

1999 BUDGET SPEECH

NEWFOUNDLAND AND LABRADOR

“Celebrating 50 Years”

PRESENTED BY
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MINISTER OF FINANCE

AT THE
FIRST SESSION OF THE FORTY FOURTH GENERAL ASSEMBLY
OF THE HOUSE OF ASSEMBLY

MONDAY, MARCH 22ND, 1999

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FULFILLING THE PROMISE OF CONFEDERATION

Mr. Speaker, this year we celebrate our 50th anniversary of Confederation. During the last half century, we have made tremendous progress. Health care, educational opportunities, roads and other public services have all improved and expanded. Employment and incomes have grown beyond all expectations of 50 years ago. This budget demonstrates our commitment to fulfilling the promise of Confederation and strikes the necessary balance between the need for services and fiscal responsibility.



This budget is an example of the sound, prudent fiscal management we have instituted over the last three years. Because we have managed prudently, we have exceeded our financial objectives in each of these years. This has allowed us to defer to future years certain revenues due from Newfoundland and Labrador Hydro. The amount of revenue deferred to 1999-2000 is \$82 million, of which \$52 million is being deferred from 1998-99.

After taking this deferral into account, and recording an increase of \$198.6 million in net revenues, we were forecasting a surplus for 1998-99 of \$136.9 million. We have chosen to use \$132.6 million to pay off debt, prepay expenses, make strategic investments and cover other requirements, and will end the year with a surplus of \$4.3 million.

BUDGET PLAN

1998 Economic Review

Mr. Speaker, in previous budgets we said that 1996 and 1997 would be difficult years for our economy, but that growth would resume in 1998. This has proven accurate. In fact, in 1998 our economy grew by 4.4%, the greatest of any province and our strongest economic growth this decade.

A number of factors contributed to the strong performance:

- an 8.1% gain in total exports, led by the oil and fishing industries
- the first full year of operation at Hibernia which produced 24 million barrels with a market value of \$440 million
- the volume of fish landings increased 22%, and the value to harvesters reached an all time high of \$384 million
- mineral shipments grew 3.6% in value
- personal income rose by 1.5%
- retail trade expanded 3.3%
- there was a 2.3% growth in investment, and
- tourism increased from the record level of the 1997 Cabot year.

Employment growth in 1998 was better than expected, coming in at 3.1%, the highest rate of job growth of the 1990s. 6100 more people were working in the Province in January 1999 than in January 1998. Nationally, only Ontario and Alberta had stronger employment growth last year.

NEWFOUNDLAND AND LABRADOR		
Main Economic Indicators		
(percentage change)		
	<u>1998</u>	<u>1999</u>
Gross Domestic Product		
Nominal	4.3	2.8
Real	4.4	5.0
Personal Income		
Nominal	1.5	2.6
Real	1.3	1.8
Retail Sales		
Nominal	3.3	2.1
Real	4.4	1.6
Capital Investment		
Nominal	2.3	9.3
Real	3.0	7.5
Consumer Price Index	0.2	0.8
Employment	3.1	2.5
Unemployment Rate (percent)	17.9	16.9

1999 Economic Outlook

Mr. Speaker, real GDP is expected to show significant growth again in 1999. We are forecasting an increase of 5 percent, led by capital spending on resource developments and further export growth.

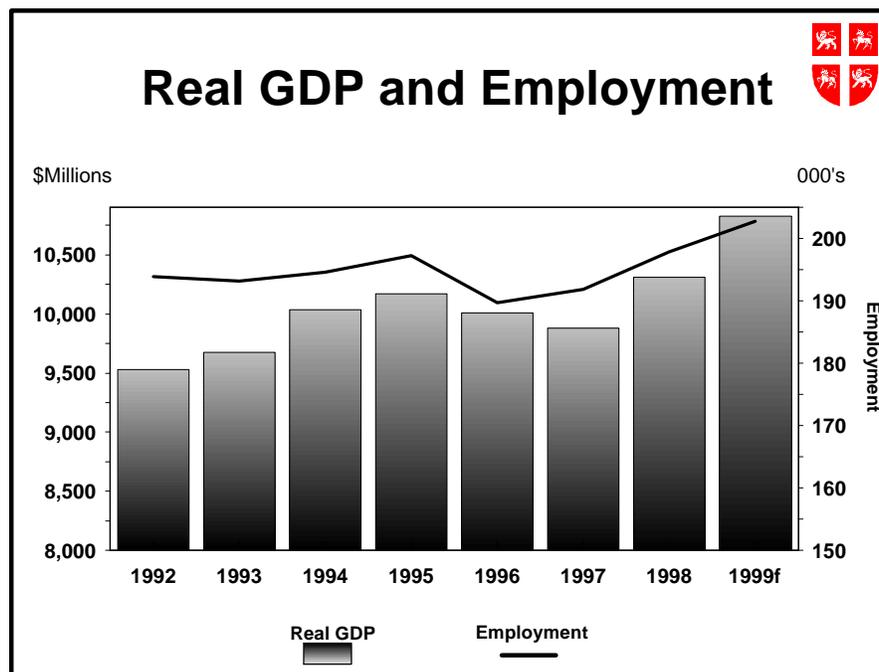
Private sector forecasters predict that our Province will again lead the country in

growth for the second year in a row.

A number of factors are fuelling this growth:

- oil production at Hibernia should double its 1998 volume, reaching an estimated 50 million barrels this year
- development of the Terra Nova oilfield this year and delineation drilling in other offshore fields
- tourism will again increase because of the Canada Winter Games and Soiree '99
- fish landings will increase due to the strength of the shellfish sector
- newsprint shipments will rebound from the strike related decline of 1998, and
- increased employment is expected in business services and high tech industries.

Employment is forecast to record a further gain of 2.5%, with a consequential decline



in the unemployment rate. Job gains, combined with moderate wage gains, should boost personal income by 2.6% and lead to greater consumer confidence and higher consumer spending.

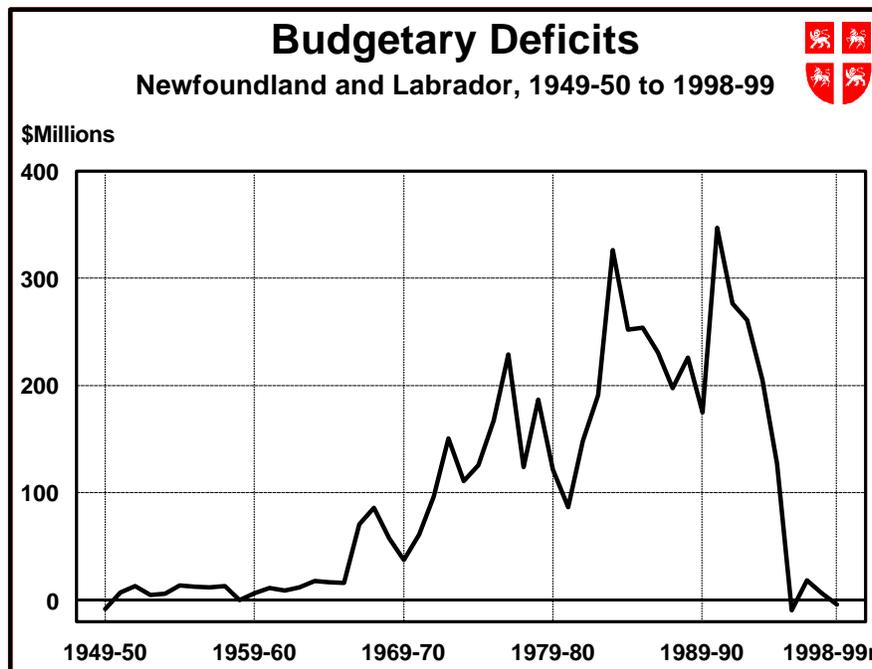
1998-99 Fiscal Performance

Mr. Speaker, last spring we forecast a \$10 million deficit for 1998-99. I am pleased to report that we are recording a surplus of \$4.3 million. This is only the second surplus recorded by any government since our first fiscal year as a Province, 1949-50. In the last three budgets our government forecast cumulative deficits of \$75.1 million. We delivered deficits of \$21 million. This is the lowest cumulative deficit recorded by any government for any consecutive three year period since the late 1950s. Taking into account the impact of inflation, the cumulative deficit of this government over the past three years is the lowest since Confederation.

Budget Deficit Target vs. Achieved			
(\$millions)			
	<u>Deficit Target</u>	<u>Achieved</u>	<u>Improvement</u>
1996-97	(44.8)	(18.6)	26.2
1997-98	(20.3)	(6.7)	13.6
1998-99	<u>(10.0)</u>	<u>4.3</u>	<u>14.3</u>
	<u>(75.1)</u>	<u>(21.0)</u>	<u>54.1</u>

The deficit was successfully reduced after the groundfishery had closed, Hibernia

construction was completed, federal transfer payments for social programs were cut by \$100s of millions and while GDP declined by 1.6% and 1.3% in two of these years. It also occurred when we provided relief to municipalities with heavy debt loads, eliminated hospital and school board debt and allocated substantial money for hospital and school construction. We, as a government, are justifiably proud of this accomplishment.



For the third consecutive year we could have recorded a substantial surplus. But our objective is to manage responsibly, not only for the current year but also to achieve sound fiscal performance in future years. By budgeting prudently and controlling expenditures, we were rewarded with strong financial results. We used these to make needed strategic investments in public services and to create additional fiscal flexibility in the coming fiscal years.

For example, while bettering our deficit targets each year, at the 1996-97 year end,

we were able to invest \$24 million to eliminate school board debt. Last year, at the 1997-98 year end, we could increase the amount for school construction to \$50 million. And this year, before the 1998-99 year end we are allocating an additional \$61 million to health care and funding other initiatives. At the same time, we have been selectively deferring revenue to future years when it will be needed to fund public services.

SUMMARY OF 1998-99 FINANCIAL PERFORMANCE			
(\$millions)			
	Budget	Revised	
	<u>1998-99</u>	<u>1998-99</u>	<u>Variance</u>
Current Account			
Gross Expenditure	3,166.3	3,283.8	(117.5)
Related Revenue	<u>226.6</u>	<u>175.6</u>	<u>(51.0)</u>
Net Expenditure	2,939.7	3,108.2	(168.5)
Provincial and Federal Revenues	<u>3,063.1</u>	<u>3,268.0</u>	<u>204.9</u>
Current Account Surplus	<u>123.4</u>	<u>159.8</u>	<u>36.4</u>
Capital Account			
Gross Expenditure	242.2	288.3	(46.1)
Related Revenue	<u>138.8</u>	<u>132.8</u>	<u>(6.0)</u>
Net Expenditure	<u>103.4</u>	<u>155.5</u>	<u>(52.1)</u>
Contingency Reserve	30.0	-	30.0
Total Budgetary (Deficit)/Surplus	<u>(10.0)</u>	<u>4.3</u>	<u>14.3</u>

Strategic Year End Investments

For 1998-99, federally estimated revenues were up by \$195 million, while other provincial revenues were up by \$10 million for a total revenue increase of \$205 million.

Government has used this additional revenue and the resulting flexibility to do several things:

- pay off the debt of health care boards
- further assist with municipal debt restructuring
- make strategic investments, particularly in health care and education
- fulfill funding commitments to the post-TAGS program and the MUN Opportunity Fund, and
- defer accumulated revenues due from Newfoundland and Labrador Hydro until 1999-2000.

Government determined that using these funds to reduce existing future obligations is the most prudent and responsible course of action. The money is being spent where it is most needed and in a manner consistent with our stated priorities.

1999-2000 Fiscal Outlook

Mr. Speaker, for 1999-2000 our priorities remain health care, education and helping those most in need. We believe these reflect the priorities of our people. We believe this budget strikes the right balance between the need for programs and services and the need for sound financial management.

This, of course, is the most difficult part of budget making. We do not have sufficient revenues to satisfy every demand. Although our economy should perform well, this will not translate into large revenue gains next year. Federal transfer payments, up sharply because of large prior year adjustments in 1998-99, will likely be lower in 1999-2000. We face growing expenditure pressures from many sectors just to keep providing existing service levels. Finding the right balance between demand for services and ability to pay is the only way to ensure that important public services can be maintained and enhanced over the longer term. The right balance will help create the conditions for sustainable balanced budgets in the future.

The right balance in 1999-2000 is to run a modest deficit. This permits us to deliver our commitments to priority programs and services, to avert service cuts and layoffs and avoid higher taxes. There are no tax increases and no new taxes in this budget.

ESTIMATED BUDGETARY POSITION		
(\$millions)		
	Estimates	Revised
	<u>1999-00</u>	<u>1998-99</u>
Current Account		
Gross Expenditure	3,277.2	3,283.8
Related Revenue	<u>346.5</u>	<u>175.6</u>
Net Expenditure	2,930.7	3,108.2
Provincial and Federal Revenues	<u>3,030.5</u>	<u>3,268.0</u>
Current Account Surplus	<u>99.8</u>	<u>159.8</u>
Capital Account		
Gross Expenditure	258.4	288.3
Related Revenue	<u>155.3</u>	<u>132.8</u>
Net Expenditure	<u>103.1</u>	<u>155.5</u>
Contingency Reserve	30.0	-
Total Budgetary (Deficit)/Surplus	<u><u>(33.3)</u></u>	<u><u>4.3</u></u>

Our deficit is forecast to be \$33.3 million. This is modest. It does not signal a return to the era of high deficits and mounting debt that preceded the 1995-96 fiscal year. The facts speak for themselves. Prior to 1995-96, a \$33.3 million deficit would be lower than any achieved for any fiscal year since 1965-66, lower than any deficit in almost 30 years. We are including a \$30 million contingency reserve. If the reserve is not used, we will, for all practical purposes, have a balanced budget.

Public Sector Pensions

In 1998-99 with the cooperation of our public servants, we succeeded in addressing the unfunded liabilities in our public sector pension plans. Government contributed \$196 million to the plans in 1998-99, and over the next five years we will contribute an additional \$670 million. These amounts are over and above our regular annual pension obligations. Government is contributing its portion of the unfunded liability and will continue to do so until all its obligations are met. Some of our employees have agreed to reduced benefits and with us are contributing higher premiums.

INVESTING IN PEOPLE

Strategic Social Plan

Mr. Speaker, the wide ranging expressions of support for the Strategic Social Plan, both provincially and nationally, have reinforced the importance of this initiative.

A number of key objectives have been established for the Strategic Social Plan this year. These include:

- commencing implementation in the Central region of the Province
- establishing a flexible initiatives fund to support demonstration projects
- developing a framework for the social audit, and
- creating linkages among government departments to support coordinated approaches to social and economic development.

We have allocated \$2 million to support implementation of the Strategic Social Plan.

\$1.2 million of this will be committed for prevention, early intervention and community capacity building. The development and implementation of the Strategic Social Plan allows us to work cooperatively with community groups in addition to our traditional approaches to addressing social issues.

Work will commence this year on a new Strategic Economic Plan that will take into account the directions of the Strategic Social Plan to strengthen social and economic links.

Health

Mr. Speaker, health care is our largest expenditure, accounting for nearly \$1 of every \$3 we spend on all programs and services. In 1996 when this government was forced to institute cost savings to achieve an acceptable financial position, health care was the only sector that received additional funding. In 1997-98 we added \$20 million to the health care budget and a further \$10 million in 1998-99.

Stabilizing the Financial Situation of Boards

\$40 million is being provided in this budget to eliminate the deficits that Regional Health and Community Service Boards have accumulated as of the end of March 1998.

A further \$15 million will be added to the base budgets of Boards in 1999-2000, bringing total base increase since 1997-98 to \$45 million. This will provide \$225 million in additional funding over a five year period.

Strategic Investments in Equipment

An additional \$21 million will be allocated for hospital equipment, including \$6 million to cover the cost of ensuring all Boards have a common financial system to provide accurate and timely financial information.

Investment in Facilities

Close to \$90 million will be spent to continue construction of hospitals in St. John's, Happy Valley - Goose Bay, Gander and Harbour Breton, and to provide new health care facilities in Stephenville, Fogo Island, Bonne Bay, Grand Bank, Old Perlican and Grand Falls - Windsor. Planning will also continue on the Dr. G.B. Cross Hospital in Clarenville.

Physician Recruitment

\$4.1 million will be provided to recruit a further 35 salaried physicians.

Community Services

\$1.3 million is allocated to implement the new Child, Youth and Family Services Act. \$900,000 will be provided over the next three years for the Provincial Tobacco Reduction Strategy.

Drug Program

An additional \$1.8 million will cover the cost of new drug therapies.

Accountability Framework

Mr. Speaker, these investments clearly demonstrate our commitment to health and community services. At the same time, however, we must ensure that hospital boards and other agencies do not incur deficits in the future. We will, therefore, put in place a new accountability framework for all boards and agencies. The accountability framework will maintain the role of boards while implementing new reporting procedures including approval of annual budgets and operating plans. Departments will take greater responsibility for monitoring the performance of boards and providing feedback to them. We will seek the advice of our boards, agencies and departments in devising and implementing our accountability framework.

Health Forum

Government is committed to the best quality health and community services system; one that is affordable, efficient and accountable. My colleague, the Honourable Minister of Health and Community Services will hold a health forum later this year to establish our future health priorities.

Education

School System

Mr. Speaker, we are proceeding with educational reform. School consolidation is happening, not primarily because of educational reform, but because of declining enrolment. The challenges we face because of declining enrolment would be far more difficult to deal with if, instead of a single system with fewer students, we faced three separate denominational systems each with fewer students.

School Board Grants

There will be no reductions in school board operating grants as a result of declining enrolments. School board budgets will remain unchanged and school boards can retain savings from the consolidation of schools to facilitate the consolidation process and to reinvest in the classroom.

In 1996 government gave a commitment to eliminate accumulated school board deficits so all boards could go into consolidation debt free. To complete this, a residual payment of \$1.2 million is provided this year, bringing the total government contribution to school board debt elimination to \$25.2 million.

Teacher Allocations

Mr. Speaker, declining enrolments would normally, under the existing formula, result in a reduction of 418 teachers for the 1999-2000 school year. We are pleased to announce that 236 teaching units have been added back to the system. Government's decision not to reduce teachers in proportion to declining enrolment in 1998-99 and now again in 1999-2000 means the Province has the best pupil teacher ratio in the country. In contrast, in most other provinces the ratio has increased. In 1991-92 our pupil teacher ratio was identical to the Canadian average, 15.2. In 1996-97, the latest year comparative figures are available, the Canadian average had climbed to 16.1 while ours had improved to 14.5.

Student Assistants

In 1999-2000 government will maintain funding of \$7.4 million for student assistants, even though enrolments are declining, to improve the educational experience of students with special needs. Special needs children will be fully aware, before they leave school in June, of the level of service available for them in September.

Investing in School Buildings

Last year government established the Newfoundland and Labrador Education Investment Corporation to address the need for new school buildings, better air quality and refurbishing of existing facilities. The original amount allocated last year of \$50 million has now been increased by a further \$75 million, for a total of \$125 million. This is the most significant school construction program undertaken since Confederation. All projects are expected to be completed for the September 2001 school year. 16 new schools will be built, 6 others will be redeveloped and about 100 other schools repaired or refurbished.

Post-Secondary System

We are also taking several initiatives to provide additional resources for post-secondary education.

Operating Grants

In order to ensure that programs of study at Memorial University of Newfoundland and at the College of the North Atlantic are maintained at an acceptable level, the operating grants to both these institutions will be increased.

MUN will receive an additional \$7 million which will increase its operating budget to \$106 million. We will fulfill our current commitment to the MUN Opportunity Fund by

contributing \$9 million before the end of the fiscal year. To date the university has raised \$15.3 million and the Province has now matched this amount in full.

The annual grant to the College of the North Atlantic will increase by \$4.9 million to \$45.4 million - an increase of 12%. In addition, \$1.2 million is provided for Phase I for redevelopment of the Prince Philip Drive campus of the college.

While the funding increases will ensure the continued delivery of quality education, they will also enable those institutions to freeze tuition fees at existing levels for at least the next two years. This tuition freeze will be reviewed no earlier than 2001. This will encourage students to pursue studies at the university and college with greater certainty about the cost of their education and with less debt on graduation.

Awards Program

The Awards Program established last year also reflects government concern about student debt levels. The \$4 million fund is paying over 4000 scholarships of \$500 to \$1,000 each to post-secondary students in 1998 and 1999. It is serving to bridge the gap for many of our present students before the new federal Millennium Fund begins scholarship payments in 2000.

Literacy

Last year government prepared a Strategic Literacy Plan to provide people with the necessary basic literacy skills to avail of employment opportunities. We are committing \$500,000 this year to commence implementation.

Community Access

We are allocating \$6 million over the next two years under a federal-provincial agreement to increase public access to the internet, primarily through public libraries.

Helping Those Most in Need

Mr. Speaker, on April 1 last year we completed the transformation of the former Department of Social Services into the Department of Human Resources and Employment. We are committed to fundamentally changing the way government formulates income support and employment policies and delivers these services. During the past year, the department has begun to redesign income support and employment programs and services. While it will take several years to complete all aspects of the transformation, we are already reaping positive results from a number of initiatives and changes.

New Employment Opportunities for More Families

The social assistance caseload declined by 6% between 1997 and 1998, and is currently at its lowest point since July 1993. In large part, this reflects increased employment opportunities, as well as labour market initiatives partnered by the federal and provincial governments.

Canada/Newfoundland Labour Market Development Agreement

In 1998-99 over 5,000 sustainable jobs were created and over 1,200 social assistance clients received counselling, training and employment assistance under the Canada/Newfoundland Labour Market Development Agreement. Government expects an extension of the agreement this year which will provide a further \$232 million for labour market programs over another two years.

Single Parent Association

A pilot project commenced last year in partnership with the Single Parent Association of Newfoundland, assisted single parents on social assistance to increase their employability skills and find jobs. This project will receive another \$500,000 in 1999-2000 to assist a further 120 clients.

NewfoundJOBS

A new pilot employment program will be implemented this year called NewfoundJOBS. It will be funded at \$2 million to assist over 500 social assistance clients enter or re-enter the labour market to find long term sustainable jobs.

Earnings Exemption

The earnings exemption for social assistance clients will be increased to \$75 a month for single persons and \$150 month for couples and families. This will provide them with an additional \$750,000 over five years and will allow clients to become more independent by finding part time work that will increase their monthly incomes.

Income Tax Refunds

Commencing this year social assistance clients will be allowed to keep the first \$500 of any income tax refund they receive, an increase of between 3 and 11 times what they now retain. This substantial increase will support over 3000 clients in their efforts to find and retain employment. This will leave social assistance clients with an additional \$3.5 million over five years.

Drug Card Coverage

Clients who leave social assistance for employment opportunities will have their drug card coverage extended from three to six months to assist them to make a successful transition to financial independence.

Assistance to Unemployed Workers

The budget also provides \$5.7 million for a range of initiatives to assist unemployed workers find and maintain employment or to start their own business.

Employment for Persons with Disabilities

\$8.2 million is allocated under the federal-provincial Employability Assistance for People with Disabilities Agreement to provide employment programs for people with disabilities. \$500,000 is also provided under the Opening Doors Program to give individuals with a disability the opportunity to find work in the public sector.

Children & Youth

Youth Employment

This Province has won a national innovation award for its Student Work and Service Program. In 1999-2000, we will provide \$2 million through this program to create about 2,000 jobs for post-secondary students, including about 500 jobs created through partnerships with MUN and the College of the North Atlantic.

A further \$5.5 million is allocated to assist youth find their important first job and gain work experience and assist post secondary students find cooperative work placements.

National Child Benefit

On July 1, 1998 we participated, with other provinces and the federal government, in the launch of the National Child Benefit. We made a commitment to a \$10 million Provincial Re-Investment Program. This year the program will move from planning to implementation, with \$2.6 million provided to annualize the cost of the Province's program. This is leading to improved infant child care and family child care services, expanded family resource centre programs and community based youth networks, adding to our resources for prevention and early intervention. These programs will assist children of low income families realize their potential.

Youth Remand Centre

The Province needs adequate facilities to properly care for young offenders. As Minister of Justice, I am pleased to announce \$1.8 million is provided to commence construction of a new \$4.5 million Remand Centre for young offenders to replace the outdated facility.

Minimum Wage

All sectors of society must help families regain their independence and give youth a good start in their working lives. With our economy performing well, there is a broad consensus across the Province that the minimum wage should be increased.

Government is therefore announcing that the minimum wage will increase by 25 cents

from \$5.25 to \$5.50 an hour, effective October 1, 1999. This will raise our minimum wage to a level comparable with the Maritime Provinces. This is an appropriate and timely increase that will ease the burden on low income workers while not imposing undue financial hardship on the business community and employers generally.

International Year of the Older Person

In 1999 we celebrate the International Year of the Older Person. Four senior showcases, entitled "Showcase '99 - Celebrating Our Age", will be held throughout the Province. These events will include entertainment, healthy aging seminars and a trade show of goods and services of interest to older persons.

The clothing and personal comfort allowance for about 3900 seniors living in personal care homes will increase from \$110 to \$125 per month, putting \$3.5 million more into the hands of seniors over the next five years.

Low Income Seniors' Benefit

We also recognize the concerns of many of our low income public service pensioners. Public sector pensions have never had an indexing component. This has never been negotiated in any collective agreement. Neither public sector pensioners, employees or government have ever made contributions toward such a program. However, government is prepared to discuss seriously, the merits of an indexing proposal during the next round of collective bargaining.

Public sector pensioners have made it clear that those persons with the smallest pensions are those most in need. This is true no matter who their former employer

was. All low income seniors in the Province face hardship. In this International Year of the Older Person, government has chosen to assist not only public sector pensioners, but all low income seniors.

We are therefore introducing a new provincial Low Income Seniors Benefit. All seniors aged 65 and over with annual family income less than \$12,000 will receive a cheque in the amount of \$200 each year. This will reduce by \$25 for every \$1,000 of income up to \$20,000. This program will benefit 34,000 seniors, almost 55% of the 62,000 seniors who live in our Province. 22,600 of the beneficiaries will be women. At least 2,000, or one third, of public service pensioners over 65 will be eligible for the Seniors' Benefit. The new Seniors' Benefit will put \$25.5 million into the hands of our low income seniors over the next five years.

Local Government

Many of our communities are in transition, while many others have inherited a financial situation that is difficult to manage. Government will assist communities to take advantage of their opportunities to become more independent and self reliant.

Debt Relief Program

A significant number of municipalities have already benefited from the Debt Relief Program. Before year end, government will provide an additional \$5 million to help more towns achieve financial stability. With this new contribution, government will have provided a total of \$17 million over the last three years for municipal debt relief.

Municipal Operating Grants

To give municipalities the financial benefits of stable and predictable funding, Municipal Operating Grants will be maintained at \$21.5 million. This will provide an additional \$3 million in 1999 and \$9 million in 2000 to our municipalities.

Special Assistance Program

The budget also provides \$3.3 million to maintain the Special Assistance Program designed to help municipalities cope with emergency situations such as natural disasters.

INVESTING IN INFRASTRUCTURE

Mr. Speaker, Confederation brought tremendous advances in the level of public infrastructure in this Province. It is fitting that in this year when we celebrate the 50th anniversary of Confederation this government is undertaking one of the most broadly based programs of construction on hospitals, schools and other public buildings, highways and other infrastructure than at any time since joining Canada.

- Close to \$90 million will be spent on hospital construction in 1999-2000, for a total of over a quarter of a billion dollars invested or committed since 1996.
- \$75 million will be added in 1999-2000 to the \$50 million in last year's budget, for a total of \$125 million invested in schools, the largest school construction program ever.
- \$118 million will fund the biggest highway construction program ever undertaken in the Province.

Local Government

Municipal Capital Works Program

A new Multi Year component is being added to the Municipal Capital Works program. The \$120 million planned consists of \$20 million for the regular program and \$100 million over two years for a new Multi Year component which will be cost shared 50/50 by the provincial and municipal governments with the necessary fiscal capacity. The program is designed to provide for more comprehensive and lower cost infrastructure development for water and sewer, waste management facilities and roads by completing the work in a shorter time.

St. John's Civic Centre

Today, we confirm our commitment to contribute \$16 million towards the construction of the St. John's Civic Centre. No cost overruns, as agreed with the City of St. John's, will be permitted.

Contaminated Sites Clean Up

Investing in the Province's infrastructure includes taking care of the environment. The budget provides \$820,000 for the evaluation and clean up of six contaminated sites. Four are former military sites, two in Labrador at North West Point and Hopedale, and two on the Port au Port Peninsula at Jerry's Nose and West Bay. The funding will also permit the safe disposal of PCB contaminated material stored at Baie Verte and Foxtrap.

Roads and Transportation

Last year government undertook its largest provincial highway construction program to that time, \$108 million. This will be exceeded this year. Highway construction on the island and in Labrador will reach \$118 million, the highest level ever in the history of the Province.

Trans Labrador Highway

We will complete phase I of the Trans Labrador Highway this year at a cost of \$10 million, bringing the total cost over 3 years to \$53 million.

Pending approval of an Environmental Impact Statement, we will start construction this summer on phase II. This road from Red Bay to Cartwright has a projected total cost over 4 years of \$130 million, with \$36 million to be spent this year.

Provincial Roads

On the island, \$56 million will be spent on improving the Trans Canada Highway and regional trunk roads.

Government has allocated \$16 million in 1999-00 to upgrade and rebuild other highways.

Ferry Service

Construction will commence this year on a new \$3 million ferry terminal at Farewell, the mainland terminal for the Fogo/Change Islands Ferry Service, and is expected to be completed next year.

Cultural Infrastructure

Task Force on Cultural Infrastructure

In recognition of the importance of our cultural heritage, a Task Force on Cultural Infrastructure has been struck to advise on developing new facilities for the Provincial Museum and Archives and for the Art Gallery of Newfoundland and Labrador.

Refurbishing Historic Sites

Government is also commencing a process of refurbishing provincial historic sites, starting with the Bonavista lighthouse.

INVESTING FOR GROWTH

Mr. Speaker, with two thirds of all government spending devoted to social programs, we must not forget that government also has a role in ensuring the Province is an attractive and prosperous place to do business.

Tax Climate

In order to encourage economic growth, government must create an environment which attracts and sustains business activity. A competitive tax climate is an important component and Government is committed to a regime which promotes investment and employment.

Corporate income tax rates in Newfoundland and Labrador are among the most

competitive in Canada. In 1997, this government introduced the Harmonized Sales Tax, or HST. This major tax reduction initiative cut taxes by \$105 million per year. In addition to lowering the sales tax rate for consumers by almost 5%, the HST removes sales tax from business purchases. This reduces costs and makes our businesses more competitive.

Payroll Tax Threshold

In 1998, this government increased the exemption threshold for the payroll tax from \$100,000 to \$120,000. This measure removed 225 businesses from the tax rolls and reduced the tax burden for all employers. These measures contribute to our economic growth.

Acting on our commitment to reduce the payroll tax, I am pleased to announce that effective January 1, 1999, the exemption threshold for the payroll tax will be further increased - from \$120,000 to \$150,000. This means 525 businesses have been removed from the tax rolls over the past two years and all employers will share in a \$2.5 million tax reduction.

Rural Renewal

All regions of the Province must benefit from economic development initiatives. Government is partnering with Regional Economic Development Boards, the federal government and the private sector to advance growth in all areas. We have achieved significant success in turning our economy around.

To maintain the progress which has been achieved in regional economic development

and in small business development, and to ensure economic diversification in rural communities, particularly those hard hit by the groundfish moratorium, this budget commits new resources through federal-provincial funding under the post-TAGS economic development program. A total of \$81 million has been allocated by both governments over three years with \$28 million to be spent in 1999-2000. This funding will be targeted in conjunction with the priorities of the Regional Economic Development Boards and initiatives led by the private sector.

In addition, \$5.7 million is allocated for regional economic development in 1999-2000 under existing federal-provincial agreements.

Tourism

The tourism potential of Newfoundland and Labrador is immense. Our tourism industry has experienced considerable growth in recent years. This momentum will continue in 1999 as we celebrate Soiree '99, the 50th anniversary of Confederation. An additional \$1.4 million is committed for this event.

In order to ensure tourism visits continue to increase, we must aggressively promote Newfoundland and Labrador as a world class destination. In order to achieve this, the tourism marketing budget is being doubled from \$1.8 million to \$3.6 million annually.

In 2000 the momentum will continue as the Province launches the Viking 1000 celebrations. \$2.6 million has been allocated for planning, events and marketing.

Tourism creates economic activity and jobs. This budget commits funds to develop tourism products and build infrastructure to ensure that the experiences of those

visiting Newfoundland and Labrador are memorable. Over the next three years the federal and provincial governments will provide \$11.5 million for the development of snowmobile trails, \$5.9 million on the island for the Integrated Snowmobile Trail and \$5.5 million for the Labrador Trail Initiative. This funding is in addition to ongoing development of the Newfoundland T'Railway and East Coast Trail.

To build on the invaluable tourism exposure the Province received from hosting the 1999 Canada Winter Games, government is committing \$300,000 for two more World Cup Triathlon races in Corner Brook in 1999 and 2000. Government is also committing \$150,000 toward hosting the 2000 Commonwealth Judo Championships in Stephenville.

Petroleum

Newfoundland and Labrador is a Province rich in natural resources. The promise of a dynamic petroleum sector had its beginnings with the Hibernia development. Hibernia is now in production with 24 million barrels of crude produced in 1998 and an expectation that production will double to 50 million barrels in 1999. This year, for the first time since 1988, two drill rigs will engage in exploration in our offshore.

The Terra Nova project is on schedule to produce first oil in 2000. We are confident that the Hebron/Ben Nevis and White Rose fields will be developed in the near future. The \$200 million transshipment facility at Whiffen Head is operational with a \$65 million expansion planned to prepare for Terra Nova oil. We have now moved to an era of a multi-development industry which is making a substantial contribution to the economy of this Province.

This government is committed to ensuring that development of those resources

progresses in a responsible manner which provides full and fair benefits for the people of the Province.

In order to effectively regulate this new industry and ensure that Newfoundlanders and Labradorians fully benefit from the opportunities which are available, government is increasing the annual operating budget of the Department of Mines and Energy by almost \$1 million. This increased funding will be used, among other things, to provide additional professional staff including petroleum geologists, engineers and financial analysts.

Mining

Mineral resources continue to play a key role in the economy of this Province. Future prospects for the growth of the mining sector are very promising given our mineral endowment and a growing junior mining sector. We recognize that the most critical element in developing mineral resources is exploration.

Mineral Exploration Program

To attract the investment necessary for mineral exploration, government will implement a three year, \$6 million Mineral Exploration Program in support of junior mining companies and prospectors based in Newfoundland and Labrador. The program will provide for matching funds to be spent by the industry and will result in an additional \$12 million being invested in the mining sector over the next three years.

There are four components to the Mineral Exploration Program:

- an expanded Prospectors Assistance Program with annual funding increasing to \$250,000
- a new Junior Company Exploration Assistance Program with annual funding of \$1.5 million
- a new Dimension Stone Incentive Program with annual funding of \$250,000, and
- an enhanced Promotion Program with annual funding increasing to \$250,000.

Fisheries and Aquaculture

Independent small boat harvesters have an important role to play in the recovery and diversification of the fishery. In order to enhance their ability to participate in this new fishery, I am pleased to announce the removal of the \$50,000 minimum loan amount under the Fisheries Loan Guarantee Program. This will enhance access to government guaranteed loans through commercial banks by small boat fishers.

Newfoundland and Labrador Legacy Nature Trust

The Province's outdoor resources are priceless from both a commercial and recreational point of view. As steward of these resources, government must conserve them for future generations. The Province will contribute \$1 million to the Newfoundland and Labrador Legacy Nature Trust. This trust will be established as a non-profit agency with a mandate to raise funds nationally and internationally to finance conservation projects in Newfoundland and Labrador.

THE NEXT 50 YEARS

Mr. Speaker, 1999 is a time for us to look back over the last 50 years and celebrate the choice we made in becoming Canadians. Who living here 50 years ago could have imagined the changes that were wrought? We have preserved our identity and gained the privilege of being called Canadians, citizens of one of the most respected countries in the world, admired internationally for our quality of life.

It is time to look ahead, too, to the next 50 years and the changes they will bring. We believe Newfoundlanders and Labradorians have every reason to be optimistic. There will be challenges certainly. But there will also be opportunities. More opportunities, perhaps, than at any time in our history. Opportunity to avail of some of the best social programs in the world; universal health care, publicly funded education and equitable social programs. Opportunity to participate in a prosperous, growing, diversified economy. Opportunity to contribute in an open and free society to our community, our Province and our country. That is as good a measure as we can ever have of what being Canadian has meant to us in the past and its value in the future. So let us celebrate our first fifty years as Canadians with the realization of its value and a commitment to do our part so the generation 50 years from now will celebrate our contribution to Newfoundland and Labrador and this great Canadian Confederation.