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SPEAKER: THE HONOURABLE M. JAMES RUSSELL

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The House met at 3:00 p.m.

MR. SPEAKER in the Chair.

MR. SPEAKER: The honourable the Minister of Finance.

HON. H.R.V.EARLE (Minister of Finance): Mr. Speaker,

INTRODUCTION

MR. SPEAKER,

It is of special personal significance to me to be delivering my second Budget to this Honourable House. In April of 1969 I presented the Province's 21st. Budget since Confederation. Today I will present the 27th. Budget, the fourth of the Administration of Premier Frank D. Moores.

This Budget will mark a significant financial milestone in the Province's history. The expenditure programs outlined in this speech and detailed in the accompanying Estimates make this the Province's first billion dollar budget.

The financial climate and economic outlook for the Province has changed significantly in the six years since my previous Budget. The current account programs in 1969-70 totalled \$275,000,000 while capital account expenditures were \$70,000,000. That Budget contained tax increases and a stated Government policy of a slowdown in spending. This year's Budget will contain expenditures almost three times as large as in 1969-70 and in contrast will demonstrate forcefully the success of economic growth in Newfoundland and Labrador in the past several years. It offers positive encouragement and exciting prospects for our Province in a time of worldwide economic uncertainty.

ECONOMIC OUTLOOK

Canadian Economy

For most countries in the Western World economic growth in 1974 has been the slowest since World War II with many countries experiencing severe recessions. By comparison, Canada has avoided a recession and has achieved sustained economic growth represented by 3.7 percent increase in gross national product. The Canadian economy is likely to grow more rapidly than other countries again in 1975 adding over 2 percent to real output while other countries experience a continued decline before expected recoveries begin late in the year.

While the Canadian economy will be growing, it will not be without serious pressures and problems in many sectors. National unemployment is currently at 6.7 percent and will probably exceed 6 percent for most of 1975. Inflation, is expected to moderate slowly and the 10.9 percent average increase in the consumer price index in 1974, is expected to decline to 10 percent during 1975. The strongest sector of the economy is expected to be consumer spending.

Newfoundland Economy

The Newfoundland economy experienced a moderately strong performance during 1974 as the gross provincial product increased by 17 percent to over \$2,000,000,000. The inflation rate was higher than the national average at 14 percent, thereby resulting in a 3 percent real growth. The overall economic strength of the provincial economy was hampered by the highest unemployment rates in recent years which averaged 15.7 percent. During 1974, personal income rose to \$3,223 per capita from \$2,760 per capita in 1973, an increase of 16.8 percent.

The outlook for the Newfoundland economy in 1975 is for continued growth, although at a slower rate. As this Province is among the less industrialized sectors of the country, personal income makes up a large component of the gross provincial product. Growth in personal income will continue strong in 1975 as it did in 1974 providing strength to the important trade and services sectors of the provincial economy.

FINANCIAL REVIEW 1974-75

The financial year 1974-75 was an onerous budgetary year in that the effects of inflation caused uncertainties in revenue and expenditure projections and the final year end position has, at times, been difficult to accurately assess. Financial control therefore has been a crucial function throughout the year.

It is important that we continue to maintain the confidence of the investment community and I am certain that the 1974-75 results reflect sound financial administration in this Province. The revised financial position for 1974-75 as compared with the original estimates for that year is shown in Table II:

The effects of inflation on our budget were obvious as current account expenditures exceeded the original estimates by \$29,026,900 or 5.2 percent. Predictably, current revenues rose in a similar manner and the revised contribution to capital account was \$5,569,000 as compared to the original budgeted amount of \$7,412,400.

Inflation also led to cost increases in the provincial capital program for 1974-75 and it is expected that expenditures will be \$205,271,000 or \$7,403,100 higher than originally estimated. These increases were offset by an increase of \$9,609,200 in related revenue on capital account.

The total borrowing program of \$168,164,900 included \$35,185,100 for debt retirement and was almost exactly the total projected one year ago. Financial requirements were met through capital market borrowings of \$130,000,000, Canada Pension Plan borrowings of \$24,000,000, DREE and other Government of Canada loans of \$14,164,900. The Province's borrowing program was successfully carried out in the North American capital markets where \$55,000,000 was raised in Canada and \$75,000,000 was obtained in the United States.

In addition the Newfoundland Municipal Financing Corporation was successful in raising \$25,000,000 in Canada under the Province's guarantee.

FINANCIAL PROJECTIONS 1975-76

This Budget will unveil a billion dollar expenditure program to be undertaken by the Government of Newfoundland and Labrador and its agencies. The departmental Estimates reveal expenditures of \$682,057,800 on current account and \$243,699,200 on capital account for a total of \$925,757,000. The expenditure of Government agencies such as the Newfoundland and Labrador Hydro Electric Corporation, the Newfoundland and Labrador Housing Corporation and Memorial University of Newfoundland makes the total anticipated expenditure in excess of one billion dollars in 1975-76.

The development programs requiring such expenditures demonstrate the belief which this Progressive Conservative Administration of Frank D. Moores has in the future of our Province. We intend to press ahead in meeting the challenges of tomorrow by providing human and natural resource development today.

ENERGY DEVELOPMENT PLANS

Energy has attracted world attention during the past two years mainly due to the international petroleum supply problems and the occurrence of rapid oil price increases. However, to date, the people of this Province have been fortunate in avoiding real energy supply hardships and exorbitant price increases. Newfoundland, therefore, like many Canadian Provinces is focusing its attention on the long range opportunities associated with the development of its energy resources.

In 1974 the Province undertook several major steps towards its long range energy resource program one of which is the decision to establish an organization to control and manage all of the hydro energy resources in Newfoundland and Labrador. Legislation is before this Honourable House to create the Newfoundland and Labrador Hydro-Electric Corporation which will include the Island system formerly known as the Newfoundland and Labrador Power Corporation, the 66 percent majority equity position in Churchill Falls (Labrador) Corporation Limited and its equity position in Twin Falls Power Company Limited. The Hydro Corporation will also assume the original \$130,000,000 debt which was the value of the shares purchased from Brinco Limited. The remaining \$30,000,000 of the purchase price represents the water rights and will remain with the crown corporation, Newfoundland Industrial Development Corporation and will be sold to the Hydro Corporation as they develop the various hydro sites.

The first and most significant of our Province's future energy development plans is the Gull Island project. This hydro project is capable of producing 11.7 billion kilowatt hours annually. The recent preliminary estimate of the total cost of this project is \$1,600,000,000. The present construction schedule visualizes a preliminary release of major contracts for the Gull Island development project this summer, with full project commitment in October, 1975. Energy is now scheduled for commercial delivery by January 1981.

The Government of Canada supports the project and has agreed to provide loan funds of 50 percent of the cost of the transmission lines up to \$343,000,000. Interest on these loans will be capitalized during construction and principal and interest can be deferred until five years after completion of the project. The term of the loans would therefore be 40 years, and including interest capitalized during construction, these loans amount to \$425,000,000 of the \$1,600,000,000 project.

A supplement on energy entitled Energy for the 1980's in Newfoundland and Labrador is contained in the Budget document.

NATURAL RESOURCE DEVELOPMENT

This Administration continues to concentrate its efforts on the development of our natural resources. I have just outlined our focus on energy resource development but there are many more exciting challenges reflected in our fishery, forestry, mining and offshore petroleum development programs.

Fisheries and Marine Industrial Potential

Government is concerned over the declining price in the market place for our fishery products and over the depletion of the fish stocks off our shores. However, it is the conviction of this Administration that the fishing industry will continue to play a major role in the development of our Province. The most fundamental problem affecting the fishing industry is the depleted state of the resource. This problem is particularly acute for those species, primarily ground fish, which are subject to heavy fishing effort from foreign fleets. This has had a serious effect on the economic position of our processing plants and on the incomes of our fishermen.

In addition, the trawlerman strike is causing serious problems for both the fishermen and the fish plants and it is hoped an agreement can be arrived at in this dispute in the very near future.

Obviously the fishing industry must have Government's support during this difficult period and beyond. The 1975-76 Estimates of the Department of Fisheries reflect an expenditure program of \$18.3 million and includes such expenditures as \$5,025,000 on marine service centres, \$2,575,000 on fisheries loans and bounties, \$2,360,000 on fish plant water systems and \$1,843,500 for experimental fishing.

The Department policies are aimed at increasing benefits to fishermen, plant workers, and processors through the rational development of our fishery resource. It will continue to expand its expenditures on marine service centres, fish handling facilities, water systems and gear subsidization in an effort to meet the challenges presented by existing problems.

This Government is also determined to develop other traditional marine industries such as shipping, ship building and ship repair. We have launched a marine development program centred around offshore petroleum activity and deep water bays. Among the significant potential industrial activities is the construction of offshore platforms when actual production of oil and gas commences. This new and expanding interest in marine industrial development has recently resulted in the creation of the Newfoundland Oceans Research and Development Corporation (NORDCO) and a new emphasis on marine research activities in the Province.

Offshore Petroleum Resources

During the past year the mineral resources off the Province's continental shelf took on added significance. In October 1974 the Eastcan Exploration Limited announced two natural gas finds off the coast of Labrador. Tests of these two wells resulted in rates of flow of 13 million and 20 million cubic feet per day respectively. These flows indicate a potentially very large reserve in the area but substantial additional drilling is required before the significance of the find will be known. Stepped up exploration in the area is planned for 1975.

These two wells follow several years of geophysical research and some 45 exploration drill holes which have been encouraging enough to sustain and accelerate exploration. Since 1965 there has been in excess of \$155,000,000 spent on exploration and while any forecasts of ultimate potential are very preliminary, it is estimated that the potential recoverable hydrocarbons are 28 billion barrels of oil and 180 trillion cubic feet of gas.

During the past year this Administration has continued its efforts to reach a negotiated settlement with the Government of Canada with respect to control over the mineral resources of the continental shelf. With two gas discoveries off Labrador and the increased probability of early commercial quantities being confirmed, it is important that our Province continue to assert its rights for control of our offshore resources.

Forestry Expenditures

The implementation of a new forest policy for the Province will result in expanded forest management planning, regulation of harvesting and reforestation, building of access roads and improvement in forest protection. It is anticipated that we will spend, in conjunction with DREE, an amount of \$39,584,100 on the forestry sector as follows:

In 1975-76, \$24,704,000 has been provided in the Estimates for Labrador Linerboard for capital improvements, equipment purchases, access roads, debt retirement, interest charges, and operating deficiencies. A subsidiary agreement has been signed with DREE providing for \$20,000,000 to be spent over the next four years on access roads and equipment purchases related to Linerboard operations. A total of \$10,500,000 was spent in 1974-75 on this program and a further \$1,700,000 has been provided in the 1975-76 Estimates. In addition, a \$5,600,000 program for Forest Access Roads is provided to assist the proper utilization of our resource and to ensure that adequate supply of wood will be available to our linerboard and paper mills and to the sawmill industry.

CONTINUED PROVINCIAL DEVELOPMENT

Regional Economic Expansion

In February of 1974, the Government of Newfoundland entered into a ten-year General Development Agreement with the Government of Canada through the Department of Regional Economic Expansion. This Agreement is designed to improve the economic and social development of the Province and provides for grants from the Government of Canada of up to 90 percent of the costs involved. To date, we have concluded five Subsidiary Agreements covering expenditures of approximately \$102,000,000 of which some \$54,000,000 relate to the forestry sector; \$18,000,000 for the fisheries including marine service centres and water supplies for fish plants; \$15,000,000 for highways; and \$15,000,000 for the Gros Morne area. The DREE share of these agreements amounts to about \$90,000,000.

There are a number of additional subsidiary agreements which should soon be signed and which would result in a further \$110,000,000 of development programs. Agreement in principle has been reached for an Agreement covering the first three phases of the St. John's Region Water Supply. It has also been agreed in principle to complete the St. John's Harbour Arterial Road with the understanding that it will not detract in any way from funding provided by DREE for highways elsewhere in the Province. A new Highways Subsidiary Agreement will also be signed which will provide funds for further construction and paving of major trunk roads.

Highway Programs

In 1975-76 we will be spending \$108,966,400 on the maintenance, improvement and reconstruction of existing roads and bridges as well as on new highway construction. These expenditures represent an increase of 33 percent as compared to 1974-75 and are detailed in Table V.

Some of the major projects to be continued in 1975-76 include: (i) the Bay d'Espoir Highway — \$3,020,000, (ii) the Burgeo Road — \$3,600,000, (iii) the La Scie Road — \$3,600,000, (iv) the Bonavista North Loop Road — \$4,650,000, (v) the Great Northern Peninsula Highway — \$10,530,000, (vi) the St. John's Harbour Arterial — \$4,200,000 and (vii) \$1,000,000 in each of the following road projects — Frenchman's Cove to Lark Harbour, Trepassey towards Renew's and Fortune towards Lamaline, and St. Joseph's to St. Mary's. In addition there will be many other road projects undertaken during the year.

Municipal Assistance Programs

Government is aware that municipalities are experiencing problems, particularly with regard to the rapidly increasing costs of providing essential municipal services. With this in mind Government will spend in excess of \$20,000,000 for assistance to municipalities for such programs as municipal revenue grants, paving municipal roads, installation of water and sewer systems and the purchase of incinerator and fire fighting equipment.

In 1975-76 we will improve the provincial municipal street paving program. Government has approved an increase in the provincial contribution from 50 percent to 60 percent of the capital cost on approved projects. In other words, commencing this year the municipalities will only have to bear 40 percent of the capital cost of approved street reconstruction and paving projects, with the Province assuming the balance.

Municipalities are also assisted in the development of residential services by the Newfoundland Municipal Financing Corporation. As of December 31, 1974 the Corporation had advanced \$63,000,000 in long term loans to 101 municipalities in amounts ranging from \$5,000 to \$3,000,000. The Corporation will borrow, under the Province's guarantee, an amount of \$25,000,000 in 1975-76 to finance present commitments to municipalities.

Housing Programs

In last year's Budget Speech it was estimated that the Newfoundland and Labrador Housing Corporation would commit expenditures of over \$35,000,000 in 1974. Statistics are now available and show a record 4911 housing starts in Newfoundland, which made us one of two provinces in Canada to exceed its 1973 performance, as the national housing sector experienced a considerable downturn. The Newfoundland and Labrador Housing Corporation initiated nearly 1100 dwelling units of the 4911 housing starts in 1974.

An amount of \$8,960,000 of Provincial funds has been budgeted in 1975-76 resulting in a total expenditure program of \$44,785,000, including:

- (1) The acquisition of 2400 acres for land banking.
- (2) The preparation of 2670 serviced lots for housing units.
- (3) The start of 426 subsidized rental housing units.
- (4) Mortgage lending for over 600 houses in small rural communities.
- (5) The continuation of Provincial supplementation of the Federal Assisted Home Ownership Program.

Labrador Programs

This Administration has worked hard to ensure that the needs of the people in Labrador especially those in the Coastal Regions have been given proper attention. This Budget is no exception as it reflects our determination to properly develop the human, industrial and commercial potentials of Labrador.

In the area of energy, the Rural Electricity Authority has provision in its Budget for the improvement of electric generation facilities in eight native communities. The Labrador Services Division of the Department of Rehabilitation and Recreation has provision of \$6,784,500 for special services in Labrador including \$1,000,000 for Eskimo and Indian Housing, \$750,000 for water and sewer systems, and a grant of \$860,000 for Native Associations. It is the intention of Government to create a Labrador Resource Development Corporation responsible for pursuing resource and commercial development opportunities on the coast of Labrador.

In addition, the Newfoundland and Labrador Housing Corporation are preparing final plans for development of a 100 acre Industrial Park at Wabush, the development of 1200 lots for housing at Wabush and the construction of 140 housing units at Labrador City.

HEALTH PROGRAMS

This Administration continues to extend and modernize hospitals and health services. These improved hospital facilities and all health programs in Newfoundland will cost \$170,349,300 in 1975-76. During the year the new hospitals at Carbonear and Twillingate will open and provide a wide range of health services. New extensions for the Western Memorial Hospital at Corner Brook and at the Waterford Hospital will also be opened. The capital cost to complete these new hospitals and extensions will have been \$48,000,000.

The great need of Newfoundland for additional and better hospital and health facilities poses a difficult financial problem for Government, especially in view of staggering escalating costs. Outside St. John's, we are committed to meet the need for new hospitals for Bonavista, Clarenville, the Burin Peninsula, Placentia and Channel. Extensions are required for Grand Falls, Happy Valley and Janeway Child Health Centre. Total capital costs for these projects is estimated to be in excess of \$85,000,000.

In 1975-76 an amount of \$17,238,900 will be provided in capital expenditure for the 350 bed hospital and Faculty of Medicine facilities at the Health Sciences Complex on Memorial University's campus. The original target cost figure of \$45,000,000 covering stages one, two and seven of the complex has now escalated to \$51,000,000 and the original cost estimate of \$49,000,000 for all seven phases of the Health Sciences Complex has been revised upwards to \$59,000,000.

Government is confronted with the burdensome task of planning and phasing these hospital constructions to our financial capabilities. Funds have been provided in 1975-76 so that planning and progress can be made for the projects at Bonavista, Clarenville, the Burin Peninsula, Placentia and Grand Falls. In the latter case, the cost in the past year has escalated to \$36,000,000 and this is obviously more than Government can realistically consider. Therefore, the Hospital Board has been asked to carefully review their proposals and to reduce costs significantly.

In 1976-77 Government will give very careful consideration to providing funds for additional planning of the other projects and for commencement of construction of these facilities planned this year.

EDUCATION PROGRAMS

The 1975-76 expenditure program on Education will almost match the total of my entire 1969-70 Budget. It is anticipated that \$232,037,400 will be spent in the following major areas:

These expenditures are especially vital to the future of this Province and demonstrate this Administration's dedication to the provision of equal educational opportunities for all Newfoundlanders. The expenditures reflect a multitude of recently improved programs.

Teachers' salaries in 1975-76 will be \$97,000,000 and included in this figure is a provision for 200 additional teaching positions for the next school year. These additional positions are part of our commitment to improve the pupil teacher ratio to 25 students to every teacher with the addition of teaching specialists for the handicapped, for native children and for small rural schools. The program was initiated in 1974-75 and it will mean a total of 864 new teachers by 1978 at a total additional cost in excess of \$20,000,000 during that period.

In last year's Budget it was announced that the free textbook policy then existing for Grades I to III would be expanded to Grades IV, V, and VI. I am pleased to state that this year's Estimates provides for textbooks to be given, free-of-charge, to students in Grades VII and VIII. Under this scheme students are responsible for returning the books at year end and the success of this program will result in savings, as about 75 percent of the texts will not require replacement.

School Construction

The 1975-76 Estimates provide an amount of \$21,588,500 for school construction by the various school boards across the Province. Of this amount \$8,888,500 is for the completion of school construction under the DREE program and \$2,700,000 is for grant to three denominations as part of a \$16,000,000 five year program to equalize the DREE grants given during the period 1970-74. A further \$10,000,000 is to cover the on-going commitment of Government to denominational authorities whereby grants are made available to allow school boards to borrow their financing requirements. Last year this program was increased by \$80,000,000 for the 10-year period 1975-85 and it is Government's intention to add a further \$25,000,000 to last year's commitment as an interim measure to assessing all aspects of school construction.

The method by which Government intends to extend the present guaranteed grants is outlined in Table VII:

These increased guaranteed grants mean that in the past two years this Administration has committed an additional \$105,000,000 for school construction grants over the period 1974-85.

Proposed Polytechnical Institute

As revealed in the Throne Speech it is Government's intention to establish a Newfoundland Polytechnical Institute, which when completed will have three interrelated Colleges and student residence accommodations. A College of Fisheries, Navigation, Technology and Marine Sciences will give instruction in the area covered by the present College of Fisheries. A College of Medical Technology will give instruction in the para-medical areas of Pharmacy, X-Ray and Lab Technology, and courses in Nursing Assistants. A College of Business Education and Applied Arts will give instruction in secretarial, commercial and other related courses. An amount of \$500,000 has been included in the 1975-76 Estimates to commence planning. After planning has been completed construction will commence.

Student Aid

This Administration will again make substantial improvements in the student aid program at Memorial University. In 1975-76 an amount of \$3,750,000 will be spent on student aid, an increase of \$1,621,000 and will make provision for:

- (1) full time university students showing financial need, to be required to borrow only the initial \$450 per semester with the remainder of need up to \$1650 per semester being met in the form of free tuition and grants. This formula presently applies only to first year students, but will be extended to all other years commencing May 1975.
- (2) an estimated increase of approximately \$150 in allowable deductions is estimated to meet the increase cost of such items as housing, local transportation, and other miscellaneous expenses.

In addition, the Minister of Education has made strong representations to the Government of Canada on behalf of the students with reference to the interest-free period allowed students who have taken Canada Student Loans. At present the period is six months after graduation and this Government supports the students in their request for an extension to twelve months.

Memorial University of Newfoundland

The operational requirements and capital needs of Memorial University in 1975-76 will amount to \$39,138,300.

Memorial University will receive an operating grant of \$31,000,000 which represents a per student grant of \$3,770 and compared to \$3,000 in 1974-75 and \$2,750 in 1973-74. This is a 37 percent increase over the past two years. The opening of the regional college in Corner Brook is on schedule and \$3,172,000 has been provided for its operational and capital needs. The major capital expenditure at the University is \$3,250,000 for the completion of the Engineering Building.

In addition to the operating grant and the capital program of the University, \$21,688,900 will be spent on the Health Sciences Complex on the Campus.

PUBLIC SERVICE SALARIES AND PENSIONS

Collective Bargaining Policies

This Administration has a record of co-operation with the labour movement and of support for harmonious labour management relations in the public and private sectors. As indicated in the Throne Speech we will be presenting a new Labour Code and a new Labour Relations Act to this session of the House of Assembly in the interest of protecting employee rights, and for the purpose of providing a framework for labour management co-operation. Cabinet are aware of the unfavourable forecasts which have been made with regard to labour negotiations in both the private and public sectors in 1975-76 and we are determined to prove these forecasts false.

Government is also aware of the effects inflation is having on its 28,550 public servants, which include departmental employees, hospital workers, teachers, vocational school instructors and employees of Government Agencies. We demonstrated our awareness of the burden imposed by inflation through the expenditure of \$7,000,000 in June 1974 to help alleviate the increased cost of living.

In the Public Service no less than 40 collective agreements expire between March 31, 1975 and September 30, 1975. It is our intention, under the direction of the President of Treasury Board, to conduct expeditious, fair and reasonable negotiations with all groups. However, we are cognizant of the total public service salary bill which in 1975-76 will be approximately \$300,000,000 and the effects that unreasonable settlements would have on our budgetary position. We are confident that responsible negotiating on both sides, mutual understanding of key issues and principles and a united objective directed towards reasonable settlements will allow Newfoundland to set the example for labour relations across Canada.

Continued Pension Improvements

The high rate of inflation has increased the cost of living to pensioners at a burdensome rate. In the past two Budgets this Administration has provided significant increases to former public service employees and I am pleased to be able to introduce further improvements in the pensions of these retired public servants who have served this Province.

This Administration has adopted a policy of a minimum pension level of \$1200 per annum for a pensioner, or the surviving spouse, regardless of length of service. In addition all pensioners will receive an across the board increase of 12 percent or an average of \$400 per annum to an individual maximum increase of \$1000 per annum. This increase largely offsets the cost of living increase in 1974.

The pensioners affected are retired public servants, constabulary, penitentiary and fire department personnel, teachers, and certain railway employees.

This Government has also been reviewing pensions as they relate to public employees or pensioners who served Newfoundland in World War I and World War II and other major military conflicts. Presently, veterans do not receive credit for their war service to their country for pension purposes, except under specific and restrictive circumstances. Effective April 1 of this year and retroactive to include current pensioners as well as current employees, war service will be eligible to be credited for pension service.

FINANCIAL POSITION 1975-76

Revenue Projections

The revenue of the Province experienced a growth rate of 22 percent in 1974-75 as provincial revenues responded significantly to the growth in the economy. The Provincial sources of revenue are expected to grow by 18 percent in 1975-76 from \$268,268,000 to \$317,584,000.

The major revenue growth will be Retail Sales Tax at 14 percent from \$94,000,000 to \$107,600,000 and personal income tax from \$60,500,000 to \$86,218,000. The personal income tax increase reflects a major anticipated adjustment for prior years of \$9,000,000 under the Revenue Guarantee Act of the Government of Canada. Exclusive of this adjustment the growth rate in personal income tax is 18 percent. Profits from the Newfoundland Liquor Corporation will increase by 12 percent to \$30,000,000 in 1975-76.

The only contemplated taxation change in 1975-76 will be as a result of the planned introduction of a progressive management policy for our mineral resource. This additional revenue will result from the implementation of certain recommendations of the Mineral Taxation Royal Commission and is estimated to be \$4,400,000.

The total revenue sources from the Government of Canada in 1975-76 are forecast to grow at 13 percent. The main item is payments under the equalization formula which will increase from \$185,000,000 to \$210,000,000, a 14 percent increase.

The following table outlines the main revenue items from both Provincial and Federal sources forecast for 1975-76 as compared to 1974-75 (revised).

PROVINCIAL BORROWING REQUIREMENTS

The revenues of this Province are growing at a rapid rate, however, the ambitious expenditure programs outlined in this Budget require a large borrowing program. After taking into consideration the contribution to capital account of \$2,500,000 from current account, the Province will have borrowing requirements in 1975-76 of \$203,191,200. The following table summarizes the financial position for 1975-76 as compared to 1974-75 (Revised):

This is a major financing program for the Province and represents an increase in our net direct debt of \$160,385,800, after deducting funds to be used to redeem maturing debt and to meet sinking fund requirements. The provincial borrowing requirements for this year of \$203,191,200 will be obtained from the following sources:

General Market Borrowing	\$165,000,000
Canada Pension Plan	26,000,000
Government of Canada Loans	10,000,000
Other Loans	<u>2,191,200</u>
Total Net Cash Requirements	<u>\$203,191,200</u>

SPECIAL PROGRAMS AND PROJECTS

When this Administration was elected to office it committed itself to carrying out improvements in all areas of Government activity. The 1975 Budget emphatically and clearly demonstrates the implementation of progressive economic and social improvements for the people of this Province. I have outlined improved programs for the development of the Province in education, health, forestry, fisheries, pensions, housing, indeed, in all areas of Government activity in 1975-76.

It is necessary for me to outline some of the other special program improvements so that the significance and impact of the 1975-76 expenditure program can be fully appreciated. For instance, in 1975-76:

- (1) Government will pay out in excess of \$50,000,000 in social assistance to persons in need and the recent cost of living adjustment of 12.7 percent directly accounts for \$4,400,000 of this program.

- (2) Government will provide \$12,579,000 for the Rural Electricity Authority to continue its program of providing electricity to rural areas of Newfoundland and Labrador.
- (3) Government will provide \$11,316,000 for the continued development of the Gros Morne Park with financial co-operation from the Government of Canada.
- (4) Government will provide \$2,000,000 for the Rural Development Authority to continue its loans program to small business operators in all areas of the Province.
- (5) Government will provide \$2,600,000 for a new theatre as Phase II of the Arts and Culture Centre in Gander.
- (6) Government will provide \$1,000,000 for the start of construction of a new building to provide a modern headquarters for the Newfoundland Constabulary.
- (7) Government will provide \$1,258,000 for alterations to district vocational schools including \$488,000 for Burin and \$500,000 for Placentia.
- (8) Government will provide a new Youth Representation Program aimed at actively involving our younger citizens into shaping the future of the Province.
- (9) Government will provide \$2,325,000 as its 1975-76 contribution towards the 1977 Jeux Canada Summer Games, and
- (10) Government will establish a new program for assistance to build stadiums. In the first instance, this program will apply only to nine communities, Whitbourne, Conception Bay South, St. George's, Windsor, Marystown, St. John's (Avalon Arena), Bishop's Falls, Wabush and Corner Brook. Additional grants to other communities to construct new stadiums will be deferred for a period of one year during which time the Department of Rehabilitation and Recreation will assess the further need for stadiums and establish common standards for construction.

CONCLUSION

The year 1974-75 was a difficult year to assess from a budgetary standpoint. The year 1975-76 is an even more difficult year in that respect as no one can predict the effect which uncertain and confused world wide conditions may have upon the financial picture.

As is necessary in a rapidly developing province such as ours I have taken an optimistic approach, tempered with realistic financial caution in preparing this budget. Should our forecast prove to be accurate and at this time we have no reason to anticipate otherwise, Newfoundland faces another year of continued expansion in all areas of the economy. I firmly believe that our Province has a very bright future. Our Government is planning and acting so as to promote and attain a strongly based economy coupled with progressive improvement in all services for our people.

MR. EARLE: Mr. Speaker, I have first to move that the House resolve itself into Committee of Ways and Means and that the Speaker do leave the Chair.

HON. A.J.MURPHY (Minister of Social Services): Mr. Speaker, I have very much pleasure in adjourning the debate.

MR. SPEAKER: The honourable the Minister of Social Services has adjourned the debate.

The honourable the Minister of Finance.

MR. EARLE: Mr. Speaker, I have a message from His Honour the Lieutenant-Governor.

MR. SPEAKER: March 12, 1975.

"The honourable the Minister of Finance:

I, the Administrator of the Province of Newfoundland, transmit Estimates required for the Public Services of the Province for the year ending March 31st., 1976, in the aggregate of Seven Hundred And Ninety-Eight Million, One Hundred And Forty-Four Thousand, Two Hundred Dollars (\$798,144,200) and, in accordance with the provisions of the British North America Act of 1867, as amended, I recommend these Estimates to the House of Assembly.

(Sgd.) R.S.Furlong

Administrator."

MR. EARLE: Mr. Speaker, I move that the message from the Lieutenant-Governor together with the Estimates be referred to the Committee of Supply and that Your Honour do now leave the Chair.

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

COMMITTEE OF SUPPLY:

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

On motion report received and adopted.

On motion Committee ordered to sit again on tomorrow.

MR. CROSBIE: Mr. Speaker, before moving the adjournment of the House I would ask the Minister of Finance to point out to the guests here in

the galleries in the House, that there will be a reception afterwards at the College of Trades and Technology, to which everyone is invited cordially to attend.

I move, Mr. Speaker, that the remaining Order of the Day do stand deferred and the House at its rising do adjourn until tomorrow Thursday, March 13, 1975 at 3:00 p.m., at which time the order of business will be the Address in Reply.

On motion the House at its rising do stand adjourned until tomorrow Thursday, March 13, 1975 at 3:00 p.m.