



GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

BUDGET SPEECH 2005

"A New Future...A Renewed Pride"

Delivered by

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INTRODUCTION: A New Future...A Renewed Pride

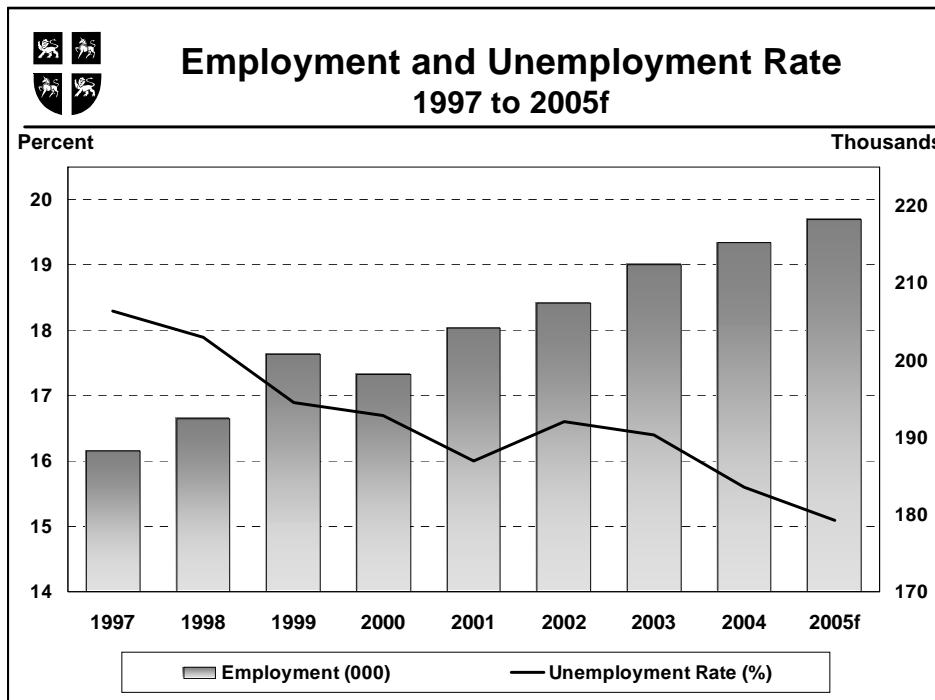
Mr. Speaker, a year has passed since I presented the first budget of this government under the leadership of Premier Danny Williams. It is my privilege to report that, while considerable work awaits our collective efforts, our government is on the right track. And we intend to stay the course and work together, more vigorously than ever before, to build a new future of self-reliance for Newfoundland and Labrador.

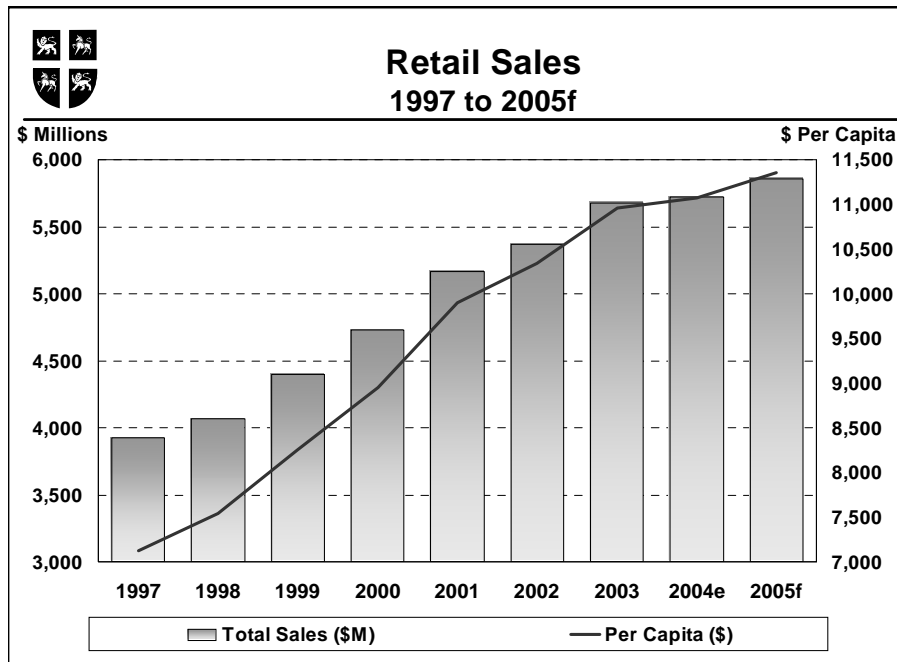
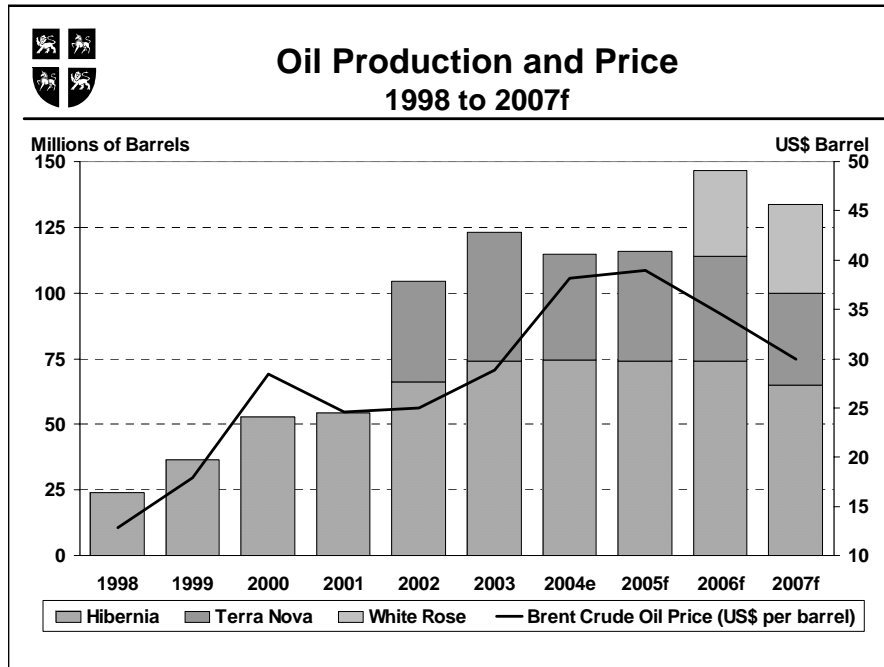
Our government entered office almost seventeen months ago with a mandate and a mission to end the giveaways and begin harnessing our resources in ways that will open up bright, new opportunities for individuals, families, employers and communities throughout Newfoundland and Labrador. In our Blueprint, we presented the people with an eight-year plan to build a brighter future.

However, what we inherited on day one of our mandate was a massive barrier to progress directly in our path: a staggering mountain of debt and financial obligations that exceeded the province's fiscal means. Independent auditors and advisors, including PricewaterhouseCoopers, expressed serious concern that the province's fiscal situation was unsustainable and very troubling. Our province was facing billion-dollar deficits that, within a decade, would have nearly doubled the province's debt. Without significant decisive action, the situation would have only deteriorated, obligating the government to divert more and more of its limited resources from valuable programs to debt servicing.

Over the past year, through a combination of prudent spending and effective negotiating for additional revenue, we were able to not only enhance our social programs but also significantly improve our province's fiscal situation. The challenges and choices were tough, but we faced them responsibly. The new agreements our Premier fought to achieve on offshore revenue sharing, equalization and health funding have fundamentally changed our circumstances for the better. As a result of the approach we have taken, Newfoundland and Labrador is in a far better position at the end of this fiscal year than when the year began.

 Newfoundland and Labrador Main Economic Indicators (Percentage Change)		<u>2004</u>	<u>2005 f</u>	<u>2006 f</u>	<u>2007 f</u>
		Gross Domestic Product			
Nominal		7.9	3.8	5.6	-5.8
Real		1.4	2.1	5.1	-0.2
Personal Income					
Nominal		2.7	2.6	2.9	3.7
Real		0.8	0.9	1.1	1.7
Retail Sales					
Nominal		0.8	2.4	1.7	2.4
Real		-1.4	0.8	-0.1	0.5
Housing Starts		6.6	-7.4	-8.3	-1.1
Consumer Price Index		1.8	1.7	1.7	1.9
Employment		1.3	1.4	0.4	1.0
Unemployment Rate (percent)		15.6	15.1	15.0	14.6





FISCAL FRAMEWORK

Review of 2004-05

Mr. Speaker, before considering our detailed fiscal plans and expectations for 2005-06 and beyond, let us reflect on the year we are about to conclude.

Facing the unsustainable prospect of annual billion-dollar deficits on a go-forward basis, I announced in last year's budget speech a multi-year plan to eliminate the province's cash shortfall by 2007-08 and reduce the deficit progressively over time in order to position our province for long-term fiscal sustainability.

Several factors that were unforeseeable a year ago have significantly improved our province's fiscal circumstances. Premier Williams was successful in negotiating a new arrangement on the sharing of offshore petroleum revenue that enables Newfoundland and Labrador to retain 100% of its provincial share of the revenue. The impact of this arrangement alone has contributed \$134 million in additional revenue in 2004-05. The Premier was also instrumental in achieving significant improvements to the country's Equalization Program which contributed to an increase in revenue from this source of \$88 million. An increase in royalties related to offshore petroleum production, primarily as a result of higher prices, contributed \$113 million toward the improved provincial bottom line.

These impacts, in combination with new Health Accord revenue, careful monitoring of expenditures and other factors, have helped us reduce the 2004-05 deficit from \$840 million to \$473 million, and cut the cash shortfall from \$362 million to just \$14 million. These results for 2004-05 reflect our government's decision to repay the outstanding debt of the Heritage Corporation (The Rooms) and the Education Investment Corporation which totaled \$117 million.

Forecast for 2005-06 and Beyond

Mr. Speaker, our achievements in the past year will continue to benefit us for years to come. Revenues in 2005-06 are projected to be significantly higher than we had earlier anticipated, primarily because of the new Atlantic Accord 2005, higher offshore royalties, additional Equalization, and an expanded Canada Health Transfer.

Expenditures will also be up as we make strategic investments that will reap significant dividends in years to come. We have revised our multi-year fiscal plan to reflect the new circumstances. We now project that the deficit in 2005-06 will be \$492 million, not the \$759 million we projected last year; and the cash shortfall will be just \$62 million, not the \$320 million we projected last year. This is indeed remarkable progress for such a short period of time.

As a result of our commitment to good fiscal stewardship, our government is now well ahead of the multi-year goal we set last year of achieving a balanced cash requirement and a significantly lower deficit by 2007-08. We now project that we will achieve deficits of \$307 million in 2006-07 and \$384 million in 2007-08. Furthermore, instead of a cash shortfall in 2006-07 of \$250 million, we now project a cash surplus of \$143 million for that year. And in the following year, 2007-08, instead of a balanced cash position, we project a cash surplus of \$73 million. The cash component of the deficit will be gone.

However, Newfoundland and Labrador will not achieve true fiscal freedom until we have also dealt with the liabilities resulting from our accumulated deficits. With the first milestone achieved, the elimination of the cash shortfall, we will protect and strengthen this financial position by tackling the real deficit which is the accrual deficit. By progressively lowering the deficit in this way, we will curb the rate of growth of the public debt; and eventually, our province will be in a position to completely halt the growth of our debt and begin lightening the burden that our children and grandchildren will have to bear.

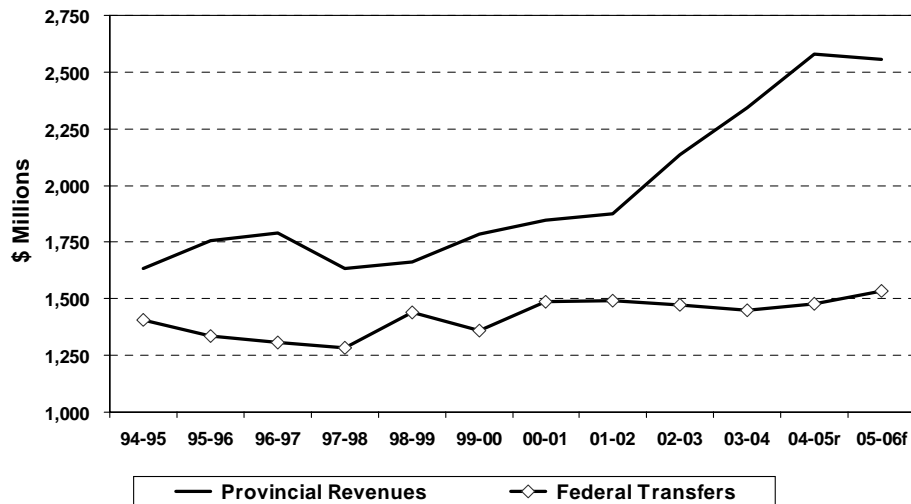



Summary of 2004-05 Financial Performance (\$ Millions)

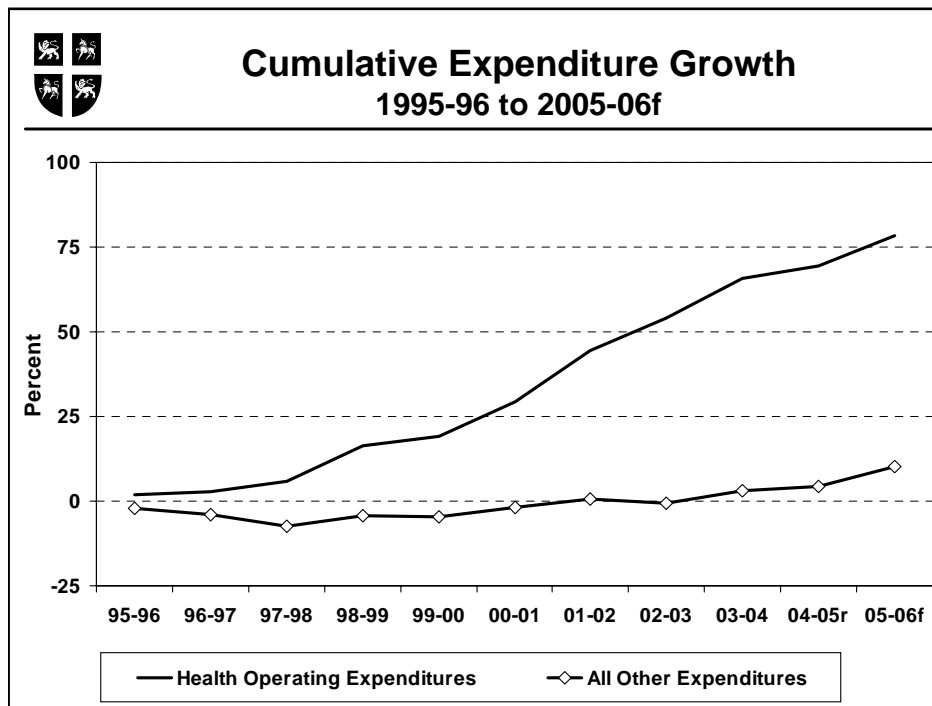
	Restated Budget 2004-05	Revised 2004-05	Variance
Current Account			
Gross Expenditure	4,096.1	4,056.6	39.5
Related Revenue	224.8	232.9	8.1
Net Expenditure	3,871.3	3,823.7	47.6
Provincial and Federal Revenues	3,654.1	4,061.4	407.3
Financial Requirement / (Contribution)	217.2	(237.7)	454.9
Capital Account			
Gross Expenditure	177.1	247.6	(70.5)
Related Revenue	69.7	31.2	(38.5)
Net Expenditure	107.4	216.4	(109.0)
Borrowings - Other Entities	37.0	35.0	2.0
Borrowing Requirements - Budgetary	361.6	13.7	347.9
Accrual Adjustments	478.0	459.1	18.9
Consolidated Accrual Deficit	839.6	472.8	366.8



Provincial Revenues and Federal Transfers 1994-95 to 2005-06f



 Estimated Budgetary Position (\$ Millions)		
	Estimates <u>2005-06</u>	Revised <u>2004-05</u>
Current Account		
Gross Expenditure	4,243.4	4,056.6
Related Revenue	293.1	232.9
Net Expenditure	<u>3,950.3</u>	<u>3,823.7</u>
Provincial and Federal Revenues	<u>4,092.3</u>	<u>4,061.4</u>
Financial Contribution	(142.0)	(237.7)
Capital Account		
Gross Expenditure	296.4	247.6
Related Revenue	92.4	31.2
Net Expenditure	<u>204.0</u>	<u>216.4</u>
Borrowings - Other Entities	<u>0.0</u>	<u>35.0</u>
Borrowing Requirement - Budgetary	62.0	13.7
Accrual Adjustments	<u>430.5</u>	<u>459.1</u>
Consolidated Accrual Deficit	<u><u>492.5</u></u>	<u><u>472.8</u></u>



BUDGET PLAN FOR 2005-06

Revenue Plan


Mr. Speaker, as a benefit of our actions and successes of the past year, we are now in a position to announce that there are no new taxes and, with one exception, no tax rate increases in this year's budget.

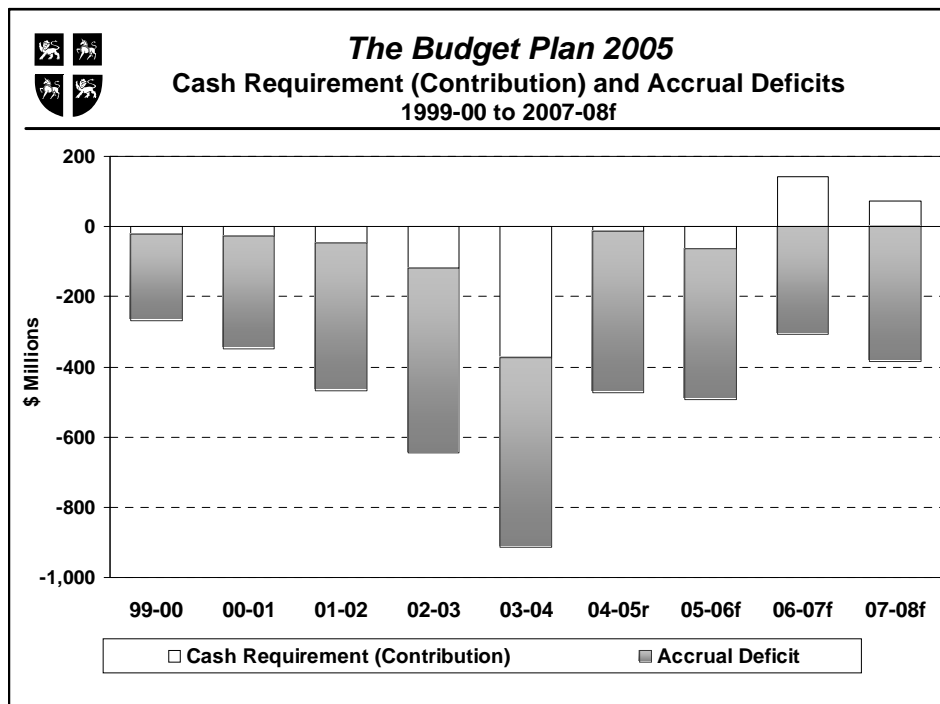
Our primary reason for implementing this solitary tax increase is not to raise new revenue. It is to protect our people and, ultimately, our treasury from the consequences of smoking. Effective a minute after midnight tonight, we will raise the tax rate by one cent per cigarette and by five cents per gram of fine-cut tobacco.

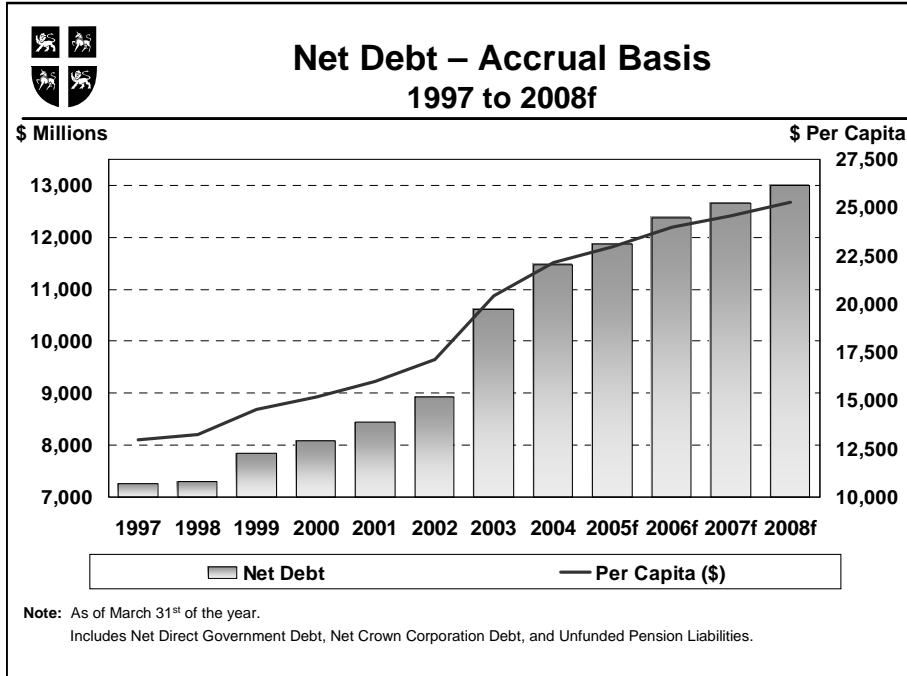
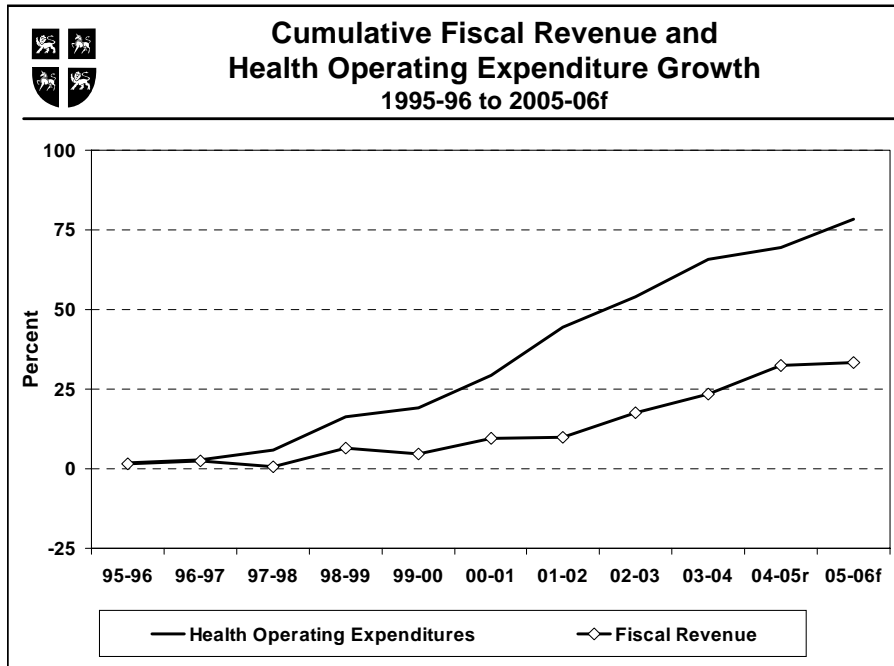
The single greatest financial improvement in this year's budget is the impact of the revenue from the Atlantic Accord 2005. Our government looks forward to early passage of the enacting legislation through the Parliament of Canada so that Newfoundland and Labrador can begin to reap the benefits of our provincial share of offshore petroleum revenue and, in particular, the benefits from the advance payment of \$2 billion. As I have already stated, achieving this new revenue is a significant reason for the improvement in our fiscal situation. However, the magnitude of our fiscal challenge is such that we cannot afford to squander one precious penny of this revenue. It would not only be unwise, but in fact impossible, to accommodate all the requests for new funding. Rather, we must respect our moral obligation to invest this revenue wisely and strategically in ways that will benefit both current and future generations to the greatest extent possible.

Expenditure Plan

Mr. Speaker, with this budget, we are taking significant new steps to implement our economic growth agenda by investing strategically in programs and initiatives that will nurture opportunities for development in Newfoundland and Labrador. Like our plan last year, our budget expenditure plan for 2005-06 includes measures to shore up our fiscal position and to secure and sustain the social programs on which our people rely.

 The Budget Plan 2005 Fiscal Targets (\$ Millions)			
	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
Total Revenue	4,477.8	4,711.2	4,742.6
Gross Expenditure	4,539.8	4,568.2	4,669.2
Cash Requirement / (Contribution)	62.0	(143.0)	(73.4)
Accrual Adjustment	430.5	450.1	457.8
Consolidated Accrual Deficit	<u><u>492.5</u></u>	<u><u>307.1</u></u>	<u><u>384.4</u></u>





INVESTING STRATEGICALLY TO STRENGTHEN OUR PROVINCE

Tourism, Culture and Recreation

Mr. Speaker, no area of economic development is more promising or exciting than the celebration and promotion of our culture. It is through our culture that we can teach our children who they are and who they can become. It is through our culture that we can continue to attract tourists from around the globe to experience what is truly unique and worthwhile about Newfoundland and Labrador.

This year, we are investing in the promotion and development of our culture in ways that will empower our children and liberate our artists to seize new opportunities for growth.

On June 29, 2005, we will open one of the most unique and exciting cultural facilities in Canada. **The Rooms** will house the Archives, Art Gallery, and Museum of Newfoundland and Labrador. They will offer a combination of excellent programs and services, together with effective educational and public outreach programs, to make the institution relevant and meaningful for every child and adult in our province. The \$6 million in operational funding that we are providing this year is a tangible example of our government's commitment to securing and celebrating our rich and dynamic culture.

Support for our artists, heritage groups and provincial cultural events helps maintain the creative energies of many of our stakeholders and sustain them as they contribute to the cultural fabric of our province. In order to support cultural industries, we will provide \$1.6 million this year for the province's **Cultural Economic Development Program**, a 25% increase over last year. The program provides support for arts and heritage organizations, marketing, professional development, and capacity building. Of this amount, \$205,000 will be allocated to support heritage sites and organizations, and \$100,000 will be provided for a new Literary Assistance Program designed to assist writers and publishers with the development and production of indigenous works.

The music industry is one of the fastest growing and strongest components of a vibrant arts sector in the province. In recognition of the need to strengthen and build further capacity within the **Music Industry Association of Newfoundland and Labrador**, our government provided \$200,000 last year. To build on the success of 2004, funding of \$200,000 will be made available again this year.

Supporting creative people and bringing stability to the conditions under which they work is a key building block of celebrating our identity and fostering creativity. In 2005, the **Newfoundland and Labrador Arts Council**, which is such an important source of support for our province's artists, will celebrate its 25th anniversary. Our government's total contribution to the Arts Council in Budget 2005 is \$900,000.

In recognition of the increased potential of the film industry in the province, we will allocate \$2.3 million to the **Newfoundland and Labrador Film Development Corporation** to fulfill its mandate to foster and promote the development and growth of the film and video industry in Newfoundland and Labrador.

Budget 2005 also includes an enhanced **Film and Video Industry Tax Credit**, which will allow the province's growing film and video industry to compete effectively with other provinces in Canada.

In recognition of the importance of preserving and promoting the distinctive architecture of our heritage buildings, we are providing \$250,000 to the **Heritage Foundation of Newfoundland and Labrador** this year to continue its important work.

To fully capitalize on the boundless tourism opportunities throughout Newfoundland and Labrador, it is vital that we do more to showcase the wide range of sites and events that we have to offer. In our Blueprint, we committed to increase the **tourism marketing budget** by \$1 million per year until it is on par with those of our Atlantic counterparts. To keep our promise, we will provide another \$1 million this year, on top of the \$1 million last year, to bring our province's tourism marketing expenditures to \$8 million.

Nowhere are the prospects for growing our tourism industry more promising than in Labrador. Along the Trans-Labrador Highway, along the coast and in the new Torngat Mountains National Park, the opportunities for tourism are phenomenal. **Destination Labrador** is a non-profit organization comprising industry and federal and provincial representatives from all regions of Labrador. The organization is seeking \$1.38 million in cost-shared funding over three years to implement a marketing and product development program focused on market readiness. Our province will fulfil its commitment to Destination Labrador by providing \$300,000 over the next three years. We know the private sector will rise to the occasion and we encourage the Government of Canada to provide its support for this valuable work.

An important aspect of our culture and a significant generator of tourism activity is our province's legacy of excellence in sport and recreation. Sport Newfoundland and Labrador and the Rugby Union have advanced a proposal involving the cost-shared construction of a new \$4.3 million **Provincial Training Centre**. Our government is the first funding partner to confirm its investment in the project. We are prepared to step up to the plate with our share of \$1.3 million over the next two years to make this facility a reality. We are confident that Sport Newfoundland and Labrador and the Rugby Union will provide their share, and we are urging the Government of Canada and the City of St. John's to join us in helping Newfoundland and Labrador's athletes reach their full potential in their chosen sports, while contributing to the province's economy through sport tourism.

No community recreation event in Newfoundland and Labrador is more unique or cherished than the tri-annual **Labrador Winter Games**. Organized by the Labrador Winter Games Association and hosted by the Town of Happy Valley-Goose Bay, this event will bring together some 450 athletes and 1,000 volunteers representing communities throughout Labrador in March 2006. Our government recognizes the unique opportunity presented by the games, to mobilize Labrador as a community and to enhance the pride and culture of Labrador. We are providing \$500,000 in this budget to enable preparations for this event to proceed.

Business and Innovation, Trade and Rural Development

Mr. Speaker, while culture, tourism and recreation offer golden new opportunities for economic development throughout our province, opportunities in other sectors are equally exciting, and we are preparing to do even more to turn the opportunities into success stories in communities throughout Newfoundland and Labrador.

This province competes for investment and export market share against many other jurisdictions. Our economic future will be determined by our success in reaching, and ultimately exceeding, not just our nearest competitors in the rest of Canada and other North Atlantic countries, but also the emerging economic powers of the Pacific rim.

Our focus is on building a competitive economy driven by private sector firms selling in competitive markets and operating out of all regions of the province. In our Blueprint, we pledged to bring forward policies and programs that would facilitate the growth of businesses throughout Newfoundland and Labrador.

For the past year and a half, we have talked to people, organizations and businesses throughout the province, and asked them for their input as we developed a strategy to address those issues. We heard that access to capital is a problem for businesses. We heard that community-based economic development groups need more tools to carry out their mandates. We heard that economic and social development should be regionally-based. We have taken these comments and ideas and developed them into a comprehensive diversification plan for the province.

To help address gaps in existing commercial business financing, our government is investing an additional \$7.9 million on top of the \$2.1 million existing Small Business Seed Capital Equity Program allocation in order to establish a new \$10 million **Small and Medium Enterprise (SME) Fund**. This new revolving fund will provide loans and equity investments to small and medium-sized businesses. The fund will target strategic growth sectors, such as manufacturing with special emphasis on value-added production, information and advanced technology, secondary processing, aquaculture and tourism.

This year, we are also doubling the budget for the **Business and Market Development Program (BMDP)** from \$500,000 to \$1 million. The increase provides more assistance to new entrepreneurs and expanding small businesses to pursue new business ideas and new markets, including product development, implementing market strategies and advancing new technologies.

To capitalize on excellent opportunities in the information and advanced technology sectors, we are allocating \$1 million this year for the implementation of the provincial **Innovation Strategy**. This strategy is currently being developed in cooperation with the federal government, the Newfoundland and Labrador Association of Technology Industries, major firms in the province, Memorial University, the College of the North Atlantic, regional development agencies and other key stakeholders.

Last fall, we also announced our commitment to increase funding for the **Ireland Business Partnerships** from \$100,000 to \$300,000 in order to increase efforts to identify, foster and promote trade and partnership opportunities with Ireland in the areas of business, education and culture. Budget 2005 continues that funding commitment.

Our government is determined to ensure that the opportunities are enjoyed, not just by larger centres in our province, but also in rural Newfoundland and Labrador, where the challenges are great but the opportunities are even greater.

Last year, our government established the **Rural Secretariat** to work with local and regional partners in a collaborative effort to build strong and dynamic communities. We recently announced that the new structure will comprise nine regional councils and one provincial council which will act as advisory bodies to government, providing guidance on rural and regional issues in all parts of the province. Each region will have its own Industrial Diversification Strategy based on its particular strengths. The strategies will be further enhanced by advanced education and applied research and development to cultivate appropriate local industries.

To ensure strategies have the support to move forward, we are establishing a \$5 million **Regional/Sectorial Diversification Fund**. Building upon prime sector strategies,

current investment programs and enhanced partnerships with federal government, the fund will allow the Department of Innovation, Trade and Rural Development to broker and support investment opportunities linked to provincial industry development priorities as well as diversification strategies in the regions. Our goal is to contribute to long-term sustainable employment and growth of small and medium-sized enterprises in the regions.

Our total provision of new dollars for strategic investment initiatives this year will surpass \$23 million. Each dollar we invest helps to lever more dollars from other investors, creating the kind of momentum that businesses need to grow.

Transportation and Works, and Government Services

Mr. Speaker, our government recognizes the strong connection between infrastructure and opportunity. Strategic investment to improve infrastructure is one of the most effective ways our government can stimulate economic growth and contribute to priority social needs.

Throughout our province, there is a tremendous need for road construction and repair. Last year, we raised the value of the **Provincial Roads Program** from \$23 million to \$30 million. This year, we will again provide \$30 million plus \$3.7 million that is carried over from the previous year, resulting in a \$33.7 million commitment to road construction throughout Newfoundland and Labrador in the coming fiscal year.

We will provide a further \$40 million, which includes \$16.5 million in carry-over, from the Labrador Transportation Initiative Fund to continue work on **Phase III of the Trans-Labrador Highway** network, plus another \$750,000 to build a highway depot between Red Bay and Lodge Bay.

Total expenditures under the **Strategic Highways Infrastructure Program**, and other federal-provincial programs, are estimated at \$31.6 million.

This brings the total expenditure for road work this year to \$105 million.

Newfoundland and Labrador's "highway" network is not entirely land-based. Because of our geography, we do a great deal of our traveling and transporting by sea. As part of our commitment to maintain our marine infrastructure, we are providing \$1 million in new funding for capital improvements to the province's **ferry terminals**. This funding will enable us to provide quality service to ferry users throughout the province while ensuring our terminals will be taken care of over the long-term.

Our government has expressed serious concerns about the past practice of purchasing vessels that are not fit for service on provincial ferry routes. Our government committed that we would implement a new **Vessel Replacement Strategy** to ensure we purchase or construct vessels that are seaworthy and cost-effective. The \$500,000 we provide this year will enable us to proceed with planning of this important new strategy.

Our total investment of new money in our ferry system this year will be \$8.1 million.

Public infrastructure also includes a variety of buildings throughout the province. Government is currently spending approximately \$400,000 annually to maintain buildings that are surplus to its needs. Before these buildings can be sold, reused or demolished, it is necessary that we perform environmental assessments and, in some cases, remediation. We will provide \$5.4 million this year to facilitate the **environmental remediation and demolition of four abandoned buildings**.

Mr. Speaker, to follow through on our Blueprint commitment last year to create a **Lobbyists Registry**, we are investing \$250,000 to allow the Government Services department to move forward with our commitment to a publicly-accessible, computerized registry to track lobbyists.

This year, through our Government Services department, we are also providing a capital investment of \$844,000 to move forward with phase four of the **Companies and Deeds Online (CADO) system**. Once phase four is complete in November 2005, consumers will be able to search property deeds online back to the 1980s, enabling searchers to spend less time at the registry, thereby improving efficiency and reducing the costs charged back to clients.

Municipal and Provincial Affairs

Mr. Speaker, infrastructure is vital not only for transportation and public works, but also for municipal development. The funding of municipal infrastructure is a partnership involving our towns and cities. Municipal leaders have told us that the earlier they can get the information on municipal capital works funding, the better they can plan. In fact, the Newfoundland and Labrador Federation of Municipalities along with engineering and construction firms told us that early announcements would enable them to achieve more favourable tender prices, thereby extending the spending power of the public dollar. That is why our government announced the **Municipal Capital Works Program**, the **Multi-Year Capital Works Program** and the **Canada/Newfoundland and Labrador Infrastructure Program** four months ago on November 26, 2004. The province's share of \$46.5 million brings the total value of this year's capital works initiatives to \$83 million.

We are also busy negotiating two federal infrastructure agreements: namely, the Municipal Rural Infrastructure Fund and the rebate of the federal gas tax. The **Municipal Rural Infrastructure Fund** is expected to cost-share infrastructure projects valued at \$84 million over five years, while the **federal gas tax rebate** will invest a total of \$82.3 million in municipal environmentally-sustainable infrastructure over five years.

Natural Resources

Mr. Speaker, Newfoundland and Labrador has sufficient natural resources in its inventory to warrant the increasing attention we are getting from around the world. These resources include oil, gas, minerals, hydro, trees, crops, livestock, fish, wildlife and a host of others. Our government is determined to act strategically to ensure that the people of Newfoundland and Labrador are the principal beneficiaries of our natural resource developments.

We are allocating \$900,000 to assist the government to position our energy sector to provide for long-term benefits for Newfoundland and Labrador. A portion of this funding, \$350,000, will be used to support the development of a comprehensive

Energy Plan that will incorporate the views of citizens and industry stakeholders. It will serve as a policy and resource management framework that will help us to plan in advance to meet energy demands for both domestic use and economic development.

In the agriculture sector, our government is prepared to build on its commitment to invest strategically and build capacity for sustained growth. In addition to \$10.1 million that Ottawa and the province will provide this year to continue the **Agricultural Policy Framework**, our government will invest an extra \$4 million to support new agricultural initiatives and expand existing programs.

With this funding, we will provide \$3.5 million this year as part of a five-year agriculture development program primarily directed to **farmland consolidation and long-term development** throughout the province. This represents the largest single investment in agriculture-related activities in our province's history and it represents our new approach to long-term planning.

In the forestry sector, we will enhance the industry's long-term sustainability by investing in the growth of new trees. We are providing \$7.3 million to support various **silviculture** initiatives in the province, including our tree nurseries at Wooddale and Happy Valley-Goose Bay. The funding will also sustain research and development initiatives dedicated to improving our reforestation efforts.

To improve access to tree stands, we will continue to provide \$3.5 million for **forest resource road construction**. This funding will allow for construction of forest access roads in difficult-to-access areas and partition wood stands near the communities of Roddickton, Main Brook, Point Leamington, Gambo, Gander Bay South and Fox Island River. In addition, it will also provide for resource road construction along the South Coast of Labrador near the communities of Port Hope Simpson, Charlottetown and Cartwright. The economic benefits provided by resource road construction are significant and very welcome in these rural areas of our province.

It is not enough to harvest our trees; we must also ensure we capitalize fully on the opportunities for **value-added wood manufacturing**. Building on our successes in

promoting value-added hardwood manufacturing, we will provide \$300,000 to support measures to increase product diversification in the industry.

Last year, we stepped in to fund an **Inland Fisheries Enforcement Program** to curb poaching because, in our view, the federal government is not adequately living up to its responsibility to provide for enforcement. We are increasing our allocation for this program from \$360,000 last year to \$800,000 this year to provide additional tools and human resources to protect our Atlantic salmon stocks and other fish species from poaching.

To improve the effectiveness of fisheries development, we will move this year to reorganize the Department of Fisheries and Aquaculture in order to coordinate resource, processing and market development activities under a new **Seafood Development and Diversification Division**. In order to address the important and complicated international trade issues facing the fishing and aquaculture sectors, the department will increase its trade expertise.

Environment and Conservation

Mr. Speaker, promoting sustainable development not only secures our renewable resources for future generations to enjoy, but it generates economic activity of its own.

This year, our government will make a substantial investment in environmental conservation research by establishing at Sir Wilfred Grenfell College a new **Institute for Biodiversity and Ecosystem Science**. This year, the Institute will become fully operational with two permanent staff and an annual budget allocation of \$300,000. By supporting graduate student research, the Institute will facilitate partnerships with the academic community and promote provincial government priorities in natural resource conservation and sustainable use. The Institute will also serve as the coordinating body for students in Corner Brook and at other affiliated institutions nationally.

In moving forward with our Blueprint commitment to create the **Centre of Environmental Excellence** in Corner Brook, our government has allocated \$500,000

in Budget 2005 for a master plan and feasibility studies. Working with Memorial University's Sir Wilfred Grenfell College and the Corner Brook campus of the College of the North Atlantic, our government will build on the significant environmental industry activity underway in the western region of the province to create the centre and anchor Newfoundland and Labrador as an international leader in applied environmental research and development.

We are also ready to begin implementing a long-term **Reinvestment Strategy for the Provincial Parks System**. With the provision of \$250,000 this year, we will upgrade La Manche Provincial Park by installing a comfort station and related facilities that make the park a more attractive destination for recreation enthusiasts.

INVESTING IN OUR SOCIAL RESPONSIBILITIES

Health and Community Services

Mr. Speaker, by seizing the opportunities for economic development, we will generate additional revenue in our province to sustain our valuable social programs, such as health care, over the long term. No area of expenditure is larger or more important in this year's budget than health and community services.

Last year, our government consolidated the province's fourteen health and community services boards into four **Regional Integrated Health Authorities**. Boards will be expected to balance their budgets in 2005-06. While health boards have made some progress, the collective accumulated operating cash shortfalls remain high, totaling about \$125 million by the end of 2004-05. Maintaining a high debt load over the long term jeopardizes our ability to sustain health services and limits our ability to expand current service levels. In this transitional year, our government will invest \$20 million to stabilize the system, allowing the health authorities to balance fiscal responsibility with the need to provide quality, health services.

In September of last year, our Premier and his fellow First Ministers negotiated a ten-year commitment, under the **First Ministers' Health Accord**, to increase federal health funding to the provinces and territories in order to reduce wait times and improve access to services. As stated in our Blueprint, shorter wait times will better enable people to access quality health care they need when they need it.

This year, our government will be making several significant investments in **new and upgraded medical equipment**.

- We will provide \$2.6 million toward a second **MRI** in St. John's, delivering 2,500 new exams a year and reducing wait times by four months.
- We will provide \$2 million toward replacing two existing CT Scanners with new **multi-slice CT Scanners** at the Health Sciences Centre and St. Clare's Hospital, delivering 4,000 more exams a year and shortening wait times to two weeks.
- We will provide \$1.3 million for new **ultrasound equipment** in Corner Brook, St. John's and Labrador City, and replacement equipment at Carbonear, thereby delivering 16,000 more exams a year. Further, we will provide a new ultrasound cardiac package at Captain William Jackman Hospital.
- We will also provide a total of \$6.2 million for four nuclear medicine gamma cameras in St. John's and Corner Brook; four new mammography units in St. John's, Gander and Grand Falls-Windsor; a new endoscopy unit in Corner Brook and an enhanced unit in Gander; along with new laparoscopic equipment in Corner Brook.

Our government will also invest in **expanded medical services**.

- We will provide \$1.2 million to increase **cardiac surgeries** by 184 cases annually and improve access to echocardiograms, delivering 900 more exams each year.

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- We will provide \$3.5 million to increase **surgical capacity for cancer patients**, resulting in 740 additional surgeries a year and a 30% reduction in wait times.
 - We will provide \$2.6 million to increase surgical capacity for **joint replacement** at the St. John's hospitals, resulting in an additional 340 surgeries each year for hip, knee and joint replacements.
 - We will also provide a total of \$1.3 million to support dialysis services in Gander and Carbonear; Visudyne, a new photo-dynamic therapy for macular degeneration; extended mammography and endoscopy services at Grand Falls-Windsor; enhanced cardio perfusion tests and bone scans at Gander; and extended access to chemotherapy and radiation at the Newfoundland Cancer Treatment and Research Foundation Centre in St. John's.

More than 100,000 residents annually benefit from the **Newfoundland and Labrador Prescription Drug Program**. We do not want to deny beneficiaries of this program access to new, emerging treatments because the costs are beyond their means. This year, we are providing a further \$7 million, adding 25 new drugs to treat people with arthritis, cancer, cardiac and lung disease and diabetes, among other illnesses. We have added drugs like Remicade and Enbrel, used to aid and control rheumatoid arthritis as well as Crohn's disease. Another is Plavix, an important cardiac medication. This list was developed and prioritized by health care professionals. This represents a total investment in medications of \$114 million.

Our government will keep a Blueprint commitment by investing in **health technology**, including the Picture Archiving Communications System (PACS), the Pharmacy Network and the launch of Selfcare-Telecare to improve access to services, particularly residents living in rural and remote areas. PACS is a computer system that allows diagnostic images to be digitally captured, viewed, stored and transmitted across the province. It replaces conventional X-ray film and greatly improves access to patient information by enabling referring clinicians to review patient images on computers anywhere in the province.

In this budget, we make provision to upgrade and build **long-term care facilities** as well as support personal and community care homes across the province. We will provide \$2.7 million toward a new Corner Brook long-term care home to proceed with detailed design and initial site work. We will provide \$1.4 million toward a new long-term care home in Clarendville to begin detailed design and site work. And we will provide \$200,000 to begin planning and develop conceptual drawings for a new long-term care home in Happy Valley-Goose Bay.

Our government recognizes that **home support services** are an important part of the continuum of care. Currently, more than 3,500 individuals throughout our province are in receipt of home support services. Effective April 1, 2005, we will provide funding of \$5 million to increase the home support rate so that employers of home support workers, including both agencies and self-managed home-support clients, can provide a 50-cent-an-hour wage increase to their workers in recognition of the valuable contribution they make.

Personal care and community care home operators make an invaluable contribution to the long-term care continuum looking after the needs of our seniors and our most vulnerable members of society. In recognition of their role, we will review the rate structure in the coming months.

Last year, our government began to act on recommendations of the inquiry into the deaths of Norman Reid of Little Catalina and Darryl Power of Corner Brook. To build on last year's \$1-million commitment, we will invest an additional \$1 million this year for **Primary Mental Health Services**.

The impact of addictions on individuals and their families can be devastating. I am pleased today to provide an investment of \$1 million to **assist those who are suffering from the misuse of prescription drugs**. The initiatives the government is outlining today are consistent with the advice of the OxyContin Task Force.

In addition to substance abuse, **gambling addiction** is a major concern of our government. Accordingly, in cooperation with the VLT operators and the Atlantic Lottery

Corporation, I am announcing additional investments totaling \$740,000 to improve gambling addiction services and awareness. Further, our government is acting to freeze the number of VLT units in our province immediately and to reduce the number by 15% over a five-year period. At the end of this period, no location will be permitted to have more than five VLTs. To assist our bar and club owners, we will phase out, over the next four years, the levy that we apply to liquor purchases for these operations. We are demonstrating that we are willing to work cooperatively with employers to help sustain their enterprises.

Medical travel is particularly expensive for residents of Labrador. In that light and in keeping with our Blueprint commitment, we will provide for the Labrador Medical Travel Assistance program to subsidize Labrador West residents who use commercial airlines to access CT scans and laparoscopic procedures in Happy Valley-Goose Bay. The program will pay 100% of a resident's air travel costs in excess of \$40. Under a second measure, the province will pay the first \$500 of travel expenses per resident annually on eligible medical travel claims, while all remaining reimbursable expenses will be cost-shared 50-50. This measure will benefit approximately 500 Labrador residents.

Human Resources, Labour and Employment

Mr. Speaker, health challenges are not the only barriers to opportunity that many Newfoundlanders and Labradorians face. Poverty is another barrier that we have an obligation to address. We must find imaginative and effective ways to lift people from poverty so they can pursue their goals under their own steam.

The Department of Human Resources, Labour and Employment will support our government's goal to reduce poverty in Newfoundland and Labrador by leading the development of a **Strategic Poverty Reduction Plan**. The department will take a comprehensive, integrated approach that will address the connections between poverty and gender, education, housing, employment, health, social and financial supports, and tax measures, as well as the link between women's poverty and their increased vulnerability to violence.

Our government took action last year to invest in several measures to improve the situation of many of our poorest and most vulnerable citizens. We announced a Low Income Tax Reduction which will be implemented starting in the 2005 tax year. This year, we will build on those initiatives with specific measures to combat poverty. For example, last year we invested in indexing the **Newfoundland and Labrador Child Benefit** for low-income families. This year, we will increase the first-child benefit rate to further improve the situation of low-income families with children.

We will also increase **income support benefits for couples without children and single individuals**. Not only have these clients not received an increase in benefits in four years, but they have not been helped by recent increases in benefits for families with children. In that light, we will provide families without children and single income support clients with a 2% increase in their income support benefit rates, incrementally over the coming year: 1% on July 1, 2005 and another 1% on January 1, 2006. This will cost an incremental \$1 million in 2005-06 and \$1.8 million annually.

This year, we will introduce a second **Supported Employment Pilot Program for Single Parents**, and in a region outside the St. John's area. The initial pilot program has enabled single parents receiving income support to achieve increased financial independence by helping them prepare for, obtain and maintain employment.

Our government is deeply concerned that many of our province's **young people** are resorting to the income support system. We want to help our young people find new ways to stand on their own feet and feel the pride that accompanies self-reliance. To that end, we will focus our efforts to ensure we are able to offer young people better alternatives.

Again this year, we are providing \$6.2 million to the **Student Investment and Opportunities Corporation** for youth employment and career initiatives. These programs play an important role in helping reduce student debt, offering career development initiatives and supporting our government's commitment to reduce poverty.

As promised in our Blueprint, we will enable more income support clients, our young people in particular, to participate in employment planning and benefit from an aggressive approach to **job recruitment and placement**. Beginning with an extra \$500,000 this year, we will commit a total of \$2 million in new funding for this initiative over the three years ahead. In this way, we will increase the number of income support clients who can access these employment services from 4,200 in the past year to 5,800 in the year to come. By helping clients to find jobs, we will reduce reliance on the income support program.

A primary reason that some young people end up on income support is that they drop out of school and find their range of job prospects very limited as a consequence. To encourage young people to complete their high school education, we are undertaking a creative initiative. Currently, all low-income families lose both the Canada Child Tax Benefit and the Newfoundland and Labrador Child Benefit when a child turns 18. Beginning in September 2005, we will establish a **Stay-in-School Incentive Allowance** to offset the loss of child benefits for families receiving income support and to encourage youth to complete high school.

Children cannot learn properly when they are distracted by hunger. We will provide \$250,000 to the **Kids Eat Smart Foundation** this year to enable them to continue the important work they do to feed our school children. With a surplus remaining from last year, they are well positioned to meet the needs of a considerable number of students; and we are prepared to revisit this initiative next year.

We will also adjust income support policies in ways that will help people ease themselves off income support more gradually. Currently, income support clients who work can earn up to \$75 per month for singles and \$150 per month for families without having their income support benefits affected. Earnings beyond this level are deducted from clients' income support entitlement, which discourages clients from seeking more hours of work and additional earnings. Under new measures to support **working recipients of income support**, we will allow clients to keep 10% of earnings beyond the current cutoff.

Persons with disabilities often face greater obstacles to opportunity. We want to help these individuals capture opportunities for employment and self-reliance. To that end, we are providing an additional \$411,000 this year under the **Labour Market Development Agreement for Persons with Disabilities** to help these individuals enter the work force and maintain employment.

Women's Policy

Mr. Speaker, some women in our province face difficult social and economic circumstances. To support services for these women, our government will increase funding to eight **Women's Centres**, where a fountain of practical help and moral support is available. This represents a 30% increase from 2003-04.

As promised in our Blueprint, our government is also committed to **respecting women's perspective and rights** in formulating public policies and practices by developing a plan of action to address women's issues.

I would also like to say that addressing Aboriginal women's issues will be a key priority for our government over the next twelve months. There will be funding to provide for an **Aboriginal women's conference** to advance their recommendations about the social and economic needs of this population group.

We will also continue our commitment to violence prevention through a new **violence prevention program** with new management and leadership; new funding to fight violence against Aboriginal women in Labrador; and new funding for a much-needed women's shelter in Hopedale.

Justice

Mr. Speaker, the justice system is one of our society's most important institutions. Like other public institutions, it faces challenges. This year, our government will make strategic and sustainable investments to enhance justice services with improvements in technology, infrastructure planning, and security. We will build on the measures we

commenced last year to enhance policing services and strengthen our justice system.

To better protect the public, we are providing additional funding this year to create and support four additional **RCMP positions**.

We will also be allocating \$183,000 this year to support the **National Sex Offender Registry** by providing designated resources to administer and investigate noncompliant offenders in our province. This initiative will add one officer to the Royal Newfoundland Constabulary and one officer, along with a public service employee, to the RCMP.

We will expand the **Court Security Program** to include the Supreme and Provincial Courts in Corner Brook and the Provincial Court in Stephenville, at a cost this year of \$183,000.

We will also provide \$400,000 to plan and design a new combined **Supreme and Provincial Court facility in Corner Brook**.

In addition, we will provide seven **new Supreme and Provincial Court support positions** to improve transcript production and reduce workload pressures for existing staff.

Our government is working diligently to enhance the responsiveness of the justice system to the particular needs of Aboriginal people. This year, we will increase the grant to Labrador Legal Services for the **Native Court Worker Program**, which will benefit Aboriginal people who need justice services.

We will create a **Victim Services program for children**, which will strengthen justice services for victims and witnesses under the age of 16 who testify in criminal proceedings. This program will be self-sustaining through the implementation of a 15% Victim Fines Surcharge on various provincial offences. This budget will provide \$255,000 to support implementation. This initiative is long overdue, and will strengthen the role of child victims in the criminal justice system.

Education

Mr. Speaker, in many respects, this year's budgetary program is about our children and youth. We are investing in measures to curb poverty and advance wellness in order to better prepare our children to grow to reach their potential. We are investing in infrastructure, economic growth and sustainable development to create the economic conditions that will enable our children to stay here and prosper here. And we are investing in our education system to ensure our young people are ready to seize the opportunities and build a future for themselves that is worthy of the legacy we have all inherited from those who made Newfoundland and Labrador what it is.

We will invest a total of \$26 million this year to finance **school construction** and to cover urgent repairs and maintenance. Specific initiatives this year will commence the redevelopment of Herdman Collegiate in Corner Brook and a Grade 7-12 school in the Mobile area. In order to address major issues with aging infrastructure, we will provide \$12 million plus \$4 million carried over from the previous year, for a total of \$16 million.

We believe it is time for the government to undertake a comprehensive **review of school facilities** and develop a long-term plan to address educational infrastructure needs. This year, we are committing \$250,000 to undertake this review; and when we have the results in hand, we will be in a much better position to tackle the challenges with a long-term facilities plan.

No less important than our school buildings are the buses that bring many of our children to and from school. To promote greater **school bus safety**, we will invest \$3 million in school transportation: \$2 million to gradually reduce the maximum age of our buses from fourteen years to ten, and \$1 million to address maintenance and bus driver training issues. This means 53 brand new school buses for our children.

In our Blueprint, we pledged to **reduce class sizes** one grade level at a time. Our commitment was grounded in the recommendations of the Sparkes-Williams report on Educational Delivery in the Classroom. This year, we will reinvest \$1.8 million to return 52 teaching units to the education system in order to reduce primary class sizes. On an

annualized basis, this represents a reinvestment of \$3.1 million in our education system. Currently, 92% of K-1 classes have twenty-five students or fewer. This reinvestment will provide learning resources to enable school boards to further reduce class sizes in our primary grades.

In our province's schools, no area of curriculum is more important or more exciting to our government this year than our new **Fine Arts and Culture Strategy for Schools, called "Cultural Connections"**. In keeping with our Blueprint commitment, we will provide approximately \$3 million a year for each of the next three years to implement a comprehensive, sustainable fine arts and culture strategy in our schools. Components of this strategy include an additional twenty-three teaching units to support enhanced music programs; new enrichment opportunities, including an Artists in Schools Program, new musical equipment, support for arts festivals and the promotion of our students' artistic activities; funding for new curriculum materials incorporating more local resources; and funding for teacher professional development initiatives to support this strategy.

As a result of our strategy to reduce class sizes and enhance the range of learning opportunities in the fine arts, we will be reinvesting on an annualized basis an additional \$4.5 million to redeploy a total of **75 teaching units** that otherwise would have been lost under the new teacher allocation formula.

We are also providing an extra \$2.5 million in fiscal year 2004-05 over and above the \$4 million base budget to support the purchase of **new learning resources** to ensure the province's curriculum remains current. The funding will enable the Department of Education to revise the outdated social studies curriculum, fast-track the implementation of new science curriculum, complete implementation of the new mathematics curriculum, and provide Technology Education modules at Grades 8 and 9.

In concert with our Aboriginal Children's Agenda, we will invest \$500,000 this year to begin the process of addressing issues identified in a federally-commissioned report on **Innu education**, commonly known as the Philpott report.

We are also determined to foster in our schools an attitude of health and wellness that we hope our young people will carry with them throughout their lives. To this end and in keeping with our Blueprint commitment, we are providing \$1 million for the purchase of **physical education equipment** for schools. This allocation will support the new, mandatory physical education curriculum at Grades 10 to 12; but it will also substantially benefit many students in the lower grades as well.

Our investment in education must not and will not end at high school. More and more, our young people require a post-secondary education to find jobs and ground solid careers. Last year, our government announced a **White Paper on Public Post-secondary Education**. With work on the White Paper about to conclude, we are notionally allocating \$14.7 million this year to implement its recommendations. We are expecting to release the White Paper this spring.

To ensure our public post-secondary institutions are affordable and accessible to our young people, we will provide the necessary funding for Memorial University and the College of the North Atlantic to extend the **tuition fee freeze** at these institutions. This freeze means tuition fees in this province will remain the lowest in the country and 40% lower than the national average.

Our government last year invested \$5 million for **research and development** initiatives at Memorial University and the College of the North Atlantic, funding that they will use this year and in future years to access federal and private sector research and development funding. For every dollar invested by the province in these initiatives, we bring an additional four to five dollars to our province.

Finally, we will provide \$230,000 to continue funding previously provided by the federal government for its share of the **Adult Basic Education Level I pilot program**. This funding is in addition to the \$300,000 currently allocated to support adult literacy programs. We want to ensure more of our people have the tools they need to rise to the level of their potential.

CONCLUSION

Mr. Speaker, let me conclude by saying how proud I was on February 14 of this year when Premier Williams brought home the Atlantic Accord 2005. It was a privilege for me to sign the document on behalf of the government and people of Newfoundland and Labrador. What made me proud was not the money. It was the fact that we had achieved what the naysayers said was beyond our grasp. They said it would never happen, and they were wrong. And there is one reason, and one reason alone, why they were wrong, and that is because our Premier stood by his principles, with the people of our province standing steadfastly beside him, and we refused to back down.

Newfoundland and Labrador has had more than its fair share of naysayers; and when you are steeped in pessimism for so long, it is sometimes easy to lose perspective and hope. When communities decline and young families move away, it is all too easy to give in to the fear that decline is our destiny.

But our government believes our destiny is what we make it. Our future is in no one's hands but our own. And with the same deep-rooted pride and unshakable confidence that won us a fair deal on offshore revenues, we are taking charge of our future and beginning to shape our destiny to our own design.

With this year's budget plan, we have laid the foundation for the kind of investment and growth that will give businesses and families the opportunity to survive here and thrive here for generations to come. We have improved our fiscal situation, invested wisely and are on a path toward balanced budgets. Everything we are doing this year builds on the important gains we made last year and puts us on course for a future of self-reliance and opportunity for all. Every strategic investment we make in sectors and regions throughout Newfoundland and Labrador will open up new avenues of opportunity for those who are ready to rise to the challenge.

And we will ensure that our people are ready and motivated to seize the opportunities before us. By investing in our culture as never before, we will nurture in our people, young and old alike, the pride, hope and self-confidence that will never give up on our

dream. With renewed faith in ourselves and new tools for success in our hands, we will tackle new challenges and create new opportunities that will usher in a brighter future for our province. And we will do so together, united and indivisible in our goal to build a future of pride, promise and prosperity for Newfoundland and Labrador.