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| Nouveau-Brunswick | 57e  | 3e  | Discours sur le Budget | 26 avril 2013 | M. Blaine Higgs | Ministre des Finances | PC |

**Debate on Motion—Budget Address**

**Introduction**

**Hon. Mr. Higgs**: Mr. Speaker, today I rise in this House to table our government’s third budget; one that continues our vision for rebuilding the province through responsible management of public finances, growing the economy in a sustainable and innovative manner, and enhancing our quality of life.

This budget furthers the development of a culture of a leaner, more responsive government by taking measures to manage the size and cost of the public service, balanced by responsible

revenue measures that will help bring more stability to our public finances. Measures announced in today’s budget will move us towards a sustainable fiscal balance for New Brunswick while maintaining a competitive tax system. We will also continue to put the fundamentals in place to grow our economy, generate business investment, create rewarding jobs for our citizens and generate long-term prosperity.

There is no doubt that we are facing challenges in New Brunswick today. Factors emerging from beyond our borders, primarily in Europe and the U.S., are having repercussions here. While we did not create these conditions, it is our responsibility to take action to face them head on and allow our province to eventually emerge stronger and well poised to take advantage of the inevitable recovery.

I turn to the words of one of my predecessors, Antoine Leger, Finance Minister in the government of Premier Charles Richards. He was also in the position of working on rebuilding the province's finances in a period of global economic uncertainty and commented in one of his budget speeches on New Brunswick's resiliency in facing such challenges. He said: "Our province endured them nobly, and prosperity followed. Have we any reason to believe that the present situation will terminate differently than the others? Prosperity will come again; it will be hastened by constant work, courage and determination to win." As they did before us, New Brunswickers are always ready to work together to grow the provincial economy. I believe the reality of our current economy has brought renewed awareness to all of us of the impact of external factors.

While we are aware of the very real challenges we face as a province, we are also keenly aware of our province's immense potential. In fact, I have recently been told by a very prominent international businessman that we do not fully appreciate the tremendous investment potential that exists in our province, in New Brunswick. We are working to become better marketers of our natural resources and value-added products and services to global export markets while at the same time, raising the profile of New Brunswick among business investors.

We have the potential that lies in improving the value added from new products coming from

our forest, mining and natural gas resource sectors that we are only now beginning to tap. We have the potential of strategic sectors like information and communications technologies, bioscience, aerospace and defence that are now starting to flex their muscles. And the game-changing potential of our strategic location along what could become Canada's most important energy corridor, an oil pipeline from western Canada to Saint John, New Brunswick.

New Brunswickers are also very proud of the potential of our people, both those now living

inside the province and those who want to return home to help build a prosperous future together. Indeed, after consulting extensively with New Brunswickers over the past two and a half years, we can say one thing with certainty. Our collective and passionate commitment to the future of this province unites us – unites us far more than any challenges divide this province or its people.

L’avenir du Nouveau-Brunswick est prometteur. Nous surmonterons le repli économique actuel et nous en sortirons plus forts, comme l’a fait le Nouveau-Brunswick dans le passé. Last week's federal budget holds the possibility of further investments in our province’s infrastructure, innovation and skills training. We look forward to future discussions and initiatives in those areas.

But first we must deal with the challenges of today. The global economic recovery remains sluggish and that continues to make the economic situation challenging. Private sector forecasters have recently revised downward projections for Canada due to continued unstable

economic environments in Europe and the U.S. In this environment, revenues are down and

deficits are up across many jurisdictions in Canada.

New Brunswick, of course, is not immune to these conditions that originated beyond our borders. These external forces have contributed to the province reporting slower economic growth in 2011 and 2012, with significant challenges to the economy persisting into 2013. The continuation of these conditions has exerted significant downward pressure on our revenues and overall fiscal situation. We have been successful in managing our expenditures more responsibly, but recognize that we also need to look at options to increase revenues so that we can address this shortfall and rebuild our finances.

Our government, working with many individuals in the civil service who are leading the charge, has made significant strides in controlling spending. We must, however, not lose sight of our long-term goal. We have increased citizen engagement, transparency and accountability across government. We have worked to place controls on the wage bill and tied future wage increases to growth in the economy, and we have reduced the number of government employees through attrition and implemented hiring restrictions. We are taking steps to put the public sector pension system on the path to long-term sustainability. We are changing the culture of government through the increased exposure of departments to the performance excellence process and the undertaking of comprehensive internal operational reviews. In our public service delivery models, we are striving for better value and timeliness and are encouraging innovative new thinking. We are saving money through efficient and effective management practices in purchasing, and by improving the collection of monies owed to taxpayers, reporting and performance measurement. We have instituted multi-year capital spending estimates to better control strategic investments in public infrastructure going forward.

However, some of our measures to ensure stability in future expenditures have resulted in onetime immediate costs that will increase the deficit over the short-term. Our government is

committed to managing the province’s finances smarter and we will make the decisions necessary to ensure fiscal sustainability and a bright future for all New Brunswickers. Mr. Speaker, citizen engagement is a key component of our decision-making process. Returning to balanced budgets is a multi-year process and requires the support of New Brunswickers. Again this year, I toured the province soliciting public input on how to address our fiscal challenges and was impressed by the focused input and quality of ideas and suggestions that engaged citizens, the public service, stakeholders and unions provided. I want to thank all those who participated in the meetings or sent along their comments and suggestions via the website, e-mail or by post. Government will continue to evaluate these suggestions. I am very impressed when real people put forward real ideas and concerns to improve the province we cherish.

Mr. Speaker, today’s budget reflects our government’s vision of making strategic investments to strengthen our economy and province and enhance our quality of life, but will also outline further measures to move towards our goal of living within our means.

Pour ma part, j’ai été très déçu de ne pas pouvoir atteindre comme prévu nos objectifs financiers cette année, car, même si nous avons géré strictement les dépenses, une économie affaiblie a sapé davantage notre assiette de recettes.

However, at the same time, our resolve is strong and we will continue with a responsible plan to return to a balanced budget in the near future.

Ultimately, getting our fiscal house in order, eliminating the deficit and reducing net debt are key elements of our future prosperity and the best legacy we can give to our children and future generations of New Brunswickers. However, these are only a few of the many priorities that New Brunswickers demand.

**A Challenging Economic and Fiscal Environment**

Mr. Speaker, I would now like to provide an update on the New Brunswick economy. Similar to many jurisdictions, the provincial economy is facing challenges. However, positive opportunities are on the horizon.

The Department of Finance estimates the economy grew by 0.7 per cent in 2012, below the 1.3 per cent projected last March, but a modestly stronger performance than in 2011 when the economy posted no real growth. Many sectors of the domestic economy reported weakness in 2012. Labour income growth was less than one-half the growth rate of 2011, while retail sales declined. These indicators combined to exert downward pressure on tax revenues. While the employment picture remained challenging in 2012 with a modest decline, on a positive note, the number of full-time jobs increased by 1,500. The global economic outlook for 2013 has deteriorated over the last several months and in this environment, the Department of Finance is projecting real growth for New Brunswick of only 0.5 per cent. The closure of the Xstrata base metal mine near Bathurst will dampen economic activity in 2013. The contribution of the public sector to economic growth will also be limited due to continued fiscal retrenchment across all levels of government. Employment in New Brunswick is expected to rebound modestly during the year but income growth is expected to remain below historical averages, limiting growth in provincial tax revenues. The main private sector investment projects that contributed to economic growth in recent years will be concluded in 2013. This, in combination with more sustainable levels of government capital spending, will limit the contribution of capital investment to the economy in 2013. A gradual rebound in the U.S. housing market which is now underway should bode well for New Brunswick’s forestry sector and benefit foreign trade, the main driver of economic growth in

2013. Electricity generation from the refurbished Point Lepreau nuclear station should improve the province’s trade balance and output in the utilities sector. Looking ahead to 2014 and beyond, there is reason for optimism. Improved economic activity in the U.S. and Canada should provide opportunities for the foreign trade sector. The mining sector should benefit from the ramping up of production at the newly expanded potash mine, while upward potential in the sector also exists across a number of prospective base-metal mines currently under study or in the development phases.

De plus, le gouvernement continue d’examiner de réelles possibilités de développement qui présentent un potentiel intéressant dans les secteurs des ressources forestières à valeur ajoutée, des ressources agricoles et des ressources énergétiques de la province.

***2012-2013 Fiscal Update***

Mr. Speaker, as reported in our third quarter report, a deficit of $411.1 million is now projected for 2012-2013. Spending has been closely managed during the year. Revenues, however, are anticipated to be markedly lower due to the weakened economy in 2011 and 2012. I am pleased to report that departmental spending is actually below budget in 2012-2013. The adoption of new actuarial mortality tables which were updated for the first time in nearly a decade, has increased our expenses by an estimated $53 million, resulting in over-budget expenses of $32.3 million. Revenues are projected to be $195.8 million lower than budget, mainly due to tax revenue declines from the slowing economy. As part of our accountability and balanced scorecard processes, our economic and fiscal reports have clearly illustrated departments that are under-budget, on-budget or over-budget with the applicable variance explanations. This has increased departmental transparency, accountability and accuracy in financial operations.

***2013-2014 Fiscal Outlook***

Mr. Speaker, I would now like to outline our plan for the upcoming fiscal year. As we have

stated previously, a balanced approach of responsible revenue increases combined with restraint and efficiency measures are necessary to realign revenues and spending and lead to sustainable fiscal balances going forward. Today’s budget implements measures to help re-establish that balance, slow the growth of net debt and ensure a balanced budget is achievable. For 2013-2014, we are projecting a total deficit of $478.7 million. Excluding an unusual onetime pension expense of $110 million, an operational deficit of $368.7 million is projected. Revenue growth in 2013-2014 will be hampered by the cumulative impacts of a slow growing economy over the 2011 to 2013 period, the pending closure of the Xstrata mine, no growth in major federal transfers and extraordinary federal capital revenue that was included in 2012-2013. Revenues are expected to increase 1.8 per cent over revised 2012-2013 third quarter estimates to $7.994 billion. This includes revenue measures estimated at $168 million that will start the process of realigning revenues and spending.

Efficiencies from corporate, departmental and other program initiatives have ensured that departmental spending continues at essentially zero growth. Overall spending is projected at

$8.473 billion. This represents a 2.5 per cent increase over revised 2012-2013 third quarter estimates, and is directly related to the one-time pension expense. Net debt is projected to increase by $594 million in 2013-2014. Provincial net debt is expected to approach $11.6 billion by year-end 2013-2014.

**Returning to Balance**

Mr. Speaker, given the challenging fiscal situation we face, it is essential that we better manage our expenditures and live within our means. We cannot, however, achieve our goal through savings alone; we also need to increase our revenues. The structural deficit that exists is not only a result of a weakened economy, but past spending and revenue decisions of government, including the considerable reductions in income taxes by the previous government that were not offset by other measures. We must rebalance the revenue system to provide needed resources to deliver the programs and services that people deserve. Balanced budgets are not a goal in and of themselves – they are a key to prosperity. Over the long-term, sustainable balanced budgets will free up financial resources that would otherwise be lost to debt service payments that could have been invested in services for the people of New Brunswick, and give our province the fiscal flexibility to react to unforeseen circumstances. Our record shows that we have made significant progress in managing government expenditures more efficiently. In 2011-2012, we saw spending decrease year-over-year for the first time in 11 years. With this budget we will continue that work. Mr. Speaker, with the quality of the people that we have in the system, I am confident that we

will exceed this result.

**Managing Smarter for a Brighter Future**

Mr. Speaker, responsibly managing our human resources, pensions, operational and other expenses are key parts of our overall management plan.

Je suis fier que nos efforts au titre des deux derniers budgets pour instaurer des mesures de restriction et l’excellence du rendement relativement à une gestion plus rationnelle et efficace des dépenses aient été acceptés comme nouvelle culture des pouvoirs publics et que ces efforts produisent des résultats concrets.

But there is still much more to do if we truly wish to begin living within our means.

I would now like to report to the House on some initiatives we are undertaking in 2013-2014.

***Managing Human Resources More Effectively***

Mr. Speaker, this government values the contributions of our employees in working with us to collectively put into action a new culture of a more proficient and cost effective public service. They have come forward with many ideas and suggestions on finding efficiencies and cost and time savings in service delivery that we have implemented. In order to further meet government’s objectives of living within our means and ensuring fiscal sustainability, we are implementing a number of corporate human resource initiatives.

Wages and benefits paid to our employees exceed $2.4 billion and represent a significant portion of provincial spending. For this reason, our government has a three-year plan to reduce the size of the public service, and we are on track to realize $86 million in savings by 2014-2015. Through retirement and attrition, we are targeting to reduce the public service by at least 500 employees per year and to date, we have exceeded the year-one target with a total reduction of 637 employees. All parts of the public service have been reduced by over 1,700 positions since our government took office. The Department of Human Resources has undertaken a number of initiatives with respect to compensation for management and non-union employees. Mr. Speaker, maintaining the retirement allowance for public servants costs the province approximately $52 million per year. Balancing benefits with the long-term security of the pension plan reflects best practices and protects the interests of the taxpayer. We believe it is in the best interest of the province to discontinue this program. We began this process in 2011 by discontinuing the retirement allowance for management and non-union employees hired after April 1, 2011. Now, management and non-union employees in Parts I, II and III hired before April 1, 2011 will no longer accumulate the retirement allowance as of March 31, 2013. They will be given the option of an immediate payout of their allowance or deferring payment of the retirement allowance until retirement.

These changes to the retirement allowance will also be negotiated with public sector unions for bargaining employees. The Premier has also advised Part IV organizations that they are expected to implement these changes with their employees, where applicable. Mr. Speaker, we will increase our efforts to improve management and use of sick time through initiatives such as a comprehensive Attendance Management Program which looks at sick leave usage throughout Parts I, II and III. To ensure the long-term sustainability and appropriateness of

the sick leave program, we must ensure it is used only when absolutely necessary. The Attendance Management Program will be launched in 2013 and has several components, such as a new Attendance Support Guide, training for government HR professionals and mandatory training for managers. We are working collaboratively with our public sector unions, through the establishment of Attendance at Work and Employee Wellness committees, to help us achieve significant reductions in sick leave usage and protect the sick leave benefit for the circumstances when it is truly required. We believe everyone has a role to play in ensuring we achieve a 20 per cent reduction in sick leave usage by March 31, 2015, resulting in savings of approximately $20 million.

J’ai le plaisir d’annoncer que nos efforts visant à limiter le recours aux congés de maladie donnent déjà des résultats positifs.

The government recognizes further developing the skills and competencies of its employees is key to reaching its goals. A new performance and leadership management program is being

developed and is to be implemented in fiscal 2013-2014.

***Improving Performance in Government: Process by Process and Person by***

***Person***

Mr. Speaker, during the 2012-2013 fiscal year, our government established the foundation of

smarter management within the public sector focused on the adoption of sound business practices to drive continuous improvement. One of the key components of this program is the employment of a comprehensive process improvement methodology called Lean Six Sigma. To date, performance excellence has been implemented within 13 departments, with additional departments to introduce the concept this fall. Specific to process improvement, more than 400 employees have participated on Lean Six Sigma project teams. More than 70 such projects have been completed or are in progress.

Initially completed projects are projected to achieve over $3.5 million in direct savings and an additional $2 million in productivity improvements. As departments develop more project experience, they are finding higher value projects with actual savings running approximately 20 per cent above initial estimates. Further savings and improvements will be achieved in 2013-2014. Mr. Speaker, performance excellence practices require commitment and discipline not only by the government itself, but by the individual members of the public service to achieve the expected process and productivity improvements and the resulting cost savings. This means consistently improving process by process and person by person. I want to take this opportunity to thank all those who have participated or supported these initiatives and tell them our government recognizes their contributions. One such person is Jennifer Kikkert, the Regional Lead of Business Process Management for Horizon Health Network. Jennifer also works with the Office of Strategy Management within the Executive Council Office assisting in the implementation of the Performance Excellence Process. She states, “The Performance Excellence Process is critical to ensuring the sustainability of health care services in New Brunswick. Health care spending accounts for an increasing percentage of the provincial budget and it cannot continue. Horizon Health Network recognized the importance of process improvement early on and made becoming a process-focused organization a priority.” “I am excited that Horizon volunteered to be an Early Adopter in the Performance Excellence Process and we have seen some great results to date. With the current fiscal challenges facing us today, the Performance Excellence Process is the only viable solution. We have a culture of “this is how it has we’ve always done it” or “we’ve done it like this for 30 years”. Nothing is like it was 30 years ago in this province and processes that evolve over time have room for improvement. The public expects a certain level of service but it’s time they question whether everything they are demanding is ‘needed’ or simply ‘wanted’. We need to work smarter by analyzing what we are doing and how we are doing it.” I quoted Jennifer on those previous statements. “Performance Excellence Process does that and it will help us achieve sustainability and deliver higher value for the money spent on health care services.” On behalf of our government, I want to thank Jennifer and so many others for their commitment to making the system more efficient and sustainable for all New Brunswickers.

Mr. Speaker, over the last few years, New Brunswickers have seen firsthand that some pension plans in this province are unsustainable. We witnessed the employees of Fraser Papers and St. Anne-Nackawic who believed their pensions were guaranteed only to find out that the guarantee was only as good as their employer’s ability and willingness to pay. We have seen public service plans dangerously underfunded and requiring millions of dollars or

significant amendments to again become sustainable. Supporting these plans has also become

less and less affordable as we have seen the increasing impact of improved life expectancy,

lower market returns and slower growth in government revenues.

Les régimes de pension actuels au Nouveau-Brunswick et, en fait, d’un bout à l’autre du Canada ont été conçus à une époque où le personnel travaillait plus longtemps et vivait moins longtemps après la retraite.

With our population aging, interest rates at historically low levels and investment returns becoming more volatile, this problem won’t get better; it will only get worse. Our government did not create the economic and demographic conditions that made pension reform necessary, but Mr. Speaker, we are acting on it. We have acted in recognition that all

New Brunswickers, young and old, deserve a good quality of life when they retire. It is fine to say that pension plans should not be changed. But change must come, and it is coming. We can’t stop it anymore than we can stop the rising tide. The question is: what will we do today to mitigate future risk so that we can make pension plans more secure for their members and more affordable for taxpayers?

Continuing to kick the can down the road on pensions is not an option. Nor is sticking our heads in the sand. Our government will act today to make sure that our children and grandchildren have a pension tomorrow. And we are not alone. Jurisdictions across Canada have introduced pension reform measures to better address their challenges. Many of them are looking at New Brunswick, which has led the way in developing a model that will make pensions more sustainable, affordable and secure. In fact, Jim Leech, President and CEO of the Ontario Teachers’ Pension Plan, one of the largest single professional pension plans in Canada, speaking at our recent national pension symposium stated he was impressed by the progress New Brunswick has made. We have recently seen the cities of Saint John and Fredericton adopt this model as well.

Mr. Speaker, it is clear that our government views the shared risk pension model as the best

alternative going forward in which to transition the Public Service Superannuation plan. Converting to a shared risk model is in the best interest of not only the members of provincially sponsored pension plans, who can be confident that their pension benefits will be available for years to come, but also the taxpayers of New Brunswick who will not be asked to fund the increasing liabilities that these pension plans may otherwise incur.

***Managing Smarter to Fund Strategic Investments***

Mr. Speaker, excluding the one-time pension expense, total expenses in 2013-2014 are increasing by just one per cent over 2012-2013 third quarter, compared to the 4.4 per cent average annual expense growth over the previous nine years. Annual changes over this period reached as high as 7.2 per cent. Expense growth in 2013-2014, excluding the one-time pension expense, is approximately $100 million, of which $70 million is for new initiatives. These include investments in innovation, the continued roll-out of the diabetes and mental health strategies, the establishment of the New Brunswick Energy Institute, increased funding for early childhood development and social assistance reform. More details on these initiatives will be provided when Ministers present their estimates for debate.

Today’s budget contains more than $230 million in spending reduction initiatives across departments that are designed to offset inflationary pressures. Detailed, in-depth reviews are underway in the departments of Health, Education and Early Childhood Development, Social Development, and Transportation and Infrastructure to identify service delivery efficiencies.

Les budgets de tous les ministères sont assujettis à diverses mesures d’efficience visant à compenser les pressions qu’exercent l’inflation et la demande de services ainsi qu’à ouvrir la voie à certains nouveaux investissements.

Mr. Speaker, New Brunswick’s health care system comprises about 40 per cent of the provincial budget. Taxpayers spend $6,000 every minute to keep our health care system in operation. In a province with reduced financial means, our health care expenditure was about $4,300 per capita in 2011, which is significantly higher than the national per capita average of just over $4,000.

This situation cannot continue.

The right to universal health care is one of the defining characteristics of being Canadian. The

average citizen believes that health care in our country is free. But that, Mr. Speaker, is a myth. Health care isn’t free. Our Medicare card is a credit card for which we never get a bill. The bill gets sent to the people of New Brunswick and I’m sorry to say that we’re spending way beyond our credit limits. We’ve come to the point in which the credit card payment is greatly affecting our ability to do anything else in this province.

We must take action to protect the health care system we need. The Office of Health System

Renewal has conducted an evidence-based analysis to determine where the problems are and bring the per capita cost of health care closer to the national average within four years. It is because of this work that I am able to announce to you today that for the first time in recent

memory there will be zero growth in the province’s health care budget while maintaining needed investments and without compromising clinical services. As 74 per cent of health care spending is attributable directly to remuneration to New Brunswick’s health care workers, there will be an impact from this decision. The administrative reductions already announced by the Horizon and Vitalité Health Networks will continue and the regional health authorities will undertake a benchmarking exercise to determine how our services measure up against other Canadian jurisdictions. The results of this exercise will be implemented in our hospital system.

Further, the Government of New Brunswick, working with the regional health authorities, will explore management opportunities and introduce service efficiencies in non-clinical areas such as food and housekeeping services inside New Brunswick's hospitals. FacilicorpNB will be looking for similar savings opportunities in the area of hospital-based laundries. Government will also cap Medicare billings at $425 million for the next two years and undertake a review of all of our financial incentives that are related to the recruitment and retention of physicians. The price of generic drugs will be reduced by 10 per cent to 25 per cent of brand price effective June 1, 2013, and the dispensing fees paid to pharmacies will be adjusted to specify frequency of dispensing timelines for various pharmaceuticals.

Mr. Speaker, the Department of Education and Early Childhood Development's budget is increasing by just $3.5 million in 2013-2014, as a number of efficiency and restraint initiatives are offsetting inflationary increases and a select number of new investments in such areas as early childhood development, inclusive education and poverty reduction. Specific areas where savings will be realized include the continued roll-out of the school district reorganization plan, strategic procurement and reduced central office expenses.

Mr. Speaker, the budget for the Department of Social Development is increasing by $4.7 million over 2012-2013 estimates. Savings from such areas as attrition and continuous improvement / Lean Six Sigma projects are allowing for a select number of new investments to be made in 2013-2014. We must not forget our obligation to protect the most vulnerable in our society and these new investments include social assistance rate increases and improvements, additional funding for special care homes, specialized care beds, and community residences, additional funding for the nursing home renovation and replacement plan, and increases for a number of poverty reduction initiatives.

During 2013-2014, Mr. Speaker, the Department of Transportation and Infrastructure will transform its organization by engaging in department-wide productivity and continuous improvement activities which will lead to significant reductions in operating costs, increased labour productivity and effective utilization of equipment and materials. These efforts will result in better service to our citizens at a reduced cost to taxpayers. The savings in 2013-2014 are estimated to be in the range of $26 million.

Mr. Speaker, the fiscal situation has resulted in this government having to make the difficult decisions required to manage spending smarter. Some examples in today's budget include:

• Effectively managing growth in health care spending;

• Managing and implementing efficiencies in the departments of Transportation and

Infrastructure, Education and Early Childhood Development and Social Development;

• Zero increase in funding to public universities, NBCC and CCNB with the expectation that they continue to seek operational efficiencies, and that any tuition increases will be capped at

$150;

• Continuing the implementation of the Department of Natural Resources program improvement process; and

• The government airplane will be sold.

Mr. Speaker, more efficiently operating and controlling the number of executive government

vehicles is an idea brought forward by employees and the public as a concern. To that end, we have concluded a comprehensive review of current vehicle policies that indicates a potential reduction of 10 per cent over current expenditures is achievable. Our government feels that we as Ministers and MLAs must follow this example of the more efficient use of transportation assets.

***Accroissement rationnel des recettes***

Monsieur le président, le Nouveau-Brunswick a besoin d’un régime fiscal qui soit compétitif tant au Canada qu’à l’échelle internationale. Des mesures prises par l’ancien gouvernement ont sérieusement nui à notre résultat financier.

While income taxes were reduced in recent years, the plan was not completed by taking the

tough decisions to introduce increases elsewhere to maintain a healthy balance between revenues and spending. This imbalance was a significant contributor to our current fiscal challenge and is something we must address.

Our previous two budgets announced revenue measures to help meet fiscal needs in a manner that permitted the province to maintain the competitiveness of New Brunswick's tax system. Given the current fiscal situation, further tax measures are needed in this budget to rebalance

revenues and spending as we strive for sustainable budget balances. To this end, a roll-back of the recent personal and corporate income tax rate reductions is required. As the fiscal situation improves, the government will evaluate a potential rebalancing of taxes.

Mr. Speaker, in order to raise additional revenue, effective July 1, 2013, personal income tax rates will be returned to the rates that applied in 2006. While these rates are higher than those that are currently in place, the 2006 personal income tax rates are significantly lower than the rates that were in effect for 2007 and 2008.

Most importantly, the 2006 rates were much more progressive and fair than what was put in

place by the previous government. Reverting to the 2006 rates will mean that individuals with

the means to pay more will do so. These measures will result in the largest percentage increase in tax being for people in the top two income brackets making $77,908 to $126,662 and above.

For example, for a single individual with taxable income of $40,000, this tax increase represents a modest increase of approximately $6 on a bi-weekly basis in New Brunswick personal income taxes in 2014. For a one-earner family of two with taxable income of $80,000, this represents an increase of approximately $47 on a bi-weekly basis in New Brunswick personal income taxes in 2014. All brackets and credits will continue to be indexed to inflation. In addition, the enhancements to the Low-Income Tax Reduction that were announced in 2009 will continue in the interest of helping protect lower-income New Brunswickers from the tax rate increases in this budget. This means that for 2013, single individuals with incomes up to $15,667 pay no provincial income tax and one-earner families with incomes up to $27,779 pay no provincial income tax. Also, single individuals with incomes up to $35,334 and one-earner families with incomes up to $55,000 will continue to receive benefit from the Low-Income Tax Reduction. These personal income tax measures will provide government with additional revenues of approximately $136 million in 2013-2014 and $198 million in 2014-2015 to help the government address the fiscal situation.

Mr. Speaker, even with these increases, New Brunswick’s personal income taxes will remain

lower than those in the other Maritime provinces and Quebec. To ensure businesses also contribute to addressing the fiscal challenge, New Brunswick’s general corporate income tax rate will also be increased. Effective July 1, 2013, the general corporate income tax rate will increase from 10 per cent to 12 per cent. This measure will generate approximately $17 million in additional revenues in 2013-2014 and $22 million in 2014-2015.

Mr. Speaker, even with a 12 per cent rate, New Brunswick will continue to have the lowest general corporate income tax rate in Atlantic Canada. Government is aware of the need to encourage private sector business investment. While it is government’s intention to suspend further reductions in the small business income tax, at the same time, we will work with stakeholders to explore options to encourage business investment and increase competitiveness by enhancing the existing Small Business Investor Tax Credit.

Mr. Speaker, it is widely acknowledged that smoking imposes significant costs to the health care system. Tobacco taxes are an important tool that governments can use to help discourage smoking and pay for the additional costs smoking imposes on our health care system. Effective midnight tonight, the tax rate that is applied to all tobacco products in New Brunswick will be increased to 19 cents per cigarette or equivalent unit, except for cigars which will be taxed at 75 per cent of the retail price. Combined, these tobacco tax rate increases are estimated to provide an additional $15 million in revenue in 2013-2014.

Mr. Speaker, New Brunswick has a variety of rich mineral deposits. Mineral exploration and

mining play a significant role in sustaining and growing the economy and creating jobs across

the province. We must provide an environment that encourages responsible natural resource

exploration, development and added value. At the same time, we must ensure that New Brunswick’s natural resource revenue potential is returning maximum benefits to all New Brunswickers. As such, several changes to the province’s natural resource royalty structure will be announced in the Legislature this session.

Monsieur le président, notre gouvernement continuera de participer aux efforts visant à faire face à la situation financière actuelle en comprimant les dépenses. Toutefois, nous aurons besoin de recettes additionnelles afin d’équilibrer nos finances.

New Brunswick is on the cusp of a new day with potential new revenues coming from our natural resources. Once the initiatives to rebuild our economy and grow our exports lead to increased economic activity, investment and job creation, the personal and corporate income tax measures included in this budget will be revisited as part of a broader review of rebalancing our tax system. Additionally, potential natural resource and energy exploration and development projects are on the horizon. These could generate economic growth and revenues that will allow us to share the benefits with all New Brunswickers.

**A Stronger Province Overall – Rebuilding Our Economy and Enhancing Our Quality of Life**

Mr. Speaker, despite the challenging economic times, we will continue to make investments in our future. We will invest savings realized in measures that enhance our economic performance, improve our quality of life and give our citizens the support and services they need in an efficient, effective manner.

***Responsible, Strategic Investments in Infrastructure***

Mr. Speaker, hundreds of thousands of New Brunswickers work in or visit our schools, hospitals and other public buildings or travel on our transportation network each day and their health, safety and security is foremost in our deliberations. In December, our government tabled a multiyear capital budget that focused on maintaining existing assets and completing projects already underway. Only $3.5 million, or less than one per cent of total capital spending of $466 million, will be reinvested to start new projects.

As part of our responsible fiscal management, the multi-year capital plan through 2015-2016 includes only a modest amount for the commencement of new capital projects, separate from

regular maintenance and replacement expenditures faced each year. This will allow us to consider new, strategic capital projects that are needed in the future without deviating from the established spending targets.

***Rebuilding the Economy by Focusing on Innovation***

Mr. Speaker, our government believes the province’s future lies in innovation and accelerating the growth of the knowledge sector in our economy. We want to make New Brunswick a Canadian leader in innovation. To help accomplish this goal, the New Brunswick Innovation Foundation will work with industry and research institutions to enhance research and innovation activity across all areas of our province. We will work with private sector stakeholders prepared to make investments in our economy, as well as the federal government, industry and academia.

To jumpstart the innovation process, the premier announced in February the creation of the Research and Innovation Council to provide guidance and governance on public policy. Our

government will invest $80 million over the next five years for innovation in the province, including $16 million in 2013-2014. Additionally, to support promising start-ups with capital when they need it the most, our government has partnered with Nova Scotia and Prince Edward Island to create the Atlantic Venture Capital Fund. We are also pleased to welcome investments from interested private sector partners.

***Creating Opportunities for Economic Growth and Jobs***

Our government has committed to rebuilding the economy through our Growing Together action plan to build sustainable economic growth, create wealth and enhance the quality of life for all New Brunswickers. This new direction means concentrating economic development in our six strategic sectors and making innovation the main focus of our economy. We have created specific growth strategies for each of the six sectors to help strengthen the future of our traditional industries and value-added products, as well as recognize the potential of emerging industries such as aerospace and defence, bioscience and ICT. We have decentralized economic development resources which will give local communities increased accountability and financial decision-making authority to make strategic investments within their own region.

New Brunswick is known as being one of the strongest export-oriented provincial economies based on foreign shipments of forest, energy, mineral, agricultural and seafood products. In fact, in 2012 New Brunswick was ranked number one among the provinces in the value of exports of fish and seafood products. As a complement to our innovation strategy, we will build on this strength through our export development strategy entitled Growing Global Markets that will focus on expanding opportunities in non-traditional markets in the U.S., as well as Europe and the newly industrialized economies of Asia and South America. This strategy will support businesses through 10 initiatives, including connecting buyers with sellers, leveraging transportation and infrastructure, and rebuilding assistance programs.

Mr. Speaker, working with businesses to create jobs is a key part of our government’s plan to

rebuild New Brunswick. The province is facing a challenging employment situation and retaining our newly-trained young professionals is one of a series of strategies to improve economic growth and our quality of life. Many of our young, skilled professionals have been

forced to leave the province to find work in their chosen fields. To help retain these workers, our government has instituted the “One-Job Pledge” initiative that is offering employers an improved wage incentive when they hire a recent post-secondary graduate in a job related to his or her field of study. These are strategic investments both in our young people as well as New Brunswick businesses that are poised to grow despite challenging economic circumstances. Mr. Speaker, the forest sector is a critical component of our economy and employs many thousands of New Brunswickers across the province. Following several difficult years, the forestry sector is now showing signs of improvement in 2012. It is essential that our industry remains globally competitive and takes advantage of new products and technologies. Our government will continue to work with industry to improve the business climate and provide the right tools to encourage long-term investment.

**Open, Transparent and Accountable Government**

Mr. Speaker, our government is committed to being open, transparent and accountable. Recently the C.D. Howe Institute gave New Brunswick high marks for being one of the most fiscally transparent governments in Canada. The C.D. Howe report stated that the federal government and the governments of Ontario and New Brunswick are leading the way in presenting clear public accounts documents and making an effort to compare and explain deviations from budgeted and year-end revenue and spending figures. New Brunswick ranked second in accuracy in both revenue and spending when rating governments’ budget-to-actual spending and revenue performance evaluated over a 10-year period. While the economy has presented a number of challenges on both the spending and revenue front, New Brunswick remains among the top performers in this regard.

Since October 2010, we have taken a number of other measures to follow up on our commitment to transparency and accountability. We are publicly releasing quarterly fiscal reports to give a more transparent picture of the fiscal health of our province. In December 2011, the government launched the Taxpayers FIRST website, which was created to encourage the public to submit their ideas on how to address the financial challenge, grow the

economy and make government more efficient, effective and accountable. The site has received almost 35,000 visits since becoming live. We have begun the practice of posting draft regulations for public input 30 days prior to adoption. We are posting proposed government initiatives for public comment to inform government before final decisions are taken. We are implementing a quarterly scorecard to update New Brunswickers on the government’s progress in implementing its agenda. Last week we announced a new process to select legislative officers using an independent selection committee comprising officers of the Assembly and representatives of the academic and legal sectors. Over the next year, we will be continuing to build on transparency and accountability with further initiatives. We will be instituting changes to modernize and clarify the authority of the Auditor General. The Auditor General has an important independent role to play in holding government accountable, and increased focus on value-for-money audits is one of many areas for exploration. We will bring forward legislation based on that originally proposed by the New Democratic Party on government appointments. It is important in these challenging times that our government implements a structure to set in place rules around MLAs waiting an appropriate period after resigning before accepting government appointments, as well as the process for the hiring of heads of crown corporations. We are implementing a program effectiveness review to determine which programs are working as they were intended, which need to be modified and which need to be terminated. Our government has dedicated significant effort in improving government’s risk management practices of its loans and grants to businesses and reducing the risks of providing financial assistance to industry on a file by file basis. While efforts to date have focused on increasing the level of security, I am pleased to note that our government is developing criteria to better manage the risk of the overall loan portfolios of several of our departments associated with providing assistance.

Our government will identify and introduce a process to increase transparency and accountability in election commitments and ensure that New Brunswickers are aware of the cost of election promises. At the end of the day, it is the taxpayer that must ultimately pay, and they should have a fair account of such promises leading to an election. These and many other traditional practices in government are the real testaments to our Premier’s conviction to be more open and transparent and to improve the government process.

**Multi-Year Plan**

Mr. Speaker, in last year’s budget, government set out a three-year plan to return to budget

balance. Within that plan was the assumption of further revenue and spending initiatives. Despite measures in today’s budget, a number of factors have contributed to the plan being off-target, including the impact of a weakened economy which has contributed to a shortfall in the order of $200 million from our revenue base, one-time expenses and cost pressures. It is no longer practical to consider a return to budget balance by 2014-2015. The federal and other provincial governments are facing similar challenges in returning revenues and spending to balance in the short-term.

Pour vivre selon nos moyens, nous devons nous assurer de fournir les bons programmes et services au moyen des procédés les plus efficients possibles.

The three-year plan I am setting forth today shows a continued path of improvement to a deficit of $102 million projected for 2015-2016. Revenue projections reflect tax changes announced today and an economy that will begin to gain momentum in 2014. Spending projections for 2014-2015 and 2015-2016 reflect only limited growth. Departments will need to manage cost pressures within existing budgets. I am not projecting a budget balance by 2015-2016. But it is achievable if economic growth and revenues exceed projections. We have reason for optimism in our economy over the next few years, and if the additional growth is realized, it will contribute to additional revenues. Our goal is in sight and we will continue to pursue the balanced approach to success.

**A Brighter Future**

Mr. Speaker, as I stand here today, New Brunswick is poised on the brink of historic opportunities in energy. Canadians already know that their richest known natural resource, the oil bitumen of western Canada, does not currently reach most international markets. Oil sand resources are sold into the U.S. at a discount against world market prices and in limited

quantities to a select number of buyers. As a result of this transportation bottleneck, not enough of this strategic resource reaches world markets. Proposals to relieve this bottleneck by building a new pipeline to the Gulf of Mexico or the west coast of Canada have met with serious delays and entrenched opposition. For more than a year the proposed solution to this problem, a pipeline corridor through eastern Canada to the deepwater port of Saint John, has been actively pursued by our Premier. He has travelled across the country and garnered unprecedented support across all sectors. This corridor, much of which would follow existing rights-of-way, could open a gateway to the world for oil and other refined petroleum products. For New Brunswick, this could mean hundreds of jobs inside the province during pipeline construction. It could also provide an opportunity to refine western oil into export products at the Saint John refinery, providing hundreds of additional new jobs. Our Premier has continued to take a leadership role pursuing this opportunity. He has met with the Premiers of Quebec and Alberta, with the Prime Minister and with his colleagues in the other

Atlantic Provinces. He has met with pipeline executives and other leaders in the energy industry. All agree that this is an idea worth pursuing – the goal of building this west-to-east pipeline and finding new export markets for oil is key to the future of the nation.

Another opportunity is the province’s natural gas resources. We know large scale reserves exist in the province. We are putting the regulations in place that protect the environment while allowing the industry to make needed investments and create jobs. The production of oil and natural gas from shale is a labour-intensive activity that has already transformed the economies of many states and provinces. Let’s give the industry a chance in New Brunswick. Let’s give our province an opportunity to prosper from our energy resources as British Columbia, Alberta, Saskatchewan and Newfoundland and Labrador already have. New Brunswick has a long history of using its natural resources to provide jobs, stimulate investment, generate wealth and grow the economy. Our new export strategy will provide business with the tools to take advantage of new opportunities around the globe. For example,

the two billion dollar investment in potash in the Sussex area will result in production more than doubling, increase exports markedly and sustain up to 500 jobs for the next 30 years.

There are also a number of prospective mining opportunities in various stages of development that have the potential to bring upwards of one billion dollars in investment and 1,000 jobs to our province. Additional energy and mining-related projects, such as the west-to-east pipeline and fertilizer plants, have the potential to generate an additional $5 billion in investment.

Former Premier Frank McKenna recently noted that reversing the LNG facility and exporting shale gas could result in a combined $17 billion in direct investment in New Brunswick, $4 billion in provincial tax revenue, $3 billion in provincial royalties and 150,000 person years of new jobs. These opportunities are clear examples of the potential natural resources have in

helping the province reach its economic potential and ease many of the economic and fiscal

challenges we have experienced in recent years.

**Conclusion**

As I conclude, Mr. Speaker, I point out again our challenges in the province are being addressed. Today’s budget is the next step towards our goal. I don’t expect everything we are announcing today will be met with universal acclaim or support. But let us make no mistake. These measures are necessary for our province, for its future, for our children and for our grandchildren, to give them the great gift we have inherited from those New Brunswickers who came before us – a great land, a land of opportunity, in which we live, prosper and raise our families.

Mr. Speaker, a few weeks ago the Premier and I competed in a brick laying competition. The

judges were kind to us and we both received honorary memberships. The similarities, however, to our current fiscal situation are real. We are rebuilding our province one brick at a time. The process is slow and arduous, like brick laying, but once completed, no one can question the longevity and the sustainability of the end product. We are rebuilding the province to last and prosper. It is not easy and it cannot be done by one person or by making any one decision. This budget strikes a balance between the difficult decisions we have made to address spending and increase revenues while still making strategic investments to strengthen our economy. In these tough economic times, we have chosen a prudent, balanced approach to ensure that we do not slip off our path and cause our wall to crumble. Our goals will be achieved “one brick at a time”. With the help, understanding and ingenuity of all government employees, we will achieve our goals and we, in fact, will exceed our targets.

Thank you, Mr. Speaker.