

1997 BUDGET SPEECH

TABLE OF CONTENTS

1. KEEPING OUR COMMITMENTS	1
2. OUR BUDGET PLAN	1
Economic Performance in 1996	1
Economic Outlook: the Next Three Years	3
Meeting Our Deficit Target - 1996-97	4
Program Review	6
The Three -Year Fiscal Plan	6
Public Debt	9
Pensions	10
Human Resource Impacts	11
Sales Tax Harmonization	12
3. PRIORITIES: PUTTING SOCIAL PROGRAMS FIRST	13
Health Care - Our First Priority	13
Education - A New Beginning	15
Social Services and Employment - Renewing the Social Safety Net . . .	17
Children and Youth	19
Social Housing	21
Local Services	22
Policing: Sharing the Burden	24
4. PRIORITIES: PARTNERING FOR DEVELOPMENT	24
Ownership and Subsidies of Commercial Operations	25
Transportation	26
Full Benefits From Our Resources	26
5. SOUND PUBLIC FINANCES FOR A GROWING ECONOMY	27

APPENDICES

STATEMENTS

EXHIBITS

1. KEEPING OUR COMMITMENTS

Mr. Speaker, today the Government presents its second Budget. It is a Budget of firsts for this Province. It is the first time Government will set out a three-year financial plan. It is the first time Government has consulted comprehensively with its employees to improve services and save taxpayers' money. It is the first time Government has so clearly set priorities for our Province's future.

This Budget is about choices: where to achieve savings and where to make investments. It is about establishing priorities. It is about consultation with the people of the Province. It is about making choices. We have listened, we have considered, and today we are acting.

We are acting in a way that is both fiscally and socially responsible. We cannot continue borrowing and adding to the public debt. On the other hand, we cannot balance the books with ill-considered cuts that threaten health care, education and social safety nets. While we have identified savings, we have also identified necessary new investments.

While we must move to reduce and eliminate the deficit, we must re-invest part of our savings in the highest priorities - health care, education, helping those most in need, and revitalising our economy.

2. OUR BUDGET PLAN

Economic Performance in 1996

Mr. Speaker, the winding down of Hibernia construction and the continued closure of the groundfishery caused declines in real gross domestic product, employment

and personal income in 1996. However, these declines were less than anticipated. For example, real GDP declined by 2.1 percent, compared to a forecast decline of 4.3 percent.

There are reasons for this improved economic performance. New home construction increased 18.8 percent. The volume of newsprint shipments remained high. Fish landings grew by about 30 percent. The value of seafood exports rose by about five percent. Mineral shipments increased 6.1 percent and mineral exploration reached a record \$91 million. Two new gold mines and a gypsum mine began production. The manufacturing sector grew for the fourth consecutive year to \$1.6 billion.

	<u>1996</u>	<u>1997</u>
Gross Domestic Product		
Nominal	-2.5	-4.4
Real	-2.1	-2.7
Personal Income		
Nominal	-1.7	-2.3
Real	-3.2	-2.9
Retail Sales		
Nominal	-1.2	-2.3
Real	-2.5	-2.9
Capital Investment		
Nominal	-18.2	6.0
Real	-16.4	7.0
Consumer Price Index	1.6	0.6
Employment	-3.9	-1.9
Unemployment Rate (percent)	19.4	20.5

Economic Outlook: the Next Three Years

The Province's economy is expected to decline in 1997, and then begin to grow. Petroleum and mining will lead the way. Hibernia will start production this year. The



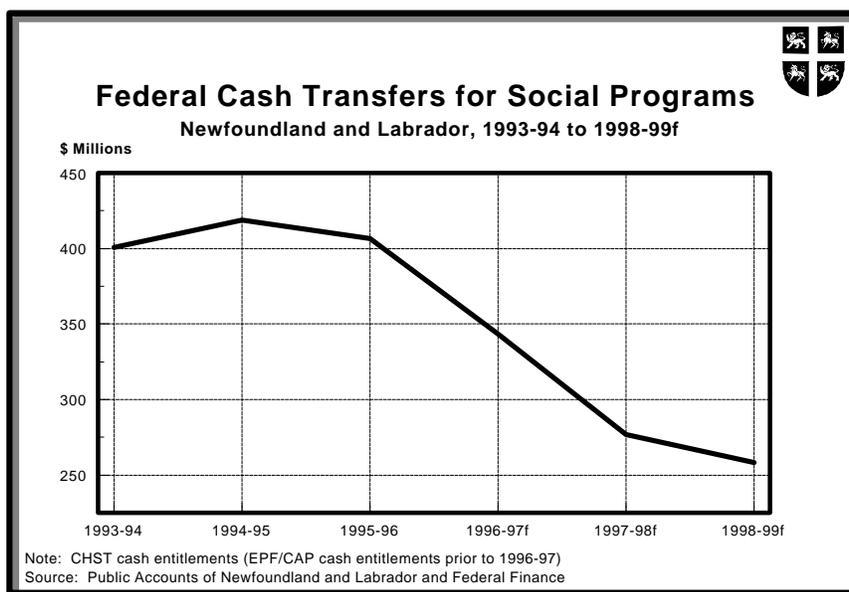
Terra Nova and White Rose oil projects, the Voisey's Bay mine, mill, smelter and refinery, and the oil transshipment terminal at Whiffen Head are all proceeding.

Mineral output will increase, particularly in iron ore and gold. We are starting to recover from the fishery crisis. Aquaculture will grow. Diversification in the fishery will continue. Landings are expected to increase, particularly shrimp, capelin, and crab. The groundfishery will recover slowly. Newsprint exports are forecast to rise. Advanced technologies - such as marine communications - will spur further growth

in new industries. The Cabot 500 Celebrations will increase the number of non-resident tourists by at least 20 percent. There are 40,000 visitors booked for conventions in St. John's alone, compared with 15,000 on average in past years. This is an increase of more than 250 percent.

Our Province's prospects are good for 1998 and beyond. Yet, the financial situation remains difficult. We are forecasting declines in economic indicators in 1997, including a decline in real GDP of about 2.7 percent. Real personal income will fall by 2.9 percent, partly because of the reductions in TAGS payments.

In light of this, and reduced federal transfers, Government must make choices. Our



public debt is high. Our ability to borrow responsibly is limited. We must achieve savings while maintaining vital public services. We must live within our means.

Meeting Our Deficit Target - 1996-97

Mr. Speaker, last May, we set a deficit target of \$44.8 million. Indeed, Mr. Speaker, the deficit is less than predicted, and will now come in at \$29.2 million. Other than 1995-96, which benefited from one-time revenues, this is the lowest deficit since 1965-66. It is the best fiscal performance our Province has achieved in 30 years.

Table 2

SUMMARY OF 1996-97 FINANCIAL POSITION

(\$ millions)

	<u>Budget</u> <u>1996-97</u>	<u>Revised</u> <u>1996-97</u>	<u>Variance</u>
Current Account			
Gross Expenditure	3,207.4	3,205.9	1.5
Related Revenue	<u>208.3</u>	<u>172.4</u>	<u>(35.9)</u>
Net Expenditure	2,999.1	3,033.5	(34.4)
Provincial and Federal Revenues	<u>3,060.5</u>	<u>3,135.0</u>	<u>74.5</u>
Current Account Surplus	<u>61.4</u>	<u>101.5</u>	<u>40.1</u>
Capital Account			
Gross Expenditure	200.5	239.2	(38.7)
Related Revenue	<u>124.3</u>	<u>108.5</u>	<u>(15.8)</u>
Net Expenditure	<u>76.2</u>	<u>130.7</u>	<u>(54.5)</u>
Contingency Reserve	30.0	-	30.0
Total Budgetary Requirement	<u>44.8</u>	<u>29.2</u>	<u>15.6</u>

Firm expenditure control and some favourable fiscal developments contributed to this improvement in our fiscal position for 1996-97. Firm expenditure control reduced spending by \$40 million. Personal and corporate income taxes increased \$47.5 million. Lower interest costs resulted in a \$16 million saving. Federal transfer payments increased by \$27.7 million.

Mr. Speaker, we have used these improvements in the fiscal situation this year wisely. We have used this money to pay down debt, and to make needed investments, particularly in health care and education. These will be detailed in the course of the Speech. None of this, however, alleviates the necessity to achieve significant savings in the next three years to maintain fiscal viability.

Mr. Speaker, we will build on this year's success. We are committed both to achieving a balanced budget that can be sustained year after year, and to maintaining health, education and other social priorities.

Program Review

In order to achieve these goals, Government conducted a critical evaluation of all public sector activities. This was done through Program Review, announced in last year's Budget.

Program Review applied three tests to all Government activities:

1. Does the program fulfil a public interest?
2. Is it efficient?
3. Is it affordable?

These tests were applied not only to Government programs, but also to more than 200 external bodies and agencies in which Government is involved. In last year's Budget, we announced the elimination of over 20 of these agencies. This year, following Program Review, an additional 20 such agencies will be eliminated, merged, or called on to realise major efficiencies.

Mr. Speaker, Program Review was the means to involve public servants in all departments and agencies in a critical re-examination of what Government does and how it spends public money. It was the means to renew the structure and operations

of Government to reflect our priorities. It was a searching internal consultation on the role and function of Government.

The Three-Year Fiscal Plan

Mr. Speaker, Government also sought input from people throughout our Province . The Pre-Budget Consultation paper laid out the deficit forecast for the next three years. It pointed toward areas where savings could be achieved. The facts were clear: if we did not act decisively now, in this Budget, hundreds of millions would be added to the Province's debt over the next three years.

In the Pre-Budget Consultation, the public told us: don't raise taxes. They told us: health care, education and helping the most needy are our top priorities. But, Mr . Speaker, one thing was made clear to me everywhere that I went: it's time to end the cycle of deficits and debt. It's time to end the uncertainty. In the 1997-98 Budget, we are doing all of these.

Today, Government is putting forward a three-year plan to achieve a balanced Budget. The deficit will be reduced to \$20 million in 1997-98, \$10 million in 1998-99, and we will achieve a sustainable balanced Budget in 1999-2000. This represents new borrowings over three years - if indeed these borrowings are necessary - of up to \$30 million. These low levels of borrowing have not been seen since the early 1950s. By contrast, governments borrowed on average \$137 million a year in the 1970s and \$208 million a year in the 1980s to finance deficits. Mr. Speaker, our plan calls for deficits to be reduced, and then to be eliminated.

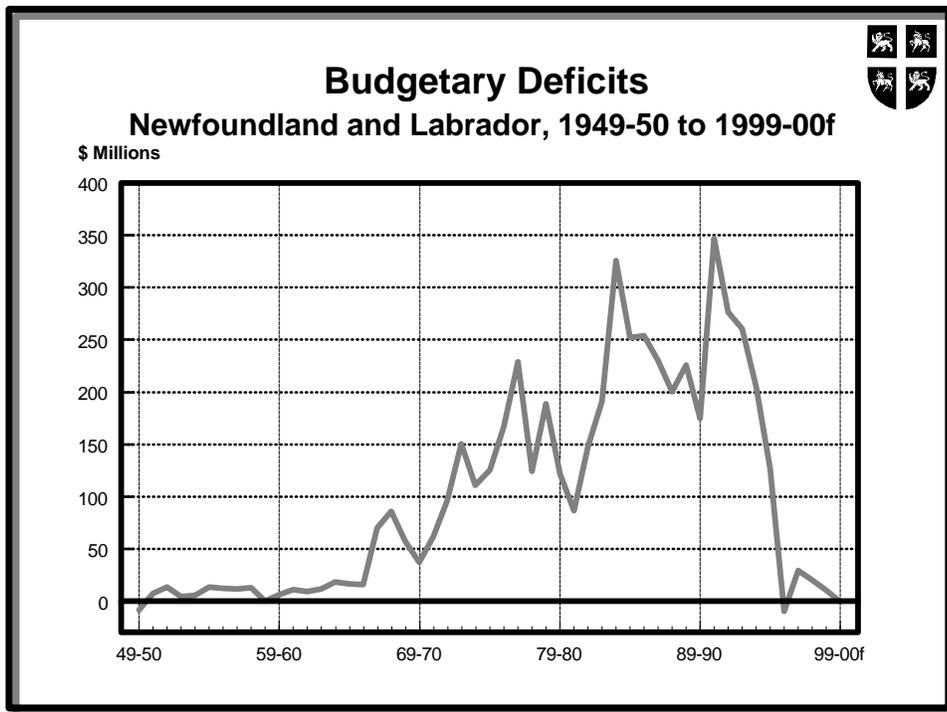


Table 3

ESTIMATED BUDGETARY POSITION
(\$ millions)

Estimates

Revised

	<u>1997-98</u>	<u>1996-97</u>
Current Account		
Gross Expenditure	3,136.7	3,205.9
Related Revenue	<u>215.8</u>	<u>172.4</u>
Net Expenditure	2,920.9	3,033.5
Provincial and Federal Revenues	<u>3,031.4</u>	<u>3,135.0</u>
Current Account Surplus	<u>110.5</u>	<u>101.5</u>
Capital Account		
Gross Expenditure	214.5	239.2
Related Revenue	<u>113.7</u>	<u>108.5</u>
Net Expenditure	<u>100.8</u>	<u>130.7</u>
Contingency Reserve	30.0	-
Total Budgetary Requirement	<u>20.3</u>	<u>29.2</u>

Savings from Program Review are central to this. These savings will be \$65 million in 1997-98, \$120 million in 1998-99 and \$170 million in 1999-2000, totalling \$355 million over the next three years. This includes increases to various fees and licenses and other measures to recover the costs of providing certain services. These will generate an average of about \$17 million a year over the next three years.

Mr. Speaker, let us be clear. While we are making important new investments, such as for children and youth, the savings to be achieved are even greater. The size of these savings mean profound changes for Government. The Departments of Industry, Trade and Technology; Mines and Energy; Finance; Executive Council; Treasury Board; Forest Resources and Agrifoods; and Fisheries and Aquaculture are some of the departments that have been asked to focus on key goals and greatly streamline their operations. In other areas, like Social Services, there will be modest

savings. And in Health, there will be small increases. Overall, Government is making deep cuts in certain areas so we can maintain vital services, achieve needed savings, and make re-investments in social programs.

None of this is painless. All of it creates a smaller Government and a more focussed Government. But the choices set out in this Budget are the right choices to meet the needs of the people of this Province. They bring Government to a size and shape that we can afford. They allow us to maintain vital public services in priority areas, especially social programs.

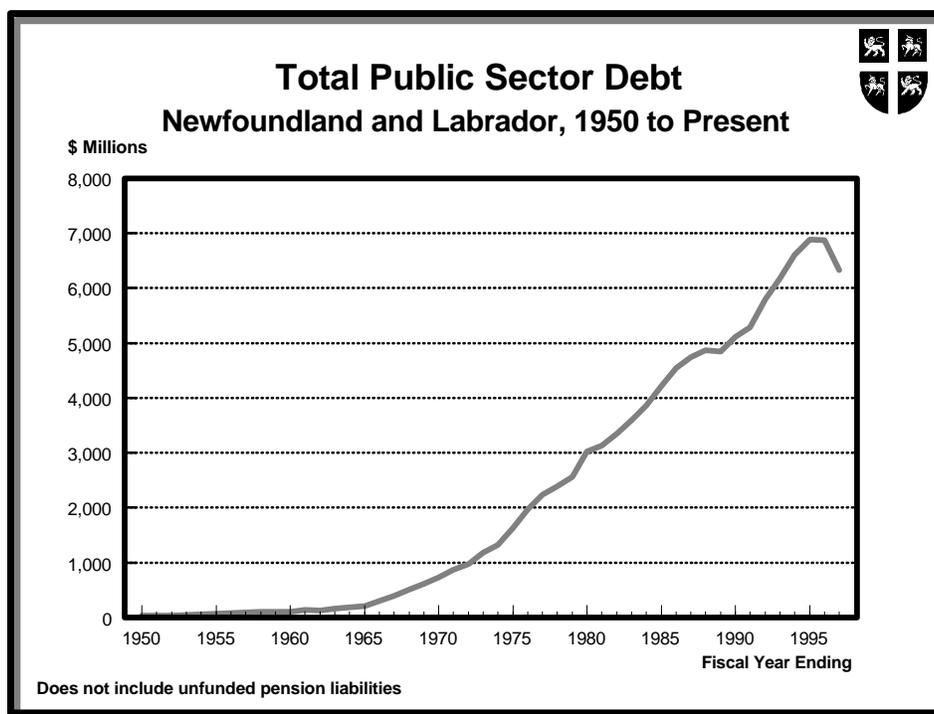
The materials that accompany this Budget set forth three-year Budget figures for each Department. They set targets within which Ministers and public service managers will plan and deliver Government services. Some adjustments may occur from year to year in light of changing circumstances. However, the overall integrity of our Budget plan will be maintained.

Public Debt

Mr. Speaker, we must stop adding to the public debt. We must also deal with the problems caused by the debt accumulated since Confederation. The Province's total debt - including direct obligations, guaranteed Crown corporation and municipal debt, as well as the unfunded liabilities in public sector pension plans - amounts to \$ 9 billion. That works out to be \$15,800 for every man, woman and child in this Province. Interest payments on our direct debt alone amount to \$500 million annually. That is \$900 each for every man, woman and child in the Province. Debt interest is the third largest expenditure in our Budget, after health care and education.

Pensions

Mr. Speaker, Government must take steps now to address unfunded liabilities in our public service pension plans. These liabilities total \$2.7 billion. If corrective action



is not taken, Government will not be able to pay the future pensions of public employees, or those already retired. We cannot postpone dealing with this problem.

Government pension funding was first established in 1980. Government accepts its share of the responsibility for unfunded pension liabilities. Government will repay every cent it owes to the pension fund, plus interest. Our three year plan makes provision for payment of \$196 million in 1997-98, \$113 million in 1998-99, and \$123 million in 1999-2000. Similar payments will continue until Government's obligation is fulfilled.

But, these payments alone will not solve the problem. Public employees must accept their fair share of the responsibility for unfunded pension liabilities. We will work with public employees towards a consensus on a fair solution.

Teachers have a separate pension plan. That fund will be exhausted by 2004. That is only seven years from now. Recently, we reached an agreement with the Newfoundland and Labrador Teachers' Association on measures to deal with the unfunded liability of \$1.2 billion in the Teachers' Pension Fund. This agreement cannot work unless both the Government and teachers make significant commitments. The agreement, negotiated in good faith, represents a fair and equitable solution to a difficult problem for both Government and teachers.

I repeat again, Mr. Speaker: if the Teachers' Pension Plan is not addressed now, over \$200 million will be required annually within the next decade simply to make payments to retirees. Mr. Speaker, it is difficult to believe that, in the absence of a solution, that kind of money will be found. Neither Government nor teachers can afford to wait much longer for an answer.

Human Resource Impacts

Last year's Budget did not include reductions in the wages and benefits of public employees. Mr. Speaker, neither will this year's Budget. We will deal with wage and benefit issues in the normal process of collective bargaining with our employees.

As well, Mr. Speaker, we will also honour our commitment to pay equity in the public service by continuing to increase wage rates for female-dominated jobs. The total cost of meeting this commitment in 1997-98 will be \$27 million.

If we do not reduce the size of the public servants' wage package, then we must reduce the size of the public service. The additional measures announced in this

Budget will eliminate up to 1,100 full time equivalent positions over the next three years. This represents a four percent reduction in public sector positions. This is in addition to other reductions already underway, such as those from health care restructuring, education reform and declining student enrolments.

However, approximately 1,000 public service employees and another 1,000 teachers will be eligible to retire over the next three years. This will reduce the number of lay-offs of both public servants and teachers. To assist employees leaving the public service, \$2 million per year will be provided through a Labour Force Adjustment Fund. As well, \$10 million has been provided for a Voluntary Departure Program this year. This program will reduce the number of lay-offs, especially of younger employees.

Mr. Speaker, let us emphasize something: in the past, deficit efforts led to large-scale lay-offs each spring and often each fall. This is coming to an end. When the fiscal plan set out in this Budget is implemented, the Province will have achieved a balanced Budget. When that is done, large-scale lay-offs to battle the deficit will no longer be needed. At that time, public servants who perform their jobs well can have renewed confidence those jobs will continue to be there for them.

Sales Tax Harmonization

Mr. Speaker, the harmonization of the provincial and federal sales tax systems will reduce taxes by more than \$100 million a year. This will lead to increased economic growth and employment, as well as lower consumer prices. One of the best contributions Government can make to the economy is to leave more money in the pockets of taxpayers. With the new HST, sales tax will fall from nearly 20 percent to 15 percent on most purchases. 1997 will mark the biggest tax cut for Newfoundlanders and Labradorians in our history.

Families at all income levels will pay less tax as a result of harmonization. However, larger portions of poorer families' incomes go for fundamentals such as heat and light. Government is prepared to do more to ensure that those most in need are helped.

Mr. Speaker, we are announcing today a new \$7.6 million provincial sales tax credit of \$40 per adult and \$60 per child, which will be paid in addition to the existing federal GST credit. For a family of two adults and two children, the combined credit will rise by \$200 to \$808 annually. This is money that will directly benefit those who need it most, especially the working poor and those receiving social assistance.

Government is also sensitive to the implications of tax harmonization for the people of Labrador. We will continue to provide sales tax relief on building supplies purchased for residential construction in Labrador.

3. PRIORITIES: PUTTING SOCIAL PROGRAMS FIRST

Health Care - Our First Priority

Mr. Speaker, health care is our first priority. Last year, Government promised stable funding for health care for three years. We are extending that commitment another year, to 1999-2000. We are also providing additional funding for selected priority needs.

- We will build a new hospital in Harbour Breton, at a cost of \$7.8 million. Planning and development will take place this year; construction will follow next year.
- The \$30 million Lake Melville Hospital in Happy Valley-Goose Bay will proceed this year.

- Preliminary planning will be undertaken for health care facilities in Bonne Bay and in Stephenville. This is in conjunction with the Western Region health care needs assessment which will commence shortly.
- Construction will begin this year on the new Janeway Child Health Care Centre at the Health Sciences Centre site. Major renovations will also be carried out to St. Clare's Hospital. This represents a \$100 million investment in health care for the Province.
- Government will move immediately to re-design the James Paton Memorial Hospital in Gander, as recommended in the Central Newfoundland Health Services Review. Government is committed to shelling-in the extension and proceeding with the next phase of construction to the hospital.
- New funding will be provided for a renal dialysis service at the Central Newfoundland Regional Health Care Centre in Grand Falls-Windsor.
- In recognition of the 10th anniversary of the "Man in Motion" world tour, we are contributing \$500,000 to the Rick Hansen fund to establish a neurotrauma - spinal cord and head injury - research fund for the benefit of the people of our Province.
- The Department of Health has budgeted \$4.5 million this and next year for the purchase of hospital equipment. Mr. Speaker, we are announcing today that, in light of this year's improved financial performance, an additional \$2.5 million has been allocated for the purchase of hospital equipment for 1997-98. Health care foundations will be encouraged to seek private sector contributions to match this special one-time payment.

Mr. Speaker, it is time to deal with the shortage of physicians in rural areas. This is a serious concern. And today, Government is taking a number of steps to address this. Mr. Speaker, we are announcing today a \$2.6 million increase in salaries for our rural physicians. This will increase the pay scale of rural physicians in Newfoundland and Labrador so that it is competitive with those elsewhere in Canada.

This measure, in addition to a bonus program, is central to our efforts to provide quality health care to rural areas of the Province.

Mr. Speaker, Program Review savings have made possible these strategic health care investments in modern hospital facilities, new hospital equipment, and rural physician salaries throughout our Province.

Education - A New Beginning

After health care, education is our next priority and our largest expenditure. It accounts for about one dollar of each five that we spend. In 1996, significant structural changes were made to the Province's education system. The number of school boards was reduced from 27 to 10. The Provincial Colleges were consolidated from five to one. Streamlining administration allows us to realize savings that can be redirected to where it counts - the classroom.

Current funding will be maintained for the Provincial College in 1997-98. The College will be called upon to identify further efficiencies in the following two years.

The 10 new School Boards have a new mandate, operating under new legislation. But they are burdened with old debts. The Boards take up a new task bearing an old burden. Government will support the new Boards in their challenge to implement educational reform. We will lift the burden of old debt from these new Boards.

Mr. Speaker, we are announcing today that Government will retire all existing School Board debt, at a cost of \$24 million. In future, the Boards will not be permitted to borrow without Government approval. The School Boards in the Province will get a fresh start, free of debt, free of interest costs. This is another one of the investments we are able to make because of our improved financial performance this year.

School Boards' administrative grants will be reduced in line with amalgamation and declining student enrolments. However, operating grants for schools themselves will be maintained at the 1996-97 level for each of the next three years.

In each of the last two years, we have budgeted \$4 million annually for new schools and school maintenance. Mr. Speaker, this was too little, but it was all we could afford in advance of Program Review. It was not enough to build new schools where enrolments were increasing and buildings needed replacement, as in certain communities in Labrador. Nor was it enough to renovate schools where there were consolidations. Nor was it enough to fix problems with roofs, heating, and ventilation systems.

That is why, Mr. Speaker, we are announcing today a total of \$38 million for new schools and school maintenance. There will be \$14.2 million in 1997-98 and \$23.8 million in the next two years. This \$38 million is more than double what was spent in the last three years. Of this, \$10 million will be used to build new schools in Nain, Rigolet and Hopedale. The balance will be used for needed maintenance and renovations to accommodate school consolidations.

Mr. Speaker, every Newfoundlander and Labradorian is justifiably proud that we are the first province in Canada to have connected all our schools to the Internet. This is a goal U.S. President Bill Clinton has set for all American schools by the year 2000. But Newfoundland and Labrador is already there. Now, we must press ahead, maintain our advantage, and give our children more opportunities to learn, to compete, and to win in a competitive global economy.

Mr. Speaker, we are announcing today that Government will provide an additional \$2.5 million this year for School Boards to purchase new computer hardware and software. We call upon the public and the business community to match this

commitment to the future of our youth so that we can make a total investment of \$5 million to provide computers for our children.

Mr. Speaker, because the number of students in kindergarten to grade 12 is declining, and as a result the number of teachers will also decline, the time has come to ask ourselves if we can afford to maintain a pupil-teacher ratio that is better than British Columbia's, Alberta's and Ontario's, the three richest provinces in Canada. Should we move to the national average? Even that would leave us with the best student-teacher ratio in the Atlantic Provinces. This issue, and others, will be discussed with our major educational partners.

Last year, Government made a three-year funding commitment to Memorial University. Funding for the fourth year in 1999-2000, will be discussed with the University. Memorial University has also launched the MUN Opportunity Fund, with a goal of raising \$25 million from the private sector. Government has committed to matching private sector donations dollar-for-dollar, to total \$50 million for the University. So far \$6.3 million has been raised from the private sector. We congratulate Memorial University and thank their private-sector contributors. Mr. Speaker, we are announcing today that Government will honour its commitment using savings we have achieved from this year's improved financial performance. We will match the full amount of \$6.3 million. This will allow the University to proceed in the days ahead with new capital projects.

Social Services and Employment - Renewing the Social Safety Net

Mr. Speaker, one year ago we promised to review this Province's social services policies, and develop a comprehensive plan that would take bold new measures to solve old problems. Since then, we consulted internally, through the Program Review process, with those involved with the delivery of social programs. Next, we consulted widely with the public through the Social Policy Advisory Committee,

whose interim report we received last fall, and whose final report we received last week. We followed the Committee's hearings closely. We agree with the public assessment - the status quo is no longer acceptable.

Mr. Speaker, for too long we have contributed to a cycle of dependency. For too long, we have seen people who want to work get caught in the welfare trap. It's time for bold measures. It's time we allowed people to gain new skills and find meaningful work. It's time for a new partnership with the Federal Government in service delivery and retraining. It's time for change.

Today, the Government is announcing that, on April 1, 1997, a new Department of Human Resources and Employment will replace the existing Department of Social Services. Programs of the Department of Social Services will be combined with the employment programs now administered by the Department of Development and Rural Renewal. The new Minister of Human Resources and Employment, the Honourable Joan Marie Aylward, will provide further explanation today and in the days ahead on this first phase of reform.

The second phase will take place on April 1, 1998, one year later, when community services - such as home support - will be transferred from the Department of Human Resources and Employment to an enlarged Department of Health and Community Services. These programs will be delivered through Regional Community Health Boards which will be mandated to deliver coordinated, multidisciplinary services focused on prevention and early intervention. This year will be used to plan a smooth transition. In the meantime, we will protect front-line service delivery to the public. Accordingly, there will be no staff reductions or office closures in 1997-98 as a result of this restructuring.

Mr. Speaker, Government is very concerned with growing numbers of youth who are becoming dependant on social assistance, even though their parents are not themselves receiving assistance. Therefore, effective April 1, 1997 young, single, able-bodied clients who are living with relatives and are between the ages of 18 and 21 will have their parents' resources taken into account in determining their eligibility for social assistance.

In keeping with its commitment to provide for the fullest possible community living for persons with developmental disabilities, Government will continue with its efforts to downsize and close group homes with a view to further integration into the community. This initiative is consistent with current policy direction and will be achieved through the use of more appropriate and less restrictive residential environments such as Co-operative Apartments and Alternative Family Homes.

This Government places great value on services provided to seniors and persons with disabilities in this Province. We acknowledge the critical role of home care workers in assisting both seniors and disabled persons who remain in their own homes. Mr. Speaker, Government is announcing today an additional \$4 million to increase salaries for home care workers and provide them with worker's compensation coverage. These workers have no coverage for injuries sustained on the job. We will now pay for that coverage. This initiative also removes a potential burden from home care clients who could be held personally liable by the courts for injuries suffered by home care workers.

Children and Youth

We are placing special emphasis on re-investing savings for those most in need, especially children and youth.

- \$200,000 will be provided for a day care subsidy for social assistance recipients, particularly single parents. This will help meet children's developmental needs and permit parents to pursue employment or training.
- The Province is participating in the design of a new National Child Benefit program with the Federal Government and other provinces. This will assist low income families with children in the transition from social assistance to employment thereby reducing child poverty.
- \$70,000 will be provided to develop a program for foster parents training.
- A new \$175,000 initiative will eliminate long waiting lists for post-adoption services.

In addition to these measures, I am pleased to announce two other significant initiatives for students. Both provide opportunities for students to earn money to pursue post-secondary education.

Today, we are announcing that \$2.5 million will be provided for a student summer employment program in this Cabot 500 year. Mr. Speaker, in addition to this, we have just received confirmation that the Federal Government will partner with us in this new initiative by providing an additional \$2 million, for a total program of \$4.5 million. These public funds will leverage substantial new investments from the private sector. In all, this will provide summer employment for 3,000 students. In dealing with this issue, we benefited from the advice of students, in particular through the Council of the Students Union at MUN and Sir Wilfred Grenfell College.

As well, Mr. Speaker, I am pleased to announce that a new "Tutoring for Tuition" program to assist students in low income families will be introduced with funding of \$500,000. This program will enable high school students to earn money to attend post-secondary institutions by providing tutoring to students of low income families. This will be a valuable re-investment in our youth.

Mr. Speaker, Government recognizes that single parents and two parent families who have children are often unable to access sufficient funding through the Canada - Newfoundland Student Loan Program to be able to afford to pursue post-secondary education. Therefore, Government remains committed to providing additional resources to these students to support their education. Nevertheless, we must also address continued fiscal pressures. In this context, we are announcing today that effective this September, students with dependents will be required to access the maximum available student loan. Social assistance will be available as a supplement where living requirements exceed the living allowance provided under student aid. Under this initiative, students will not experience a reduction in the total available funds to pursue their education, but a higher proportion will be available in the form of loans.

Social Housing

Decent affordable housing remains a key factor in the overall health and stability of families. It is particularly important for proper child development. Newfoundland and Labrador Housing Corporation will focus on its core responsibility of ensuring adequate and affordable social housing. This remains a strong commitment by this Government.

The Federal Government is vacating the area of social housing. That is why we are negotiating the transfer of federal housing in the Province from Canada Mortgage and Housing Corporation to the Newfoundland and Labrador Housing Corporation. As part of that transfer, there will continue to be some financial assistance from the Federal Government. This devolution of social housing responsibility affords the Province the opportunity to achieve more efficient operation of public housing. We will take various steps towards this end, wherever we can, in partnership with the private sector.

Mr. Speaker, social housing in Newfoundland and Labrador will move to a rent geared to income scale in line with other provinces. Currently, all tenants pay rent based on 25 percent of household income. The new scale will range from 25 percent to 30 percent depending on income and household composition. The new scale will be sensitive to tenants with the lowest incomes.

The Corporation will limit its role in land development, continue to divest of market rental housing and move to greater partnering with the private sector. The Corporation will refocus on highly efficient delivery of social housing to those who need it.

Local Services

Mr. Speaker, local services should be delivered by local governments. Decisions should be made closer to where people live.

For example, School Boards have been given broad authority over their finances, and greater capacity to establish local priorities in the expenditure of education dollars. Regional institutional and community health care boards reflect local needs in the provision of health services. We have strengthened the role of local representatives in economic development through the new Regional Economic Development Boards in each of the 20 economic zones. We will continue to give greater autonomy to communities and regions for health care, education, economic development, and the provision of local services. We need to work with municipal governments to ensure they can provide local services more effectively.

Municipalities must become more self-reliant. The Province will work with municipal leaders toward this goal. There are differences among municipalities. Some have the revenue base to support adequate local services. Others do not. Government will therefore provide \$9 million this year to the Newfoundland Municipal Financing

Corporation. This money will be used by selected municipalities to restructure their debt, while assuming more responsibility for local services.

There will be no reductions in municipal operating grants this calendar year. However, commencing January 1, 1998, the municipal operating grants are being reduced by 20 percent in each of the next three years.

The present cost sharing structure of 65 percent provincial versus 35 percent municipal does not reflect the appropriate level of municipal responsibility for services. The municipal share of debt servicing costs for municipal water and sewer debt will be increased from its present level of \$343 per household to \$400 in 1998 and by a further \$50 per household in each of the next two years to \$500 per household by the year 2000.

Mr. Speaker, a one-time payment of \$4 million before the end of the 1996-97 fiscal year will be shared by St. John's and Corner Brook as transitional funding for the elimination of firefighting grants. In addition, we have set aside \$5 million to assist in the construction of a new civic centre for the St. John's area.

Mr. Speaker, Government is committed to a strategic partnership with the Federal Government and the municipalities of St. John's, Mount Pearl, and Paradise toward the first phase of the St. John's Harbour Clean-Up. We applaud the municipalities for their leadership and join with them in funding our one-third share of \$1.5 million to the proposed \$4.5 million harbour clean-up this year. We call upon the Federal Government to commit assistance so that Phase 1 can begin without delay.

The Province and the Federal Government have agreed to a one year extension of the Infrastructure Works Program which will result in the spending of \$30 million on

municipal and other infrastructure in 1997-98. This is in addition to the \$25 million allocated for our regular municipal capital works program.

Finally, in line with a longstanding request of the Federation of Municipalities, municipal assessment services will become a new agency run by a board composed of municipalities and the Province.

Policing: Sharing the Burden

Mr. Speaker, the Province will also continue to be policed by the Royal Newfoundland Constabulary (RNC) and the Royal Canadian Mounted Police (RCMP). We will not institute changes to the existing jurisdictional arrangements for this year. However, we will ask both forces to find efficiencies and achieve savings in their budgets.

4. PRIORITIES: PARTNERING FOR DEVELOPMENT

In these challenging times, it is essential that we create opportunities for economic growth and new jobs.

Government remains fully committed to working with the Regional Economic Development Boards in the 20 economic zones. This will reinforce local decision-making for economic development. We are negotiating with the Federal Government to establish single window business support offices within each zone.

Government will combine its efforts with its local and federal partners to ensure that less money is wasted on red tape and duplication, and more money is spent on support services to entrepreneurs and small businesses.

Under the Federal-Provincial Strategic Regional Diversification Agreement, we will support development activities in the zones and will utilize zone plans in allocating development support. We will support every viable opportunity to generate growth and create new jobs in our rural communities. We will do this because the need is great, and the prosperity of our rural areas is essential to the future of our Province.

We will foster growth in our Province through the \$17 million Strategic Enterprise Development Fund. This will target growing sectors for which conventional financing is not available and will also support external investment prospecting activities for the Province.

We are negotiating a new five-year comprehensive development agreement with the Federal Government that will be worth over \$50 million. Expenditures will focus in strategic areas in the export trade, advanced technologies, and rural development. This is in addition to the existing \$100 million Economic Renewal Agreement, which concentrates on aquaculture, tourism, and information technology.

Another example of partnering for development is the new Newfoundland and Labrador Film Development Corporation. This will involve expenditures of \$1 million over the next five years. Government will work with the Corporation, and our partners in the public and private sectors to create new opportunities for the film industry in our Province.

Ownership and Subsidies of Commercial Operations

We have been challenged to make choices in this Budget. In making these choices, we have carefully examined those commercial businesses that Government subsidizes. We will take steps to phase out these subsidies in an orderly manner. Accordingly, Government will dispose of its interest in Newfoundland Farm Products Corporation. The new Board of Directors has been instructed to proceed as soon as

possible with the sale of the Corporation. The taxpayer's subsidy to the Corporation, as well as those to the Province's chicken producers, will be phased out.

Mr. Speaker, where and when appropriate Government remains willing to consider public-private partnering and privatization options for the Bull Arm site, the Marystown Shipyard and Marble Mountain.

Transportation

The Province's transportation system is vital to the economic and social development of the Province. To this end, the Government will be spending \$77 million on highway construction in 1997-98, an increase of \$12.2 million from 1996-97.

Transportation in Labrador offers unique challenges and opportunities for future development. We have proposed a Labrador Transportation Initiative to the Federal Government. Under this plan, the Province will take over Marine Atlantic's Coastal Labrador Service and the Trans Labrador Highway will be completed. The Government awaits a reply to its proposal.

The Department of Works, Services and Transportation will pursue alternative delivery systems for its services. The Department will identify opportunities to work with the private sector, municipalities, community agencies and employee groups to improve services and achieve savings.

Full Benefits From Our Resources

Our Province is entering a new period of growth and prosperity fuelled by our resources, notably petroleum and minerals. To gain our full and fair share of these benefits, we must have effective management structures and appropriate fiscal regimes. This is especially true for major projects, such as Hibernia, Terra Nova, White Rose and Voisey's Bay.

Last year, we put in place a generic royalty regime for petroleum projects. We will this year reform our mining tax system. Great care is being taken in developing these proposals since they will have major implications for the economy and people of the Province in the coming decades.

5. SOUND PUBLIC FINANCES FOR A GROWING ECONOMY

Mr. Speaker, today we are making choices. This Budget has forced us to take a long and careful look at where we spend our money. The Estimates indicate significant savings in some areas and investments in others. Detailed press releases and backgrounders have been prepared by each department.

Government is challenging the status quo. In years past, we did not have sufficient funds for pay equity in the public service, salary increases for rural doctors, a clean-up of the St. John's Harbour, or new computers for our schools. Mr. Speaker, we did not have these things because we could not afford them. We could not afford them because we were unwilling to make difficult choices. These choices have been made. We are announcing our priorities today. And we are reshaping Government to fit those priorities.

The people of our Province have exercised discipline and restraint. Their Government should do no less. We are not relying on increasing deficits. We are moving to eliminate them. We are not increasing personal or corporate taxes. And, Mr. Speaker - while we now have the highest retail sales tax in the country - as of April 1, 1997, that distinction finally comes to an end.

We will break the cycle of dependency, deficits, and debt. The years of borrowing the most and taxing the most have not helped. They have deeply hurt us. Those days are over.

In the foreseeable future, we are moving toward a permanent end to deficits. We are moving to a point where we can ask ourselves whether, four years from now, we should pay down our debt, make new investments for better services, or lower our taxes. These are the choices this Government wants the people of our Province to face. These are the kinds of choices our people will have before them at the completion of the three-year plan set out in this Budget. We will ask the people of Newfoundland and Labrador to give us the answers.

Mr. Speaker, I repeat: We are challenging the status quo. Together, we will work for growth and job creation, especially in rural areas. We will guard the integrity of our treasured social programs. We remain prudent in our spending, progressive in our thinking.

We are witnessing today the re-awakening of a spirit of entrepreneurship, ingenuity, and confidence that is fundamental to the character of Newfoundland and Labrador. The Cabot Year is less about celebrating the past and more about shaping the future that we know can be ours.

Today, the Government of Newfoundland and Labrador has put a plan for partnership to the people of our Province. It is a measured plan designed to bring a prosperous and confident Newfoundland and Labrador into the next millennium.

In the spirit of John Cabot,
Our course has been charted,
Our sail has been fastened.
Let an exciting new journey begin.