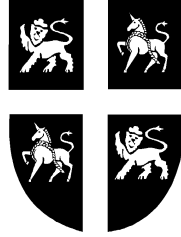


GOVERNMENT OF NEWFOUNDLAND AND LABRADOR



BUDGET SPEECH 2001

Investing in Our Youth, Investing in Our Future

Presented by

HONOURABLE JOAN MARIE AYLWARD

**Minister of Finance and
President of Treasury Board**



At The
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of The House of Assembly

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MOVING FORWARD

Mr. Speaker, I am pleased to present today the first budget of this administration led by Premier Roger Grimes. I am also pleased to present my first budget as Minister of Finance.

Our government is committed to change. We must be willing to create a greater level of trust, openness and accountability so that our people can have confidence in the work plan we have put forward.

Our commitment to a new approach extends to the budget process. Over the past several weeks, I have spoken to and heard from many Newfoundlanders and Labradorians through the pre-budget consultation process. I would like to take this opportunity to thank publicly all those who participated. I received useful advice and many valuable insights. We believe the strength of any government initiative depends on public input and public understanding for the decisions we make on behalf of our people.

Engaging in meaningful public consultation demonstrates that our government is moving forward to deal decisively with important issues in a more open manner. In this regard, funding is provided for the Office of the Ombudsman and a Child Advocate.

In preparing this budget, we faced different economic and fiscal realities than those of recent years. For several years, the strong economy saw provincial tax revenues, as well as transfers from the federal government, rise well beyond budget forecasts. These additional revenues gave us the flexibility to invest in public services, particularly health, and to reduce taxes, while recording modest deficits.


However, with the national economy slowing, federal transfers will not grow as strongly in the new fiscal year, if at all. Transfer growth would be constrained in any case by a

restrictive ceiling the federal government has imposed that caps Equalization payments. A slowing economy will also affect our own tax revenues. Yet, there are great expenditure pressures pushing the cost of public services ever higher. These factors require fiscal prudence and sound planning for the new fiscal year to ensure commitments to program initiatives can be sustained.

We have listened to the people of the province and have carefully weighed our options, and our responsibilities. The decisions, outlined today, have found the right balance between sound financial management and the provision of appropriate, affordable public services. We are moving forward to implement the work plan that our government has outlined. We are undertaking other significant, but affordable, initiatives to enhance the public services that reflect the priorities of the people, which are the priorities of this government.

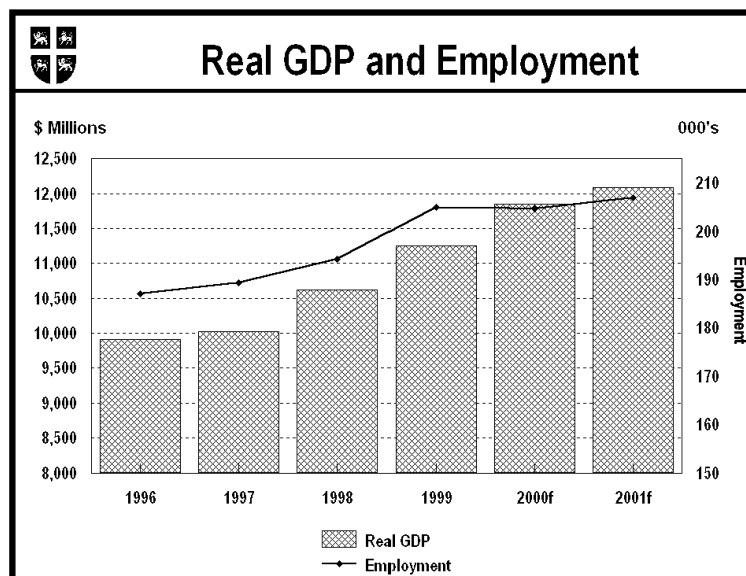
BUDGET PLAN

Our Economic Climate

 NEWFOUNDLAND AND LABRADOR Main Economic Indicators (Percentage Change)		
	<u>2000</u>	<u>2001</u>
Gross Domestic Product		
Nominal	16.2	0.6
Real	5.3	2.0
Personal Income		
Nominal	3.7	3.0
Real	0.7	0.8
Retail Sales		
Nominal	6.4	3.2
Real	2.7	1.4
Capital Investment		
Nominal	(8.1)	(4.8)
Real	(4.7)	(3.2)
Consumer Price Index	3.0	2.2
Employment	(0.1)	1.1
Unemployment Rate (percent)	16.7	16.2

Mr. Speaker, the economic climate is an important factor in formulating our budget plan. In 2000, our economy grew in excess of 5 percent in real terms for the third consecutive year. This has increased consumer and business confidence, and is reflected in gains in retail trade and personal income. The unemployment rate declined to its lowest level since 1990. In-migration, people moving to the province, continued to increase, reaching the highest level in 25 years. This reduced net out-migration to 2,077, its lowest level in almost a decade and well below the average annual historical level of 3,750 in the 20 year period prior to early 1990s.

Exports continue to account for over half of growth, driven in 2000 by the first year of full production at Hibernia, as well as strong performances in other resource sectors. A record number of tourists also came to our province in 2000. Revenues to the province, however, will continue to lag economic gains for some time, constraining fiscal flexibility.

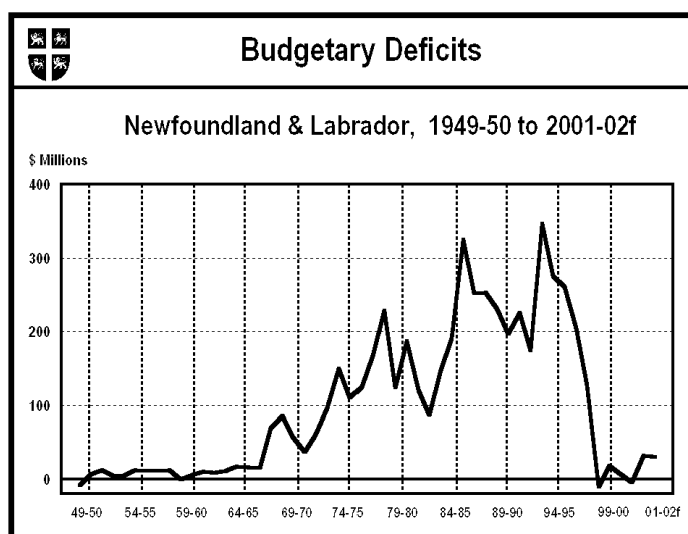


Oil revenues will remain modest until project capital costs are recouped. Overall, many revenue gains are offset by concurrent reductions in Equalization. So while the economy is producing some solid results, this does not necessarily translate into similar growth in government revenues.

Real economic growth in 2001 is expected to be 2 percent, reflecting, in part, completion of Terra Nova construction and oil production commencing late in the year. A major factor in the economic outlook, but still uncertain, is the extent the province may be impacted by an economic slowdown in the United States, our major export market. The effect a U.S. slowdown could have on the Canadian economy generally is also a factor. While there are uncertainties in the national and international economies, we are expecting growth in our economy in 2001 to be broadly based, reflecting the underlying strength of many sectors. With employment expected to grow, the unemployment rate could further decline. Our population should stabilize as out-migration continues to slow.


Our Fiscal Framework


With the strong provincial and national economies in 2000, we will slightly better our deficit target for the year just ending. At \$32.7 million, the deficit for 2000-01 is \$2 million lower than forecast last year. We have now recorded the best fiscal performance for any consecutive five year period since the early 1960s. Mr. Speaker, each year we have not only met, but improved upon, our deficit targets.



This demonstrates that we are successfully managing the affairs of the province both in the short term, but more importantly in the longer term, creating the stability necessary to promote economic growth and to sustain public services. The strategy we have utilized for several years in managing public finances is to shift revenues from years where we would have unnecessarily high surpluses to years where we would otherwise have excessively high deficits. This smoothing of the peaks and valleys of our fiscal position has been a significant factor in creating the stability the province has enjoyed over the past five years. We are employing this strategy again to ensure that the province will sustain a sound fiscal performance in 2001-02.

For the year just ending, we incurred additional expenditures of \$65 million including some year end investments, partly funded out of the \$30 million contingency reserve, giving a net cost of \$35 million. This was offset by increased current account revenues of \$233.8 million, primarily additional Equalization and income tax. This could have created a surplus for 2000-01 of \$164.1 million. However, if we recorded that surplus, the province would have faced a deficit of \$227.3 million in the new fiscal year. The

 SUMMARY OF 2000-01 FINANCIAL PERFORMANCE (\$Millions)			
	Budget 2000-01	Revised 2000-01	Variance
Current Account			
Gross Expenditure	3,447.1	3,497.2	(50.1)
Related Revenue	<u>402.1</u>	<u>248.8</u>	<u>(153.3)</u>
Net Expenditure	3,045.0	3,248.4	(203.4)
Provincial and Federal Revenues	<u>3,146.2</u>	<u>3,361.2</u>	<u>215.0</u>
Current Account Surplus	<u>101.2</u>	<u>112.8</u>	<u>11.6</u>
Capital Account			
Gross Expenditure	261.9	282.9	(21.0)
Related Revenue	<u>156.0</u>	<u>137.4</u>	<u>(18.6)</u>
Net Expenditure	<u>105.9</u>	<u>145.5</u>	<u>(39.6)</u>
Contingency Reserve	<u>30.0</u>	-	<u>30.0</u>
Total Budgetary (Deficit)	<u><u>(34.7)</u></u>	<u><u>(32.7)</u></u>	<u><u>2.0</u></u>

 ESTIMATED BUDGETARY POSITION (\$Millions)		
	Estimates <u>2001-02</u>	Revised <u>2000-01</u>
Current Account		
Gross Expenditure	3,711.6	3,497.2
Related Revenue	<u>474.8</u>	<u>248.8</u>
Net Expenditure	3,236.8	3,248.4
Provincial and Federal Revenues	<u>3,341.0</u>	<u>3,361.2</u>
Current Account Surplus	<u>104.2</u>	<u>112.8</u>
Capital Account		
Gross Expenditure	271.0	282.9
Related Revenue	<u>146.3</u>	<u>137.4</u>
Net Expenditure	<u>124.7</u>	<u>145.5</u>
Contingency Reserve	<u>10.0</u>	-
Total Budgetary (Deficit)	<u><u>(30.5)</u></u>	<u><u>(32.7)</u></u>

impact that this would have on services like health and education would be devastating.

To maintain stability in both our finances and our services, government has again shifted a pool of flexible revenues forward to the new fiscal year. By shifting \$196.8 million in revenues forward to 2001-02, primarily accumulated dividends from Newfoundland and Labrador Hydro and sinking fund revenues, we can reduce the deficit for the new fiscal year from \$227.3 million to a more prudent and fiscally manageable target of \$30.5 million.

By following this strategy we are able to create fiscal flexibility in 2001-02 to undertake many important initiatives, particularly investments in health and our youth. The fiscal plan and deficit target for 2001-02 includes provision for a 3 percent salary increase for provincial employees.

To reach a prudent deficit, we have reduced the \$30 million contingency reserve, which has been in place for several years to provide a measure of protection against unforeseen increases in expenditures or declines in revenues, to \$10 million. While, in our view, it is unlikely we will see large unanticipated revenue gains again this year, our solid record on expenditure management gives us confidence that our deficit target can be achieved. Mr. Speaker, I am pleased to announce that we will achieve our fiscal objectives with no new taxes and no tax increases.

Public Sector Collective Bargaining

Public sector collective bargaining is a key issue for our budget plan. Salary costs are by far the largest component of our budget. About 80 percent of health care costs are salaries. About 70 percent of the cost of the education system is salaries. Every 1 percent increase in our salary budget equates to about \$18 million in additional costs.

We believe our public sector employees deserve a fair and significant salary increase. We have taken careful account of what our people can afford. In our view, Mr. Speaker, by any reasonable measure, we have made that offer.

INVESTING IN PEOPLE

Mr. Speaker, in this budget, we are moving forward on our record of investing in people. Our priorities remain health, education and helping those who are most in need. Among our priorities, we are sharpening our focus on youth, the future of our province.

Investing in Our Youth

At the public consultations for the Renewal Strategy for Jobs and Growth, the critical importance of education and the development of our youth, our most important resource, was repeatedly emphasized as a key ingredient for our long term economic success. We heard that youth need to be given an active role in determining the directions we take and that we have to focus more effectively on the challenges confronting our youth in the new economy.

Enacting the recommendations of the Ministerial Panel on Educational Delivery in the Classroom was highlighted as an opportunity to achieve excellence in the K to 12 school system. Government is taking a number of steps to address specific issues.

Establishing a New Department

A new Department of Youth Services and Post Secondary Education has already been established to develop the potential of the province's youth and integrate their views into our economic and social agendas. A new Provincial Youth Advisory Committee will provide the minister and government with input on youth issues.

Refocusing the Department of Education

The Department of Education has a new focus. This will bring about an intensified concentration on the K to 12 system and literacy. The department will also extend its mandate to include responsibility for early childhood education.

Investing in the K to 12 System

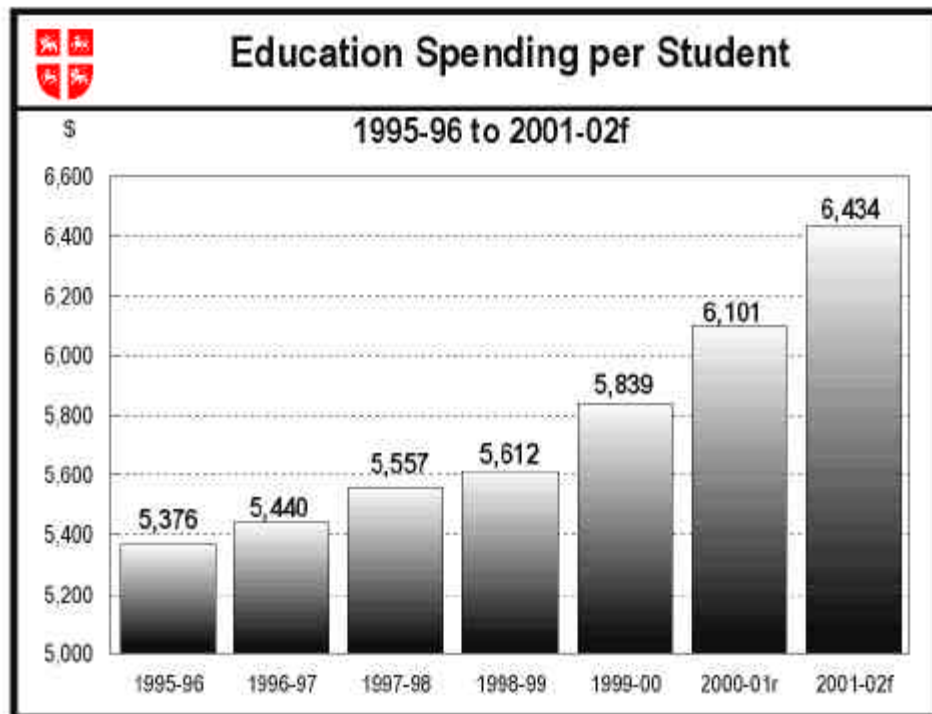
Mr. Speaker, there is no better investment we can make for our future than in the education of the province's youth. We are committed to ensuring that all the youth of

the province have access to a quality education. In this budget, we are providing significant funding, including new initiatives, to ensure that access to quality education is available to all students, regardless of where they live in the province.

The increase in per student spending is the result of a number of initiatives undertaken by this government. We have allowed school boards to retain savings from school reorganizations and declining enrolments that normally would have reverted to government. We have maintained teaching positions that otherwise would have been lost because of declining enrolments. And, we continue to act on recommendations of the Ministerial Panel. We also have funded the most significant program of school construction and renovation in our history.

Spending More Per Pupil

Mr. Speaker, with this budget, our expenditure per student continues to grow. When we look at the new school year to commence in September, school enrolment will have



declined by 14,500 students over the last four years, or by 14.8 percent. Yet, over the same period, government is spending more per student. Even when our substantial capital investments in school facilities is excluded, our spending per student will have grown from \$5,557 to \$6,434.

Maintaining School Board Grants

Educational reform has resulted in school reorganizations and some closures that have made our education system more efficient. We implemented a policy enabling school boards to retain the savings from school closures. Rather than have these savings revert to government, school boards have been able to keep them for a period of three years for reinvestment in our schools. In total, \$23.4 million has been reinvested as a result of this policy.

The three year commitment allowing school boards to retain savings was due to expire in 1999-2000. In each of the past two years, and again for the upcoming year, government has allowed savings from school closures to remain with the boards. For the coming year, \$5.6 million will be maintained in school board operating grants as a result of this initiative.

We also are providing extra funding to cover the unanticipated rise in utility costs for school buildings. A one time allocation of \$3.5 million is being made to pay the additional utility costs incurred over the past two years. As well, on an ongoing basis, we will be funding the actual costs of utilities and fuel, protecting school boards from unpredictable price fluctuations.

No Teacher Lay-Offs

Mr. Speaker, despite declining enrolment, we have been reinvesting to retain most of the teaching positions that would otherwise come out of the system.

For the coming year, however, this government will not lay-off any teachers, even though enrolment will decline by approximately 3,500 students.

Mr. Speaker, this will be the first time in our history of declining enrolment when there will be no teacher lay-offs.

Implementation of the new allocation method in the Ministerial Panel Report on Education Reform would have resulted in the loss of 218 teaching units. We have decided to reinvest \$11 million into the education system to retain these 218 teaching units. This reinvestment will allow school boards to improve programming and reduce class size.

Maintaining the Best Teacher-Pupil Ratio

Over the past twelve years, our teacher-pupil ratio has improved significantly and is now the best in the country. In the new school year, as a result of this budget, it will improve again. We will have one teacher for every 13.3 students. This budget ensures we will continue to lead the country by our investment in teaching resources.

Addressing Recruitment Concerns

This year proved to be a difficult one for school boards to recruit and retain sufficient teachers for coastal Labrador. We have provided \$800,000 to fund a recruitment and retention bonus for all teachers who work in isolated coastal communities in Labrador.

Implementing the Ministerial Panel Report

Mr. Speaker, a number of new initiatives, totaling almost \$5 million, are being funded in 2001-02 as government continues implementation of the Ministerial Panel recommendations.

These initiatives include the creation of a Centre for Distance Learning and Innovation. The Centre will provide web based high school courses to all students, including adults, wishing to complete a high school program. Teachers also will benefit through quality online professional development programs and resources. We are optimistic that the technology skills crucial for success in the knowledge based economy, fostered through the Centre, will reinforce government's rural economic diversification strategy.

September will see new curriculum for mathematics, language arts, physical education, and technology education implemented. As well, on a pilot basis, new courses in Newfoundland and Labrador history and religious education will be introduced. Funding is also provided for a music specialist to support program development in this area of the curriculum.

We are extending for another year the \$900,000 increase made last year to teacher professional development. A total of \$4.4 million is allocated in the new fiscal year for professional development to assist teachers improve teaching and learning strategies.

Increasing Literacy Levels

A \$500,000 allocation is being made in support of the Strategic Literacy Plan. Addressing literacy is an important component of the Jobs and Growth agenda because of the role literacy plays in employment, career and business opportunities. The plan is working to ensure the supports are in place so that anyone who wants to can improve their literacy skills.

Our commitment to providing our libraries with the most current reading materials also will be strengthened through an allocation of \$1 million for the purchase of library books in addition to our regular annual funding.

Improving School Facilities

An additional \$23 million has been allocated to address priority school construction and renovation projects. This brings the total investment planned in school buildings since 1998-99 to \$160 million.

To date, eight new schools have been constructed, with 10 others in either the planning or construction stages. In addition, major renovations or extensions have been completed to another 27 schools throughout the province.

Parity in School Busing

To achieve parity in the school busing system throughout the province, \$800,000 is allocated to extend free bus transportation service to junior and senior high school students in St. John's who live more than 1.6 kilometers from their school. As a result of this initiative, all students, regardless of their grade level or where they live in the province, will have access to free school bus transportation.

Fully Investing the Savings from Reform

Mr. Speaker, education reform provided an opportunity to reinvest savings from school board consolidations and school closures into services for children. School board consolidations have resulted in savings totaling \$55 million since 1997-98. These savings have been fully reinvested. In fact, we have provided a further \$160 million through our school construction and renovation program. In addition, all savings from school closures and enrolment declines have been reinvested. The amount reinvested to date from these savings is in excess of \$34 million.

Supporting Post Secondary Education

Another component of our commitment to investing in our youth is support for post secondary education and for our graduates. Provincial funding for public post secondary institutions has increased by 21.3 percent since 1997-98.

For students, affordability is a critical element of educational opportunities. Over the past two years, we have provided funding so that Memorial University and the College of the North Atlantic could implement a tuition freeze. Tuition fees at Memorial are already the lowest in Atlantic Canada.

Reducing Tuition

Mr. Speaker, this year, we are providing \$3.3 million in additional funding to Memorial University to enable a 10 percent reduction in tuition for the new academic year commencing in September.

Funding will be provided to enable students at the Faculty of Medicine, the Marine Institute and the College of the North Atlantic to continue to benefit from the tuition freeze. Our public college fees, already substantially lower than Memorial, are the second lowest in Atlantic Canada.

Lowering Student Debt

Student debt is also an important issue. Too many students graduate with debt levels that place a great burden on their futures. We already spend \$6.1 million annually to assist students with high debt loads who successfully complete their academic programs on time.

The Student Aid Review Advisory Committee will be making recommendations for our consideration later this year. We have to take time to consider this issue in consultation with stakeholders and plan to come forward with further relief measures in due course. This will require reform of the Student Aid Program. We will also press the federal government to initiate similar student loan reforms.

A New Student Investment and Opportunity Corporation

Mr. Speaker, today, we are also announcing the creation of a new Student Investment and Opportunity Corporation with an initial investment totaling \$8.8 million. The corporation will enhance youth employment programs, which will assist in addressing the student debt issue. The corporation will absorb \$4.8 million in existing youth employment programs, as well as receive an additional \$4 million for new initiatives. The programs of the corporation will aid post secondary students gain work experience and employment which will offset the cost of their education. It will help us address key youth concerns, including high youth unemployment and making the successful transition from school to work.

Investing in Facilities and Research

We are also making significant investments in our post secondary facilities and in their research capacities.

We have committed to match private donations to the MUN Opportunity Fund, which provides both scholarships for students and capital improvements at the university. This year we will make a payment of \$3 million, bringing our total contribution to date to \$21.3 million.

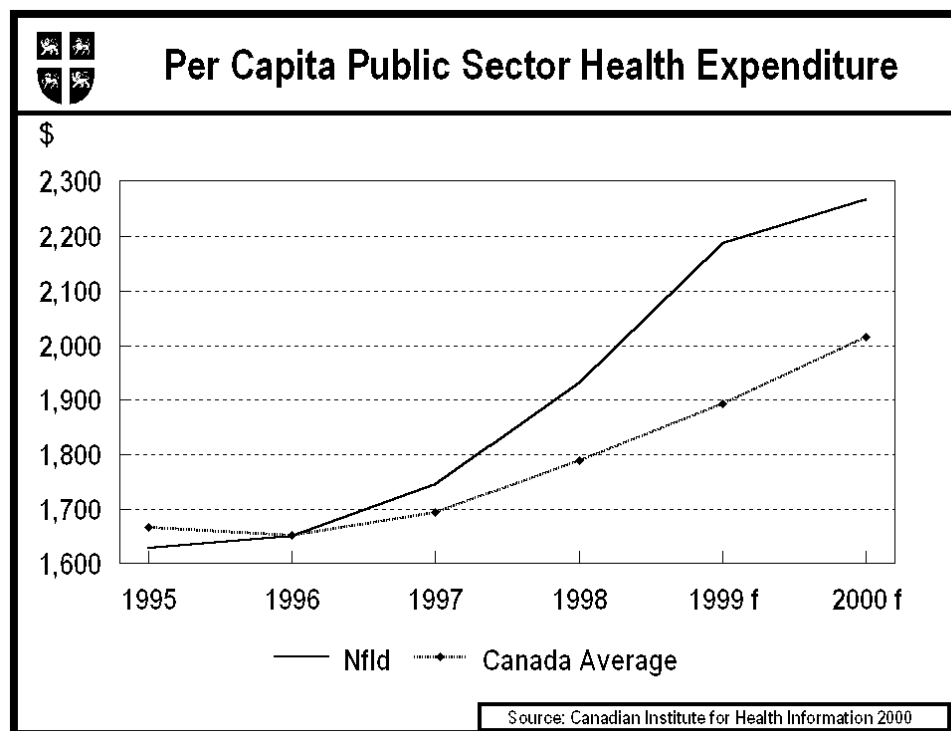
For new facilities, including classroom space and library resources, as well as building renewal at the College of the North Atlantic, \$8.1 million is provided in the new year.

An allocation of \$500,000 will assist Memorial and the College of the North Atlantic to access federal funding for research and development from the Canada Foundation for Innovation.

Investing in Health

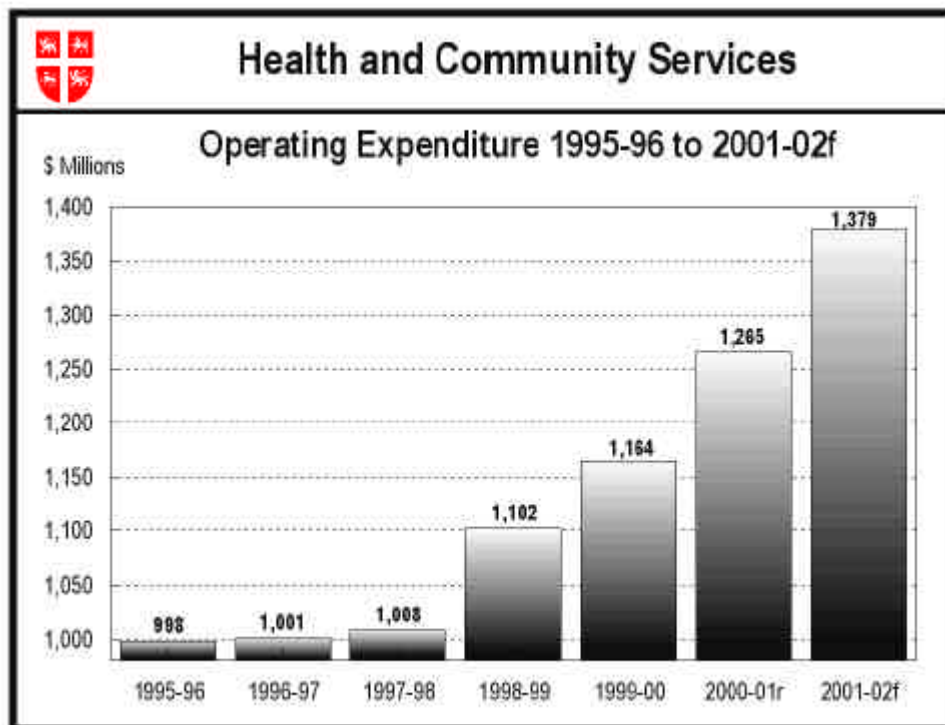
Mr. Speaker, there is ample evidence of our commitment to health in each and every budget over the last five years. In 1997, when we were faced with an unacceptably high budget deficit, expenditures were cut in every department except Health. As our fiscal situation improved, we made major investments in health every year thereafter.

According to the Canadian Institute for Health Information, per capita public sector spending on health in this province was below the Canadian average until 1996. Since 1997, however, we have exceeded the average each year. For 2000, public sector



health spending in this province was 12.5 percent more per capita than the Canadian average.

In the new fiscal year, we will be adding \$114 million more to our health and community services budget, money that will go to fund the important day to day operation of the health sector. Mr. Speaker, this is the largest single increase ever made by any government in the history of the province. This represents a 9 percent increase over the level of funding provided last year.



Our annual contribution to operating health services has increased from \$1 billion in 1996-97 to about \$1.4 billion in 2001-02. This is an increase of about \$400 million, close to 40 percent, in just five years. Mr. Speaker, new funding for the health sector on this scale is unprecedented in our history.

In addition to funding operating costs, over \$400 million in capital investments have been made since 1996-97, both by the health care boards and by government directly. This money provides for new facilities, as well as renovations to existing ones, and health equipment in every region. When the monies government is providing or has approved for 2001-02 are added in, the amount committed over the six year period will total almost half a billion dollars.

Health Care Workforce

In this budget, government continues to provide more money for health care workers. Excluding the union contracts under negotiation, \$47 million more is allocated to staff the health system. This is necessary both to retain our skilled workforce, as well as to recruit required professionals. The budget provides for the further implementation of pay equity in the health sector, additional funding for physicians and a base salary increase for home support workers.

Most home support workers currently receive \$5.84 an hour. These workers will see their wage rate rise this year in two steps to \$7.01 an hour. This is a much needed increase of 20 percent in a period of less than one year to correct a salary anomaly for these lower paid workers.

An additional \$11 million has been allocated for physicians, some of which is for new positions. This will contribute to our good record of physician retention and recruitment. From 1998 to 2000 there has been a net gain of 61 physicians for the province, 34 general practitioners and 27 specialists. This is not to say that every community has all the doctors they would like, but it does show that we have had some success in ensuring an adequate number of physicians for the province. A further \$600,000 is provided for the Faculty of Medicine at Memorial University, supporting new physicians for the province and improving our ability to recruit specialists.

Of the new money for health care workers, \$25 million is provided to fund the reclassification of nurses and other professional staff undertaken last year. A reclassification review is currently underway for laboratory and x-ray technicians which will be completed later this year.

Priority Programs

The budget provides an increase of \$14.8 million for priority programs. This money is incremental funding for our drug programs, blood supply, road ambulance operations and medical transportation assistance program.

Included is \$2.4 million to continue increasing the number of cardiac surgeries, which will go from 12 cases a week in 1999 up to 20 per week later this year. As well, \$710,000 is provided to increase the level of cardiac catheterizations.

In addition, the subsidy to personal care homes will increase for the second consecutive year by \$1.3 million, bringing the total to \$12 million annually. As a result, our contribution to monthly rates is rising to about \$1,000. The number of individual clients receiving subsidies will also increase. Our plan is to move to providing more personal subsidies rather than subsidizing facilities.

As well, \$2.1 million will permit the pharmacy dispensing fee for income support recipients to be raised to \$6.50, fully restoring it to the level prior to the 1996 budget.

Health Care Facilities

Ongoing construction and renovation projects at a number of facilities around the province will receive \$50 million in funding in 2001-02. Major work is ongoing at Gander, Stephenville, Grand Bank, Bonne Bay, Fogo and Old Perlican. Work will also commence on a new long term care facility at Clarenville.

Investing in Modern Equipment

Part of our commitment to health care has been an investment of over \$100 million for new equipment over the last five years. This budget provides a further \$32.4 million to modernize diagnostic and therapeutic equipment at facilities all across the province. Of this amount, a \$17.4 million contribution comes from the federal government as part of the First Ministers' Agreement on Health Renewal. Purchases will include CT scanners, mammography units and therapeutic equipment for acute care, as well as priority equipment for residential care needs in nursing homes.

Stabilizing Health Board Budgets

We will again this year be increasing the base budgets of institutional health boards. In 2001-02, this additional funding for health board operations will be \$50 million. Mr. Speaker, this is the largest single annual increment of the last five year years. For the new fiscal year, base budgets for boards will be \$111.7 million higher than they were five years ago. This increase will stabilize board funding and allow them to operate within balanced budgets. This will position them to achieve efficiencies and focus on future service improvements.

We are also placing greater emphasis on community based health services and population health programs. Health and community services boards will receive incremental funding of \$7 million.

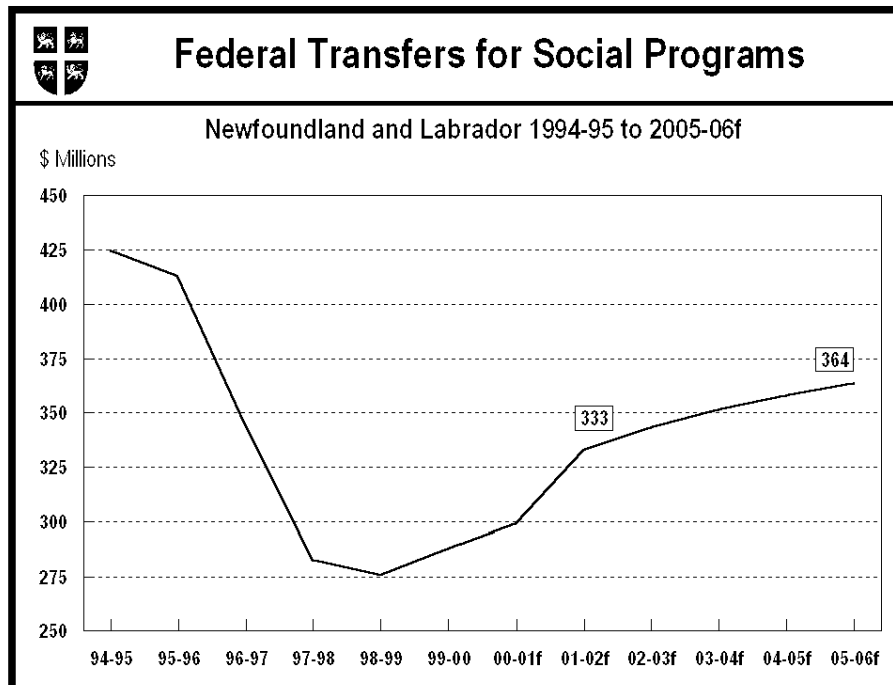
Regional Health Forums

Mr. Speaker, to help government build a vision for health and community services for the future, a series of province wide regional health forums will be held this year. The

forums will permit community partners to assist us in seeking consensus on the principles necessary to improve quality in the health system, ensure long term sustainability, provide equitable access, maintain affordability and enhance public accountability.

Federal Transfers for Social Programs

Mr. Speaker, funding health, in particular, is an ever increasing challenge given the limited flexibility in our fiscal position. In large measure, responsibility for this lies with the federal government, whose contribution to provincial social program funding, including health, was much higher in the past and must be increased.



Even with the federal commitment to increase CHST cash transfers out to 2005-06, our share in five years time will be \$61 million less than it was seven years ago. For the new fiscal year, it will be \$92 million less than it was seven years ago. Nationally, the federal share of funding social programs will again be in decline each year after 2001-02. Not only should the federal government make larger cash contributions to

provincial social program funding, this should be done in a manner that delivers more of that funding to those provinces most in need. One way the federal government could do this is by revitalizing the Equalization program.

Helping Those Most in Need

Strategic Social Plan

Mr. Speaker, funding of \$2 million for implementation of the Strategic Social Plan will be maintained in the new fiscal year, supporting the work of the six regional steering committees, all now operational.

The Strategic Social Plan recognizes the importance of promoting the links between social and economic development. Good social policy and investments in social programming support economic progress. To the extent that people are prepared to participate fully in the life of the community and achieve their potential, economic investment finds a place to take hold and flourish. This government has made significant changes to the delivery of income support to assist clients to access the training and supports they need to find and maintain work.

The Single Parent Employment Support Program has been an innovative and successful pilot partnership between government and the Single Parents Association of Newfoundland. Of the 239 single parents who participated in this pilot, 124 are currently employed and 40 are no longer in receipt of income support.

In the words of one person who had been in receipt of social assistance for seven years prior to enrolling in this program: "My whole life has changed. Now I am sure that good things are beginning to happen to me".

Another person who participated in both our “New Beginnings” program and “Skills for Success” program said, “It was at New Beginnings that I got on the right track”. She is now enrolled at Memorial University and is pursuing her ambition to go into nursing.

These cases, and others, demonstrate how investing in people and in community infrastructure is an investment in economic prosperity down the road.

Women’s Centres

In recognition of the important work done by the Women’s Centres across the province in delivering community based services, I am pleased to announce that funding for the seven centres will be increased. When the federal government stopped funding Women’s Centres in 1998, the province stepped in to enable the centres to maintain operations. During pre-budget consultations, women’s organizations across the province highlighted increased funding for the centres as an important priority. Mr. Speaker, their operational funding will increase by two-thirds to \$50,000 each.

NLHC Community Centres

Newfoundland and Labrador Housing Corporation community centres also provide valuable educational, recreational, social and health programs to many individuals and families. To permit the centres to enhance their operations by offsetting the cost of program co-ordinators, \$140,000 is allocated in the new fiscal year.

Pensions and the Seniors’ Benefit

Government has grappled for some years with the issue of public service pensions. A plan is in place that will see the pension funds put on a sustainable financial footing over time. Government is concerned about the well being of low income seniors

generally, including low income public service pensioners.

In 1999, we implemented a low income seniors' benefit. Mr. Speaker, I am pleased to announce today that we are increasing the benefit by 50 percent from \$200 to \$300 annually. As well, the low income threshold at which the benefit begins to phase down is being raised from \$12,000 to \$14,000. All seniors aged 65 and over, with annual family income of less than \$20,000, will receive either a full or partial benefit, regardless of any other pension income they may receive. Those with family income of \$14,000 or less will receive the full \$300 benefit. Mr. Speaker, this action demonstrates our commitment to assist low income seniors financially, within our means.

Newfoundland and Labrador Child Benefit

The Newfoundland and Labrador Child Benefit provides financial support to low income families with dependent children. I am pleased to announce that we are increasing the eligibility thresholds to allow more families to receive the benefit. Previously, families with incomes below \$15,931 received the full benefit. This is now raised to \$16,744. The phase down thresholds are also increased.

Opening Doors Program

I am also pleased to announce that an additional \$600,000 will be added to the Opening Doors Program over the next three years. The expanded program will increase the number of permanent, full time employment opportunities in the public sector for people with disabilities. The program is a partnership between government and NAPE to create job opportunities for people with disabilities.

Local Government

Debt Relief Program

We will continue to assist municipalities experiencing financial difficulty through the Debt Relief Program. Mr. Speaker, we are making an additional \$10 million available for the program in the new year, bringing our total commitment since initiating the program five years ago to \$35 million.

INVESTING IN INFRASTRUCTURE

Municipal Capital Works Program

A municipal capital works and infrastructure program of \$50 million is forecast for the new fiscal year, funded by a \$27 million provincial contribution, with the balance from the federal government and municipalities.

Of the province's \$27 million, \$7 million will fund a new provincial-municipal variable cost sharing ratio. This will make it more affordable for smaller rural communities to undertake larger capital works projects than they could in the past. Community size, tax base and the ability to generate revenues will be considered in determining the municipal share. The provincial government will fund a higher share of project costs for these municipalities.

Safe Drinking Water Initiative

Ensuring safe drinking water for residents of the province is a high priority for this government. Mr. Speaker, today we are announcing an \$11 million multi-year safe drinking water initiative. This budget allocates \$2.6 million to address water sampling, staff training and infrastructure needs, including chlorination programs, for the provision of safe drinking water. Municipalities currently under a boil water advisory can receive 100 percent funding up to a maximum of \$100,000 to install or upgrade water

disinfection systems. We will be working closely with communities to improve municipal water supplies.

Roads and Transportation

Today we are announcing a highway and road construction program of \$121.8 million for the new fiscal year. Mr. Speaker, this is the second largest program since Confederation, exceeded only by last year, and brings our total commitment over six years to \$644 million.

This year's allocation will see a 50 percent, or \$6 million, increase in the paving and road reconstruction component of the provincial roads program. Construction will continue on roads in coastal communities in northern Labrador, as well as the Trans Labrador Highway in southern Labrador.

In early 2000, the people of Long Island made a strong plea for a causeway to replace their ferry services. At the time, the federal minister of ACOA pledged up to \$8 million, or 80 percent, of the cost of the project. Today, I am pledging that the province will make available \$2 million, or 20 percent of the cost, towards construction of the causeway as soon as federal funding is in place. Mr. Speaker, this government, and the people of Long Island, call on the federal government to fulfill the minister's pledge to provide construction funding.

An additional \$500,000 is provided for ferry modifications, as well as \$2 million for upgrading the Bell Island ferry wharves.

Televising the House of Assembly

Mr. Speaker, acting on our commitment to bring about a more open and accountable government, \$1.3 million is provided to permit the House of Assembly to be televised.

We are aiming to have the technical work completed in time to begin telecasts for the fall 2001 sitting of the House.

INVESTING FOR JOBS AND GROWTH

Government is committed to building on the economic momentum generated over the last five years. We will continue to give particular attention to rural areas.

Amalgamating into a New Department

Our first step has been to merge two economic development departments into one with a stronger mandate. This brings together core economic and business development functions to allow more focused and co-ordinated delivery of programs at the regional level. The new department will have a budget \$7 million larger than the combined budgets of its predecessors. New financial resources to pursue the development mandate will come from the \$44.8 million extension to the Canada-Newfoundland Comprehensive Economic Development Agreement, as well as continued activity under the "FRAM-ED" Post-TAGS Agreement.

Renewal Strategy for Jobs and Growth

A second step was the release on Tuesday of the final report of the Renewal Strategy for Jobs and Growth, prepared based on an extensive consultation process conducted throughout the province. Mr. Speaker, I want to recognize today the tremendous leadership shown, as well as the time and effort devoted, by the Minister responsible, the Honourable Beaton Tulk, in bringing this important initiative to fruition.

The report outlines key initiatives we will be moving forward on to re-energize our jobs and growth agenda. Government's role is to create the right environment to allow the private sector to drive employment and economic growth. The report encapsulates what

we heard from the public during the consultations. We will continue to engage stakeholders to work with us in implementing the initiatives.

The report contains specific commitments designed to stimulate growth in traditional, as well as non-traditional sectors of our economy. This budget commits funding to support many Jobs and Growth initiatives, like Team Trade Newfoundland and Labrador which is designed to stimulate trade and export development. Jobs and Growth funding will support important sectors like the fishery, agrifoods and tourism, as well as emerging sectors like information technology and cultural industries. Almost two thirds of the priorities identified in the report relate to strengthening rural regions of the province.

Sectoral Initiatives

The fishery is an excellent example of government and the private sector working together to create economic opportunity and growth in rural areas. Continued funding is provided to further enhance the Quality Assurance and Inspection Program implemented in 2000. Through this program, we are consistently improving our image as a supplier of quality products in the global marketplace. A priority issue for this government is to protect the adjacency principle to ensure the province receives the benefits of our fisheries resource.

Another example of government and the private sector partnering to stimulate jobs and growth in rural areas is the success the tourism sector has been enjoying, particularly in recent years starting with the Cabot 500 celebrations. To build on this momentum, we are allocating \$3.2 million to the Marconi celebrations, "Receiving the World: Celebrating Communications". Not only will the events highlight our place in communications history, they also will focus on our modern achievements in marine communications and information technology. In September, we are hosting the Wireless Vision Congress which will bring together IT industry participants from around

the world.

Our energy and mining sectors have become mainstays of the economy, as well as hold great promise for the future. We are allocating \$300,000 for further work on a natural gas strategy for the province. The strategy will be key to identifying and advancing the opportunities our natural gas resources represent. For the mining industry, \$390,000 is provided to expand the Buchans core storage facility, one of six across the province preserving mineral core samples for public use. Funding is also provided for fuel price regulation.

Tax Reduction Initiatives

Mr. Speaker, in support of the jobs and growth strategy, and to act on our commitment to foster a positive climate for business investment, I am pleased to announce today that effective April 1 government will increase the threshold for the payroll tax from \$400,000 to \$500,000. Over the last four budgets, we have increased the threshold from \$100,000, removing over 2,000 businesses from the tax roll and reducing the tax for thousands of others. Virtually the entire small business sector will no longer pay the tax.

The coming fiscal year also will see further cuts in provincial personal income tax as part of the tax reduction plan announced in late 1999.

A Greater Share of the Benefits from Our Resources

To take advantage of our economic opportunities, the province must receive a greater, and fairer, share of the benefits of key natural resource developments. In our view, the existing Equalization program almost guarantees that all but a modest share of the financial benefits of these developments will accrue to the federal government. A province, like ours, must be able to use natural resource development to better

ourselves to bring about the economic and social changes necessary to build a sustainable future as full partners in the Canadian Confederation.

We are asking the federal government to ensure that a much greater share of the new wealth that resource development is creating in this province actually stays here. We will use these financial resources to develop a sustainable economy so, in the longer term, we can reduce and eventually eliminate our need for federal Equalization transfers.

Obtaining a fairer share of the financial benefits of natural resource developments for our province is a high priority for this government. Mr. Speaker, we call on the federal government to make it an equally high priority.

INVESTING IN LABRADOR

Last year's budget announced a northern coastal Labrador initiative to address housing needs, community infrastructure and policing in five communities. We are entering the second year of a \$23 million three year funding commitment, which includes a \$7.7 million housing component. To give Labrador and its aboriginal peoples a stronger voice in government we have recently created a new Department of Labrador and Aboriginal Affairs. The new department will provide leadership on issues of concern to Labrador and all its people.

I am pleased to announce today several initiatives of particular relevance to Labrador. I mentioned earlier \$800,000 for incentive bonuses to attract teachers to coastal Labrador communities. Funding is provided for the Forestry Process Agreement on forestry management and development in Labrador between the province and the Innu Nation

as committed earlier this year. And, subject to being implemented nationally, we hope to launch the Aboriginal Cadet Development Program, which would see aboriginal youth receive skills upgrading as preparation for RCMP training. In anticipation of this national program, we have set aside funding in the new fiscal year for 12 aboriginal youth who are residents of Labrador to participate.

The Labrador Travel Subsidy was increased by \$180,000 in the middle of the fiscal year just ending. The subsidy will be maintained at its new level of \$427,000. This will permit students living in Labrador to increase their participation in athletic tournaments throughout the province. And finally, our largest single investment in Labrador this year is the \$43 million to be spent on the Trans Labrador Highway. This is an exciting initiative that will open up many opportunities for the people of Labrador and the whole province.

TAKING ACTION

Mr. Speaker, this budget is about taking action for the future. It represents a new beginning, new ideas and a new vision. This budget does not rest on the past, it clearly focuses on the future. It builds on a record of strong fiscal performance, the best the province has had in decades. It focuses on the priorities most important to the people of the province - health, education and helping those most in need.

Change is a necessary component to reflect the priorities of this government. New departments were created and others amalgamated to reflect these priorities. A new emphasis is being placed on investing in youth. A work plan has been put forward.

We share a new confidence in the future with the people of the province. Challenges remain, but this budget demonstrates we are willing to make choices and take action. Today, we take another step in setting a new course. We are acting on our priorities, the priorities of our people, and investing in the future of Newfoundland and Labrador.

