanders who participated in the budget process. They were very clear in forming a consensus that Government must address its deficit through expenditure reductions and not by increasing the tax burden substantially.

Mr. Speaker, we agree.

Planned program expenditures in 2004-2005 represent a reduction of $46 million from their projected path.

Some reductions include: $8 million reduction in grants and subsidies; $1 million in business grants; $4 million in professional and contract services and $20 million in program reductions from departments.

Mr. Speaker, the cost of health care continues to expand at about 7 percent per year. That is at present $30 million per year for the Province. It is becoming increasingly difficult for the Province to pay 84 per cent of the costs, as well as other programs and services and live within a budget.

During this Budget process, we asked Islanders about a Health Premium to help defray the costs.

Mr. Speaker, we received an unequivocal message. Islanders should not have to shoulder the burden of inadequate funding from the Federal Government. Mr. Speaker, there will be no Health Premium.

**Revenue Measures**

Mr. Speaker, it became evident that the solution to our fiscal problems could not all come from the expenditure side without causing extreme distress. Accordingly I am announcing the following revenue measures, which in total are estimated to be worth approximately $12 million annually.

Gasoline tax will be raised 3 cents a litre as of midnight tonight. This increase leaves gasoline on Prince Edward Island at price levels below the average of the five eastern provinces. This is expected to raise $7 million in additional revenues annually. Effective as of midnight tonight, tax on cigarettes will be raised $5 per carton.

The Capital Tax on financial corporations will be raised from 3 per cent to 5 per cent, to generate approximately $1.1 million. This tax only applies to deposit taking institutions.

The Provincial Sales Tax will be extended to cover green fees at Island golf courses. This is expected to raise an additional $1.3 million.

In addition, we will apply fee increases to a variety of services which is expected to generate a further $2.2 million.

Mr. Speaker, we believe that a taxation system must be more than simply collecting taxes to provide programs and services. Taxation regimes should be major catalysts for economic activity, drive revenues from new or higher income jobs, develop and expand key sectors and overall broaden the tax base.

We believe we need to be bold and innovative and during this fiscal year we will complete a comprehensive overhaul of our taxation regime as part of an economic development strategy.

Taxation can also play a role to influence consumer decisions on sustainability. News events remind us daily of the fragility of our environment. Government will ask the Legislative Assembly to hold public hearings on ways we can use the tax system to influence sustainability.

Prince Edward Island will apply the same exemption as the Federal Government to military and police personnel who serve their country on high risk international operations. Prince Edward Island will mirror the new federal deduction for the costs of disability supports. Mr. Speaker, the Federal Government made several adjustments to the corporate tax base which we will pass through to our own corporate system to provide an added benefit to Island business.

I am announcing a Provincial Sales Tax rebate of up to $3,000 dollars on hybrid motor vehicles and an elimination of the Provincial Sales Tax on low-flush toilets. This initiative alone has the potential of saving tens of millions of litres of H20 annually. These are but two of the many initiatives that can influence our decisions. Mr. Speaker, we will become leaders in this area, because we must.

Agriculture, Fisheries, Aquaculture and Forestry

The Provincial Government remains fully committed to the continued and sustainable growth and development of the primary resource industries. This is reflected in a number of initiatives over the past year.

In response to the cri sis facing the beef industry following the detection of BSE in Alberta, the Provincial Government moved swiftly. In cooperation with the Federal Government, a BSE recovery program was put in place to compensate producers for some of their losses. Following the expiry of that program, the Provincial Government on its own made a further commitment to a compensation program.

The total expenditure under these and other initiatives is close to $5.9 million.

The Government of Prince Edward Island has provided financial support for the new beef processing facility through the purchase of additional hooks to support further expansion in the industry. In addition, financial support has been provided for the construction of a waste treatment facility to be utilized by the plant. The combined total of these investments is $4.9 million, which support the long-term growth and expansion of the beef industry in this province.

Government will be releasing the details of some assistance for the hog industry in the coming days.

In 2003 the Sustainable Resources Conservation Program was expanded to provide support for the development of forest management plans and the carrying-out of certain silviculture operations. Over the past year, approximately $1.6 million was invested in conservation proj ects, bringing the total to more than $15 million since the program was established. Ongoing support will be provided over the coming year.

Improving the quality of Prince Edward Island seed potatoes is a priority for both government and the potato industry. The Government provided support of some $500,000 last year to continue the post-harvest testing of seed potatoes.

Developing new and expanded markets is vital to the continued success of the potato industry. Over the past year, a total of $250,000 was allocated to the Potato Board to support its efforts in promotion and market development. The Provincial Government also worked closely with the Board and exporters to establish new off-shore export market sales.

The Provincial Government, in co-operation with the Federal Government, continues to provide protection to producers who suffer losses beyond their control. During the 2003-2004 fiscal year, a total of $6.8 million has been provided to producers under safety net programs.

The" State of the Forest Report" was released over the past year. It forecasts that the present level of the softwood harvest is not sustainable in the future. That is why reforestation on private land continues to be a key element in overall forest management strategies. Over the past year, close to $1. 0 million was allocated to reforestation on private land.

To encourage greater awareness of and participation in forest management activities, a new Greening Spaces Program was introduced in the past year. Under this program, communities, schools and volunteer groups have been encouraged to submit proposals for tree planting projects. These projects will provide many benefits to the environment, landscape, sense of community and stewardship. In the first year, a total of $209,000 was provided to 19 projects. It is hoped to expand this program in the coming year.

Our experience operating the North Cape Wind Farm has demonstrated that electricity generated from wind is cost competitive with some of the electricity currently being produced from conventional energy supplies.

The Department of Environment and Energy will release a Renewable Energy Strategy within the next few months to establish the appropriate legislative and investment environment to enable the Province to maximize the benefits from its favourable wind resource.

Health and Social Services

In terms of wellness and chronic disease, a monthly increase of $14 was added to the Healthy Child Allowance in 2003-2004. This allowance is designed to give families the ability to allow their children to participate in community sporting or cultural activities. The Strategy for Healthy Living for Prince Edward Island, through a partnership of community organizations, health regions, and several Government departments, continues to support initiatives that focus on reducing the major risk factors for chronic disease including tobacco use, physical inactivity, poor diet and obesity.

Funding of $260,000 was provided for four Regional Healthy Living Coordinator positions in 2003-2004. Coordinators have been hired for East and West Prince Regions, and selection is underway for Queens and Kings Regions. The coordinators will support implementation of the Strategy for Healthy Living in Island communities.

To prevent occurrences of Meningitis in our province, public health officials began a Meningococcal C Vaccination Program last year, at an annual cost of $262,000.

The *Smoke-free Places Act* became law in June 2003 to provide the legislative framework to protect the public and workers from the harmful effects of second-hand smoke by creating smoke-free work and public environments.

Healthy eating initiatives were undertaken though partnerships with the community organizations in the Healthy Eating Alliance. The Healthy Eating Guidelines Project, which involves working with local schools in developing and adopting healthy eating guidelines in Island elementary schools, was also initiated this year. A total of $80,000 was committed to these projects.

Through the Healthy Child Development Strategy (HCDS), the Premier' s Council on Healthy Child Development, the Children' s Secretariat and the Children' s Working Group, the Province, in partnership with community organizations, continues to place a priority on supporting families and children. The Partnerships for Childrens Program, another HCDS initiative, saw the allocation of $110,000 to the Children's Action Networks to implement a series of priority projects for children and families.

A list of other initiatives undertaken by our health sector include:

* New equipment for the implementation of the Universal Newborn Auditory Screening Program.
* Increased funding of $300,000 for full time Speech Language Pathologists (SLP).
* A joint project with the Earl y Childhood Development Association (ECDA) involving the measuring and the improving kids environment program was established.

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An investment in the development of a core program for early intervention/treatment of pre-school Autism Spectrum Disorder (ASD).

- Fees for childhood immunization were eliminated.

- An Accelerated Training Program, negotiated with HRDC, Rolland College and ECDA, to allow 15 people to work in early childhood centres.

- The Seniors Emergency Home Repair Program of $200,000 was implemented to keep low income seniors safe and secure in their own homes.

- An additional $1 million was provided to fund increasing Provincial Drug Program costs for seniors, low income families and specific diseases.

- The establishment of the first Magnetic Resonance Imaging (MRI) in the Province was completed at the Queen Elizabeth Hospital, along with an expansion to the Cancer Treatment Center which included a Linear Accelerator. Expanded services became available to the public in the fall of 2003.

- An additional $500,000 was directed to Primary Health Care Redesign initiatives, including the establishment of another Family Health Center.

- Approximately 78 new registered nurses were brought into the Health and Social Services system between January 1, 2003 and December 31, 2003.

Today, there are more nurses registered to work in Prince Edward Island than ever before. Registration with the Association of Nurses of PEI (ANPEI) is now at an all-time high. As of the annual registration date in October 2003, there were 1,476 registered nurses registered with ANPEI. Success in this area is clearly the result of a system-wide concerted effort to ensure Islanders have continued access to quality heath care and the result of a four-year PEI Nursing Recruitment and Retention Strategy ($1.1 million annually ).

The Health Care Futures Program completed its fourth year, providing 120 Island students with employment and experience in a health-care career.

A budget of $1.1 million was provided for Physician Recruitment in 2003-2004. Eight family physicians and 12 specialists were recruited along with 53 physicians who provided locum services.

An additional $500,000 will be invested in the Tyne Valley Child Youth Developmental Health Center for high-risk children and youth.

Patients will move into the new Prince County Hospital starting April 4, 2004. The new facility will offer programs and services to improve the long-term health of Islanders, while ensuring essential acute-care services are maintained and improved.

An additional $1.8 million is allocated for blood services to accommodate the increasing cost of blood services.

The Province will invest in the PEI Home Oxygen Program (HOP) to provide Island residents with a demonstrated need for home therapy. The Province will also provide assistance to defray part of the costs associated with Flolan drugs.

Government is committed to providing an income-based portion of the costs of Remicade and Enbrel medications used for the treatment of severe Rheumatoid Arthritis and some forms of Crohn's disease.

An additional $800,000 will be invested in the Provincial Drugs Program.

Government recognizes that the ability of the Queen Elizabeth Hospital to meet its mandate is being significantly hampered by the physical design of this 22 year old building.

As a result, the Department of Health and Social Services is currently working on the renewal of the Queen Elizabeth Hospital to include facility upgrades for emergency room and ambulatory care.

**Education**

Major advances were made to improve the quality of our education system in 2003-2004.

Education funding increased by $16 million, or 8.2 percent, the largest single increase in the education budget ever. Base funding was increased substantially to provide school boards and learning institutions with adequate funding to address rising costs and demand. Major investments continued in new school construction and renovations. Several new and innovative initiatives were introduced such as a new instructional staffing model and science curriculum, which over time, will have a major positive impact on the quality of our teaching and learning environments and student outcomes.

Mr. Speaker, new investments were made in several key areas:

- Salary budgets increased by $7.3 million to fund salary increments and new positions added in 2002-2003.

- Kindergartens received additional operational funding, and the minimum wage of certified kindergarten instructors was increased to at least $12 per hour in salary and benefits.

- Approximately $1.7 million was spent on capital repair projects at 27 schools.

- The new Investing In Island Classrooms strategy, announced in May, will enable the Province to maintain 140 teachers and add 40 new teachers over the next six-year period. This will enable us to improve class sizes, address the challenges of class composition, increase access to specialized teachers and bring student-teacher ratios in line with the best in the country. This fiscal year, $500,000 was invested to hire 6 additional teachers.

- Implementation of a new $1.2 million science curriculum began this year. The curriculum is based on well-grounded principles and standards in science education, which are key to developing scientific literacy and a strong future for Island students.

- A French first language education program began in Eastern Kings in September.

- The services of three autism teacher-leaders were made available to the school boards to provide individual support for students, and to train more teachers to become autism specialists.

- A new Equal Chances at Learning program was introduced to assist lower income families.

- As a major partner in the new PEI Healthy Living Strategy, the Department of Education continues to work closely with schools and partners to develop an Active Healthy School Communities initiative which will support the creation of a healthy living culture in Island school communities.

- The Province committed $25 million over ten years to the UPEI Building A Legacy campaign which will result in high quality learning opportunities in Prince Edward Island.

- New investments of $8.5 million were made to expand the Justice Institute at Slemon Park and enhance this state-of-the-art institute, which provides training for law enforcement officers and other Justice personnel.

- An investment of $3. 5 million was made to purchase new technology and improve teaching and learning facilities at the Rolland College Marine Centre in Summerside.

- A new Bachelor's Degree in Education with specialization in French Immersion was introduced at the University of Prince Edward Island in collaboration with the Université de Moncton.

- Several initiatives were introduced to assist students with the cost of their post-secondary education such as a 5 0 per cent increase in the weekly student loan limit, and major increases in annual exemptions for scholarships and income earned by students.

- Additional investment of $150,000 was made in the Reading Recovery™ program and the Summer Tutoring Program for Kids.

- Funding of $1.4 million was provided by the provincial and federal governments to the Adult and Community Education Program at Rolland College which assists adult Islanders in improving their education and literacy levels.

The Department of Education is currently completing the analysis on a further school improvement program valued at $30 million. This Budget will allow the planning process for the School Boards' top priorities to commence.

Planning will begin for a new gymnasium and required repairs at Parkside Elementary School in Summerside. In addition, Tracadie Cross Consolidated School will begin planning for a new gymnasium.

Mr. Speaker, in addition to the planning process for the capital program I am pleased to announce, we are increasing school boards' operational budgets by $1.9 million to help them meet increased costs.

Keeping the cost of post-secondary education sustainable is a concern to all. Government is pleased to announce an additional $750,000 grant to the University of Prince Edward Island and an additional $750,000 grant to Rolland College.

Rolland College will also receive $665,000 to improve facilities at the Marine Centre and Justice Institute as well as **$1** million for adult and community education programs through the Labor Market Development Fund.

I am pleased to report that the budget contains funding to complete the final projects of Phase Two of our multi-year school capital construction program. These projects at Bluefield High School and Summerside Intermediate School will be substantially complete in time for the start of classes in September 2004. The completion of these two projects will mark the end of two phases of our school construction program which began in 1997 and resulted in investments of more than $65 million in major school construction and renovations.

**Transportation and Public Works**

Over the past year the Department has managed capital repair and enhancement projects at two dozen health, education and Government facilities across the Island. These upgrades help extend the life of the facilities for the benefit of Islanders.

These include projects such as replacement of the emergency power generator at the QEH, roof replacement at Kensington High School, waste water treatment upgrade at Northumberland Park, and renovation of the Tignish Liquor Store.

The Department also continues to invest in maintaining and upgrading Island roads.

During the last year a total of $10 million was invested in improvements for safety and traffic flow to Route 2. A further $2. 5 million was invested in the Trans-Canada Highway. A total of 113 kilometers of secondary roads were resurfaced during the past year as well. In addition to ongoing road maintenance and snow removal operations, the Department also invested nearly $6 million to repair, upgrade or replace 125 bridge structures across the Island last year.

Mr. Speaker, the Department will work with the Department of Education on the new school construction program and has budgeted for a new waste treatment plant in Mill River and are­ design of Reads Corner in Summerside.

Community and Cultural Aff airs

This Budget includes $100,000 for the development of the 2009 Canada Summer Games Hosting Plan. It is expected that these games will have a significant impact on the Island economy. The economic impact of the last summer games in London Ontario was more than $90 million.

Government continues its commitment to the implementation of the Prince Edward Island Sport Strategy and the Bilateral Agreement on Sport Development. Over the next five years, the Province will contribute $475,000 each year toward the implementation of the PEI Sport Strategy. This enabled us to enter into a three-year agreement with the Federal Government for an additional $200,000.

The Department will also invest $10.2 million in the Canada­ P.E.I. Infrastructure Program and the Strategic Infrastructure Program.

The Sports Facility Fund will participate with Island rinks to enhance the safety of spectators.

Mr. Speaker, during this the 4001h anniversary of the founding of Acadie, with the Acadian flag flying outside Province House, I would like to take this opportunity to highlight the value-added nature of the Acadian and Francophone community. These communities contribute greatly to the social and economic fabric of the Island. From one tip of the Island to the other, communities will be celebrating their acadian ties through numerous activities. The provincial and federal Governments have joined to provide the funding necessary to make these celebrations a success. The cultural and economic impact of these investments will be felt throughout the province.

One major activity which will be taking place this summer concerns the Legislative Assembly. The Island will host the 301h annual gathering of members of the Assemblée parlementaire de la Francophonie. Representing 73 parliaments from 5 continents, this gathering of some 250 french-speaking parliamentarians will be discussing issues of concern from around the world namely the promotion and defence of democracy, the rule of law, the respect of human rights and cultural diversity.

Mr. Speaker, nationally, Prince Edward Island is seen as a leader in relation to support for the development and enhancement of the Acadian and Francophone community. During the year, the Provincial Government will be renegotiating the Canada/Prince Edward Island General Agreement on the Promotion of Official Languages. This agreement with the Department of Canadian Heritage was originally negotiated in 1988. It continues to facilitate the planning and provision of French-language services as well as support to numerous groups of the Acadian and Francophone community. We are confident that our significant success in this area will ensure a successful conclusion to these negotiations.

M. Le président, pendant le 400e anniversaire de la fondation de l'Acadie, et avec le drapeau acadien qui flotte à l'extérieur de Province House, j'aimerais profiter del' occasion pour souligner la valeur ajoutée de la communauté acadienne et francophone. Ces communautés contribuent grandement au tissu social et économique de l'Île. D'un bout de la province à l'autre des communautés célébreront leur liens acadiens par de nombreuses activités. Les gouvernements provincial et fédéral ont uni leurs efforts pour fournir les ressources financières nécessaires à l'organisation des activités. L'impact culturel et économique de ces investissements se fera sentir à travers la province.

L'Assemblée législative mènera une activité majeure durant l'été. L'Île sera hôte de la 30e rencontre annuelle des membres de l'Assemblée parlementaire de la Francophonie. Regroupant 73 parlements répartis sur les cinq continents, la rencontre de 250 parlementaires d'expression française portera sur les grandes questions du jour, notamment la promotion et la défense de la démocratie, de l'état de droit, du respect des droits de l'homme et de la diversité culturelle.

Monsieur le président, sur la scène nationale, l'Île-du-Prince­ Édouard est vue comme un chef de file en ce qui concerne l'appui à l'épanouissement et l'essor de la communauté acadienne et francophone. Pendant l'année, le gouvernement provincial renégociera l'Entente cadre Canada/ Île-du-Prince-Édouard sur la promotion des langues officielles. Cette entente avec le ministère du Patrimoine canadien est en vigueur depuis 1988. Elle continue à faciliter la planification et la prestation de services en français ainsi que l'appui à de nombreux organismes de la communauté acadienne et francophone. Nous sommes confiants que nos succès importants dans ce domaine assureront un aboutissement favorable aux négociations.

Community Services Bursary

The Provincial Government has provided a community services bursary to help students with education costs, while at the same time providing much-valued volunteer support to Island non­profit organizations. Students in Grade 11 and 12 who do volunteer work for community organizations can earn up to $500 credit for post secondary programs. Approximately 1,796 have enrolled to date, and 335 organizations have benefited through volunteer support by students.

Development and Technology - Creating a Sustainable Economy

Through such initiatives as the Atlantic Technology Centre and the Food Technology Centre the Government has shown its commitment to cutting edge, new economy business. In the coming years we intend to increasingly rely on tax credits to assist business develop innovative products, rather than continue with the more traditional direct supports.

Government is committed to expanding our province's ability to take advantage of the growing business of bio-technology. In May, we announced a $4.5 million contribution to establish a new National Research Council facility, located on the UPEI campus, which will study nutri-science and its effects on our health. This facility has the potential to create new and lucrative markets for our agricultural and fisheries products.

In November, a tender was awarded for the expansion of the Food Technology Centre in Charlottetown. The $1.5 million contribution will help to build an extraction plant which will aid scientists in determining the further nutritive value of products such as various raw materials such as lobster shell waste, seaweeds, apples and wild plants.

The Atlantic Technology Centre continues to provide jobs for Islanders. A recent survey concluded there were 1,800 Islanders currently employed in this growing industry.

The sustainability of Island communities has been a cornerstone of this Government.

Island communities have achieved significant gains in sustaining their communities through participation with the Community Development Fund. A five year summary of the program indicates that 144 capital projects have been implemented across the Province with a value of over $28 million. This Budget continues our investment in Island communities.

Environment and Energy- Investing in Our Natural Capital

As part of the Drinking Water Strategy, a dedicated Drinking Water Section was created in the Department in 2003 and an additional $343,500 was invested to continue to implement the Drinking Water Strategy and more effectively meet the increased demand for water testing. In total, approximately $750,000 has been invested over the last three years to manage, protect and enhance our groundwater and surface water resources.

The Province has extended the term of Watershed Management Coordinators who provide technical support to organizations and community groups that carry out more than $1 million worth of conservation and enhancement work on Island watersheds each year.

A freshwater fisheries biologist was hired to strengthen the capacity of the Province to respond to fish kills and better understand the short and long term impacts of human activity on both groundwater and surface water resources so that, ultimately, we can minimize negative impacts.

Prince Edward Island produced its first *State of the Environment* report in June 2003.

In November of 2003, Prince Edward Island became the first province to sign a Climate Change Memorandum of Understanding with the Government of Canada. We have agreed to explore cooperation in six priority areas: increasing use of wind, demonstrating hydrogen systems, implementing energy efficient practices, encouraging individual reduction of greenhouse gas emissions, developing adaptation strategies, and reducing and removing greenhouse gases in the agricultural sector.

Prince Edward Island doubled its wind energy capacity in 2003 with the expansion of the North Cape Wind Farm which provides approximately five per cent electricity through this clean and renewable energy source, displacing 30,000 tonnes of carbon dioxide emissions and other harmful pollutants each year.

The Province of Prince Edward Island passed legislation giving regulatory authority to the Island Regulatory and Appeals Commission to oversee electricity pricing. The legislation gives IRAC the authority to determine that the rates Maritime Electric charges its customers are just and reasonable. This is an important step in ensuring Islanders are properly protected and that adequate service is maintained at the lowest possible cost.

The Atlantic Energy Ministers will be meeting in Prince Edward Island in June of 2004 to discuss options for increasing cooperation in the generation and transmission of electricity in the region. Officials are currently working on an options paper which will include recommendations on ways the Atlantic Region can improve its current electricity situation.

**Tourism**

A new Tourism Marketing model is being proposed following the Partnership Forum of last November. This will allow for the necessary integration of research, product development and marketing and provide a vehicle for greater industry participation and further strengthen the relationship of government and industry - all deemed necessary to improve the sustainability of the industry.

The new model will be called the Tourism Advisory Council. The mandate will be to provide advice to the Minister ofTourism on all matters related to the growth and competitiveness of Prince Edward Island's tourism industry.

The implementation of this model will require amendments to the *Tourism Industry Act* which would broaden the Minister' s ability to appoint an advisory council to provide input on matters related to research, product development and marketing. Amendments will be brought forward for the Spring sitting of the House.

Occupancy reporting is a proposed program whereby accommodation operators would collect occupancy data and file this information with Tourism PEI. Tourism PEI would be responsible for analysis and report preparation.

As a mechanism to further strengthen industry relations, the Prince Edward Island office of the Atlantic Canada Opportunities Agency, Tourism PEI and TIAPEI signed a Memorandum of Understanding (MOU) on March 1, 2004. The MOU signifies the commitment of the three industry stakeholders, to collaborate on the establishment of future tourism policy and investment priorities.

This partnership will focus its efforts on how government policy and programs can be better developed to foster an environment of positive tourism growth.

**Conclusion**

Mr. Speaker, it is not possible to detail the numerous initiatives of the Government in the service of Islanders in the Budget Address, and **1** would refer Members to the respective Ministers regarding specific actions being contemplated in this Budget concerning their areas of responsibility.

The focus of the 2004 Budget is to firmly steer the finances of the Province onto a path to fiscal balance. It is evident that the severe loss of revenues, particularly federal revenues, must result in structural changes to our programs. We frankly cannot afford to sustain expenditures that create deficits in the order of  **$**100 million.

We also saw the need to raise own source revenues which we believe are affordable and which we believe will not negatively impact the provincial economy. Irealize that this is not a popular thing to do but it is in my opinion the right thing to do.

Sustainability has been and will continue to be the focus of our Government.

Mr. Speaker, to achieve sustainability, our Government will continue to make the choices which reflect the priorities of Islanders. At the same time, we cannot and will not compromise the best interests of fiscal prudence.

Mr. Speaker, I should like to finish this address by thanking the staff of the Provincial Treasury Department and all other persons who assisted me in the preparation of this report, and those who support me in the responsible financial management of the Province.

Thank you.