

# Building for Our Future

## Budget 2018 Speech







## 2018 Budget Speech

### Building for Our Future



Delivered by  
Hon. Tom Osborne  
Minister of Finance and  
President of the Treasury Board  
at the  
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of the House of Assembly  
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Mr. Speaker, as we embark on Budget 2018 and our government's vision for Building for Our Future, I would like to reflect on the considerable progress that we have made as a province since December 2015.

I have always believed that you need to have a solid understanding of where you have been before you go forward.

In December 2015, Newfoundlanders and Labradorians were facing an unprecedented \$2.7 billion deficit. We inherited a fiscal policy guided by:

- No realistic plan to return the province to surplus;
- Long-term plans based on the belief that oil would always be at \$100 per barrel;
- A promise of only \$3 billion equity investment in Nalcor Energy that was expected to generate \$12 billion in revenue; and,
- We were told that the investment in Muskrat Falls would be returned in just eight years.

There have been many who said Newfoundland and Labrador could not withstand the financial crisis we inherited. Those individuals underestimate the spirit of Newfoundlanders and Labradorians and our ability to overcome challenges.

One hundred years ago our province lost an entire generation of young men in World War I, it is difficult to imagine the impact on our moral, cultural and economic fibre. As a people, we were able to overcome that devastating impact.

Our resilience allowed us to endure the economic challenges of the 1930s; and we persevered through the social and economic effects of the collapse of the cod fishery in the 1990s and the outmigration of Newfoundlanders and Labradorians that followed.

Newfoundlanders and Labradorians are strong. We are resilient.

We have made significant progress over the last two years. We will overcome the fiscal challenge that our province now faces.

We have reduced our deficit from a projected \$2.7 billion to a little more than \$800 million today. We are on target to return to surplus, despite the volatility of oil prices. We are moving forward with a strong commitment to creating conditions for business and employment growth.

Newfoundlanders and Labradorians have an unwavering love for this province.

There is perhaps no better example of this than Mr. Philip Hicks who was a long-time resident of Tors Cove before his passing. Mr. Hicks, as one of his last wishes, wanted the money from the sale of his house to go to the people of Newfoundland and Labrador. He said that this province has been good to him, especially in his senior years and this was his way of saying thank you.

That gesture highlights the spirit of Newfoundlanders and Labradorians as we lend a helping hand to overcome challenges.

## Our Way Forward

There isn't a one size fits all solution to the issues facing our province.

We also cannot take such severe action as massive job reductions and cuts to services as they would have far-reaching consequences on our already challenged economy due to the winding down of major industrial projects. As our economy stabilizes coming off these projects, employment remains one of our key challenges and we are addressing this head-on. Our approach is focused on creating opportunities for job growth across sectors and retaining our youth by supporting them to pursue career opportunities right here at home.

Building for Our Future addresses our province's economic, social, and fiscal challenges – it is a way forward that is methodical, fair and responsible.

This is the approach our government is taking. This is the approach our government will continue to take.

We are driven by the goals of:

- Managing our fiscal situation;
- Delivering valuable programs and services;
- Getting better outcomes for our investments;
- Creating an environment which supports economic development and job creation; and,
- Creating opportunities for residents to excel in their careers.

To achieve these goals our way forward requires a smart, evidence-based approach.

To help guide our actions, a gender-based analysis was used to inform Budget 2018 decision making. A gender responsive budget acknowledges inequalities between genders and seeks to reduce these inequalities by implementing measures that directly aim to improve lives.

Our vision for the province includes equal participation of women in leadership roles and in this year's budget we are providing funding to develop a government-community initiative aimed at increasing the number of women in leadership roles. We are also supporting a women's conference on the status of women in Newfoundland and Labrador to facilitate knowledge sharing and mentorship opportunities with female leaders.

Our government will also continue to support women in trades and technology occupations by funding the Office to Advance Women Apprentices and Women in Resource Development Corporation, as well as two Roundtables on the Economic Status of Women – one in Stephenville and one in Happy Valley-Goose Bay.

## Working with the Federal Government

An important part of our approach has been our relationship with the Federal Government and the ability to leverage available funds for maximum benefit.

For municipalities, we have partnered on initiatives that have improved clean drinking water and wastewater systems, along with road and community infrastructure. We have also advanced projects that support the growth of tourism, ocean technology, aerospace and defence, film and television, and manufacturing, along with other industries.

We will continue to identify opportunities where we can join our federal partners in realizing the full benefit of our considerable investments and help create opportunities for economic success.

## Smarter Government

Amidst the fiscal challenges we face, we have to be open to finding new ways of doing things.

Within departments and government organizations, we are carefully examining how programs and services are delivered in order to secure the best possible outcomes. This reflects the principles of our Way Forward to advancing a smarter, more accountable approach to managing government's operations.

Our progress over the last two years has been encouraging.

We have decreased government's footprint by 10 per cent, or more than 92,000 square feet, by reducing the amount of leased space. This has resulted in \$2.69 million in savings annually. We will continue to look at ways to optimize office space, identify vacant or underused space and evaluate the potential to sell vacant infrastructure.

By partnering with other Atlantic Provinces, we have secured a new format for driver's licences for motorists that offers improved security and protection against identity theft while realizing savings.

Our approach to health care is addressing increased demand for long-term care and creating economic benefits.

For the first time in our province's history, we are partnering with industry to build a 145 bed long-term care facility in Corner Brook that will result in \$14.6 million in savings over the 30 year contract versus the traditional approach to advancing such infrastructure. We are taking a similar approach in Gander and Grand Falls-Windsor where we will build 60 bed facilities in both communities.

As committed to in the 2015 election campaign, the people of Western Newfoundland and Labrador have waited long enough for a new regional hospital. We are on target to complete the request for proposals process this year with construction expected to begin in 2019.

In total, the construction of these major health care infrastructure projects will generate more than 4,600 person years of employment and more than half a billion dollars in economic activity.

These actions are just the beginning.

We will continue to be innovative in our actions, identify opportunities to improve access to services, and secure better outcomes.

Through The Way Forward, we are continuing to action initiatives that help to improve government efficiency. Over the next year, we will implement initiatives to build on the progress achieved to date.

Examples of these initiatives include:

- Consolidating government's vehicle fleet under one department, which will result in the reduction of the number of vehicles by 10 per cent – saving taxpayers hundreds of thousands of dollars over the long-term;

- Consolidating collections activities to reduce redundancy and standardize collections processes. This will provide a single approach to managing receivables owed across multiple departments;
- Creating an Asset Management Framework to guide how we assess and dispose of assets in a way that enhances service delivery and ensures the maximum financial return;
- Adopting a strategic sourcing model that leverages the consolidated purchasing power of government to secure better prices for goods; and,
- We will take steps to make it easier for citizens and businesses to access services online, which will improve the overall experience of interacting with government, and ultimately result in greater efficiencies and savings. We are working towards a single government ID that citizens and businesses will use for all services accessed through a single portal.

## Collective Bargaining

Our recent collective agreement with NAPE and its 19,000 valued public service employees reflects our fiscal reality.

By working cooperatively, we have

- Secured a four year wage freeze, marking the first time in the province's history that such a freeze has been mutually agreed to;
- Eliminated severance, which is a major achievement that removes a financial liability. Overall elimination of severance will result in \$25 million in savings annually and \$35 million annually once the debt is fully paid; and
- Secured changes to group insurance. Overall implementation will result in millions of dollars in savings in 2018, and by 2026, annualized savings will be in the tens of millions.

This agreement strikes the balance between respecting the important work of the public service and the need to address our fiscal situation. We are able to protect a vulnerable economy by providing our employees with job security while maintaining our ability to make workforce changes through attrition.

We look forward to carrying-forward this respectful, collaborative approach to collective bargaining with other unions.

# Fiscal Review: 2017-18

The revised deficit for 2017-18 is \$812 million, which is an improvement from mid-year when the deficit was projected to be \$852 million. The revised deficit includes severance expenses under the new collective agreement totaling \$37 million, which over the long-term will help government realize significant savings.

## Statement of Operations 2017/18

	Budget	Revised	Variance
Revenue	7,339	7,340	1
Expenses	8,117	8,152	(35)
Deficit	(778)	(812)	(34)

## Fiscal Forecast

Despite the issues that our province has had to face there are many positive developments occurring in the provincial economy.

There is significant potential in our province's natural resources industries.

Mr. Speaker, mining continues to be a major contributor to the province. In 2018, the mining sector is forecasted to employ 6,000 people and have \$3.4 billion in mineral shipments.

Our excitement for this industry grew when the Frazier Institute ranked Newfoundland and Labrador the 11th most attractive jurisdiction in the world for investment in its 2017 international mining survey. This reflects positively on our province to any potential investors.

Some highlights from this sector include the completion of the Long Harbour nickel processing plant, which is adding to the long-term productive capacity of the economy. Tacora is expected to begin production at the former Wabush Mines this year and production should begin at the fluorspar mine in St. Lawrence. Furthermore, development of the Voisey's Bay underground mine

is expected to resume and IOC's Wabush 3 project will provide a new source of iron ore to extend the operating life of its Carol Project.

Within the oil and gas industry, we are excited at first oil at Hebron, which is the province's fourth offshore oil project. This project will bring new revenue to the province. The West White Rose project will generate over \$3 billion in royalties, return on equity and taxes with first oil expected in 2022.

Infrastructure enhancements at the St. John's International Airport and Marine Atlantic, along with the new St. John's Convention Centre and added capacity in the accommodations sector are helping to expand the tourism sector.

Over the last year, we have partnered with community and industry stakeholders to develop innovative approaches focused on Building for Our Future. To date, we have targeted high growth opportunities in oil and gas, agriculture, aquaculture, and technology that will help diversify our economy and create new employment opportunities.

We are confident in our actions and the business and employment opportunities that will follow. Our government believes that there is significant potential, for example, to more than double the number of year round jobs in aquaculture from 1,000 to 2,100 and add 500 person years of employment in the agriculture sector.

As reflected by the success of the Federal Government's Ocean Supercluster initiative, the opportunities are limitless for our advanced technology sector. Their accomplishments highlight that to be successful you don't have to be in large areas such as New York, London or Toronto – businesses can grow and compete in the global market from right here in Newfoundland and Labrador. We have several leading-edge technology companies that are competing globally and continuing to expand.

The success of companies and academic institutions participating in the Ocean Supercluster initiative are representative of the more than 165 businesses in our advanced technology sector that employ approximately 4,000 people. This sector generates over \$1.6 billion in annual revenues.



We are also primed for continued growth across a number of other industries as well.

The latest data on the tourism sector accentuates an industry that is home to exciting business opportunities. Showcasing Newfoundland and Labrador to local, national and global visitors has seen tourism become an economic pillar that supports 2,600 businesses, nearly 20,000 jobs and generates almost \$1.13 billion in spending.

The fishing and aquaculture industries continue to be a vital component of our provincial economy. In 2017, fish and seafood production was \$1.3 billion, marking the third consecutive year that the value exceeded \$1 billion. This industry also employs more than 16,000 people from over 400 communities in harvesting, processing, and aquaculture operations.

The increasingly protectionist trade environment that presently exists in the United States is challenging the forestry sector, and in particular Corner Brook Pulp and Paper. We believe the tariffs are unwarranted – we stand by our support of the company and the individuals and families that make their livelihood from the forestry and will continue to work with them to support this industry.

While we are optimistic for the future of our industries, we are still subject to the volatility of oil and other commodities. I have to emphasize that these local industries are a part of a very competitive global market that is increasingly unpredictable.

This uncertainty has been a factor in our ability to meet the targets outlined in our seven-year financial plan. In 2018-19, oil revenues will be lower than expected due to lower production and changes to the US-Canada exchange rates. This, along with \$52 million for the remaining one-time severance expenses have contributed to our revised forecasted deficit of \$683 million.

We cannot allow these cycles to diminish the potential of our natural resources – most notably, oil and gas. However, we need to make sure that our economic policy is not singularly focused on oil but supportive of a more diversified economy.

Through the implementation of Advance 2030, our goal is to position Newfoundland and Labrador as a preferred location for oil and gas development while supporting the growth of

an internationally recognized supply and service sector. We believe the potential for direct employment of more than 7,500 people in operations and over 100 new exploration wells drilled by 2030 is very much within our reach.

## Our Financial Plan

We remain on-target to return to surplus by 2022-23 while operating in a difficult fiscal environment. This is made possible because of the actions our government has taken and the balanced decisions made in Budget 2018.

When our government set targets two years ago, we did so recognizing they were ambitious.

In Budget 2018 we have continued to correct the course to stay on track. The decisions we have made this year, and plans for future years are all meant to return to surplus by 2022-23. The fact that this goal is still in reach, in spite of the challenges we have faced with reduced revenues, is a significant accomplishment in itself.

## Fiscal Control

Our approach focuses on reducing spending within government while advancing programs and services to citizens. A truly balanced approach involves many different areas of improvement.

In the past two years, we have eliminated 795 positions within departments while maintaining service delivery and protecting a vulnerable economy.

We recognize that there is an opportunity to expand attrition plans across the entire public service as there are more than 5,000 public service employees who are eligible to retire. By carefully conducting workforce planning we will be able to reduce the size of the public service and spending in a more gradual way without the risk of disrupting service delivery and the economy.

Longer-term, we continue to look for savings within all areas of the public service, including reducing discretionary spending and working with management and unions to address such issues as overtime and sick leave.

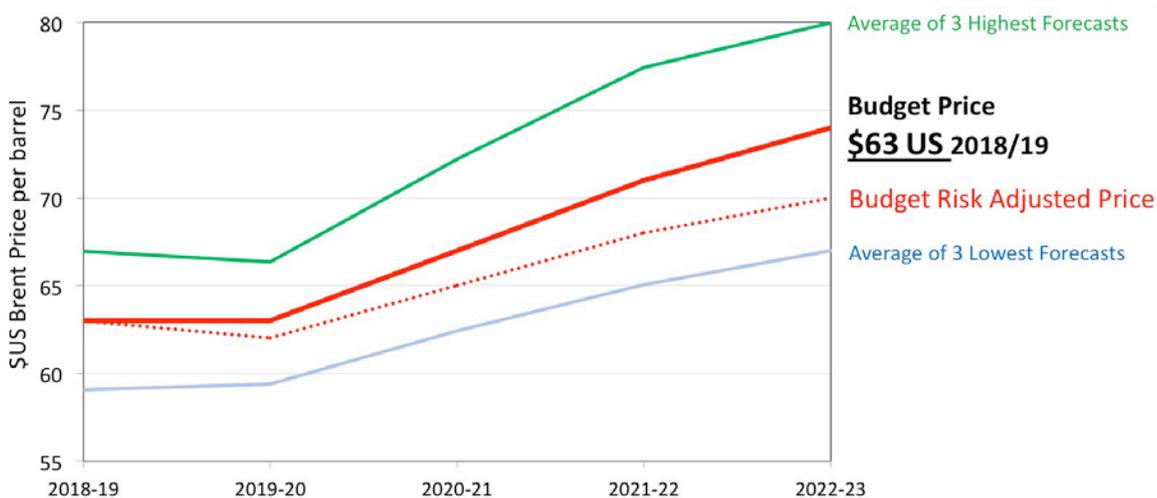
# Price Assumptions

In Budget 2018, we are forecasting oil at US\$63 per barrel in both 2018-19 and 2019-20. Recognizing the volatility of oil, forecasts are carefully considered, and are based on the forecasting models of 11 industry analysts.

Budget 2018 also forecasts the US-Canada exchange rate to be \$0.79 in 2018-19 and \$0.796 in 2019-20.

Our actions are informed and based on the best available information.

## Oil Price Forecast



\* 11 forecasters surveyed

# Revenue

Revenue forecasts have been reduced slightly from Budget 2017 estimates, mainly due to the volatility of oil revenues. While we have reduced our reliance on oil, we are on target to return to surplus by 2022-23.

In 2018-19, revenue is expected to reach \$7.67 billion and revenue is projected to trend upwards between now and 2022-23.

In 2016, the Federal Government announced its intent to implement a federal carbon pricing system. This system covers all provinces and territories.

Our government is currently finalizing our made-in-Newfoundland and Labrador approach to carbon pricing, as directed by the Federal Government. We are working with the Federal Government on the details and will communicate our approach to the public this spring. As this work progresses, we will phase out the Temporary Gas Tax.

In 2016, our government had no choice but to make difficult decisions – one of which was placing a tax on insurance.

To support consumers and businesses, we will gradually decrease the tax on automobile insurance by a minimum of five per cent over the next four years. Beginning on January 1, 2019, we will reduce the tax by two per cent. The tax on automobile insurance will be reduced by another one per cent on January 1, 2020, January 1, 2021, and January 1, 2022. We will continue to review this tax and make reductions as our fiscal situation improves.

On January 1, 2019, we will also ease the payroll tax on employers by increasing the threshold from \$1.2 million to \$1.3 million, which allows an additional 50 employers to be removed from this obligation and reduce the tax up to \$2,000 per year for the remaining employers. We see this as a positive step forward for employers.

Work continues on the independent review of the province's tax system. We expect the recommendations will be considered for Budget 2019 and include social and economic factors, as well as possible tax incentives.

# Expenses

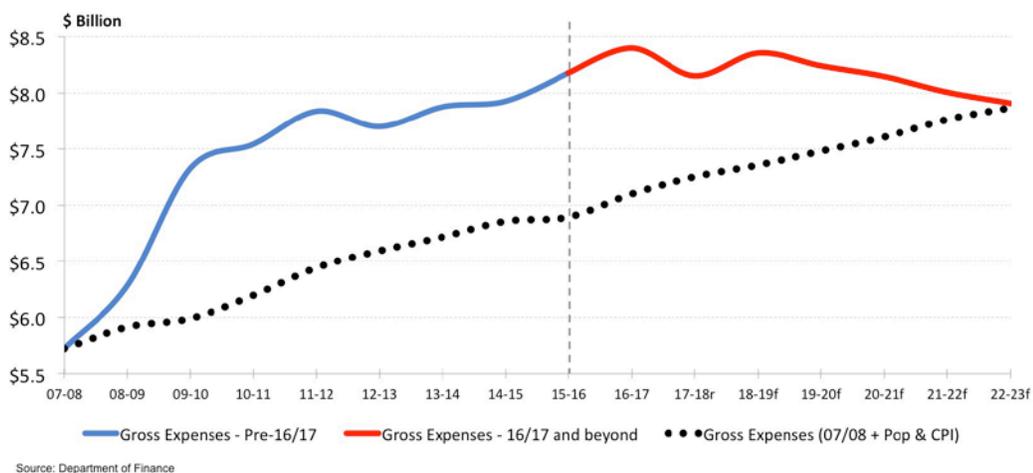
Participation in federally-directed programs such as carbon pricing and wastewater initiatives comes at an added cost to provinces and territories. While supporting these initiatives, we have been able to stay on forecast for 2018-19 at \$8.36 billion.

It should be noted that when 100 per cent federal funded programs are considered, the total net expenses are \$8.29 billion, which is lower than the original forecast.

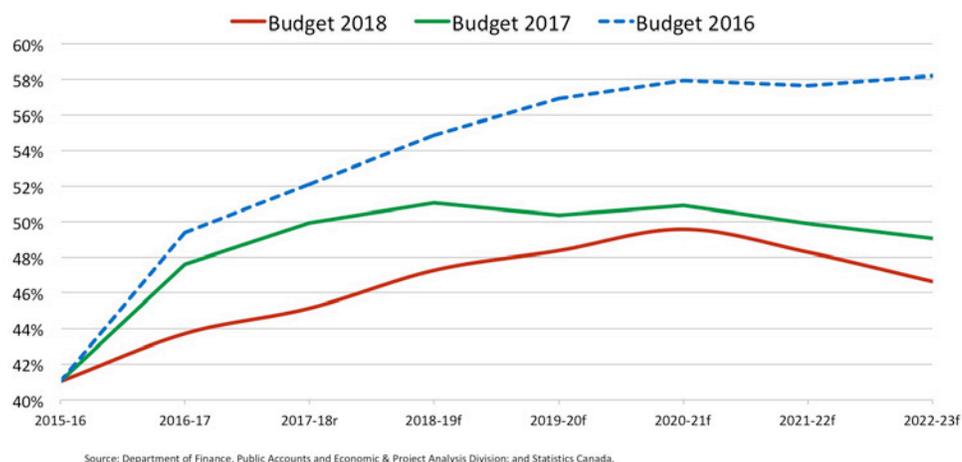
## Statement of Operations 2018/19

	Projection at Budget 2017	Budget 2018	Variance
Revenue	7,711	7,673	(38)
Less: Oil Risk Adjustment	(50)	-	50
Net Revenue	7,661	7,673	12
Expenses	8,305	8,356	(51)
Deficit	(644)	(683)	(39)

## Expenditure and Growth Control



## Net Debt as Per cent of GDP



## Borrowing

In Budget 2017, we recognized that borrowing would need to increase in 2018-19, and had originally forecast \$1.6 billion.

For Budget 2018, gross borrowing will be \$1.45 billion. This is lower than the original forecast. Net new borrowing for the duration of government's 2022-23 fiscal plan is increased by \$1.4 billion, of which \$1.1 billion is due to changes in cash flows related to Nalcor Energy.

The payout of severance to public service employees will be approximately \$600 million spread out over several years. This one-time cash flow will reduce our government's liability, saving tens of millions of dollars annually. It eliminates millions from being added to that liability each and every year in additional earned benefits as we go forward.

## Budget 2018 Forecast

	2018-19 Forecast	2019-20 Forecast	2020-21 Forecast	2021-22 Forecast	2022-23 Forecast
Total Revenue	7,673	7,760	7,527	7,833	8,049
Total Expenses	8,356	8,242	8,146	8,006	7,908
Oil Revenue Risk Adjustment	-	25	35	70	85
Deficit	(683)	(507)	(654)	(243)	56

# The Balanced Approach Going Forward

Building for Our Future is an approach that considers our challenging fiscal situation, as well as the need to provide access to government programs and services and helps create new business and employment opportunities.

The initiatives supported in Budget 2018 reflect that deliberate approach, as well as our social and economic factors.

## Health Care and Healthy Living

Health care spending represents the largest portion of our provincial budget. Annually, the cost to deliver health care programs and services in Newfoundland and Labrador are the highest in Canada and has increased by 130 per cent since 2001.

As a government, we have been diligent in maintaining health care spending while improving access.

It is no small undertaking but we are carefully changing how our health care system operates. We are shifting focus from treatment to preventative care; providing care in the home and community where possible and appropriate, and strengthening primary health care options.

We are also using \$72 million secured from the Federal Government to improve home and community care and mental health and addictions services. More specifically, we will:

- Develop a Home First Integrated Network with wrap around services for clients and an extension of available services in the community beyond traditional work hours;
- Initiate a province-wide palliative care approach with greater training for clinicians, service providers and caregivers who provide end-of-life care; and,
- Increase access to home care supports for people with dementia.

Our government has placed a spotlight on transforming how mental health and addictions services are delivered, breaking down stigmas, and removing barriers to treatment.

We have made progress, by using federal funding we are better able to support those experiencing mental health issues. We will:

- Develop a province-wide mental health service delivery model for children, youth and emerging adults to address existing systemic barriers and gaps;
- Expand e-mental health services;
- Improve access to addictions services; and,
- Improve community-based services to replace hospital care.

This year, we have allocated \$6.1 million to advance a value-for-money assessment for a new mental health facility to replace the Waterford Hospital. The new facility will be the focal point of our community-centric approach to mental health and addictions.

Through our province's participation in the pan-Canadian Pharmaceutical Alliance, we have achieved a lower price on generic drugs and realize savings within the Newfoundland and Labrador Prescription Drug Program.

This year, we will reinvest these savings back into the program. Approximately \$7.5 million will be reinvested to add new drug therapies. This investment will offer people who use the program a range of new treatment options.

We all recognize that improved health outcomes start with healthier, more active lifestyles.

In The Way Forward, our government committed to increase physical activity by seven per cent and reduce the province's smoking rate by four per cent by 2025.

To help achieve these goals, \$200,000 has been allocated for the Carrot Rewards program, which encourages Newfoundlanders and Labradorians to increase their daily physical activity levels. This free mobile app rewards users for living healthier, active lives and so far we have seen over 36,000 residents use the app and earn loyalty reward points for healthy living.

We are also investing \$250,000 in smoking cessation. This will build on existing support for the Newfoundland and Labrador Lung Association Smokers' Helpline, Alliance for the Control of Tobacco and the Provincial Smoking Cessation Program for Individuals with Low Income.

In Budget 2018, we are allocating more than \$115 million for operational funding for community groups, as well as support for projects and programs that they deliver to residents. A multi-year approach for community grant funding will be announced in the coming weeks.

# Supporting Seniors and Inclusive Communities

Our government recognizes that we have the responsibility to support all of our citizens regardless of age, gender, ability or geography. It is a responsibility that we take very seriously.

Mr. Speaker, two years ago our government introduced a new Newfoundland and Labrador Income Supplement and expanded the Seniors' Benefit in order to support low income seniors, individuals, families, and persons with disabilities.

Today, we are continuing to provide these valuable programs with a total investment of \$121 million. In 2017, 47,000 seniors and their families received the Seniors' Benefit and 155,000 families received the Income Supplement.

Newfoundland and Labrador is known for its culture of hard working individuals. For some people, however, injuries in the workplace have negatively impacted their livelihoods.

Together, with WorkplaceNL, our government is committed to maintaining a sustainable workplace injury system for workers and employers. That is why, beginning April 1, we are increasing the income replacement rate for injured workers from 80 to 85 per cent.

The higher income replacement rate will improve benefits to injured workers and dependent spouses, without increasing the average assessment rate charged to employers.

Mr. Speaker, we believe that safe, stable and affordable housing is fundamental to the social and economic well-being of individuals, families and our communities. Our government is working closely with our community partners to help improve access to affordable housing and make it easier for first-time home buyers to enter the market.

This year we are increasing the Rent Supplement Program by an additional \$2 million to increase in the number of rent supplement units and to support the portable rent supplement pilot program.

We will also invest \$10.2 million for maintenance, repair and upkeep of public housing properties to ensure safe and quality homes are available for tenants. To modernize and renovate public housing, \$3.6 million has been allocated, which will help ensure we continue to provide affordable housing.

Our \$8.6 million investment in the Supportive Living Program and the Provincial Homelessness Fund will allow us to partner with the community sector to prevent homelessness.

An additional \$2.7 million will be invested to leverage federal funding under the Investment in Affordable Housing Agreement, which enables Newfoundland and Labrador Housing Corporation to partner with affordable housing developers in the private and non-profit supportive living sectors.

In partnership with the Federal Government, we anticipate building new housing units, as well as upgrade some of our existing social housing units to reflect the present day family size and needs of seniors. The focus will be on providing additional housing to those who need it and reducing wait lists for social housing.

As I announced yesterday, along with the Minister responsible for Newfoundland and Labrador Housing, our government is making it easier for new home buyers to purchase their first home. We are doing this through two news programs, which are:

- The First-Time Homebuyer's Program, will include financing for a downpayment and a \$2,000 grant for eligible first time home buyers to purchase a new or existing home. NLHC is also increasing the average household income maximum for eligibility from \$65,000 to \$75,000 for full benefit and up to \$85,000 for partial benefit. The program will be extended to March 31, 2019, with available funding of \$1.25 million, and will assist an estimated 100 household's secure home ownership.
- Our new Home Purchase Program will provide a \$3,000 grant towards the purchase of a newly constructed or never sold home under \$400,000, including HST.

These are innovative programs that will stimulate new home construction, economic activity and job creation.

Our government is taking a strong stand against violence and harassment.

Our amendments to the Family Violence Prevention Act reflect the value we place on further supporting adult victims of domestic violence and their children. As a community we need to work together to take action to end violence in all forms and break down the barriers victims face.

In this year's budget, our government will continue to expand on this important work and contribute to the valuable activities of our community partners. Some of this year's commitments include:

- \$11.8 million to support initiatives and not-for-profit groups engaged in the delivery of transitional and emergency housing.
- \$250,000 to provide legal support to survivors of sexual violence.

Our government is also providing more than \$3 million in core operational funding for 10 Regional Coordinating Committees Against Violence, eight women's centres, the Transition House Association of Newfoundland and Labrador, the Multicultural Women's Organization of Newfoundland and Labrador, the Newfoundland Aboriginal Women's Network and the Newfoundland and Labrador Sexual Assault Crisis and Prevention Centre.

## Education, Skills and Childhood Development

Our government is taking significant steps to bring transformative change to early childhood development and the province's education system.

The Premier's Task Force on Improving Educational Outcomes undertook a significant review of the education system, as well as opportunities to improve early childhood development.

Their review included engagement with teachers, parents, students and stakeholders and led to recommendations that focus on inclusive education, student mental health and wellness, mathematics, reading, Indigenous education, multicultural education, early years, career and cooperative education and teacher education and professional development.

Since the release of the report, we have discussed the recommendations and next steps with such special interest and advocacy groups as the Provincial Advisory Council on the Status of Women, the Provincial Advisory Council for the Inclusion of Persons with Disabilities, Relationships First-Restorative Justice Education NL, Choices for Youth, Kids Help Phone, the Coalition of Persons with Disabilities, the school districts, the Learning Disabilities Association and others.

Mr. Speaker, we appreciate some of the challenges parents can experience securing care for their children, as well as the cost that comes with it. There is no disputing that child care is an essential support to parents participating in the workforce or pursuing workforce development opportunities.

In addition to the approximately \$61.6 million invested annually in early childhood development, over the next three years – in partnership with the Federal Government – \$22 million will be

available under the 10-year Child Care Strategy. This supports early learning and child care options through subsidies, grants, bursaries, and professional learning opportunities.

This agreement will help deliver early learning and child care systems that will improve the lives of children and their families. It will help:

- Expand and enhance the Operating Grant Program to improve accessibility and affordability of child care for low and middle income families, and a new operating grant program for regulated family child care homes.
- Enhance the child care capacity initiative by further increasing the net family income threshold to \$35,000.
- Benefit Early Childhood Educators by providing increased bursaries and grants for upgrading qualifications and enhancing access to professional learning.

In September 2016, our government implemented full-day Kindergarten. Feedback from teachers and parents has generally been very positive. In September 2018, approximately 5,000 children will enroll in full-day Kindergarten and join the approximately 10,000 who have already benefited from our investment.

By actioning the task force's recommendations we are bringing positive changes to the education system.

This year, \$6.95 million will be directed towards implementing the recommendations of the task force. Of this, \$3.1 million is allocated for reading specialists, learning resource teachers and instructional assistants in K-12 education; and \$1.9 million is allocated this year to support professional learning for teachers and almost \$2 million provided annually for each of the three subsequent years.

Our government continues to provide operating grant funding for the Provincial Information and Library Resources Board. Our investment of approximately \$11.3 million accounts for 95.7 per cent of the total library funding and is more than twice the national average.

Memorial University and the College of the North Atlantic make valuable social and economic contributions to our province. They are also highly-regarded among their peer institutions across Canada and around the globe.

This year, we are able to maintain our \$87.6 million operating grant to College of the North Atlantic and its 17 campuses.



Memorial University will receive \$366 million, which includes \$55 million for the Faculty of Medicine. This continues to represent the highest public investment as a percentage of a university's general operating revenues of any university system in Canada. To maintain tuition levels for Newfoundland and Labrador students, \$73.1 million has been allocated, which includes an additional \$4 million for Memorial University and \$1.1 million for College of the North Atlantic.

Our government continues to invest significantly in infrastructure at our public post-secondary institutions. Projects like the Core Science Facility at Memorial University's St. John's campus and the Heavy Equipment Centre of Excellence at College of the North Atlantic in Stephenville provide significant business and employment opportunities.

Once constructed, these new facilities will help improve program delivery, increase capacity for research and lead to new opportunities to collaborate with industry.

As reflected by the considerable investments we are making in Newfoundland and Labrador's public post-secondary system our government sees it as being of vital importance to the province.

Following on the comprehensive review of the K-12 education system, it is timely to undertake an independent review of the province's public post-secondary education system. It has been 14 years since there has been a review of the public post-secondary system. Over that time, there have been changes in our economy, in our demographics and changes at our post-secondary institutions.

This review will help ensure our institutions are well-positioned to meet the needs of students well into the future, address emerging labour market demands, and continue to contribute to the province's economic growth.

Through the Independent Appointments Commission, government will appoint a committee of experts to undertake a system-wide review that will explore how our post-secondary education system compares to other jurisdictions, and to recommend options to achieve better outcomes in post-secondary education in a more cost-efficient manner. Memorial University and the College of the North Atlantic will play key roles in this review.

To support skills development and training, we are also investing approximately \$6.1 million to support youth in employment and career related activities. Government continues to provide funding to Women in Science and Engineering Newfoundland and Labrador to give female high school students real work experience in science and engineering careers they may consider in the future.

Additionally, through a \$230,000 cost-shared agreement among the four Atlantic Provinces – of which \$69,000 is coming from this province – the Atlantic Workforce Partnership Secretariat will be established in Newfoundland and Labrador for a three-year term. The secretariat will lead important work on apprenticeship, labour market information, business supports, youth initiatives, and immigration.

This year, our government will continue to modernize and strengthen apprenticeship through more flexible delivery models. We will further build on our online capacity for skilled trades.

We will also continue to collaborate with industry and community organizations to identify and create opportunities for women in trades and technology, providing annual funding to the Office to Advance Women Apprentices and the Newfoundland and Labrador Organization of Women Entrepreneurs. In addition, through funding for the Newfoundland and Labrador Organization of Women Entrepreneurs, women receive assistance in creating jobs for themselves, and others, by starting a business.

Newfoundland and Labrador continues to participate in the Atlantic Apprenticeship Harmonization Initiative which aligns the rules and standards for apprenticeships in Atlantic Canada. This year, it will be expanded to include six more trades and also engage stakeholders in the development of a new apprenticeship management system. This work will be supported through the Atlantic Apprenticeship and Harmonization Office which will be located in St. John's – a first for the province.

Mr. Speaker, the Provincial and Federal Governments are finalizing agreements that will provide additional funding to support employment and training programs. Through these agreements, our government will strive to increase participation in the local labour market for under-represented groups, including women, and assist them to achieve gainful employment.

As we continue to work with industry partners to expand the oil and gas, agriculture, aquaculture, and technology sectors, we are supporting career-development opportunities for youth by allocating \$196,000 for a new Student Mentorship Program. The program, which is supported by federal funding, will provide 25 youth with work experience in each of these targeted sectors for a total of 100 jobs. We have targeted these high-growth industries first through the work of our Cabinet Committee on Jobs.

# Safe and Sustainable Communities

Mr. Speaker, attracting immigrants to Newfoundland and Labrador is essential as we respond to the province's aging population, increase our population, and support economic activity. Newfoundland and Labrador has many great attributes that makes our province an attractive place.

We will leverage these strengths as we implement the actions outlined in The Way Forward on Immigration in Newfoundland and Labrador. This year, we have allocated \$2.4 million in provincial funding and will leverage another \$1 million in federal funding to attract new immigrants to the province.

Building for Our Future underscores our working relationship with municipalities to advance infrastructure, create safer, more sustainable communities and encourage economic development.

In Budget 2018, we are maintaining municipal operating grants at \$22 million; provincial revenue from the gasoline tax will remain at one cent per litre, providing \$7.1 million annually to municipalities; and, more than \$2 million will be allocated to the Special Assistance Grant program to assist communities with emergency and small capital needs.

Under the three-year \$100 million municipal infrastructure program, we are investing approximately \$10.6 million in 2018-19 through the provincial Municipal Capital Works Program. In addition to this, we are providing \$18.8 million to leverage an additional \$12.7 million in federal funding under the Small Communities Fund of the New Building Canada Fund.

Through our \$1.88 million investments in fire services vehicles and equipment, we will continue working with our emergency management partners to ensure the safety of residents and communities. We are also working to assist municipalities to utilize funds for used fire vehicles where acceptable options are identified. This funding, along with the supporting cost-shared ratios, encourage a focus on opportunities for regionalization of services.

Our government is proud to continue the presumptive cancer coverage benefit that career and volunteer firefighters now receive.

This year, we are expanding support for first responders by introducing a new Search and Rescue Volunteer Tax Credit that will allow eligible search and rescue volunteers to claim a \$3,000 non-refundable tax credit starting on January 1, 2019 on their provincial income tax.

Through Budget 2018, we are also continuing to support communities and help residents build a greener, more energy efficient province.

To help reduce high energy costs for low income individuals, \$2 million has been allocated for the Home Energy Savings Program through the Newfoundland and Labrador Housing Corporation.

In collaboration with Newfoundland Power and Newfoundland and Labrador Hydro, we will continue to implement the Energy Efficiency Loan Program, which provides low-interest loans for energy efficiency home upgrades. Over the next two years, we have allocated \$1.5 million annually for this valuable initiative.

Over the last two years, Newfoundlanders and Labradorians have continued to see the impacts of climate change first-hand. We have experienced significant weather events in the western, central and southern regions of the island and in Labrador.

We are consulting with the Federal Government to recover eligible expenses associated with the damages. We will continue work to ensure residents are supported in their time of need.

Through Budget 2018, we have allocated \$12.5 million in funding for the Newfoundland and Labrador – Disaster Financial Assistance Arrangements program.

Flood risk mapping enables us to know possible outcomes in case water levels begin to rise and to assist emergency management partners in responding. To support this valuable analysis, \$1 million is being allocated to update flood risk mapping studies and forecasting for the Humber River Valley, Exploits River Valley, and Badger Ice Progression Model.

Through Budget 2018, we are also investing \$1 million to conduct flood-risk mapping and flood forecasting for Mud Lake and Happy Valley-Goose Bay, along with \$200,000 annually for satellite imagery, field data collection for ice thickness monitoring, and weather data collection.

This work is in addition to the recently announced water and ice monitoring on the Churchill River, and community-based monitoring program that is focused on mitigating and responding to potential flooding events in the future.

Phase III environmental site assessments will be undertaken this year through a \$500,000 investment by each of the federal and provincial governments.

We are continuing to strengthen the justice system in Newfoundland and Labrador.

Our government is committed to improving access to justice and increasing transparency and accountability in law enforcement. We believe that justice must be inclusive and secure full public confidence.



It is crucial that residents of our province have faith in the administration of justice. We are committed to improving police oversight by investing \$250,000 this year, and \$500,000 in future years, to establish a Serious Incident Response Team, which will provide an increased level of transparency and help ensure people have trust in the justice system.

To support safe, efficient and effective policing, corrections, court facilities and legal services throughout Newfoundland and Labrador \$1.8 million will be used to advance existing renovation projects and planning for the construction of new facilities.

To support the relocation of the Family Court to the Argyle Building in St. John's, \$1.3 million has been allocated for renovations. The new location will help improve accessibility to services at the court.

An investment of \$149,000 in the Supreme Court Trial Division on Duckworth Street in St. John's will address necessary renovations to the public areas in the courthouse building to improve the flooring and lighting in the facility.

Budget 2018 has allocated \$300,000 to advance planning to replace Her Majesty's Penitentiary. This funding will supplement the ongoing work related to the design and construction of a new facility.

A new penitentiary will foster security, health and safety and operational efficiency, as well as support Adult Corrections in the development and implementation of policies and programs that will allow inmates an opportunity to become productive members of society and break the cycle of reoffending. It will also enable a direct supervision model which focuses upon interaction between inmates and staff.

Our government is committing \$1.74 million to advance province-wide mobile crisis intervention teams. These teams will include police officers who will join mental health professionals to respond to calls to those in mental health crisis. This is being supported by funding secured through the bilateral agreement with the Federal Government.

The Government of Newfoundland and Labrador is committed to making improvements in the Office of the Chief Medical Examiner and investing an additional \$563,000 in the office for a total investment of approximately \$1.5 million. These funds will improve operations by adding staffing and resources to the office, including an additional pathologist.

With the support of the Federal Government, an investment of \$200,000 will be made to establish a Drug Treatment Court in St. John's. The court will provide specialized court-monitored treatment and community service supports for individuals who have engaged in non-violent offences caused by drug addictions.

# Labrador

Mr. Speaker, our government is working hard to support a strong and vibrant Labrador.

Socially and economically, continued construction of the Trans Labrador Highway is of tremendous importance to our government. This year's budget of more than \$83 million will advance four major paving projects on the Trans-Labrador Highway from Blanc Sablon to Happy Valley-Goose Bay. These improvements will bring the Trans-Labrador Highway closer to completion and help link residents and create new business opportunities.

In Budget 2018, \$68,000 has been allocated for the Labrador Trail Grooming Subsidy, which is a 185 kilometre marked trail between Nain, Natuashish and Hopedale.

We are pleased to allocate \$11 million over the next three years to support construction of the Labrador Wellness Centre in Happy Valley-Goose Bay with \$4.2 million budgeted this year.

Our government is also providing \$730,000 for the Labrador Travel Subsidy program to offset costs for teams to travel to provincial championships and \$500,000 to support the Labrador Winter Games, which will take place in Happy Valley-Goose Bay in March 2019.

Mr. Speaker, our government appreciates the high cost of medical travel from Labrador to the island for specialized, insured medical treatments.

For airfare costing up to \$1,000, the Medical Transportation Assistance Program will pre-pay the full fare price up to \$1,000 per year. For airfare costs exceeding \$1,000 per year, we will pre-pay \$1,000, plus 50 per cent of the remaining cost of the fare.

To address concerns regarding the health and well-being of the people of Labrador as related to the Muskrat Falls project, our government continues to work closely with Innu Nation, Nunatsiavut Government, and the NunatuKavut Community Council.

Budget 2018 will provide approximately \$53,000 for a position dedicated to working with the Independent Expert Advisory Committee, which was established to make recommendations on mitigating potential impacts of methylmercury from the Muskrat Falls Project.

The Government of Newfoundland and Labrador is investing \$100,000 in planning for improvements, including increasing the capacity at the Labrador Correctional Centre.

# Indigenous Communities

Mr. Speaker, our government recognizes that there are a number of challenges in our Indigenous communities, primarily related to social issues and other factors such as the remoteness of communities. This often translates to a higher number of children requiring the services of the Department of Children, Seniors and Social Development.

Innu Nation and the Government of Newfoundland and Labrador have agreed to hold an inquiry into the treatment of Innu children in the foster care system. Budget 2018 allocates \$1 million to start this work and advance discussions with the Federal Government.

Our government also appreciates that Indigenous women and girls are particularly susceptible to experiencing violence. To help prevent violence against women and girls, our government is continuing to work with Indigenous organizations and groups to find culturally appropriate approaches to preventing acts of violence.

Through Budget 2018, the Women's Policy Office, in collaboration with the Provincial Indigenous Women's Conference Steering Committee, will continue to provide funding for the annual Indigenous women's conference. We will also continue to provide funding support for violence prevention projects through the Indigenous Violence Prevention Grants Program.

Mr. Speaker, we continue to support provincial participation in the National Inquiry into Missing and Murdered Indigenous Women and Girls through a budget allocation of \$3 million. This is a valuable inquiry that will examine the high rate of violence against Indigenous women. The establishment of Family Information Liaison Units will provide supports to families impacted by the inquiry.

Building on the success of the first-ever Indigenous Leaders Roundtable, held last May in St. John's, our government is moving forward with plans to again bring Indigenous leaders together to continue the dialogue on matters of mutual importance.

With leadership from the Federal Government, and in partnership with Indigenous governments and organizations and territorial and provincial governments in Canada's North, our government is engaged in the discussions and planning for a new Arctic Policy Framework. We believe this holds the potential to support community and economic development.

# Industry Development

Mr. Speaker, over the last year, we have been incredibly active in laying a stronger foundation to support job growth. The partnerships formed through our industry summits and direct investments in business are helping create a positive environment for long-term economic activity. Examples include our:

- Agreement with Husky Energy on its West White Rose Extension, which will create upwards of 5,000 person years of construction employment and over \$3 billion in royalties, return on equity and taxes;
- \$17 million loan to Canada Fluorspar will provide significant direct and spin-off jobs on the Burin Peninsula; and,
- \$2.25 million forgivable loan to PAL Aerospace to create 150 person years of employment over five years.

As a government, we are optimistic on the benefits attached to the five-year, \$37 million Canadian Agricultural Partnership with the Federal Government. Supported by \$14.8 million in provincial funds, we are better-positioned to expand the agriculture and agri-foods industry, by encouraging existing farmers to increase innovation and create jobs, and attracting new entrants, young people, and Indigenous groups, in growing the industry.

With a strong focus on innovation, the Atlantic Fisheries Fund will continue to help meet growing global demands for sustainably-sourced, high-quality fish and seafood products. Our \$10 million investment this year will leverage funding from the fund. The first investments under the new fund were recently announced and we will build on this to further support our fishery.

Our government believes strongly in the tourism industry and the untapped potential it holds. To support the industry's growth, we are allocating \$12.9 million for tourism marketing, which includes a \$600,000 investment in four regional Destination Management Organizations.

I am pleased to announce that as of April 1, youth aged 16 and under will have free access to provincial historic sites in the summer months.

The film and television industry is a generator of well-paid skilled jobs and attracts new investment. Beyond direct hires, it creates economic spin offs through spending on construction supplies, gas, car rentals, hotels, food and a wide variety of other items necessary to make television and film production successful.



In 2017-18 production activity has exceeded \$50 million, up from approximately \$40 million the year before, and resulting in approximately 640 full-time equivalent positions. To build on the growth of this exciting industry, our government will maintain the \$4 million investment in the Film Equity Program that was doubled last year.

Social enterprise development is an innovative tool for advancing regional growth opportunities. This year, we have allocated \$75,000 from our Community Capacity Building Program to advance training and education about social enterprises.

Small businesses are a huge part of energizing local economies and sustaining rural communities. As a government, we will continue to create an environment that drives a strong and diversified economy.

A key element of this is our more than \$35 million that has been allocated to support economic development, research and development and investment attraction.

To celebrate the contribution of youth in the arts, the 2018 Arts and Letters competition will change to an Art Exhibit format creating a tremendous opportunity for youth to exhibit their work at The Rooms. It also helps create awareness of career opportunities in the arts.

Digital technology is ever-present in our daily lives. It is integral to business operations, tourism experiences, community activities, as well as health and public safety.

Increasingly, this access is acquired through handheld devices. As such, the Provincial Government will also work with community and industry partners to advance cellular coverage with an additional \$1 million to help leverage additional funding for this critically-important infrastructure. This will result in improved cellular coverage in several rural communities over the next two years.

To build on our province's attractive mining industry, our government is allocating \$4.9 million for the Geological Survey and also allocating \$1.7 million to the Mineral Incentive Program to encourage mineral exploration.

By creating an attractive environment for exploration and supporting advancement, we are strengthening the industry, and growing private sector jobs and the provincial economy. Whether globally or nationally, our goal is that Newfoundland and Labrador will be the top choice for potential investors.

# Infrastructure

Mr. Speaker, in addition to our investments in industry development, our commitment to advancing infrastructure throughout the province will help stimulate economic activity and job creation while providing access to services in modern facilities.

Last year, our government launched a five year plan for new and existing schools, healthcare facilities, post-secondary institutions, roads and bridges, justice facilities, affordable housing and municipal infrastructure. This year, we will continue to build on this momentum and action a plan that includes a total investment of \$619.7 million. The Five Year Infrastructure Plan will generate an average of \$540 million in economic activity and 5,300 person years of employment per year.

## Education

Within the K-12 system this year, we are investing,

- \$1.4 million to plan for a new Francophone school and to plan to replace Bay d'Espoir Academy;
- \$900,000 for a new school bus depot in Corner Brook;
- \$4.3 million to complete an extension for Mobile Central High School.
- \$11.4 million to start construction of an intermediate school in Paradise and the replacement of Coley's Point Primary in Bay Roberts; and,
- \$15.5 million for repairs and maintenance of existing schools.

For the post-secondary education system, \$36.3 million has also been allocated for Memorial University's new science building and Animal Resource Centre, as well as the re-development of its Battery Facility. Construction of the College of the North Atlantic's Heavy Equipment Centre in Stephenville and upgrades to the college's Centre for Energy and Thermal Systems will continue with an investment of \$15 million.

## Health Care

Budget 2018 includes investments which ensure health care infrastructure can meet the demands of residents. Including the \$6.1 million for the value-for-money analysis to replace the Waterford Hospital that I have already mentioned, we will also invest:

- \$8 million for a new regional west coast hospital in Corner Brook;
- \$6.25 million for the development of the Green Bay Health Centre in Springdale;

- \$4 million will support the 20-bed expansion of the protective care unit at the Dr. Hugh Twomey Health Centre in Botwood;
- \$3.75 million for the ongoing development of new long-term care homes in Gander and Grand Falls-Windsor
- \$3.2 million to advance a new ambulatory care space at Carbonear General Hospital;
- \$400,000 for the ongoing construction of a new long-term care home in Corner Brook; and
- \$45 million for repairs and renovations and equipment upgrades at health-care facilities across the province.

Mr. Speaker, while progress has been made to recruit and retain women in trades and technology occupations, government will work collaboratively with industry and community organizations to develop Women's Employment Plans for the new long-term care and mental health facilities, as well as the new regional hospital in Corner Brook.

## Transportation

In 2017, we introduced a five-year plan to improve the province's roads network. It also allows us to take better advantage of our short construction season through early tendering, which leads to more competitive bidding.

By the end of last season, more than 500 lane kilometres had been paved and 360 culverts were replaced. This fiscal year, our government will match last year's roads plan budget of \$77.2 million. Tenders for many projects have already been issued, while the remaining tenders will be issued in the coming days.

Budget 2018 will allocate more than \$83 million for four major paving projects, maintenance and upgrading along the Trans-Labrador Highway from Blanc Sablon to Happy Valley - Goose Bay.

To extend the Team Gushue Highway from Kenmount Road to Topsail Road, \$13.7 million has been allocated.

Mr. Speaker, safety on provincial highways remains a top priority. Government will continue to use technology to help motorists make informed decisions before travelling. This year, \$600,000 has been allocated for highway camera operations, including the installation of four new cameras on the TCH between Port aux Basques and Corner Brook; Route 330 near Lumsden; Route 430 near Rocky Harbour; and, Route 460 leading to Stephenville.

Last year, we also announced a five-year marine infrastructure plan to provide better services at ferry ports across the province. Budget 2018 will allocate \$6.1 million for the improvement of ferry terminals and wharves and an additional \$13.5 million for vessel refits and maintenance of provincial ferries.

As we go forward, we must ensure that services such as our provincial ferry system are operating as efficiently as possible.

## Energy Resources/Nalcor Energy

Our government continues to make substantial progress in improving the transparency and accountability at Nalcor Energy. In collaboration with the Crown corporation, we have created greater certainty on the cost estimates and timelines for completion of the Muskrat Falls project.

Under the terms set by the previous administration, we are once again required to make an equity investment in Nalcor Energy. This year, that investment totals \$723.9 million and will support the completion of the Muskrat Falls Project, which is close to 90 per cent complete.

Budget 2018 allocates more than \$20 million and an additional \$13.7 million in 2019 to support an independent inquiry, led by Justice LeBlanc. The inquiry will provide a greater understanding of what led to the previous administration's sanctioning of the Muskrat Falls Project and why budgets increased from \$6.2 billion to the \$12.7 billion projected today, as well as why the schedule was consistently underestimated.

While we cannot change the past, we can learn from the mistakes and make more responsible, informed decisions that minimize the impact on rate payers.

Addressing electricity rates has been, and will continue, to be a priority for our government.

All options are being explored and may include:

- Continuing to purchase and import less expensive power via the Maritime Link and Labrador Island Link;
- Exporting surplus recall energy from the Upper Churchill;
- Bringing surplus power from Labrador across the Labrador Island Link for use on the island in 2018;

- Finding ways to use energy more efficiently, reduce peak demand, to free up capacity for exports and domestic customers; and
- Expanding customer base within the province.

Our vision for the province does not include the doubling of electricity rates. We are focused on ensuring that electricity rates are competitive with other Atlantic provinces.

Mr. Speaker, earlier in my speech, I highlighted our government's ambitious plan – Advance 2030 – to accelerate responsible development of our offshore oil industry.

Our optimism is supported by the long-term exploration programs for the various holdings in Jeanne d'Arc, Flemish Pass and Orphan basin that Statoil, Husky, ExxonMobil, Nexen Energy, and BP are undertaking. They have already submitted program descriptions to the Canadian Environment Assessment Agency.

Current exploration work commitments in our offshore oil industry total \$2.9 billion.

To maximize the true potential of our offshore oil industry, it is important that we continue to invest in seismic acquisition which defines the opportunity, attracts exploration and encourages development.

To date, outcomes of provincial investments in seismic acquisition have been exciting. We now know there are over 20 basins including several new play trends and we have identified over 650 new leads and prospects. Taking this information to the world's leading oil and gas companies has resulted in seven new entrants offshore in the last two years alone and has driven investment in exploration.

Mr. Speaker, to help realize our potential in offshore oil and gas development and to support Advance 2030, our government is committed to initiating a process that would see the oil and gas subsidiary of Nalcor Energy established as a stand-alone crown corporation. It would work directly with the Department of Natural Resources to accelerate the growth and opportunity of our petroleum industry, returning significant value to the people and economy of Newfoundland and Labrador.

# Conclusion

Mr. Speaker, Building for Our Future is a plan that will allow Newfoundland and Labrador to continue to overcome the fiscal challenges experienced today with strength, resilience and innovation to advance opportunities for industry and employment growth, and maintain our commitment to ensuring access to high quality programs and services.

It is a plan that spends less on government, and more on Newfoundlanders and Labradorians. It is a plan where every dollar is used to its fullest potential.

Our government has been focused on fiscal control, we have not increased the deficit for new spending. Despite the increases in the consumer price index and increased demand due to federal offsets we have remained on target to return to surplus and start paying on the debt. Our goal is to manage through this tough phase.

Our government fully believes that the province's future is bright. We will continue to work with industry through The Way Forward to diversify the economy and partner with stakeholders to develop opportunities for the people of Newfoundland and Labrador.

The actions we are taking today will strengthen our economy and stimulate new employment opportunities.

Our plan is working. Our future is promising.

Thank you.





