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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Terre- Neuve et Labrador | 44e | 5e | Discours du budget | 27 mars  2003 | Joan Marie Aylward | Ministre des finances | Liberal |

**Newfoundland: Budget speech, March 27, 2003.**

Mr. Speaker, this budget will demonstrate once again that any commitment made by this government to the people of the Province will be a commitment kept. Over our term we have made commitments to enhance education and youth opportunities, to better health care and to help those most in need. We continue to honour those commitments.

We have a forward looking and focussed plan, not only for social programs, but also to better the economic circumstances of all regions of the Province. Our commitment is to creating opportunities for jobs and growth. The result is one of the best performing provincial economies in the country.

We intend to do more - in education, for youth, to improve health, to expand opportunities, to grow the economy and to create employment. Our commitment is to the whole province, but particularly to the rural areas where some of the challenges may be greater.

I travelled the Province conducting pre-budget consultations to get advice directly from the people of the Province. I thank them for their thoughtful advice. What I heard shaped the direction and thrust of this budget. This was particularly important this year because of the prospect of a widening deficit gap, at least in the shorter term. The options I discussed with Newfoundlanders and Labradorians to address that gap were to cut social programs, raise taxes or incur higher deficits until the economy, led by offshore oil, generated higher revenues.

People everywhere advised me to tell government not to react prematurely to what may be a short term fiscal challenge by cutting back their social programs. As a government, we have worked too hard to strengthen social programs to begin dismantling them now, in our view unnecessarily. Instead, we will continue to manage the Province’s finances prudently, as well as to enhance social programs and grow the economy, all for the longer term. The course we have set in this budget is a plan for the future that again acts on our commitments to the people of the Province and respects their advice.

Mr. Speaker, when the budget was prepared last year economic uncertainties prevailed worldwide in the wake of September 11. Our economic forecast at that time for the Province was positive, but modest. Subsequent events have shown our economy was much more robust in 2002. Most economic indicators out-performed their budget forecast, some by wide margins.

The Province led the country in economic growth in 2002 for the third time in five years. Our economy, measured by the change in GDP, grew in real terms by 8.2 percent, its best performance in almost 30 years. Led by growth in offshore oil production, the real value of exports rose by over 20 percent.

Terra Nova produced first oil in January 2002. When combined with Hibernia, total offshore oil production reached 104 million barrels, a 92 percent increase over 2001. In March 2002 Husky Energy announced that it would proceed with development of the White Rose field, with first oil predicted in 2005.

This government also reached an historic agreement in 2002 with Inco for the development of the Voisey’s Bay nickel deposit. The improving economy led to employment growth, which reached 213,900 person years, the highest level ever recorded on an annual average basis. The value of retail trade surpassed $5 billion for the first time.

Mr. Speaker, our strong economic performance in 2002 is expected to carry over to 2003. Real GDP is forecast to grow by 5.4 percent in 2003. Offshore oil production is expected to grow by 31 percent to almost 137 million barrels.

Offshore exploration activity will also increase, with two exploratory wells to be drilled in the Flemish Pass area and delineation wells drilled at White Rose and Terra Nova.

Capital investment is forecast to increase to $3.5 billion, the second highest level ever. Direct employment for White Rose should approximate 800 in 2003, with Voisey’s Bay averaging 320. Overall, employment could reach a new record high of 217,800.

Business and consumer confidence remains high. This government has presided over one of the few periods of sustained high economic growth since Confederation, with real GDP growth topping the country for likely four of the most recent six years and the number of people employed in the Province reaching new highs.

Mr. Speaker, as well as fostering a strong economy, this government has built a record of sound fiscal performance. In the budget last year we forecast a deficit of $93.3 million in the face of the world wide economic uncertainties that followed September 11. We stated at that time we were optimistic that an economic recovery could bring the deficit down even lower. Subsequent events proved this to be correct.

By year end, we anticipate revenues will be up by $176.9 million. This was all due to growth in our own source revenues. Transfers from the federal government were actually $27.4 million lower than anticipated. Expenditures should be $10.8 million lower than budget. Taken together, these developments transformed a $93.3 million budgeted deficit into a $94.4 million surplus.

This surplus gave us the flexibility to take a number of measures, including not removing $97 million from the Labrador Transportation Initiative Fund. One time revenues of $57 million were deferred to the coming fiscal year, a move that mirrors a successful strategy of deficit management that we have employed before. Finally, we will make a year end contribution to the Memorial University Opportunity Fund of $2.1 million. These measures total $156.1 million and brings our surplus back to a modest deficit of $61.7 million.

It is this cash deficit figure that is on a comparable basis to all those reported in every budget going back to Confederation. In fact, prior to the mid 1990s when we ushered in the most responsible period of fiscal management since Confederation, one would have to go back to 1970-71 to find a lower cash deficit.

As part of our commitment to increase accountability, we are adopting budgetary policy that better reflects the norms that have become more common in other jurisdictions. To this end, commencing for the 2002-03 fiscal year we will now be including in our budgetary position borrowing for investment in certain long term assets and capital projects. These borrowings total $81.5 million and when added to our cash deficit of $61.7 million brings the consolidated deficit for 2002-03 to $143.2 million.

I would like to emphasize that the only thing that has changed is the way we account for some of our capital borrowings. In the past, most of the costs would have been recorded in our cash reporting as these borrowings were repaid, rather than this new practice of recording them in lump sum when the funds are first borrowed.

Fiscal Framework - 2003-04 Forecast

Mr. Speaker, preparing any budget always has its challenges, some years more than others. For the coming fiscal year, we had a number of events that converged to put pressure on our fiscal position.

Inevitably, the collapse of the groundfishery under federal management has had consequences for the Province’s fiscal position. On the one hand, the Province has had to spend more to counteract some of the economic and social consequences, while, on the other hand, a smaller population means fewer taxpayers and lower federal transfer payments which are per capita based. If our population remained at the 1994 level, for example, we would receive $140 million more in federal transfers in 2003-04 than we expect to receive. In fact, our federal cash transfers will be roughly the same in the coming year as they were 1994-95, with the transfer in support of health expenditures actually $58 million lower.

Over the same period, the cost of health care has skyrocketed. This is a national phenomenon, and we cannot shelter ourselves from it. Since 1994-95 the cost of operating the health care system is up 63.6 percent, now absorbing 42 cents of every program dollar we spend. This is adding well in excess of half a billion dollars annually to our expenditures.

Other than rising health care costs, which is a national issue, we have contained our expenditures. Everything else we spend on the whole range of government activities and programs, all our other expenditures, have increased in cost by only 5 percent over the same period, the equivalent of less than one percent a year.

The best way that we as a government can close the gap between dramatically rising health expenditures and flat or falling federal transfers, other than cutting social programs, is to generate more revenues ourselves within the Province by growing our economy. This government has not made a practice of raising taxes. In fact, we have cut the overall tax burden, both in personal and business taxes. By growing the economy, our provincial own source revenues will see an increase in 2003-04 when compared to 1994-95 of over $625 million, approaching 40 percent.

The situation we face is rapidly rising health costs and modest growth in other expenditures, offset by strong provincial revenue growth and weak federal transfer payments. This inevitably would create a deficit gap, eventually a larger one like we face for the coming year. As our oil revenues grow, this gap can be closed, but in the interim period choices have to made. These choices are to cut social programs back now and restore them later as revenues improve, to raise taxes substantially or to incur higher deficits on a temporary basis while oil revenues grow.

Mr. Speaker, this government will keep its commitments to sustain social programs. As long as the deficit is affordable and it can be eliminated over a couple of years by revenue growth, we see no reason to cut back our social programs, like health care and education, to lower the deficit now. With a reasonable expectation the deficit can be eliminated by revenue growth, any cuts would not only be unnecessary, they would be a backward step that goes against the advice given to me by the people of the Province.

Let me turn briefly to why we believe a higher deficit is affordable. Our cash deficit for the coming year is forecast to be $212.7 million. We have compared this deficit to past deficits, evaluating them as a percentage of expenditures and the size of our economy as measured by GDP.

Our cash deficit for the coming year is 5 percent of expenditures. From Confederation to 1994-95 the average was 10.3 percent, more than double. The only period when it has been consistently lower than 5 percent is during the term of this government.

If we consider deficits as a percentage of GDP, we have the same result. Our cash deficit for the coming year is 1.3 percent of GDP. Prior to 1994-95 the average was 3.6 percent, again more than double. The only period when it was consistently lower is during the term of this government.

So in terms of relative size, deficits larger than the one we are forecasting for 2003-04 were quite manageable in the past. And, these previous deficits were incurred during times when there was not the optimism there is today about growing oil revenues and our buoyant economy.

Certainly, I do not wish to imply that a deficit in the $200 million range is insignificant or that we are simply dismissing it. This government takes prudent financial management very seriously. Both major US rating agencies upgraded the Province during our term in office. Our credit rating is now the highest it has been since we became a province. Part of the reason for this is that this government is the most fiscally responsible in the history of the Province.

Anyone who looks at our record for the seven fiscal years from 1996-97 to 2002-03 can see our average deficit works out to be just over $25 million. This is an achievement for which there is no parallel since Confederation. The average deficit during the 1970s was $137.5 million, and during the 1980s was on average $208.7 million. These numbers would be much higher if they were adjusted for inflation to give a proper comparison.

In many, if not most, of the years since 1996-97 there have been dire predictions annually about unmanageable deficits and impending fiscal shocks. The reliability of these fiscal fortunetellers must be suspect by now, as this government has brought in one responsible fiscal plan after another. We have consistently had better financial results than our initial deficit targets. Seven consecutive years of prudent fiscal management does not happen by good luck, it happens by good government.

Rushing to cut social programs now by in excess of $200 million to achieve a balanced budget is just not good public policy. As a government, we believe there is no need to take this course of action given the positive outlook for our economy and our revenues. Accordingly, this budget contains no cuts to social programs or other public services. In fact, it enhances social programs selectively where we determined it would be prudent and responsible to do so.

Mr. Speaker, we will be improving accountability in this budget in several ways. This began by restating the cash deficit for the year just ending to include borrowings for certain long term capital projects. This new policy extends to 2003-04 and subsequent years.

As a result, an amount of $73.9 million is being added to the cash deficit. This means that the consolidated deficit for 2003-04 based on our newly adopted reporting policy would be $286.6 million.

This year we are also including for the first time a schedule in the budget document that shows our financial position on the basis of full accrual accounting. This methodology has been gradually adopted by other jurisdictions across the country. Its objective is to give a better matching of government revenues and expenditures with the periods to which they apply. Generally, the adjustments made for full accrual accounting do not affect our cash position or borrowing requirements. Government already reports on the basis of full accrual accounting in its Public Accounts, which are prepared and released annually.

Mr. Speaker, if the consolidated deficit were substantially higher and our outlook not as favourable, a much more detailed plan for deficit reduction could be needed. But our financial situation, certainly when compared to past governments, is actually better than it has been for all but a few years since Confederation. What we want to achieve now is an orderly reduction in the deficit over time, while protecting social programs and public services, as well as sustaining business and consumer confidence in our future. Therefore, we are setting targets for deficit reduction that would bring us to a balanced budget over the four year term of our next mandate.

If we target a modest $75 million reduction in the consolidated deficit each year commencing in 2004-05, this deficit will be eliminated over a four year period to 2007-08.

We believe revenue growth could account for all of the fiscal improvement needed to eliminate the deficit, and more. For example, our current account revenues for 2002-03 were $220.9 million higher than the previous year, and we are forecasting these same revenues to be $96.4 million higher in 2003-04 than they were in 2002-03. Oil revenues will have a much more positive impact during the deficit reduction period than they had in these earlier years.

The $75 million deficit reduction amount for any particular year is only a target because we have to retain the flexibility to manage the overall fiscal position for the longer term. Some years we may be able to do more, others less. Our flexibility in any year is a factor of many things that cannot be accurately predicted right now. Oil prices fluctuate. Health costs may grow or slow. The national and international economy rises and falls. Federal transfers are under review. There will be a new leadership in Ottawa. The list goes on.

But, with our record of sound fiscal management, we have demonstrated to the people of the Province that they can have confidence our fiscal decisions are guided by their advice and the best interests of the future of the Province.

Mr. Speaker, as well as initiating no cuts to social programs or public services, we have avoided general tax increases in this budget. The budget actually contains some targeted tax relief for both individuals and businesses. It is necessary, however, to raise some additional revenues to contain the deficit while making some social program enhancements. These measures will affect only those individuals who choose to make certain discretionary spending decisions.

An increase in tobacco taxes will raise an additional $10.5 million annually. The tax on manufactured cigarettes will increase by 1.5 cents per cigarette, while the fine cut loose tobacco tax will increase four cents per gram. Higher prices are a deterrent to habitual smoking, particularly among young people who are the most price sensitive. The Newfoundland and Labrador Liquor Corporation is also being asked to remit an additional $10 million next year.

Mr. Speaker, when we look to the future of the Province, nothing is more important than building a culture that values education and provides opportunities for life long learning wherever people live. Education is the foundation that will allow us to compete successfully in the global marketplace and keep our economy growing.

This means we must provide the resources for our students to become the best educated in the country. Our goal is to have student achievement levels in three years that match or exceed the best in the country. We are already out-performing much of the industrialized world. In setting a goal to attain the best achievement levels in Canada we will be producing students whose performance ranks among the best in the world. To do this, we will ensure all our students, whether in urban centres or rural schools, have access to quality educational programming.

Our commitment to education begins with early literacy initiatives such as the KinderStart Kindergarten orientation program, which was implemented for the first time this school year. It is an innovative program providing supports to families so children are well prepared and ready to learn when they enter the school system.

In the K to 12 school system declining enrolment is an inescapable reality. As of September 2003, enrolment will have declined almost 20 percent over the previous six years. But rather than spend less on education, this government continues to reinvest in our future. Spending per student has risen over the same period from $5,557 to $7,688, an increase per student of over $2,100, or 38 percent.

In 1996-97, we made a commitment that school districts could retain the savings resulting from school consolidations for a period of three years, rather than have those savings revert to government. This meant that if a district needed fewer schools, government would continue to fund the school boards as if the original number of school facilities were still operating. School boards agreed to use these funds for upgrading and capital improvements to other schools within their district. As a result of this initiative, to date government has reinvested $28 million in school facilities.

In 2000-01, this commitment was extended so that even after the three year period the savings realized from consolidations would continue to be retained in the education system. To date, this has resulted in an additional $17 million being reinvested, bringing the total to $45 million.

For the coming year, savings of $8.5 million are anticipated. Honouring its commitments, this government is allowing boards to reinvest the full amount in education. Despite declining enrolments and school consolidations, total funding has not been reduced since the advent of education reform.

We are also taking additional steps in the coming year to support school board operations. In 2001, as part of its agreement with NAPE, government convened a panel chaired by Dr. Philip Warren to examine the hours of work for secretaries, janitors and maintenance staff in the school system. Dr. Warren’s report entitled "Facing the Challenge" was received in January and its key recommendations have been accepted by government.

An amount of $2.5 million is allocated to phase in implementation commencing in September 2003.

In this budget we are again taking steps to protect teaching positions. In 2000, the Ministerial Panel on Educational Delivery in the Classroom recommended a new formula for the allocation of teachers based primarily on student enrolment. In 2001-02, the formula would have reduced the number of teacher positions by 218 due to declining enrolment. Instead, we provided the funding to retain these teachers in the education system. Despite further enrolment declines, we retained these teachers again in 2002-03.

The coming fiscal year will mark the third year we will make the required investment to retain these teaching positions. If we followed the formula, there would be 218 less teachers in the education system this September. The $12 million provided in this budget brings our total investment over three years to maintain higher teacher allocations to $35 million.

This will contribute to the Province again leading the country with the best pupil-teacher ratio. The national average is one teacher for every 16 students, but our ratio is nearly 20 percent better at 13.5 students per teacher.

Since the beginning of education reform, this government has remained committed to providing school facilities which offer the best possible educational environment for our students. The result has been the largest program of school construction and upgrading in our history. To date, $170 million has been spent to build 23 new schools and undertake major renovations on 49 existing facilities all around the Province.

A further $6.8 million will be committed in the coming year, including $3.5 million for priority repair and maintenance needs that arise during the year.

This government has renewed its commitment by pledging to bring every school in the Province up to a level that meets or exceeds national standards within five years.

This Province is recognized as a national leader in the development and delivery of quality educational programming via distance education. This is offered through the Centre for Distance Learning and Innovation, which was established by this government on the recommendation of the Ministerial Panel on Educational Delivery in the Classroom. There are currently 21 courses available online in e-learning format to 73 of our smaller schools. We are planning to almost double the number of courses offered to 40 by the 2004-05 school year. When our plan is fully implemented, every student in every school will have access to a broader choice of courses to complement the regular course offerings at the school they attend.

In addition, we are working in co-operation with the Newfoundland and Labrador Teachers’ Association to also provide enhanced professional development opportunities online for all our teachers.

School districts are asking for more distance education programming in e-learning format. They have our commitment that we intend to deliver it.

Over the next two years, we are prepared to contribute $5 million towards a Broadband Internet connectivity project in partnership with the federal government and the private sector. We look forward to receiving confirmation from our partners of their involvement so this project can commence. By bringing Broadband Internet service to more rural and remote communities, students, teachers and community residents would have reliable, high speed access to the Internet.

We have a program in place that puts computers into Community Access Program sites in 96 communities throughout the Province. These sites, located in schools, libraries and community facilities, offer free access to Internet services. In the coming year, we are allocating $1.8 million to enable various sites to increase their hours of operation or purchase new equipment and resources.

In each of the past three years, in addition to our regular operating grant, we have allocated an extra $1 million to our public libraries system for the purchase of new library resource materials. This budget will add a further $1 million in the coming year.

Mr. Speaker, implementing educational reform in the K-12 system is only one part of our plan to better education. Another is to ensure a post-secondary education is accessible to all those who choose to pursue it. No government in the country has done as much to make a post secondary education affordable as we have. Last year students across the country planned a national day of protest against high university tuition. That protest happened everywhere else in the country, except in this Province, because of what this government is doing for students. We are alone, not just in holding the line, but in actually lowering university tuition.

Allow me to recount our record on tuition at public institutions. Beginning with the September 1999 academic year, this government provided funding to implement a tuition freeze for two years at Memorial University and the College of the North Atlantic. This was followed up by a 10 percent tuition reduction at Memorial in each of the 2001 and 2002 years, as well as an extension of the tuition freeze at the College, the Marine Institute and the Faculty of Medicine.

Today, I am announcing funding for a further 5 percent tuition cut at Memorial to take effect in September 2003 and the extension for another year of the tuition freeze at the other institutions.

This means that students at the College of the North Atlantic and the Marine Institute, where tuitions are already lower than Memorial, as well as students at the Faculty of Medicine, will enjoy a tuition freeze for the fifth consecutive year. Students at Memorial University, in addition to a two year freeze, will see a 25 percent tuition reduction over three years.

These measures are all the more significant when one considers that tuition generally has been increasing across the country over this period. This province stands out in the country as the only one lowering university tuition.

This is a practical measure taken by this government that demonstrates how post secondary education is made more accessible and affordable to students. For students from this Province, tuition rates at Memorial are the lowest Canadian rates in the country. This is just one way this government is building the future of Newfoundland and Labrador.

We are also fulfilling our commitment to match dollar for dollar the money raised by the Memorial University Opportunity Fund, a special fundraising project undertaken by the University. An allocation of $2.1 million at fiscal year end will bring our total contribution to date to $26.4 million.

The Fund provides scholarships and fellowships on an ongoing basis, and has made possible the construction of the new Field House athletic complex, plus new student centres at both the St. John’s and Corner Brook campuses.

By far, the largest financial contribution government makes annually to the university is our sustaining grant. This year that grant will increase by $13.1 million, over 10 percent to $145 million. This will fund the new tuition reduction, as well as other operating and infrastructure costs. This latest increase builds on our record of giving the highest grant per student of any provincial government to any university in Canada.

The Student Investment and Opportunities Corporation was established in 2001 as an initiative of this government. Its objective is to provide students the opportunity to reduce their need to borrow for their education by giving them meaningful jobs and to further their education by giving them the benefits of work experience. In 2002-03 this initiative created over 3,900 positions for youth and student employment, and over 7,000 since its creation.

Funding of $9.2 million is allocated to continue the present youth employment programs and includes $3 million to fund the employment incentive portion of our new initiative, Youth Opportunities Newfoundland and Labrador.

Youth Opportunities will provide incentives for employers who hire cooperative work term students and new post secondary graduates. This new program will make it easier for new graduates to find meaningful employment and pay off their student loans by working right here in Newfoundland and Labrador.

The second major thrust of Youth Opportunities will be tax incentives for graduates who remain in the Province to work after completing their post secondary studies.

We are proposing the implementation of a new Newfoundland and Labrador Student Loan Tax Credit. In concept, eligible residents of the Province who are repaying their student loan will be able to reduce their Provincial personal income tax by an amount of up to 20 percent of the principal payment of the Provincial portion of the loan. This $3 million measure complements the existing tax credit of 10 percent for the interest portion of the payment. This tax credit would be unique in Canada and would assist new graduates and those who have previously graduated and are working in the Province and repaying their debt. We will be taking this proposal to a roundtable of stakeholders in the near future to get their input before proceeding.

In partnership with the federal government, we have recently launched Youth Apprenticeship pilot projects in Clarenville and Marystown to help address the skills gap which exists in our manufacturing sector. Funding of $100,000 is allocated for a new initiative in the St. John’s region in cooperation with local manufacturers. This third pilot project will develop pre-employment workshops to ease the transition for new employees to the manufacturing work site.

Mr. Speaker, on the future of health care, both the Kirby and Romanow reports only underscored what Premiers have been saying for some time. That is, for the health care system to be sustainable the federal government must provide greater financial support to provinces. Premiers put forward an affordable proposal to return the level of federal support to what it had been before deep cuts were made to federal transfers in the mid 1990s.

The lacklustre increment in federal support offered may be a start, but it falls far short of what is needed to sustain existing services and at the same time move forward on needed reforms. This means it is more important now than ever that all the key stakeholders work together for the delivery of a high quality, accessible and sustainable system.

In September 2002 this government launched Healthier Together, a strategic health plan for the Province. This plan describes the challenges currently faced by the health and community services system and sets out new directions for the next five years.

The key priorities this year are strategies for wellness, mental health and long term care and supportive services. A provincial committee of stakeholder groups has been established to lead the development of wellness priorities.

The plan sets out a new direction for primary health care as the central focus of the delivery of health and community services. A newly appointed Primary Health Care Advisory Council consists of representatives of key stakeholder groups who are advising government on the development and implementation of the Provincial Primary Health Care Framework.

In February, the Minister of Health and Community Services released a draft Health Charter and is seeking public input. The Charter, to be finalized this Spring, will outline the commitments which citizens can rely upon related to service delivery. The people of the Province will know what they can expect from the health system and have an understanding of the importance of their own responsibility in achieving optimal health.

The strategic health plan, Healthier Together, and Health Charter articulate our public commitments to better health. Consistently increasing our budget allocation to the health system demonstrates this government places the same high priority on health as do the people of the Province. Sustaining adequate funding for health care has been the most significant fiscal challenge for this government, as it has for all provinces and territories.

In the new fiscal year, the operating budget for health will increase by a further $52.5 million, excluding additional funding for physician increases. The increase since 1994-95 in the annual amount allocated by this government to health operating expenditures will be over $620 million, an increment of 63.6 percent. Federal transfers in support of health, however, will be $58 million lower, even after taking into account the federal response to the Romanow report. Health operating expenditures for 2002-03 account for 42 cents of every program dollar we spent compared to 33 cents in 1994-95.

Faced with the challenge of a rising deficit for the coming year, and with the rise in health costs being a prime contributor to it, a less committed government may have reneged on their obligations to fund health. Not this government. Not only are there no cuts to the health care budget, we are responding to the needs by making some priority enhancements.

According to the Canadian Institute for Health Information, per capita public sector spending on health in this Province has exceeded the Canadian average for the past five years, and for 2002 should exceed that average by almost 11 percent.

In contributing greatly to the sustainability of the health care system, the majority of regional health boards have made significant improvements in their financial positions over the past year.

In the coming year, government will provide the boards with additional funding of $4.5 million. With these increases, further progress will be made by boards in moving toward achieving balanced budget operations. The success the boards have achieved in financial management relieves some of the pressure on our fiscal position, and will contribute to our deficit control objectives in the coming years. Government commends the institutional boards on the progress they have made to operate with balanced budgets.

In the coming year every health board will benefit from $26 million allocated to further enhance medical, diagnostic and patient/resident care equipment. To act on a broad consensus of government, medical professionals and patients, a second Magnetic Resonance Imaging unit (MRI) will be acquired for the Province as part of this funding. The MRI presently in service is fully utilized and patients can face long waitlists. Consultation with the medical community and boards will begin shortly to determine the type of MRI that best suits our needs, as well as where it should be located to maximize its benefits for diagnostic services and patient care.

In Fall 2002, the Provincial Renal Dialysis Advisory Committee recommended deferring a decision on a dialysis unit service in Gander for one year to allow for the evaluation of the satellite units operating as pilot projects in Clarenville and Stephenville. We will be considering this issue after receiving a report from the Committee this Spring, and will respond appropriately to its recommendations.

As well as equipment, this government has consistently made major investments in health care facilities all around the Province. The list is long and the projects many. Of the $19.4 million we are allocating for construction and renovation of health facilities, $16 million will fund major construction projects in progress at Stephenville, Grand Bank and Fogo. The balance of $3.4 million will assist various facilities with renovations and repairs.

The provision of more suitable space for cancer patients of the Central West Institutions Board is a priority for this government. A definitive plan to address this need will be finalized this year.

Government is supportive of ongoing planning by boards to upgrade their nursing home facilities. Our objective is to ensure the delivery of care to our elderly population will be responsive to their expectations. The cost of delivering long term care in our Province on a per bed basis is the highest in the country. We must explore ways to bring our costs more in line with other provinces without impacting the quality of service. This will give us the flexibility to reinvest in this segment of the health care system. Government will be pursuing public private partnering as one avenue to provide quality long-term care.

Within the next 60 days, we will be issuing an Expression of Interest for a pilot project that would see a public private partnership arrangement for the provision of a new nursing home to replace our aging facilities in Corner Brook.

In the budget last year, funding was allocated to increase the number of nursing students admitted to the Bachelor of Nursing program in response to retirements anticipated in future years. This year we are increasing the allocation by $445,000 to bring the total to $745,000. This should allow at least 32 new students to begin nursing studies on a fast-track basis in September.

An additional $1.3 million is provided to increase rates for personal care homes and subsidies for individual clients. This is the fourth consecutive year we have increased our financial support to this sector.

Mr. Speaker, our Strategic Social Plan has become the preeminent model for social development in Canada. It advances the goals of linking social and economic development, bringing a focus to prevention and early intervention, making decisions for policy and program development based on evidence, and building partnerships and strengthening communities. Funding of $2 million is allocated again in the coming year for Strategic Social Plan initiatives.

When the Plan was released, it included a commitment to a Social Audit by 2003. It is well underway and will be completed before the end of the calendar year. The first component of the Social Audit, the web-based Community Accounts, was launched in the Fall of 2002. The second component is a report on where the Province stands on key social and economic indicators, entitled "From The Ground Up" and will be released next week. It will provide information on strengths and areas of improvement in the social and economic fabric of this Province so that appropriate interventions can be made where necessary. Our commitment to the Strategic Social Plan and Social Audit advances our vision for a growing and prosperous Province.

Over the past several years we have been engaged in a process of redesigning programs that assist persons on social assistance. A major initiative over the past year has been the replacement of the outdated Social Services Act with the passage of the new Income and Employment Support Act. We now have more accurately reflected in legislation the new directions of programs and services we have been pursuing in recent years. Combining income support with employment and career services to assist people in preparing for and maintaining employment is now outlined in legislation. The new Act should be proclaimed in the coming weeks.

Supporting people making the transition to employment through innovative programs delivered in partnership with community agencies continues to generate many success stories. Other initiatives, like extended drug card benefits, increased earnings exemptions and increased private child care rates, are now part of the redesigned income support program. Providing opportunities and options to clients shows results. The social assistance caseload has shown a steady decline for the past six years, and we anticipate it will decline again over the coming year.

The Kids Eat Smart Foundation will be supported by a $500,000 contribution in the coming year. This brings our total contribution to the Foundation and its predecessors since 1998 to $2.5 million. They have helped establish more than 130 meal and snack programs in schools and community centres throughout the Province, supported by over 4,000 volunteers who provide nutritious meals to more than 13,000 children daily.

The federal and Provincial governments will be entering into a new five year cost shared Affordable Housing Agreement early in the new fiscal year. The agreement will assist in meeting specific housing needs, including independent living housing for seniors, supportive housing for the mentally and physically challenged, specific housing needs in Labrador and affordable rental housing for lower income earners. It is anticipated that upwards of $4 million could be committed under this new agreement in 2003-04.

We currently provide persons with disabilities a non-refundable personal income tax credit. The amount used to calculate the tax credit will be increased, effective for the 2003 taxation year, from $4,233 to $5,000.

In addition, we are introducing a new non-refundable disability tax credit supplement for mentally and physically infirm children under the age of 18 in the amount of $2,353. This supplement is transferrable to a supporting person if the taxpayer has insufficient income to fully utilize the credit.

These measures represent an additional $1 million in annual tax savings for persons with disabilities.

In 1999 we implemented a Seniors’ Benefit. For 2003, the benefit will be increased from $300 to $350. About 30,000 individuals receive the Seniors' Benefit under a program that we estimate will pay out $7.7 million annually.

Funding is provided for the Royal Newfoundland Constabulary to hire an additional 15 new permanent officers. This will include a combination of first class constables and more junior officers. In funding this increase, government is responding to requests from both the Constabulary and community stakeholders. It is our objective to further increase the number of officers in the coming years.

Mr. Speaker, in the budget last year, we announced a three year strategy for development of municipal infrastructure. Since that time, we have also reaffirmed our commitment to the St. John's Harbour clean-up, a $93 million project being undertaken in partnership with St. John’s, Mount Pearl, Paradise and the federal government.

The Canada-Newfoundland and Labrador Infrastructure Program will see $90 million invested in the three year planning horizon. Projects targeted at clean drinking water will continue to receive priority. The total investment will exceed $153 million during the five year life of this program.

Under the Municipal Capital Works Program, an estimated $21.5 million will be cost-shared by the Provincial and municipal governments in 2003-04. The total expenditure over the three year period will exceed $60 million.

Under our Multi-Year Capital Works Program, we have committed to cost-share a total of $103 million with 13 larger municipalities. Total expenditures under this program could reach $110 million upon full implementation.

We are also continuing to make capital works funding accessible to all communities in the Province. For our smaller communities, the Province is prepared to cover a larger share of costs so that they can undertake projects they otherwise find unaffordable.

Since it was established in 1997, the Municipal Debt Relief Program has provided $47 million dollars in debt relief to152 towns. The program assists those towns which, due to declining populations, experience difficulties with their annual debt repayments. During the new fiscal year, government will review the financial position of the remaining 28 municipalities who have indicated they are unable to repay their debt due to determine if additional debt relief assistance is warranted.

This government has presided over the largest annual road and highway construction programs since Confederation. With the Roads for Rails funding coming to an end, we need a renewed federal partnership to continue the upgrading of our transportation network.

We are anticipating a construction program in the coming year totalling $74.3 million. The provincial roads component will receive an additional $1 million, bringing it up to $23 million. Improvements to the Trans Canada Highway are funded at $15 million under the federal-provincial Strategic Highways Infrastructure Program. Roads for Rails will complete three projects at a cost of $9.6 million.

We committed last year that we would examine options for replacing older ferries. In the initial phase of this program, we will consider replacing the Hamilton Sound, a swing vessel for the fleet now nearing the end of its useful life. Over the next few months, we will issue an Expression of Interest to determine the level of interest that exists from industry to supply a new vessel. This will be followed by a Request for Proposals so we can consider which vessels might be best suited as a replacement. We are prepared to consider any reasonable scenario for the supply and operation of vessels, including public-private partnerships.

In the budget last year, we gave a commitment to commence Phase III of the Trans Labrador Highway from Cartwright to Happy Valley-Goose Bay. We stated last year that the people of Labrador had waited long enough for a highway. That wait is about to come to an end. For the coming year we have allocated $26.2 million to construction of the Trans Labrador Highway, including $17 million to begin Phase III. Commencing construction is now only contingent on the project being released from environmental assessment. The balance will be used to complete Phase II.

This government wants as many communities as possible connected to that highway. Last year, we went beyond the original plan to announce a road to the community of Pinsent’s Arm, which will be completed in the new fiscal year. We will also begin an environmental assessment of the route for a road to Williams Harbour.

Mr. Speaker, the past year has seen some significant announcements of major projects that will have far reaching and long lasting impacts on our economy. The White Rose offshore development is proceeding, with the Marystown shipyard playing a substantial role. The Voisey’s Bay agreement will see a new world class mine in Labrador and a nickle refinery in Argentia utilizing the latest leading edge technology. And we are optimistic the successes this government has had in reaching agreements for White Rose and Voisey’s Bay bodes well for our ongoing negotiations for Lower Churchill hydro development. This continues to be a priority for this government, and one we believe should become a reality in the not too distant future.

As important as these projects are to our future, of no less importance is creating a business climate in this Province that will see continued economic growth and diversification in all regions, particularly rural areas. Employment reached record levels in 2002 and is expected to reach new highs again this year. Most of our employment growth is not because of major projects. Small business is creating 80 percent of all new jobs, and most of those new jobs are being created outside the greater St. John’s area.

Our economic plan, the Renewal Strategy for Jobs and Growth, is ensuring that the business community of this Province, but particularly small business, can take advantage of the broad range of opportunities that exist throughout all sectors of our economy. Our focus is creating the right climate for growth and to give the business community the tools they need to prosper wherever they operate in the Province, but especially in rural areas. The robust economic performance the Province is enjoying is in large part due to the success of our Renewal Strategy. We are pleased to be building on that momentum in this budget through a number of new measures aimed at creating an even more attractive economic climate for investment, innovation and job growth.

In recent years, we have taken major steps to ease the payroll tax burden on small businesses. We are giving a commitment to further reductions and to eliminate the tax for all small businesses by the end of the next mandate, as our fiscal situation permits. For 2003, we are announcing payroll tax relief that will remove employers with annual payroll of up to $600,000 from the tax rolls, and reduce the payroll tax liability for employers with payroll between $600,000 and $700,000. This will remove an additional 160 employers from the tax roll, a total of 2,200 since 1998. An additional 120 employers will benefit from a tax reduction. Since 1998, we have put over $9 million back into the hands of employers through payroll tax reductions.

Small businesses presently enjoy a lower rate of corporate income tax than generally applies to the private sector. Eligibility for this low rate is determined by the level of taxable income of a corporation. The present threshold of income, above which a corporation will pay tax at the much higher general rate, is set at $200,000. This threshold will be increased by 50 percent to $300,000 over four years in annual increments of $25,000, starting with the 2003 taxation year. In taking this action, the Province has decided to mirror a similar increase in the federal threshold recently announced.

In addition to the threshold increase, a corporate income tax holiday will be provided for new small businesses that start-up during the next three years operating in designated growth sectors of the economy. Eligibility criteria will be the same as those currently in place for the Venture Capital (Direct Equity) Tax Credit Program. For eligible businesses located in the Northeast Avalon region a three year tax holiday will be provided and those located outside the Northeast Avalon will receive a five year tax holiday.

The Venture Capital (Direct Equity) Tax Credit Program will also be enhanced. Presently, only individual investors are eligible for tax credits under the program. Eligibility is now being extended to arms length corporations. This will open up new sources of capital for existing businesses looking to expand and for entrepreneurs looking to start up a new venture.

Government will issue a public call for proposals within 60 days for the establishment of a provincially based, labour sponsored venture capital corporation by offering a provincial tax credit as an incentive to set up such a fund in the province. Flexibility will be provided in the call for proposals to allow for alternatives to a labour sponsored venture capital fund, including the possibility of support to a regionally or nationally based venture capital fund, if structured in a manner that meets provincial objectives.

We will adopt additional measures to encourage new investment in private sector venture capital corporations to help local companies expand and create new jobs. Starting in 2003, any existing or new venture capital corporation in the Province whose objective is to invest in growth oriented economic sectors designated by government will be eligible for a ten year corporate income tax holiday. If the business objectives of the venture capital corporation also focus predominately on rural areas, an additional five year holiday will be provided, bringing their full holiday to a total of fifteen years. The tax holiday does not apply to the venture capital corporations eligible for the tax credit.

A new Red Tape Reduction Committee, comprised of experienced and respected entrepreneurs, will be established in 2003. Its mandate will be to identify opportunities to reduce, streamline or eliminate the regulatory burden of government "red tape" which can unintentionally act as a barrier to new job creation and business growth, especially for small businesses. This effort will not compromise legitimate public policy imperatives, such as the protection of the environment or workplace health and safety.

As investment in research and innovation is critically important for our Province to remain competitive and to avail of new economic opportunities, we are establishing a new Research and Innovation Fund with an initial investment of $5 million. Its objective is to foster greater research and industrial innovation within our higher education institutions. The Fund will be targeted at high growth "clusters of excellence" in areas such as marine technology, pharmaceutical research, biotechnology, and the oil and gas industry.

Its goal will be to leverage significant new R&D investments from federal institutions, including the Canadian Foundation for Innovation, as well as the private sector to help close the innovation gap between the Province and the rest of Canada. New strategic partnerships between government, Memorial University, other provincial research institutions and the private sector will also be encouraged in this initiative. Our initial $5 million investment is expected to generate up to $25 million in new R&D spending in the Province.

The attraction of new investment, new companies and new industries to the Province in strategic growth sectors of the economy is an important part of our Renewal Strategy for Jobs and Growth. Following consultations last year with the private sector, regional development organizations and municipalities to determine a province-wide approach to meeting this challenge, we will establish a new Business Attraction Agency early in the new fiscal year.

We are contributing $1.5 million annually for this initiative and will seek the financial participation of the private sector as well. This new initiative will build on the success achieved to date by NETWORK Newfoundland and Labrador, our joint venture with Aliant Telecom to attract new customer contact centres to the Province. The new agency will also assume responsibility for the recently announced Near Shore IT Development Initiative to which Aliant and the Province each committed $750,000 over three years.

The budget also includes $6.5 million in business incentives for customer contact centres we have already been successful in attracting to and have operating in the Province. These incentives were critical factors in the decision of these companies to locate here. This industry did not exist in our Province a mere five years ago, but today employs over 3,500 people, about one third of them outside the St. John’s region.

RuralEXPO 2001 was a great success in showcasing and promoting the economic potential and entrepreneurial achievements in rural Newfoundland and Labrador. It built on a key objective of the Renewal Strategy for Jobs and Growth, strengthening confidence and encouraging positive attitudes about the Province as a means of moving the overall economy forward. This budget includes $350,000 to host RuralEXPO in the fall of 2003. Details will follow after consultations with rural and community stakeholders.

We intend to strengthen the capacity of Rural Development Associations (RDAs) to help advance the implementation of the strategic regional development plans that have been prepared by the 20 Regional Economic Development Boards (REDBs). A comprehensive review of the role Rural Development Associations play in the implementation of REDB strategic plans is nearing completion. We will seek to ensure the Associations have the necessary capacity to participate in the specific implementation roles carved out for them by each of the 20 REDBs.

This budget provides $9 million to implement a wide range of industry initiatives and community projects that have been approved under the most recent cost-shared cooperation agreement with the federal government, the Canada-Newfoundland and Labrador Comprehensive Economic Development Agreement, known as CEDA. This agreement expires March 31 and to date there is no replacement.

Should the federal government decide not to partner with the Province in an extension to CEDA or the proposed Canada-Newfoundland and Labrador Economic Development Board, we will use $5.5 million provided in the budget to ensure that key strategic economic development initiatives implemented by Provincial departments and agencies through CEDA continue in the future.

Mr. Speaker, in partnership with the federal government, we have made significant investments over the past decade in regional economic development through various cost-shared cooperation agreements with ACOA. These have been particularly important in helping to rebuild and diversifying the economy of rural areas following the groundfish moratorium in 1992.

The federal government has taken a unilateral decision not to renew these agreements anywhere in Atlantic Canada or elsewhere in the country. This government states categorically that it does not agree with that federal decision. The upcoming year will mark the first time in three decades that the federal government has not partnered with the Province to assist in advancing our economy agenda. This issue was raised at every pre-budget consultation session this year.

We believe it would be in the best public interest of the Province for the federal and provincial governments to pool their collective resources in support of common economic development objectives and priorities, rather than have each order of government going their own way. For this reason we reiterate a call made in the recent Throne Speech for the federal government to partner with us in a new model of federal-provincial cooperation through a Canada-Newfoundland and Labrador Economic Development Board.

Recognizing that any such new model will take time to organize and implement, we again call upon the federal government to extend the Comprehensive Economic Development Agreement by one year through to March 31, 2004, with a $20 million allocation that would be cost-shared on a traditional 70-30 basis between the federal and provincial governments. We have already included in the budget a $5.5 million Provincial commitment.

If the federal government does not respond in a positive or timely manner to our proposal, these funds will have to be applied prudently to priority programs and activities within Provincial departments and agencies that were historically supported under cost-shared agreements with the federal government. This will include sustaining funding for initiatives important to our economic future like tourism marketing, the Newfoundland and Labrador Film Development Corporation, aquaculture and fisheries diversification programs, and various trade and export development activities.

This will consume most of the $5.5 million budget allocation, leaving little opportunity to consider the needs of the many external and community based economic development organizations from around the Province that were supported before under the Comprehensive Economic Development Agreement.

We intend to hold the federal government, and ACOA in particular, fully accountable for providing, from its own programs, the critical investments still required to build stronger regional economies throughout the Province, especially in rural areas. The federal government has the necessary financial flexibility to do this if it wants to, either from its $700 million Atlantic Investment Partnership Program or the huge budget surpluses available to it.

Equalization is another issue of crucial importance to the future of the Province. We propose convening a symposium of all Members of this Honourable House and all federal Members of the House of Commons and Senate in the Fall to examine Equalization prior to the five year renewal of the program, scheduled for April 2004.

Now that our offshore oil industry is poised to generate significant revenues it is more important than ever for mechanisms to be put in place to ensure the Province will be the principal fiscal beneficiary of this industry over the longer term. This is the most practical way for the Province to get access to the financial resources necessary to grow and diversify our economy so we can close the disparity gaps that persist between us and the rest of the country.

By retracting most of the fiscal benefits of our economic growth by lowering Equalization transfers, the federal government makes itself the principal beneficiary, overriding the commitment they gave to the people of the Province in the Atlantic Accord. Unless federal policy is changed, we will have a much greater task ahead of us in shaking off fiscal dependence on the rest of the country and taking our rightful place as a full partner in Confederation.

On a related issue, we have consistently made a case that federal transfers, like Equalization, which are largely per capita based, should not fall in lock step with population declines. Everyone recognizes that public services cannot be reconfigured as quickly as population changes. A mechanism should already be in place that phases in the impact of those changes. This has been supported by all provinces and territories. Population decline has cost us almost $900 million since 1993-94, including an estimated $140 million in 2003-04 alone. Our population decline is almost wholly attributable to the federal management of our groundfishery. Yet, the only federal action taken to mitigate its impact on transfers is inaction. These are among the important issues for the All-Party symposium to consider.

Mr. Speaker, this budget lays before the people of the Province both our record of past achievement and our vision for the future. It is a record of commitments made and commitments kept. It is a vison for the future articulated publicly in comprehensive long term plans, developed in broad consultation with all stakeholders.

We have the Strategic Social Plan that is receiving national and international attention for its innovative approach to integrating social and economic development. We have redesigned income support programs to focus on making the transition to employment, reducing social assistance case loads to their lowest level in over a decade, while increasing our support through new programs and initiatives for those most in need.

We have the Renewal Strategy for Jobs and Growth that is enhancing a business climate already enjoying sustained high economic growth. We are now producing jobs at a rate where each year a greater number of people are employed in this Province than at any previous time in our history.

This government has implemented educational reform, reinvesting savings to increase spending per student year after year. Our initiatives have ensured the best pupil-teacher ratio in the country. We are the only province lowering university tuition, and we provide greater financial support per student to our university than any other. We are the most active in reducing post secondary student debt and are continuing to take more practical steps than anyone else to do something about this national issue.

Last Fall, we launched our strategic health plan, Healthier Together, which sets out new directions for the health and community services system for the next five years. This Spring a new Health Charter will be released outlining the commitments people of the Province can rely on for service delivery. Our per capita spending on health continues to exceed the Canadian average for the fifth consecutive year.

This government has had the largest annual programs of school, hospital and road construction and upgrading since Confederation.

And, Mr. Speaker, we have done all this while maintaining the best record of sound, prudent fiscal management since Confederation, by any measure. We have faced many fiscal challenges and have always delivered a responsible fiscal plan. And our fiscal plans have always delivered a creditworthy fiscal performance.

This year is no different. We now have a fiscal plan in place for an affordable deficit that not only maintains all social programs and public services, it enhances them selectively, responding as we have done each year to public priorities. We have set achievable targets to bring the deficit down responsibly to a balanced budget position over the term of our next mandate. Rather than resorting to unnecessary program cuts, we are confident this can be done by relying on revenue growth generated by our strongly performing economy, one that leads the nation.

We are a government whose hallmark is establishing goals, setting agendas and meeting its commitments. We are a government who will keep the commitments it makes to all the people of the Province, including its employees and their families. We are a government with commitments to balance economic development with social development. We are a government that reflects the values of the people of this Province. We are a government that will build on its record. We are a government that will work with the people of the Province to build together the new Newfoundland and Labrador.