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HANSARD

*Speaker: Honourable Tom Osborne, MHA*

Thursday

14 April 2016

The House met at 2:00 p.m.

**MR. SPEAKER (Osborne):** Order, please!

The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Mr. Speaker, I move, seconded by the Premier, that this House approves in general the budgetary policy of the government.

**MR. SPEAKER:** The motion is that this House approves in general the budgetary policy of the government.

The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Thank you, Mr. Speaker.

Before we begin today, I'd like to take a moment for the people and the community of Bay de Verde.

This week, a devastating fire destroyed their fish plant and brought impacts to surrounding homes and businesses. Our Premier, and Ministers Crocker and Joyce, saw first-hand the impacts of the fire yesterday, and while meeting with the company, the council and the residents, they witnessed something else – resilience. Our government is going to stand behind them.

That community has come together to support the people impacted by the devastating event. They are a prime example of the resilience of every Newfoundlander and Labradorian, and just as we know the people of Bay de Verde will persevere, we know that all Newfoundlanders and Labradorians will rally together and endure as we deal with unprecedented fiscal challenges ahead of us.

### **Restoring Fiscal Confidence and Accountability**

Mr. Speaker, today, in our government's first budget, we are laying out a fiscal plan that allows our province to regain control of government finances. It is a credible plan, with clear objectives, transparent goals, and targets to which we will hold ourselves accountable. It is critical that we do so. The uncontrolled growth

in expenditures, the dramatic fall in revenues and oil production, exacerbated by the poor decision making by the previous government – have produced a serious and unsustainable imbalance that must be corrected. Without the actions outlined here today, we risk increasing our debt to unsupportable levels and we jeopardize our long-term economic growth. For the well-being of future generations, we have no choice but to take bold actions beginning today.

The choices we have made are not easy and every Newfoundlander and Labradorian – wherever they live and whatever services they use – will have to be part of the solution. Indeed, some will have to do more than others, to ensure we mitigate impacts on the most vulnerable in our communities. Something our government is determined to do.

### **Where We Are**

Our government is committed to updating the people of Newfoundland and Labrador on our province's fiscal state on a regular basis. On December 22, 2015, armed with the most current fiscal and economic information we had available, we told the people of the province that the fiscal situation of the province had worsened and was worse than the \$1.1 billion deficit budgeted and that the forecasted deficit for 2015-16 could be almost \$2 billion.

Our government knew it was important that Newfoundlanders and Labradorians have a thorough understanding of the reality so we could begin to work together on solutions. Since that time, further declines in offshore royalties, the deficit for 2015-16 is now expected to be \$2.2 billion.

The continued decrease in oil royalties has also increased our projected deficit for the upcoming year, from our fiscal update, from \$2.4 billion to \$2.7 billion if no action had been taken.

We are part of a dynamic, yet volatile global economy that demands government be equally dynamic. We must shift our view of budgeting from an annual exercise to a monthly, weekly, and even daily part of government business.

### Immediate Actions

After updating the people of the province on the fiscal challenges we were facing, our government implemented a series of immediate actions designed to realize savings.

Restrictions were placed on hiring and the use of consultants, discretionary travel and non-essential spending was eliminated and the reallocation of savings was restricted.

### Line-by-Line Analysis

In addition to the immediate measures announced in December, the Treasury Board embarked on a comprehensive line-by-line review of the budgets of all government departments and entities. This type of thorough, detailed and comprehensive analysis of every budget item helped us reduce unnecessary expenditures, find efficiencies and drive further savings for the people of Newfoundland and Labrador.

Mr. Speaker, because of our government's action and a detailed approach to managing expenses, no matter how small, in just over 120 days, we have been able to achieve \$113 million in savings as a result of the comprehensive line-by-line review. Savings come from reductions due to eliminating vacant positions, delayed recruitment, reduction in discretionary spending and reviewing operating and program expenses in departments and bringing them in line with historical spending.

### How We Got Here

Mr. Speaker, the fundamental problem of poor planning and management, as identified by the Auditor General and others, and the inability and inconsistency of the former administration to manage a fiscal plan, has left our province dealing with an unprecedented deficit; unprecedented borrowing requirements; and unprecedented fiscal pressures.

Specifically: the former administration failed to plan for the loss of revenues from lower oil production. Spending was based on faith, not on facts. Facts like oil production was in decline. For years, many knew this province would

experience peak oil production in 2007 based on proven recoverable reserves.

They failed to plan for the possible loss of revenues due to volatile oil prices. In January of 2008, oil prices peaked at \$144 U.S. a barrel. Since January, the average price of oil has been \$35 U.S. per barrel. \$140 oil is only a distant memory now. To solve the current deficit the price of would have to be \$148 U.S. Previous budgets made long-term decisions based on short-term and volatile revenues, decisions like tax breaks and other measures that could not be sustained. This year, we are forecasting the price of oil at \$40 U.S.

Spending has not been managed. Over the past 10 years the previous government spent at a rate that was 20 to 36 per cent, per capita higher than other provinces. By planning six deficits in the past 12 years, while unpredictable oil royalties grew, the former administration built a culture of spending in the absence of good fiscal planning.

Quite frankly, they increased spending beyond what our province can afford. They failed to manage our debt. Since 2004, taking into account crown corporations, they doubled the total public sector debt to a record \$15 billion.

The result of the failures in planning and management have become structural and entrenched.

The previous government's willingness to mortgage our future has left our province facing the biggest deficit and highest net debt ever recorded in our history.

As our Premier had said, knee-jerk reactions have created mistakes that, unfortunately, Newfoundlanders and Labradorians are paying for now. Band aid solutions will not fix the challenges we will face. In this fiscal year, debt expenses already exceed the estimates for the entire Department of Education and Early Childhood Development.

It is impossible for us to be satisfied that we will spend more on debt expenses than we do on educating our children.

## Where we are headed

### The Economy

The impacts of poor planning by the previous administration, coupled with commodity price decreases will and are impacting our economy.

While economic activity remained at high levels in 2015, many indicators reported declines. Real GDP fell by 2.3 per cent as oil production fell by 20.5 per cent due to lower output from all three projects – Hibernia, Terra Nova and White Rose. Investment also declined by 8.1 per cent as higher spending on Muskrat Falls development was offset by lower spending on Vale's nickel processing facility in Long Harbour, the Hebron project and residential construction. Employment fell by 1 per cent and the unemployment rate increased by 0.9 percentage points to 12.8 per cent in 2015.

Economic activity in the province has been expected to slow over the next few years due to the winding down of the development phases of the Hebron and Muskrat Falls projects. The decline in commodity prices further weakened the economic outlook. Development of several projects in the resource sector have been deferred or delayed, such as the West White Rose Extension, the Alderon iron ore and Bay du Nord, due to lower commodity prices.

As such, the economy of the province has entered a period of adjustment that is expected to last for several years. This year, while real GDP is forecasted to grow due to a rebound in oil production, other important main economic indicators such as employment and real household disposable income are expected to decline. Beyond 2016 the outlook points to further declines in economic activity.

Beyond 2016, economic growth is expected to be curtailed by a combination of factors, including declines in capital investment as major projects move beyond peak development and the requirement for further provincial deficit reduction measures. Most main economic indicators are expected to be lower in 2021 than current levels. Several major economic indicators like employment and real compensation of employees will be lower by 15 per cent and over 22 per cent respectively when

compared to 2015 levels. Provincial deficit reduction measures are estimated to account for 40 to 50 per cent of the predicted declines in these broad measures of economic activity.

While the short to medium term outlook is challenging, there remains significant long-term potential in the Newfoundland and Labrador economy, particularly in the energy sector. There are substantial oil and gas resources in the waters off Newfoundland and Labrador. This is evidenced by the 2015 recourse assessment of 11 parcels in the Flemish Pass. This region alone, which covers less than two per cent of the province's 1.5 million square kilometre offshore area, is estimated to have a resource potential of 12 billion barrels of oil and 113 trillion cubic feet of natural gas.

Land sale results in 2014, and more recently in November of 2015, show industry's confidence in the offshore potential. In December 2014, the bid on one parcel in the Flemish Pass by ExxonMobil, Suncor Energy and ConocoPhillips was \$559 million, the highest bid ever on a land parcel in the Newfoundland and Labrador offshore area. In November 2015, seven parcels were awarded in the Flemish Pass basin with a total work commitment of \$1.2 billion.

Deepwater exploration and development hold many opportunities for future growth in oil production, and by extension, the provincial economy.

Our province's natural resources hold many opportunities and we are optimistic about these opportunities. However, we must act, plan and budget based on facts.

### Nalcor

As the province's energy corporation, Nalcor belongs to every citizen of Newfoundland and Labrador. Since its creation in 2007, taxpayers have invested over \$2.25 billion yet have received no dividends. For all corporations and their shareholders, this would be unacceptable.

The previous administration slowed Nalcor's organizational structure, compensation and benefits packages to grow beyond what taxpayers would consider reasonable,

particularly given our current fiscal and economic circumstances.

Through Budget 2016, initial steps have been taken to identify operational savings at Nalcor approximating \$6.7 million. However, due to prior year commitments by the former administration, the required equity the province will need to invest in Nalcor this year is \$1.3 billion, bringing the total investment by the people of the province to \$3.6 billion.

Further actions will be taken to maximize the return on investments made by our province. Like government departments and public entities, Nalcor will be expected to take a zero based budgeting approach to their administration and operations effective with Budget 2017. The Nalcor Board will be directed to review their operational structure to achieve efficiencies and develop a plan to bring their compensation, benefits, and gender equity policies more in line with similar positions in other public sector bodies.

Work at the Muskrat Falls powerhouse is significantly behind schedule. Faced with these schedule delays and expected cost increases on the project – a concern to all of us – government is doing and will continue to do everything possible to help get this project back on track.

### **Borrowing**

But, Mr. Speaker, these opportunities are in the future. As I've said earlier, based on the status quo, had we done nothing, the projected deficit for the province in 2016-17 would have been \$2.7 billion. Given the actions announced today, we have been able to cut the projected deficit by one-third.

The actual budgeted deficit for 2016-17 is now \$1.8 billion.

Our government needs to ensure that money can be borrowed, at the lowest cost, to pay for vital programs and services that Newfoundlanders and Labradorians require.

It is clear that our government's commitment to action in dealing with the fiscal situation is allowing Newfoundland and Labrador to secure long-term financing. In spite of the challenges

facing our province fiscally and the limits in the long-term bond market in Canada, our government has secured long-term financing since January of just under \$2 billion.

### **Stronger Fiscal Management**

Today, Mr. Speaker, our government is presenting the people of Newfoundland and Labrador with our credible plan forward. We are establishing clear targets for future years and laying the blocks for building the foundation for the future.

The path to surplus must be taken in consideration of the impacts our decisions will have on the overall economy. With this in mind we are planning, and holding ourselves accountable to return to a surplus position in seven years.

To ensure Newfoundland and Labrador is positioned to return to a surplus position in Budget 2022, the Provincial Government has implemented a series of fiscal targets as part of Budget 2016, including: borrowing targets that over the seven-year period will require \$8.2 billion in new debt, compared to \$17.6 billion if nothing had changed; the net debt as of March 31, 2023, will be targeted to be \$16.5 billion, compared to \$27.3 billion if we did not take definitive actions; and, instead of a deficit of \$1.9 billion, if no action was taken, we are now targeting a small surplus in 2022-23.

In addition, our government has taken a prudent approach and we have budgeted \$125 million in risk adjustment to protect against adverse impacts from commodity price fluctuations and volume. Newfoundland and Labrador is at a critical juncture and unprecedented circumstances require unprecedented responses. The people of our province, every one of us, feels this burden together and we are all prepared to participate in the solutions.

Actions, in the face of adversity, define leadership. Our Cabinet feels strongly that during these fiscally challenging times, we intend to demonstrate leadership. That's why I'm here today, under the thoughtful leadership of our Premier, to announce that our first action as part of Budget 2016 will be to reduce cabinet ministers' salaries by 10 per cent.

## How we get there

### Engagement

When difficult decisions have to be made, strong leaders know the importance of listening to and engaging the public. That's exactly what our government did through the Government Renewal Initiative.

People across Newfoundland and Labrador embraced opportunities to address our province's fiscal challenges like never before and have responded in unprecedented ways to share their ideas.

More than 1,000 people participated in 26 sessions since January. This included the general public, communities, the public service, labour unions, businesses and other groups. As a result, there have been several thousand ideas offered online and hundreds of submissions have been received by mail, phone, email and fax.

In March, we released the What We Are Hearing document, which provided valuable insight on the needs of the people of the province and assists government in addressing the province's fiscal challenges. Some of the themes included: introducing new or increasing existing taxes and fees, the sale of government assets, including land and buildings, as a way to cut costs and raise revenues; health care reform to increase efficiency and access to health services; and increasing efficiency throughout government departments by making better use of technology.

In each session we asked specifically – what is the one thing you want government to remember when making decisions? The answers included: act now, don't delay; have the guts to make the tough decisions; don't be restricted by promises made during the election; offer alternative work arrangements; leave politics out of the decision-making process; partner to deliver programming with non-profit and private sectors; stop waste and treat money as if it were your own.

Our job, as government, is to listen to those ideas, provide the evidence to support our actions and then act.

## Government Renewal Initiative

Beginning in January, the Government Renewal Initiative, which is a multi-year effort to re-engineer our programs, services and deliver systems to ensure they are viable now and into the future, was undertaken.

In addition to public engagement efforts, to further address the deficit, all government departments, agencies, boards and commissions were asked to identify potential options for savings and present options to reduce expenditures by thirty per cent in three years.

Lead by the Government Renewal Secretariat, analysis of the options identified for savings led to proposals that were submitted for consideration. Each proposal was assessed on its own merit, taking into consideration a variety of things.

The Government Renewal Secretariat also assessed the cumulative impacts of the Government Renewal proposals across client groups, sectors and communities. This analysis also included impacts resulting from new revenue measures and fee increases, and helped to inform Cabinet's decisions.

A full list of the decisions made through this phase of the Government Renewal Initiative can be found online on the Government of Newfoundland and Labrador website. These decisions have resulted in \$130 million in savings in this year's budget, and will generate \$189 million in savings on an annualized basis.

Today's budget outlines the decisions resulting from both the line-by-line review and the Government Renewal Initiative.

Some of these decisions include: facilitating the Newfoundland and Labrador English School Board to save \$1.2 million annually on office rental; changing ferry schedules and increasing ferry fees for annualized savings of \$3.5 million, and we continue to subsidize ferry operations at a rate of 91 per cent; reducing the operational grant to the Research and Development Corporation by \$3.2 million; reducing the regular operational grant to Memorial University by \$14 million; reducing advertising budgets for a variety of departments and crown

corporations; saving approximately \$1.3 million annually by restructuring the court system. This will be achieved in consultation with the judiciary.

Reducing the grant portion and increasing the loan portion of the Student Financial Assistance for Newfoundland and Labrador students, including medical students, for annual savings of \$5.5 million; identifying cash management opportunities in various entities that will allow surplus cash to be used to lower our borrowing; increasing class size caps for Grades 4 to 12 saving \$8.8 million annually; removing coverage in the Newfoundland and Labrador Prescription Drug Program for over the counter drugs and introducing limits to diabetic test strips that are consistent with national guidelines for annualized savings of \$5.5 million; increasing the dividend being paid to the government from Newfoundland and Labrador Liquor Corporation by an additional \$3 million but cutting expenses in the corporation; reorganizing units within some departments, and closing some government offices. All affected locations will be informed of these decisions by no later than tomorrow, after which time all office locations will be made public.

In just over 120 days, the Government Renewal Initiative and our line-by-line review has saved \$243 million in 2016-17, annualizing to \$251 million. Taking into account entities and accrual adjustments, the impact on the deficit in 128 days is \$282 million in this fiscal year.

In preparing for Budget 2016, it was important to identify a combination of measures to reduce expenditures and increase revenue.

### Revenue

A series of new or increased tax measures and fee changes are being implemented today. During our consultation process, input from Newfoundlanders and Labradorians clearly pointed to increasing taxes and fees as a way to address the unprecedented fiscal situation. Total revenue in 2016-17 will be \$647 million annualizing to \$882 million.

Effective April 15, tobacco taxes will increase by one cent per cigarette and by two cents per

gram of fine-cut tobacco products, raising additional revenue of \$5.5 million.

Several tax changes will take effect July 1, 2016.

To increase revenues by \$204 million annually, it is necessary to increase Personal Income Tax rates for all income ranges. However, Newfoundland and Labrador rates remain competitive in Atlantic Canada.

The HST rate will increase 2 percentage points, generating, on an annual basis, \$224 million.

The Retail Sales Tax on Insurance Premiums is being re-introduced at a rate of 15 per cent and will generate annualized revenue of \$111 million.

The Insurance Companies tax will increase by 1 percentage point, increasing revenues by \$16.9 million.

Effective January 1, 2016, the Financial Corporations Capital Tax Rate and the general corporate income tax rate, will increase 1 per cent and the Manufacturing and Processing Profits Tax Credit will be eliminated, generating additional annual revenues of \$31.8 million.

Another measure this government is implementing is fee changes – on an annualized basis, total fee changes are projected to raise an additional \$19.3 million, this includes the introduction of 50 new fees and the modification of a further 300.

### Temporary tax measures

Our plan will ensure Newfoundland and Labrador will not face these challenges forever. That's why, through Budget 2016, we are implementing some temporary tax measures.

A Deficit Reduction Levy of up to \$900 annually, depending on your taxable income will be implemented. Individuals with taxable income of \$20,000 or less will be exempt. That levy will come into effect July 1, 2016. Revenue from the temporary tax will be \$74.8 million in 2016-17, annualizing to \$126 million.

In 2018 we will begin the phase out of this temporary tax.

Effective June 2, 2016, gasoline tax will temporarily increase by 16.5 cents per litre. This tax increase will be reviewed ahead of the Fall 2016 supplemental budget. That's effective June 2, 2016. The tax rate on diesel products will also increase by 5 cents per litre and the tax rate on aviation fuel will also go up by 1.8 cents per litre. Taxes on Home Heating fuel will not change. The total projected annual revenue for these measures is \$142.8 million.

### **Tax Fairness**

Increasing taxes is not something our government wants to do – but it must be done in light of the deficit created by the lack of planning by the former administration.

To ensure the impact of the tax burden is reduced for the most vulnerable, Budget 2016 includes \$63.7 million annualized for the delivery of enhanced benefits to help reduce the impact of additional measures on low income seniors, individuals, families, and persons with disabilities. The Newfoundland and Labrador Income Supplement will be paid to those eligible in quarterly installments. Eligibility will be based on family net income. We are investing \$12.7 million to enhance the existing Seniors' Benefit.

In addition, the Provincial Government is investing \$3 million to increase the monthly fuel allowance to eligible income support clients.

### **Tax Review**

Tax increases must be balanced with tax competitiveness. During our mandate, government will be completing a comprehensive independent review of the tax system.

The Federal Government has also announced their intention to conduct a review of the Canadian tax system, looking at tax fairness. The Newfoundland and Labrador tax system review will take place after the federal government completes their review and after the 2017-18 provincial budget.

### **Investments**

Our government is facing a financial challenge like no other and we are taking the actions

necessary to get spending under control and increasing revenues. However, we also know the importance of targeted, strategic investments.

That's why we are investing funds through Budget 2016 to diversify the economy.

### **Fisheries**

The seafood industry is an economic mainstay and vital to our rural economy. We are investing \$2 million in a new Seafood and Aquaculture Innovation and Transition Program supporting technology and innovation in harvesting, processing, aquaculture and marketing with a focus on transitioning to ground fish. As well, government is allocating \$100,000 to establish a Fisheries Advisory Council to provide industry stakeholders with the opportunity to offer advice on present and emerging issues in the fishing industry. The Council will play a key role in the creation of a strategic action plan on cod revitalization.

### **Forestry and Agrifoods**

In Budget 2016, government will follow through on its commitment to develop a new food security and agriculture growth strategy and will support the Newfoundland and Labrador Federation of Agriculture in maximizing opportunities for development by working to leverage federal funding.

The Provincial Government will also continue its commitment to Growing Forward 2, a five-year federal-provincial territorial cost-shared initiative.

### **Rural Broadband**

Our government believes that high-speed internet is essential infrastructure in Newfoundland and Labrador. Through Budget 2016, we will be investing \$2 million for broadband infrastructure over the next two years.

### **Tourism**

Recognizing the importance of tourism and culture and heritage to economic development, our government is investing \$13 million for



tourism marketing as well as \$18.5 million to support culture and heritage initiatives.

We are also investing through Budget 2016 to improve social outcomes.

### **Education and Early Childhood Development**

The Provincial Government will invest over \$13 million annually for the implementation of full-day Kindergarten beginning in September 2016, which includes hiring approximately 142 new teachers and providing additional student assistants.

\$277,000 will be allocated to implement the Premier's Task Force on Improving Educational Outcomes to examine the K-12 system and focus on improving outcomes for all children in Newfoundland and Labrador, including our Aboriginal children.

\$1.4 million is provided for an additional 27 teaching units for inclusive education.

### **Health**

Health and Community Services accounts for the largest spending in government and we know there are efficiencies and savings to be found in the health and community services system. There are also critical programs and services we must continue to invest in.

In Budget 2016 we provide: Approximately \$3.5 million for new service options for seniors requiring enhanced care. This funding will provide up to 100 subsidies to support the placement of select individuals with enhanced care needs in personal care homes; Approximately \$2.6 million for coverage of a number of new drug therapies under the Newfoundland and Labrador Prescription Drug Program. These drugs are presently under review by the national and regional review agencies. This investment will also offer beneficiaries of the program a range of new treatment options; \$2.5 million to further planning and design of a new facility to replace the Waterford Hospital; \$8.5 million to support the continued planning and design of the new Western Memorial Regional Hospital; \$2 million to plan for long-term care in the Western and Central regions.

### **Justice and Public Safety**

Through an investment of \$1 million over two years, renovations will be made to expand the capacity of the Family Court in St. John's, resulting in more cases being heard and fewer delays.

We are investing \$100,000 for the external review of the Office of the Chief Medical Examiner. This external review is intended to identify where any potential deficiencies lie within the Office of the Chief Medical Examiner with an aim to improving the system.

### **Seniors, Wellness and Social Development**

Budget 2016 commits \$500,000 to establish an Office of the Seniors' Advocate.

### **Infrastructure Planning**

We recognize the need to balance affordability with strategic infrastructure spending, that is why this year we are investing \$570 million on infrastructure. Included are transportation projects, health care initiatives, school infrastructure – both K to 12 and post-secondary and Newfoundland and Labrador Housing projects.

We will also invest in priority municipal infrastructure projects, as well as leverage federal and municipal dollars to fund water and wastewater treatment, water and sewer projects, municipal buildings, street improvements and recreational facilities.

All these projects will support jobs in our province as well. This is an important element of infrastructure spending.

The Provincial Government has also chosen to defer some infrastructure projects based on further analysis.

Having a plan to invest our money wisely, through strategic infrastructure projects as an example, allows us to keep more people employed and that has a positive impact on our economy.

## Workforce of the Future

The sheer magnitude of the financial challenge that we are facing is immense. We must, and the people of the province expect us to, look at every avenue for savings.

We are eliminating approximately 450 Full-Time Equivalents in the Agencies, Boards and Commissions. It is hard to pinpoint the exact number of people that will be impacted as Full-Time Equivalent is not a position. Planning work on the exact impacts continues in the Agencies, Boards and Commissions.

In core government, we are eliminating approximately 200 positions; of that 125 people will be impacted directly. Approximately 30 per cent of those are management or non-union positions. As is always the case, the final number of people impacted will not be known until the conclusion of the process.

Upcoming retirements present an opportunity and we continue our commitment to using attrition as a preferred means to reduce the workforce. We want to minimize job losses and keep people working.

Our government will not be offering early retirement incentives as a method of workforce reduction. We must focus public money on delivering critical public services that are needed by the people.

## Medium and Long-Term Actions

Given the seriousness and scope of the current and forecasted fiscal situation, a new approach is required that moves beyond the traditional single year budget efforts.

Budget 2016 contains decisive actions, and will be followed by more actions in a supplemental budget later this fall in conjunction with the Fall Fiscal update.

In the medium-term, our government will be looking at several measures to find efficiencies and generate revenue for our province, including: a government procurement initiative to replace the current Public Tendering Act that will help government achieve the best value for services; a real estate asset management plan to

ensure we review government's real estate portfolio and determine how best to enhance its public value; a community grants approach to set multi-year funding models for groups and allow for collaboration with private donors to leverage more funding; a continued focus on improving health care outcomes, through better management, achieving efficiencies, reducing waste, and taking advantage of technology.

We will also move forward with Phase 2 of the Government Renewal Initiative. We have identified a number of policy options to further reduce expenditures, including: government and departmental reorganization; efficiencies through major program review and redesign; consolidation of functions within the public sector; and, partnerships with the non-profit and private sector.

## Legacy Fund

Our government promised the people of Newfoundland and Labrador better management and real leadership.

That commitment is built on the realization that we have to carefully plan for the difficult times.

This government is planning for the future; we are putting the provisions in place so that future generations will never have to weather a financial storm like the one we inherited from the previous administration.

Our government will establish a Diversified Wealth Fund once we have moved back into surplus. We will put the necessary framework in place by bringing forward legislation during our mandate. The legislation will be designed to prevent any future governments from leaving our province in the fiscal situation we find ourselves in today.

## Financial Accountability and Transparency

As we continue toward reshaping Newfoundland and Labrador's fiscal future, we must ensure we build a solid performance-based planning and monitoring framework which provides greater financial accountability and transparency.

My Treasury Board colleagues and I will be working meticulously to enhance financial

accountability and oversight of Departments, Agencies, Boards and Commissions as well as Crown Corporations. The objective is to enhance accountability for achieving key performance indicators while ensuring multi-year fiscal objectives, as laid out in Budget 2016, are achieved.

Immediately following the announcement of Budget 2016, our government will continue the planning process for our supplemental budget later this year when we will announce more actions identified through the Government Renewal Initiative. And further actions will also be identified as part of Budget 2017 next year.

In preparing for Budget 2017, we will be implementing a zero-based budgeting approach. Meaning, we will be building all department and entity budgets from the ground up. We will be ensuring departments and entities have adequate funding to deliver core programs and services that are important and provide value for taxpayers while at the same time ensuring we can clearly measure key performance outcomes and strive for greater efficiency.

Our government will be expanding the role, as well as composition, of the government-wide audit committee. The expanded role will allow for greater public confidence in the government management process.

Mr. Speaker, we will restore fiscal confidence and accountability.

We will do what Newfoundlanders and Labradorians are expecting us to do: we will eliminate government waste; we will stop excess spending; we will be more efficient; and, we will expect that public money is treated responsibly. And we will act when we suspect it is not.

### Conclusion

Our government has a plan for the future of our province – one that will achieve fairness for all generations of Newfoundlanders and Labradorians.

Short-term thinking and short-term planning is something I will not do. We will not sit idly by and hope for things to improve. Our plan is driven by the vision for long-term sustainability

for our province and our people – something that can only be achieved through decisive and strategic short, medium and long-term actions.

Led by our Premier, backed by the strength and skill of the Cabinet and Caucus, we will gather the facts, analyze the data, make plans, and execute and evaluate our performance.

We will hold ourselves accountable. We will get results.

Today marks a bold step forward and we have much more work to do.

Mr. Speaker, I can assure the people of the province we will not stop until we have our province back on stable financial footing and we have restored confidence in the fiscal future of this great province we are proud to call home.

Thank you, Mr. Speaker.

**MR. SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Mr. Speaker, I move, seconded by the Premier, that the debate be adjourned

**MR. SPEAKER:** The motion is that the debate be adjourned.

Is it the pleasure of the House to adopt this motion?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**MR. SPEAKER:** All those against, 'nay.'

Carried.

On motion, budget debate adjourned.

**MR. SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Mr. Speaker, I wish to inform the House that I have received a message from His Honour the Lieutenant Governor.

**MR. SPEAKER:** All rise.

The following message has been addressed by His Honour the Lieutenant Governor to the hon. the Minister of Finance:

As Lieutenant Governor of the Province of Newfoundland and Labrador, I transmit Estimates of sums required for the Public Service of Province for the year ending 31 March 2017, in the aggregate of \$7,934,237,500, and in accordance with the provisions of sections 54 and 90 of the Constitution Act, 1867, I recommend these Estimates to the House of Assembly.

Sgd:

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Lieutenant Governor

Please be seated.

The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Thank you, Mr. Speaker.

I move, seconded by the Minister of Municipal Affairs and Service NL that the Message, together with the Estimates, be referred to the Committee of Supply.

**MR. SPEAKER:** It is moved and seconded that the Message from His Honour the Lieutenant Governor, together with the Estimates, be referred to a Committee of Supply and that I do now leave the Chair.

Is it the pleasure of the House to adopt the motion?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**MR. SPEAKER:** All those against, 'nay.'

Carried.

On motion, that the House resolve itself into a Committee of the Whole on Supply, Mr. Speaker left the Chair.

### Committee of the Whole

(Budgetary documents are distributed.)

**CHAIR (Dempster):** The hon. the Government House Leader.

**MR. A. PARSONS:** Madam Chair, I move that the Committee rise, report progress and ask leave to sit again.

**CHAIR:** The motion is that the Committee rise, report progress and ask leave to sit again.

All those in favour?

**SOME HON. MEMBERS:** Aye.

**CHAIR:** All those against?

The motion is carried.

On motion, that the Committee rise, report progress and ask leave to sit again, Mr. Speaker returned to the Chair.

**MR. SPEAKER (Osborne):** The hon. the Deputy Speaker.

**MS. DEMPSTER:** Mr. Speaker, the Committee of Supply have considered the matters to them referred and have directed me to report that some progress was made and ask leave to sit again.

**MR. SPEAKER:** The Chair of the Committee of Supply reports that the Committee have considered the matters to them referred and have directed her to report that they have some progress and ask leave to sit again.

When shall the report be received?

**MR. A. PARSONS:** Now.

**MR. SPEAKER:** Now.

When shall the Committee have leave to sit again?

**MR. A. PARSONS:** Tomorrow.

**MR. SPEAKER:** Tomorrow.

On motion, report received and adopted. Committee ordered to sit again on tomorrow.

**MR. SPEAKER:** Notices of Motion.

Notices of Motion

**MR. SPEAKER:** The hon. the Minister of Finance and President of Treasury Board.

**MS. C. BENNETT:** Thank you, Mr. Speaker.

I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on personal income, Bill 13.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of a deficit reduction levy on taxable income.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on corporate income, Bill 15.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on capital income, Bill 16.

Mr. Speaker, I give notice that I will ask leave to introduce a bill entitled, An Act To Amend The Income Tax Act, 2000 No. 5, Bill 17.

Mr. Speaker, I give notice that I will move that the House resolve into a Committee of the Whole to consider a resolution respecting the imposition of taxes on used vehicles, Bill 18.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on insurance premiums, Bill 19.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on gasoline, Bill 20.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on insurance companies, Bill 21.

Mr. Speaker, I give notice that I will move that the House resolve itself into a Committee of the Whole to consider a resolution respecting the imposition of taxes on tobacco, Bill 22.

Mr. Speaker, I give notice that I will ask leave to introduce a bill entitled, An Act To Amend The Revenue Administration Act, No. 6, Bill 23.

**MR. SPEAKER:** Further notices of motion?

The hon. the Government House Leader.

**MR. A. PARSONS:** Mr. Speaker, I give notice, and by leave, move that firstly the following heads of expenditure be referred to the Government Services Committee: the Department of Finance and the Office of the Chief Information Officer; the Public Service Commission and the Human Resources Secretariat and the Women's Policy Office; Service Newfoundland and Labrador; the Government Purchasing Agency; and the Department of Transportation and Works.

Secondly, that the following heads of expenditure be referred to the Resource Committee: the Department of Advanced Education and Skills; the Department of Business, Tourism Culture and Rural Development; Forestry and Agrifoods; the Department of Environment and Conservation and the Office of Climate Change and Energy Efficiency; the Department of Fisheries and Aquaculture; and the Department of Natural Resources and the Office of Public Engagement.

Finally, the following heads of expenditure be referred to the Social Services Committee: the Department of Child, Youth and Family Services; the Department of Education and Early Childhood Development; Fire and Emergency Services; the Department of Health and Community Services; the Department of Justice and Public Safety; Labour Relations; the Department of Municipal Affairs; the Newfoundland and Labrador Housing Corporation; and the Department of Seniors, Wellness and Social Development.

Mr. Speaker, I also wish to advise Members that on Monday, April 18, 2016, at 9 a.m. the Government Services Committee will meet in the Chamber to review the Estimates for the

Public Service Commission, along with the Human Resources Secretariat and the Women's Policy Office of the Executive Council.

I further advise Members that on Monday, April 18, 2016, at 6 p.m. the Social Services Committee will meet in the Chamber to review the Estimates for Municipal Affairs and Fire and Emergency Services.

**MR. SPEAKER:** Is it the pleasure of the House to adopt the motion of these referrals?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**MR. SPEAKER:** All those against, 'nay.'

Carried.

The hon. the Government House Leader.

**MR. A. PARSONS:** Mr. Speaker, I move, seconded by the Minister of Finance and President of Treasury Board, that the remaining Orders of the Day do stand deferred and that this House, on its rising, do adjourn.

**MR. SPEAKER:** The motion is that this House do now adjourn.

Is it the pleasure of the House to adopt the motion?

All those in favour, 'aye.'

**SOME HON. MEMBERS:** Aye.

**MR. SPEAKER:** All those against, 'nay.'

Carried.

The House does now stand adjourned until tomorrow, Monday, at 1:30 in the afternoon.

On motion, the House at its rising adjourned until tomorrow, Monday, at 1:30 p.m.