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**Introduction**

Mr. Speaker, it is my pleasure to rise in the House today to deliver our government’s first budget, my first as finance minister and one that outlines a new direction for New Brunswick. It has been a very interesting and challenging five months since taking office. I am confident, however, our work-to-date through an unprecedented engagement process, combined with our platform for change, has set the foundation for the next four years and beyond. In addition, the successful launching of our “Ten by Ten” initiatives has given us a great start on our agenda.

Over the course of the last several months, a few major themes have been evident. One is that the province is facing a major fiscal challenge and New Brunswickers recognize the need to address it. Secondly, the public wants to be consulted on important decisions. This was a key element of our platform. And it is something we as a government are doing in a number of key areas.

What is important, Mr. Speaker, is not only are New Brunswickers consulted but we are listening. Today’s budget reflects input we heard from residents, the public sector, stakeholders and business across the province during our pre-budget consultation process. The input has been overwhelming but it will all be evaluated. And the process of consultation will continue.

A record number of New Brunswickers participated in this year’s pre-budget consultations. Close to 3,000 submissions were received through the online questionnaire. Approximately 1,500 participated through dave@gnb.ca. More than 1,200 people and 260 stakeholders took part in the 20 public and stakeholder meetings held throughout New Brunswick. Additionally, my colleagues and I have received hundreds of e-mailed suggestions and written submissions.

Some of the main items conveyed were:

* Health and senior care, education, economic development and job creation continue to be key priorities;
* People want a balanced approach: spending should be reduced in concert with revenue increases in order to address the fiscal challenge;
* Spending should be managed by reducing the overall size of government, streamlining administration, controlling wages and salaries, regionalizing services, avoiding unnecessary duplication and reducing grants and loans to business;
* Revenue from sources such as tobacco and alcohol sales should be increased;
* Highway tolls on major highways should be examined;
* Minimum wage policy should be reviewed particularly as it relates to new hires and the food service industry;
* All public sector pension benefit packages should be reviewed, including MLAs;
* Government should return to a balanced budget in four years;
* Support for diabetes, mental health, poverty reduction and addressing teacher’s assistants issues were major platform commitments that were emphasized;
* And support for increasing the Harmonized Sales Tax (HST) was mixed, but was mentioned by a number of New Brunswickers during the process. Any HST increase would require a provincial referendum.

This budget responds to many of these suggestions, while others will be examined further as we move forward.

Returning the province to balanced budgets will be a multi-year process. Initial steps were taken during 2010-2011 through a one per cent spending reduction initiative. Spending would have been $43 million higher this fiscal year without this restraint package. In December, we tabled the 2011-2012 Capital Estimates that were considerably lower than the previous two years, with only seven per cent of total spending allocated to commence new projects.

Mr. Speaker, today we table a budget that reflects both revenue and spending measures that further address the fiscal challenge we are facing, reducing the province’s deficit. And over the coming months, we will continue to work to return the province to balance by 2014-2015.

**Economic Review and Outlook**

**2010 Economic Update**

Mr. Speaker, like most industrialized economies, New Brunswick emerged from a modest recession in 2010. A return to growth in the U.S. contributed to a strong rebound in foreign exports and manufacturing sales. Export growth was led by improved potash and forestry shipments along with higher world energy prices and production from the Canaport LNG terminal.

However, New Brunswick’s recovery has been uneven at best. Although we led the country in export and manufacturing sales growth, we lagged in other areas. New Brunswick reported job losses in 2010, while growth in average weekly earnings and retail sales failed to keep pace with the rest of the country. The Department of Finance estimates real economic growth increased 2.0 per cent in 2010, up slightly from initial budget estimates due to stronger than anticipated exports.

**2011 Economic Outlook**

Similar to expectations for Canada and other industrialized countries, economic growth in New Brunswick will be weaker in 2011 than in 2010 as public sector stimulus and investment spending wind down. Growth will be increasingly dependent on the private sector. Investment will be led by the expansion of the potash mine, continued work on the Point Lepreau refurbishment and modest growth in the manufacturing sector due to improving economic conditions in the U.S.

Growth in the New Brunswick labour market is expected in 2011, although not enough to offset job losses from the previous year. Meanwhile, the Bank of Canada is expected to maintain its key lending rates at current levels until later in the year. Both of these developments should bode well for personal income and expenditures and their contribution to economic growth. The Department of Finance is anticipating real economic growth of 1.5 per cent in 2011, comparable to the current consensus of private sector forecasts.

Looking ahead, modest job growth and a well-established global recovery will contribute to economic growth in New Brunswick. However, with the absence of major investment projects on the horizon and all levels of government engaging in fiscal consolidation, real economic growth is expected to be moderate over the 2012 to 2015 period.

**Fiscal Environment**

Mr. Speaker, the fiscal landscape in New Brunswick has changed in just a few short years from a period of surpluses and reductions in net debt to one characterized by unprecedented, large deficits and increases in net debt. From 2007-2008 to 2009-2010, government expenses increased 12.5 per cent while revenue was essentially unchanged. Significant deficits were incurred as a result. Provincial net debt, which was under $6.6 billion for 2006-2007, grew to $8.4 billion by 2009-2010.

In November, I indicated that the dire financial situation we inherited was such that without corrective action, the province was facing a deficit of $1 billion in 2011-2012 and net debt that could reach $15 billion within five years. A number of factors have contributed to the large structural deficit and increases in net debt we now face. In New Brunswick, two particular factors intensified our challenge – the addition of new programs and spending, and the introduction of major tax reductions by the previous government over the past number of years that were not offset by fiscal savings.

In the simplest terms, government is spending considerably more on public services than it can afford and this is not sustainable. Our government’s platform stated that “Responsible management of the province’s finances is the most important role of any government.” This commitment was confirmed by New Brunswickers in our pre-budget consultations. And it is one we take very seriously and have since day one.

Today’s budget continues the process of returning to responsible fiscal management in New Brunswick.

**2010-2011 Fiscal Update**

Mr. Speaker, I would now like to update the House on the fiscal picture for the current year. Information at the time we took office in October indicated the fiscal situation in the province had deteriorated from budget. Our November Economic and Fiscal Update reported that the deficit had increased from the original budget estimate of $748.8 million to a projected $820.4 million, largely due to increased spending pressures identified in a number of departments. Our government took immediate action to restrain spending by asking departments to examine their budgets and find one per cent savings for the remainder of the fiscal year.

Based on the latest information, a projected deficit of $739.9 million is now anticipated for the current fiscal year. The revised deficit reflects $43 million in savings from our government’s in-year spending restraint program in addition to an improved revenue outlook related to new federal estimates of income taxes and the HST. This is in line with the original budget projection and represents an improvement of $80.5 million from our November update.

Expenses are projected to be $8.223 billion, which represents an increase over the December 2009 budget of $168.2 million. This increase includes:

* $36.6 million increase in the Department of Health related to a number of pressures in the health care system;
* $36.4 million increase in the Regional Development Corporation related to additional investments;
* $36 million increase in the Department of Public Safety mainly due to flood- related expenditures;
* And a $23.8 million increase in the Department of Social Development mainly as a result of higher social assistance and long-term care caseloads.

I want to make it clear that we are very serious about spending restraint and we are scrutinizing all government spending done towards the end of the current fiscal year to ensure it is managed responsibly and is only for necessary items. The government has issued a directive that it will hold departments accountable for unnecessary spending.

Revenues are projected to be $7.483 billion, an increase of $177.1 million over the December 2009 budget. Of this increase, over $120 million is attributable to revised federal estimates of income taxes and the HST, reflecting an improved economy and underpayments related to prior-years. Tobacco tax receipts are expected to be $25 million higher due to increased sales and a one-time tax settlement. Metallic Minerals Tax revenue is estimated to be $16 million higher due to increased world zinc prices.

For 2010-2011, net debt is now projected to increase $1.235 billion to approximately $9.6 billion, slightly above the budget estimate increase of $1.210 billion.

Mr. Speaker, the previous government indicated that they could not meet the balanced budget objectives of the Fiscal Responsibility and Balanced Budget Act over the current four-year fiscal period 2007-2008 to 2010-2011. That said, our government is firmly committed to fiscal responsibility and over the course of our mandate will introduce new legislation for balanced budgets and an annual deficit reduction plan.

**2011-2012 Fiscal Outlook**

Mr. Speaker, I would now like to outline our plan for the year to come which has been framed with the help of New Brunswickers.

Today’s budget reflects that we have taken responsible measures to trim the deficit. We are projecting a deficit for 2011-2012 of $448.8 million, a significant reduction from the $1 billion estimate of last November. This reduction will be achieved through:

* Approximately $220 million in spending restraint and program efficiencies;
In excess of $100 million in revenue measures including changes to income taxes, tobacco and fuel taxes and net income from the NB Liquor Corporation;
* And an improvement in revenue projections in the order of $220 million related to projected net income of the New Brunswick Electric Finance Corporation, new economic data and new federal estimates.

Spending is projected to decrease to $8.091 billion in 2011-2012, a decline of 1.6 per cent from revised 2010-2011 spending estimates. Demand and cost pressures have been offset by managing spending and implementing program restraint and efficiencies.

Revenues are expected to increase 2.1 per cent over 2010-2011 revised estimates to $7.642 billion.

Mr. Speaker, we would like to acknowledge the constructive relationship between the federal government and the province, one we hope to continue to build upon. The province is appreciative of the extension of the one-time revenue protection to 2011-2012 to ensure that major federal transfers do not decline from the previous year’s level. With this, the federal government has acknowledged that these transfers are vital as provinces strive to return to balanced budgets.

Net debt is projected to increase $630.3 million or approximately half the amount of the current fiscal year, totalling approximately $10.2 billion by year-end 2011-2012.

**Managing Government Finances: A New Direction**

Mr. Speaker, in our pre-budget consultations almost half of questionnaire respondents expressed their opinion that the preferred method to balance the budget was through a combination of spending restraint and revenue increases. This was echoed at public meetings. Today’s budget reflects this balance, while at the same time protecting essential public services for the people who need them the most and ensuring the least impact on the province’s economy. These measures reflect our government’s first budgetary response to the unprecedented fiscal situation.

Managing Spending Growth and Implementing Efficiencies

Mr. Speaker, New Brunswickers elected this government with the mandate to streamline the size and cost of government operations, while protecting core social programs such as health, senior care and education. This will require measures that not all New Brunswickers will support, but are necessary. Through attrition, retraining and reassignments we will look to right-size the public sector in a collaborative, responsible and compassionate manner. We must recognize that dedicated and productive employees are invaluable to the success of our province.

Responsible management requires that our number one priority is investing every revenue dollar of the province in the delivery of high-quality essential public services in the most efficient and affordable manner. With New Brunswickers’ support and patience, this is the approach we must use each and every day in making spending decisions.

This government believes building a strong provincial economy requires investing strategically throughout the province. To this end, we are establishing two new strategic initiatives for 2011-2012:

* The $30 million Northern New Brunswick Job Creation Fund, consisting of both contributions and loans;
* And the $7.1 million Miramichi Regional Job Creation Fund, consisting of both contributions and loans.

This budget includes several initiatives that our government believes are necessary to improve the social conditions of New Brunswickers and that will have a positive impact on society despite this time of restraint. These initiatives include:

* Initial funding for An Action Plan for Mental Health to address the recommendations of the McKee Report;
* Initial funding for A Comprehensive Diabetes Strategy focusing on the prevention, detection and management of diabetes, including funding for insulin pumps and other essential supplies, effective inventory monitoring and education measures to address lifestyle issues;
* Initial funding for the establishment and administration of a patient assistance fund to provide support to people with multiple sclerosis;
* Continued implementation of the poverty reduction plan;
* Working with home care agencies and special care homes to ensure that home care workers receive an increase in their hourly wages;
* Increasing the operating grant to public universities by two per cent and increasing targeted bursaries to help students from low-income families pursue post-secondary studies;
* Creating a new Teaching Supplies Fund that will provide every classroom teacher with funding to purchase educational items for their classrooms;
* And increasing funding for school supplies for low-income families from $50 to $100.

In an era where all New Brunswickers are asked to contribute to the province’s efforts of balancing the books, the government has also examined post-secondary education tuition policies. Tuition fees have not increased over the past three years at universities and the past five years at colleges. As such, our government will be capping modest tuition increases at $200 per full-time college and university student.

As responsible fiscal managers, we will be aggressive in making sure that the delivery of essential public services matches the priorities we have heard from New Brunswickers. In this 2011-2012 Budget, actions we have undertaken have limited growth in spending by roughly $220 million. Savings of approximately $15 million come directly from the ideas that were put forward during the pre-budget consultations, including:

* Eliminating positions that are currently not filled;
* Reducing meeting and travel expenditures;
* Reducing spending on portable e-mail devices and cell phones, computers and other office technology equipment;
* Consolidating office space and reducing energy use;
* Eliminating duplication and overlap in government operations;
* And evaluating the government vehicle policy.

In addition, departments have identified specific initiatives that will reduce government spending while minimizing impacts on core government services. A number of these also reflect what we heard during the consultation process. Examples of these initiatives include:

* $20.6 million in reduced spending on various initiatives within the Regional Development Corporation;
* $17.6 million in savings through expenditure reductions in school district administration and operations;
* $15 million in savings through general expenditure reductions in Regional Health Authorities and $8 million in savings from purchasing and other efficiencies in non-clinical services;
* $1.6 million in savings by reinstating the parental contribution for student financial assistance;
* $1.5 million in savings realized in overtime spending through improved work planning and scheduling of tasks in the Department of Transportation;
* And saving $1 million through a structural review of Communications New Brunswick to improve efficiency in government marketing and communications.

Other measures that will be put in place in 2011-2012 to manage spending growth and improve efficiency include:

* Reducing the number of Deputy Minister and Assistant Deputy Minister positions by 10 per cent;
* Developing a generic drug pricing policy for the Prescription Drug Program in consultation with pharmacy and other stakeholders;
* Eliminating funding for the Provincial Capital Commission;
* And eliminating overlap by transferring the functions of the Secretariat for Community Non-profit Organizations to the Department of Social Development, and the Advisory Council for the Status of Women to the Women’s Issues Branch of the Executive Council Office.

Our government will also be looking at improved procurement methods and opportunities to get better value for tax dollars spent.

**Engaging Public Sector Employees and Unions**

Mr. Speaker, I would like to take this opportunity to directly thank public sector workers for all their hard work since we have taken office and for their many comments and suggestions on making government operations more efficient. Our government values their input and we believe our employees have a greater contribution to make. Front-line workers have a unique understanding of the way programs are organized and delivered. We need their ideas to help make government more efficient and effective.

I want to assure employees that the government is also very well aware of the excellent services they provide to New Brunswickers, but we must all share in the corrective actions that need to be taken to address our unprecedented fiscal challenge. We have already asked our employees to help control government spending through the two-year wage freeze and other wage restraint measures.

Not only have we solicited suggestions from our employees, we have undertaken an on- going consultation process with all public sector unions. We are holding forums with every union to establish honest and open discussions to identify opportunities for improving the way programs are delivered and taxpayer dollars are spent. We are then asking departments, school districts and regional health authorities to follow up on the suggestions raised at these meetings. These suggestions are being recorded and, where practical, implemented through a process that identifies persons accountable within departments and the timelines for action.

In my recent meetings with various public sector unions, they are the first to state that changes need to be made in the way government operates and they wish to be truly engaged in the change process. They agree the status quo is not acceptable and they are ready to work collaboratively with government to make effective change a reality.

The following quotation is from a letter that I received from the New Brunswick Union of Public and Private Employees: “Our economic, social and environmental goals are inseparable. We are challenged not only to re-construct our economy, but to rebuild our society and our communities.”

I would suggest there has never been another time in the history of the province when we have been more focused on the need, the desire and the passion to achieve these common goals for the benefit of all residents of this province. It will continue to be our government’s policy to work openly with all our public sector employees and unions. It is not only the right thing to do but we need “all hands on deck” to ensure success in returning to fiscal health.

**Wage Restraint Measures**

Mr. Speaker, as part of our agenda of fiscal responsibility, the government is committed to wage restraint measures, including applying the two-year wage freeze introduced in 2009 to all employees in the public service who have not yet participated. In addition, all members of the Legislative Assembly have agreed to a third year of wage freezes in 2011-2012.

Other wage restraint measures for 2011-2012 will include the continuation of the hiring freeze for civil service positions and an initial one-year suspension of the salary progression increases along with performance pay for qualified management and non- unionized employees across government. This will also be reviewed as it applies to the unionized sector. We anticipate Crown Corporations will follow our lead.

The voluntary Christmas holiday leave initiative will be repeated in 2011 in a way that does not interfere with vital services and those required by law.

Additional details on these and other measures from today’s budget will be discussed by my colleagues as departmental estimates are examined in the House over the coming months.

**Balancing Fiscal Needs While Maintaining Competitive Taxation**

New Brunswick has a tax system that compares favourably to most other provinces. Over the past decade, personal income taxes have been substantially reduced at all levels and a low-income tax reduction was introduced that removed thousands of low-income earners from paying any provincial income tax. At the same time, corporate income taxes have been reduced and the Large Corporation Capital Tax phased-out.

A stable and predictable tax system that is sustainable reduces the risk to investors and is vital to growing the New Brunswick economy, just as a competitive tax system is essential for business to grow the number of jobs and the tax base and create wealth. Despite the fiscal challenges we are facing, our government will ensure that the province maintains a competitive tax system. In the longer-term, only a growing tax base can ensure financial resources are available to help maintain essential public services in a sustainable manner.

Mr. Speaker, this government is facing a fiscal situation that requires additional revenue measures to help address the revenue shortfall without impeding economic growth in the long-term. It is important that we, as a government, have the financial means to pay for the services we provide.

With this budget, our government will fulfill its platform commitment not to reduce the general corporate income tax rate below 10 per cent. Effective July 1, 2011, the general corporate income tax rate will fall to 10 per cent. However, it will be maintained at that level and not reduced any further. This measure will help government meet its fiscal challenge yet leaves New Brunswick with a very competitive corporate income tax rate. It also meets the federal government’s recommendation that provinces reduce their rates to 10 per cent to improve the international competitiveness of the Canadian economy. By not allowing the general corporate income tax rate to fall below 10 per cent, this measure will provide an additional $18 million in revenues by 2012-2013.

In addition, I am announcing today we will be phasing out the New Brunswick Film Tax Credit in 2011-2012.

Mr. Speaker, we recognize that small businesses are the most important job creators in New Brunswick. In today’s budget, our government will take the initial step in its commitment to cut the tax rate in half for small business during this mandate. Effective January 1, 2012, the small business corporate income tax rate will be reduced from 5.0 per cent to 4.5 per cent, delivering $1 million in savings to New Brunswick small businesses in 2011-2012 and $4 million in 2012-2013.

On the personal income tax side for 2011, the government will hold the top marginal tax rate on high-income earners in the current top bracket at the 2010 level of 14.3 per cent. This means that New Brunswickers in the top tax bracket will see their payroll deductions increase on July 1, 2011 since the top rate for the first half of the year is 12.7 per cent. This measure applies to approximately 11,000 New Brunswick tax filers with incomes in excess of $120,796.

It is important that every New Brunswicker contribute to the solution to our fiscal problem. With this budget, the government will also delay the additional personal income tax rate reductions scheduled for 2012. Effective January 1, 2012, the tax rate on all tax brackets will remain at their 2011 levels and tax brackets and personal credits will be indexed.

For 2012, personal income tax rates for the various income levels will be:

* 9.1 per cent on the first tax bracket (up to $37,893);
* 12.1 per cent on the second tax bracket (from $37,893 to $75,786);
* 12.4 per cent on the third tax bracket (from $75,786 to $123,212);
* And 14.3 per cent on the top tax bracket (over $123,212).

These personal income tax measures will provide government with additional revenues of approximately $21 million in 2011-2012 and $35 million in 2012-2013 to help government address the fiscal situation.

Mr. Speaker, our government has listened to the views of New Brunswickers on how to increase revenues and is incorporating some of these suggestions in a manner that least interferes with tax base growth in the future.

New Brunswickers sent a clear message to government that tobacco taxes should be increased to help discourage smoking and help pay for the additional costs smoking imposes on our health care system. Effective midnight tonight, the tobacco tax rate on cigarettes will be increased by 5.25 cents per cigarette to 17 cents per cigarette, with similar increases on other tobacco products. These tobacco tax increases are estimated to provide an additional $25 million in revenue in 2011-2012 and $27 million in 2012-2013.

To help finance and maintain a safe and efficient road transportation system, effective midnight tonight the fuel taxes covering gasoline will increase by 2.9 cents/litre and diesel fuel will increase by 2.3 cents/litre. This will provide government with an additional $44 million annually. With this gasoline tax increase, New Brunswick will still have the lowest gasoline tax in Atlantic Canada and the third lowest of all provinces, with only Alberta and Manitoba having a lower gas tax.

As part of the implementation of the tax rate increases on fuel and tobacco, all licensed retailers of these products must take an inventory of stock on hand as of midnight tonight. As well, tobacco wholesalers who remit tax based on their purchases of tobacco must also record their inventories. Retailers and wholesalers will be required to remit the additional tax due on their inventories. In the next few days, retailers and wholesalers will receive more information concerning their responsibilities associated with implementing the rate increases.

The NB Liquor Corporation will also increase its net income by $10 million in 2011- 2012.

**Fair Property Taxes**

Mr. Speaker, rising property assessments and taxes have been a concern for many New Brunswickers in recent years. In the coming months, government will be consulting with key stakeholders to solicit opinions and ideas on:

* The property taxation and assessment system;
* The delivery of property tax relief for seniors;
* A new regional services delivery approach;
* And municipal funding arrangements.

**Next Steps**

Mr. Speaker, today’s budget reflects the first step forward in dealing with the province’s fiscal challenge. We have been very active in addressing the fiscal situation since we took office and have identified approximately $220 million in spending savings in this budget. We have only just begun to face the challenges of the province. Today’s budget starts the government in a new direction towards fiscal responsibility. It is the first step in developing a plan to return to balanced budgets and for a growing, vibrant economy. In the budgets to come during our mandate, we will further develop and implement our plan by making the right choices and investing in our future.

Over the coming year, building on today’s budget and with input from engaged citizens, the public service, unions, business and stakeholders, we will develop a transparent and achievable fiscal plan that will lead to a return to a balanced budget by 2014-2015. This plan will include the establishment of a multi-year capital budget and new deficit reduction targets, and the specific measures required to meet these targets. Once a balanced budget has been achieved, we will continue to be disciplined on a defined path to reduce the province’s net debt.

Mr. Speaker, the public understands and supports the fact we have to make fundamental changes in the way we deliver essential services as the current model of service delivery is not sustainable. We have to examine and take action in education and health care, and government in general, to be able to provide quality services for future generations. Making changes means “right-sizing” for a province with only a modest tax base and whose population has shown little growth. We must learn to live within our means.

There are four main pillars on which we will develop our plan:

1. Effectively changing the way government spends by developing a culture of cost control, accountability and providing value for money;
2. Effectively managing the expectations of the public in terms of our ability to fund essential, high-quality services;
3. Increasing revenues in a fair and efficient manner;
4. And providing the environment for growing the New Brunswick economy and

creating jobs and prosperity.

**Changing the Way Government Spends and Managing Expectations**

Mr. Speaker, cost and demand pressures are constantly increasing and the unsustainable way government has operated over the last four years must be addressed. With the changing demographics in New Brunswick, we need to make sure we have the right assets in the right place at the right price. We don’t need to get bigger, but better. I heard these sentiments time and again from New Brunswickers across the province in my meetings with citizens, unions and business in our pre-budget consultations. We can be so much better but we cannot be everything to everybody in every location.

Together we must develop credible performance management measures for all sectors. We need to begin to develop key performance indicators that will measure real results that are publicly communicated for program areas such as government finances, program delivery, human resources, facilities management and capital expenditures. This will be a living process, with indicators regularly being checked and revised to reflect changing demands. Information will be readily available so New Brunswickers can see that government has changed its culture to controlling costs and making programs operate more efficiently.

New Brunswickers have told us that the education system is important to them and should be one of this government’s top priorities. But they have also asked us to ensure that it is an effective and efficient system. In terms of effectiveness, government is making significant investments in education to support positive outcomes in early childhood development, student achievement and inclusion practises and we will measure our success in achieving these positive outcomes. To do this, we must also ensure that our investments are directed with our children in mind. Teachers play a vital role in developing the minds that will grow our future. They must be equipped with the resources and have the passion to deliver the very best results.

For efficiencies, we must look to our infrastructure. Many of our 321 schools are filled to less than 60 per cent of their capacity. With our education partners, we must develop long-term strategies to make certain we have the right number of education facilities located in the right places and explore new and innovative options for the use of space in our schools. Moreover, we must determine if there are simpler ways to administer support to our schools.

In the health system, we have been asked to avoid unnecessary duplication and reduce administrative costs. We need to examine whether we can operate facilities throughout the province in a more efficient manner.

For a population of approximately 753,000, this province has 22 hospitals and a number of health centres, mental health centres, addiction services centres and public health offices. According to data from the Canadian Institute of Health Information for 2009, New Brunswick had approximately one family physician for every 1,000 residents, comparable to the national average. The province had approximately one registered nurse per 1,000 people, well above the national average of approximately one per 1,450 residents. Additionally, the province had 4.1 hospital beds per 1,000 people, almost one full bed above the national average of 3.2 beds. From these examples, do we need more or do we need to do more with what we have?

Government must be in a position to provide essential and reasonable support to seniors requiring care where they live. However, government must re-examine senior care to address growing demands for assistance. The current system is unsustainable if we are to meet future needs. It must be accountable and fair to seniors facing difficult life choices.

Mr. Speaker, to address these issues, in 2011-2012 we are conducting a structural review of core government departments. We will apply professional management approaches to looking at measures such as:

* Regionalization of services;
* Consolidation or sharing of administration and other services;
* Maximizing the utilization of schools, hospitals and other government facilities.

Our government expects all departments, school districts, health authorities and other organizations to live within their budgets. We will be instituting a comprehensive spending review of all departments including:

* Streamlining administration and reducing the number of senior management positions;
* Examining lease arrangements for rented office space;
* Reducing duplication of services;
* And bringing responsible financial management back to government.

We will also be reviewing the last five years of the Auditor General’s recommendations on improving efficiency and transparency in government operations to ensure they are effectively implemented.

Our government will renew efforts to work with other Atlantic provinces on common goals to strengthen relationships, minimize duplication and improve efficiencies.

To better address our infrastructure needs over the longer-term, for the first time on record, we will table a multi-year capital spending plan starting with the 2012-2013 Capital Estimates.

Our government will also undertake a review of public sector pension plans to confirm they are managed as efficiently as possible and operate in a fair, transparent and sustainable manner. This review will be completed by the end of the 2011-2012 fiscal year. It is our priority to ensure that pensions are secure and will be there for all employees at the time of retirement.

We must also ensure the total compensation levels for all public sector employees are comparable to other jurisdictions, including the private sector where applicable.

It is necessary that government members and all MLAs lead by example. The subject of generous pensions for MLAs was certainly a “hot button” issue at pre-budget consultations. The recent report by the MLA Pensions Review Panel stated that pension benefits for MLAs in New Brunswick are more generous than in some other jurisdictions. The panel’s recommendations will be the basis for introducing legislation in this legislative session.

Mr. Speaker, it is important that as a government we live within our means. We do not have the tax base to support the current level of services. The reviews I have just addressed clearly indicate we are serious about “right-sizing” government spending.

New Brunswickers recognized the need for fundamental change during our pre-budget consultations. Yet it will be impossible to undertake such change without it affecting all New Brunswickers in some manner. We will look to implement this change in the most efficient, compassionate manner, and in consultation with the people. I am confident that our residents and business recognize the need to manage expectations and work together.

**Increasing Revenues**

On the revenue front, the province continues its protracted recovery from the economic slowdown. Furthermore, with the federal government addressing its own fiscal challenges, major federal transfer programs will be under review over the next few years. We are currently benefiting from one-time revenue protection that may not exist in the future. That being said, we will continue to work to protect the province’s financial interests. In addition, we will continue to discuss with our federal colleagues ways to build on our positive relationship.

This budget includes over $100 million in new revenue initiatives, including the delay of personal income tax rate reductions scheduled for 2012. In the coming year, we will continue to evaluate other revenue initiatives brought forward in our pre-budget consultations, such as the introduction of highway tolls in strategic areas of the province, increasing royalties on our natural resources and selling assets.

Our government takes seriously the repayment and collection of revenue owed to the province and will be implementing measures that will improve the collection of these amounts.

We will also continue to identify areas of government operations for full cost recovery.

**Growing the New Brunswick Economy**

Mr. Speaker, New Brunswick succeeds when all areas of the province are sharing in economic growth and creating jobs and wealth. Public sector investments must be strategic, accountable and targeted to industries and regions that have innovative and creative ideas. Unfortunately the track record of these investments has been very poor.

We must not continue to be the Bank of New Brunswick. Financial institutions need to step up to the plate. In addition, responsible corporations and citizens should not consider taxpayer dollars as a source of easy money.

Government and the private sector are partners in growing the economy. We, as a government, must put in place the environment for business to succeed through fair and competitive taxation and regulatory systems. We must also work to restore the province’s reputation as a responsible fiscal manager and a place to invest, grow and prosper. That is our pledge.

To do this, New Brunswick must maintain a competitive tax regime. Today’s budget confirms our general corporate income tax rate will be lowered to 10 per cent on July 1, 2011, a rate that is competitive internationally, and includes the initial step in our commitment to cut the corporate tax rate in half for small business during this mandate.

We heard clearly in pre-budget consultations that the level of bureaucracy currently involved in navigating proposals through government is onerous and time-consuming. Our government will be refocusing economic development efforts in our province by working more closely with the private sector. Invest NB will focus on attracting new investment to our province, be a one-stop shop for potential investors to help eliminate roadblocks and ensure that our provincial economic development structures meet the needs of emerging industries. At the same time, we will be asking for greater accountability and responsibility in return.

New Brunswick has many natural resources some of which are largely developed and others that are only starting to be noticed. Our agriculture, fish, mineral, gas and energy and forest resources are important to sustaining and growing the economy and creating jobs across the province. We must provide an environment that encourages exploration, development and added value.

We must ensure our natural resource revenue potential, both renewable and non- renewable, are returning maximum benefits to the province. For example, in the case of forestry, we must ask ourselves why the harvestable timber on Crown land is substantially lower than what is being achieved on large, privately managed operations over a comparable period of time.

**Conclusion**

Mr. Speaker, on September 27, 2010 our government was elected with the knowledge that to be successful in changing the province’s outlook, all New Brunswickers need to be consulted and engaged in the solutions to public problems. Our pre-budget consultations have proven New Brunswickers accept that government should provide the high quality services and programs we need and can afford, but not everything that we may want.

To illustrate that our government heard what New Brunswickers are saying, I wish to reiterate several initiatives in today’s budget that resulted directly from suggestions we received through the consultation process:

* Increase in the tobacco tax and liquor profits;
* A review of public sector pensions;
* A process to identify, investigate and implement direct efficiency ideas;
* Reducing the use of portable e-mail devices and cell phones;
* Closing of government offices between Christmas and New Year’s;
* Streamlining administration across government, including the health and education systems;
* Evaluation of tolls on major highways;
* And development of performance measures, targets and accountability for results in government.

Mr. Speaker, while progress has been made in the measures we have announced today, this is only the first step. It is the first step to bringing accountability and meaningful measures of performance to government services and initiatives. It is the first step to engaging all residents of this province to ensure that we are all part of solving our challenges. It is the first step in changing the culture of government.

After only five months in office we have taken a significant first step to return this province to balanced budgets through an objective and responsible approach and have cut in half the projected increase in net debt compared with what it would have been if we had not addressed the fiscal challenge. We have reduced the projected deficit of $1 billion by more than 50 per cent through a balanced approach, instituting targeted revenue increases and significant restraint and efficiency measures.

I was asked if this is how I would address a similar financial situation in the private sector. The key difference here is we are educating our children, we are providing essential health care services to all citizens, we are supporting our seniors and we are caring for less fortunate New Brunswickers, all of a much higher calling than I previously experienced. Thus, it is extremely important that government make the necessary structural changes to any service with the appropriate evaluation, consultation and implementation and over the proper time period.

The cultural change in government spending and reducing waste is underway. So too is the cultural change in managing the expectations of New Brunswickers. But like stopping a freight train in full motion, it takes time to change course fiscally and mentally. We are building the trust and the momentum necessary to achieve the ultimate success that collectively we are capable of. The 2011-2012 Budget process has illustrated in a meaningful way that government and the public can work together for substantive change. This budget is only the beginning. Together we are partners for change in the way New Brunswick, both as a government and as a province, will operate in the future.

I remain convinced that our government, together with the input of New Brunswickers, can turn our fiscal situation around and point us in a new direction. We must all be part of the solution and through a sincere and collaborative effort we are putting New Brunswick first for a change.

Thank you, Mr. Speaker.