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The House met at 3:00 p.m.

Mr. Speaker in the Chair.

MR. SPEAKER(Simms):

The hon. the Minister of Finance.

DR. COLLINS:

Mr. Speaker.

SOME HON. MEMBERS:

Hear, hear!

**MR. SPEAKER:**

It is very fitting indeed that this, the first Budget of this new Government should be presented in a fiscal year which marks the fading days of an old decade and the dawning of a new era — with a fresh energetic Administration. Today, as this Budget spans the dividing line between the experiences of the 1970's and the prospects for the 1980's, I am confident that the vitality and determination of this new Government will provide the leadership to establish new directions in our financial affairs, so that we may ensure the future prosperity of our Province and its people, through the maximization of our natural wealth.

I should make it clear at the outset, that it is not possible for today's Budget to reflect all of the aims and objectives of the Peckford Administration. In many respects, due to time constraints, this Budget represents a "hold the line" approach for the next six or seven months, during which time Government will reflect on existing programs and services and prepare the strategy to integrate those of a high priority with the policy objectives of the new Administration. As the Throne Speech stated, this Government will in the months ahead develop a five-year plan based upon sound financial management which will reflect fiscal realism and expenditure restraint tied in with an economic development strategy to guide us through the 1980's.

**HISTORICAL PERSPECTIVE**

It is always helpful to look back before launching forth anew, and with that thought in mind I would like quickly to review the economic past of our Province.

The development policies which Newfoundland has witnessed during this century have taken many directions and it is a matter of historic fact that often valiant attempts to develop a strong provincial economic base met with disappointing results.

At an early stage, Newfoundland strived to develop and construct a trans-Island transportation system — first the railway; and then more recently the Provincial section of the Trans Canada Highway. While our forest and mining industries were eventually developed by private entrepreneurs this industrial activity came only after the granting of concessions and rights, which in many

cases, would not be acceptable in today's terms. The Province is not now receiving a fair economic rent from much of our natural wealth.

Again, in more recent decades, we have witnessed excessive optimism associated with certain attempts at industrializing our Province. We became disillusioned when large industrial prospects which looked so promising initially proved unsuccessful and some resources could not be developed to their potential as quickly as we had hoped. Those were the frustrations of the past which we must now leave behind.

In more recent years, new hope has arisen, and there can be no question that this revitalized enthusiasm is well warranted. The increased demand that the world has placed on our fishery resource and the stimulation that it has provided for our industry, is the most visible evidence of concrete economic progress. It is unfortunate that the fishery was so poorly regulated in the 1960's that the valuable resource was almost destroyed through over-exploitation. Nevertheless, conservation and management measures have now been instituted and the fishery is well on its way to becoming a thriving success. Additionally, we now have other exciting prospects associated with the escalating value of energy. These include our hydro-electric potential, and the good possibility of offshore oil and gas.

From numerous vantage points, the Newfoundland economy stands in far better shape today than at any previous time in our history. We have a sizeable local market. We have a substantially better trained and educated work force. We are witnessing the benefits of the servicing and manufacturing spin-offs of resource-based industries. Finally, our tremendously improved transportation network complements our industrial expansion. Such is the base, therefore, from which this Budget looks forward to influence the medium and long term prospects of our economy. I must re-emphasize that the strategy of this Government will be realistic, based on attainable prospects for short term progress while not tempering our aspirations for the future. The challenge of this Government is, to take what we now have and mold an economy consistent with today's resources and technology, while always endeavouring to secure the preservation and enrichment of the Newfoundland way of life.

Let us now turn to a consideration of the financial performance of the Province in 1978-79 and to an analysis of the economic performance in that year and the outlook for 1979.

#### **1978-79 FINANCIAL PERFORMANCE**

##### **Current Account**

An examination of the actual current account results for the 1978-79 fiscal year indicates variances from the budgetary objectives established last year. The net effect of these fluctuations was very positive and Government is now reflecting a contribution to capital account of \$20,900,000 as compared to \$11,100,000 projected in the approved estimates.

However, net capital expenditures exceed the original estimates by \$50,700,000 primarily because of a payment of \$63,111,000 to retire the long term debt of Labrador Linerboard Limited, which had been guaranteed in the late 1960's. It should be noted that these funds were immediately repaid to the Province and recorded in the accounts as a non-budgetary receipt.

The net decline in total financial requirements is partially attributable to an increased contribution of \$9,800,000 from the current account and to reductions in capital expenditures as a result of unavoidable delays in the implementation and progress on certain capital programs.

## **ECONOMIC REVIEW AND OUTLOOK**

### **1978 Performance**

Newfoundland's economy showed signs of an upturn in 1978. Fish landings increased by 16.3% and shipments of manufactured products (primarily newsprint) increased 14.1%. Notwithstanding these encouraging factors, the statistical measure of economic activity indicated a net decline of 1.7% in the Gross Domestic Product. This was primarily attributable to the strike against the iron ore companies in Labrador and while personal incomes increased moderately overall throughout the Province, the loss in wages caused by the strike offset the real growth.

There are several very positive factors which must be illustrated in order to provide a realistic assessment of our economic performance. Perhaps one of the most encouraging developments was the strong improvement in employment, with 5,000 more Newfoundlanders being employed, than in the previous year. It is significant to note that this pronounced improvement was concentrated in the fisheries and service sectors, without growth in the public service. Another key element to be considered is that, despite a resurgence of inflation largely due to increased food and petroleum prices and the decline of the Canadian dollar, retail sales increased by 14.2% which clearly reflects a genuine improvement in consumer confidence in this Province.

In the industrial sector, Newfoundland's manufacturing industries enjoyed an improved competitive position because of the devaluation of the dollar. The Province's two newsprint producers operated at full capacity as a consequence of this factor coupled with continuing strong market demand.

The capital investment in the Province was reinforced in 1978 by substantial private investment in the fisheries and through renewed attention to exploration activities for onshore minerals and offshore oil and gas. In addition to these other developments, the previously disappointing situation in the Province's construction industry was significantly eased by accelerated Government expenditure, particularly on highways improvement.

All of these trends are indicators of an overall improvement in the general economic climate of the Province throughout 1978 and this has been reconfirmed in 1979 to date.

The favourable revenue variance was largely resultant from increased revenue from the Government of Canada in respect of Tax Equalization and Established Programs Financing on account of both 1978-79 and for prior years. This improvement in our revenues more than offset the net expenditure increases which were substantially attributable to additional grants paid to certain Government agencies and Crown Corporations.

**Capital Account and Financial Requirements**

Total financial requirements, as shown in Table I, for 1978-79 reflect a very positive improvement of \$22,400,000 over the approved estimates.

### **Outlook for 1979**

The economy of Newfoundland is firmly tied to the Canadian and world economies since most of our products are sold outside the Province while the vast bulk of our consumer goods are imported. In any year, therefore, we must realize that Newfoundland's economic performance will be dependent in large measure upon events beyond our control. While soaring energy costs have caused widespread instability throughout the world, this is a fact of life for which the economies of all nations and provinces must adjust. In our own case, we can expect that, while imports will cost more, demand for our fish, forest products, and minerals should continue to be strong.

Statistics for the first quarter of 1979 indicate that Newfoundland's economy is rapidly gaining further momentum, as can be demonstrated by a comparison with the first quarter of 1978:

- The value of fish landings is up 25%.
- The value of manufactured products shipped increased by 14.9%.
- The volume of iron ore mined increased by 39.3%.
- Retail sales improved by 14.5%.
- Employment increased by 5.3% or 8,300 new jobs on an annualized basis.

It is anticipated that Newfoundland's economy will remain strong throughout 1979 and should demonstrate real growth of more than 3.2%.

Projections on investment intentions indicate that new capital investment in the Province will be 29% greater this year than last, as a direct result of increased private sector investment in resource and manufacturing industries, coupled with an expansion in highway construction and the further development of electrical generating facilities. Government's extensive efforts in promoting economic activity in the fishery, the energy sector, mineral exploration and industrial development are all key to the strong growth in investor confidence which is again being evidenced in 1979. This trend will be further strengthened by the initiatives of this new Government.

A more detailed review of certain of the most critically challenging components of this Province's economic future will serve to reinforce the economic prospects to which I already referred.

## **\* DEVELOPMENT OVERVIEW**

### **Hydro Electric Strategy**

The energy future of the entire world has been altered significantly by the six-fold increase in oil prices over the last six years. The availability of an adequate

energy supply and the stability of energy prices are fast becoming prime determinants in the economic health of all nations. Newfoundland is in a unique position to take advantage of the world energy crisis, not only in regard to offshore petroleum resources, but more particularly by reason of its proven hydro-electric resources. Never before has the realization of this hydro-electric potential been closer, and never before has it been such a critical factor in the future of our Province.

We intend to embark upon a positive, constructive and bold initiative which will simultaneously confront the many challenges of hydro-electric development. In short, our strategy embraces several important aims:

- To obtain an infeed of power from Labrador to the Island portion of the Province from both the Upper and Lower Churchill sites.
- To keep Newfoundland and Labrador Hydro on a sound financial footing so that it can continue to meet the electricity generation requirements of the Province.
- To reduce the burden on taxpayers by renegotiating certain industrial power contracts.
- To develop in an environmentally sound manner the remaining on-Island hydro-electric potential.
- To relinquish our reliance on oil-fired electrical generation in this Province before the end of the next decade.

We do not wish to raise unreal expectations in this critical social and economic area. However, the achievement of substantially exclusive reliance on hydro-electric power will mean the elimination of the major uncertainties associated with the supply and price of oil and will mean the availability of stably priced energy at a time when much of the Western world will be facing energy shortages and staggering cost increases.

The most important elements in our strategy will inextricably link four key components:

- (1) We will aim towards a renewed effort in renegotiations with the Province of Quebec regarding the Upper Churchill Development. Government is presently involved in an intensive review of the legal options, the need to have access to Churchill power and the necessity of changing the contract price.

There will be legal and financial complexities in any negotiations with Quebec, but it is inconceivable that the hydro-electric resources of the Churchill River will not be diverted to a greater benefit for our Province over the next decade. With the overriding necessity for the rational development of Labrador power, including the joint rivers, the perceived



political barriers associated with the Upper Churchill must be overcome. Hence, we will again examine the alternative of pursuing a meaningful dialogue and negotiation with Quebec as one of the available options.

(2) Government will continue to support the Lower Churchill Development Corporation to ensure a transmission link between Labrador and the Island. This transmission link will displace in large measure our dependence on oil for electrical generation and will meet future electrical demands well into the next century.

(3) Government will renegotiate the existing industrial contracts which are unacceptable in this day and age, particularly given the high level of subsidization which is a direct burden on the taxpayers of this Province. The present annual level of subsidization, \$18,900,000 is equivalent to one percentage point of the retail sales tax. We intend to deal firmly though reasonably with these major industrial customers, to return to the Province the economic rent which is due for our hydro-electric resources.

(4) Newfoundland and Labrador Hydro will proceed with the development of the Upper Salmon hydro potential provided it is established that the project is environmentally sound. Action to alleviate environmental concerns, particularly with regard to caribou, are of paramount importance and would receive priority attention if construction begins. The total cost will be approximately \$150,000,000 and this project, together with the completion of the Hinds Lake development and a third unit at Holyrood, will provide the Province with energy to meet demand to 1983.

Notwithstanding our great Hydro potential and Government's overriding desire to protect the consumer from rising electricity prices, it is clear that energy will become even more expensive in the years ahead. Oil prices will increase as will construction costs. Consequently, it should be understood as well that even a Labrador infeed will not provide inexpensive electricity for the domestic consumer, though it will provide stably priced energy, allowing a significant reduction in the rate of growth in electricity prices.

Government has made Newfoundland and Labrador Hydro subject to public scrutiny through the Public Utilities Board and it is our belief that although energy prices will continue to rise, these increases will not be unreasonable and when viewed against what is happening in the world energy situation, Newfoundland's position will be comparatively favourable.

#### **Oil and Gas**

An unprecedented expansion in offshore petroleum exploration activities is taking place in 1979. Seven rigs will be operating in the offshore waters of the Province this year with as many as eleven wells to be drilled this year. Several of the world's major oil companies are represented and it is estimated that they will be expending some \$230,000,000. To appreciate the magnitude of this year's

investment, it can be compared to the total of \$300,000,000 spent in the Province's waters for the entire twelve year period between 1966 and 1978.

Rigorous application of the Province's petroleum regulations will result in the direct employment of some 750 Newfoundlanders. The requirement for the operators to give preference to local goods and services will provide \$25,000,000 in additional business to local industry and commerce in the Province which will generate many additional jobs. Newfoundlanders will also benefit from the money spent in the Province by the oil companies on education, training, research, and development.

This major escalation in drilling activity in itself, is clear evidence that the prospects for Newfoundland's offshore energy resources have been greatly enhanced. In order to be certain that Newfoundland receives its rightful benefits from the exploration effort and from any subsequent discoveries of oil and gas, we must ensure that only one level of government is responsible for controlling offshore development — the Government of Newfoundland and Labrador. To this end, we have insisted that the provincial regulations must be honoured. Furthermore, the revenues which will flow to the Province when production of oil comes on stream must be managed in a manner to create a strong economy for the long term benefit of our people. This Government will not tolerate an approach to our resources which would lead to the social and economic tragedy of "boom and bust" development.

#### **Fisheries**

In keeping with the priority that Government is placing upon fishery development, provincial expenditures in fisheries will be increased from \$23,200,000 in 1978-79 to over \$30,500,000 this year. To encourage rebuilding and modernization of the near and middle distance fishing fleet, the funding for the Fisheries Loan Board will be raised to \$8,000,000 compared with \$5,500,000 in 1978-79. This will mean that by the end of this fiscal year this agency will have provided a total of over \$53,000,000 in support of our fishing industry since 1975.

Government's comprehensive development strategy for the fishery will be based upon the regeneration of the fish stocks in the 200 mile management zone off our shores. We will continue the emphasis upon building marine service centers to foster the growth of a middle distance fleet through providing more adequate port and servicing facilities. Another essential component of our fisheries policy is the development of the Primary Landing and Distribution Port strategy and we will be seeking Federal support for this project along with assistance for other fishing ports throughout the Province.

Further expansion of secondary processing is an essential element in our fisheries policy and is one of the areas with the greatest potential. In order to stimulate further investment in this area, the program to assist fish processors in the acquiring of modern secondary processing equipment has been expanded by raising the maximum level of Government assistance from \$50,000 to \$150,000 for project — a three fold increase.

This Government is completely convinced that if Newfoundland is to realize the full value of our fisheries resource we must persuade our Federal colleagues to transfer additional responsibilities for management of the fishery to the Province. We will strive for this greater involvement in fisheries management at the provincial level, while always remembering the need to preserve the future of the resource in accordance with scientifically determined quotas.

#### **Industrial Recovery**

I would now like to touch on two particular industrial ventures which have been of great concern for several years. Since the time of the last Budget wherein my predecessor expressed his confidence that the Linerboard Mill would be sold to the private sector, that event of tremendous economic importance to the future of the Province has been successfully concluded. The Abitibi Company Limited has already commenced to convert the mill to newsprint production, at an expected cost of \$80,000,000 with over 250 Newfoundlanders being employed during the conversion. Production at the mill is anticipated to commence in early 1981 and mill and wood-harvesting operations will directly employ approximately 700 Newfoundlanders. It is heartening now to see that the Stephenville area, in particular, has once again taken a new lease on life while the whole Province stands to benefit in the long run.

With regard to the other venture, the refinery at Come By Chance, negotiations with a potential purchaser are ongoing. Government has established the firm position that the financial interests of the Province and the safeguarding of the health of its people must be fully assured before reactivation receives the Province's support. While the environmental impacts of the Refinery's operation are of utmost concern, the Government is also sensitive to the need for creating employment. If the Refinery should be re-activated, rehabilitation could commence in 1980 and start up occur early in 1981. The Refinery would operate at 120,000 barrels per day and employ 300 people. This government pledges to proceed with the negotiations as expeditiously as possible and to keep our people fully informed of the status of negotiations in a frank and open manner.

#### **Marine Industries**

With many of Newfoundland's vital industries being related to the ocean environment, it is critically important that this Province become a world leader in ocean related knowledge, techniques and research and development facilities. We have benefited greatly from our long established Fisheries College, and Memorial University will shortly be offering a program of Shipbuilding Engineering including Naval Architecture and Marine Engineering. Additionally, we hope to see an early commencement on the construction of a \$35,000,000 "ice-tank" and Arctic vessel research facility, at Memorial University, funded by the National Research Council. Furthermore, in the area of technological development, the Province is expecting very shortly to sign a new agreement with the Department of Regional and Economic Expansion for

the continued support of NORDCO to enable that corporation to proceed with its initiatives in ocean science and technology.

This government is seriously concerned about the operational and financial difficulties which Marystown Shipyards Limited has experienced over the last several years. Indeed, in the late stages of the 1978-79 fiscal year the Province was required to advance \$8,000,000 and has had to provide a further \$3,500,000 in this year's estimates to fund losses of the Shipyard. It must be clearly understood, that these levels of losses are totally unacceptable to this Government. Notwithstanding the fact that the shipbuilding industry world wide is experiencing difficulty, this Government is determined to make the Marystown Shipyard a more viable operation. Accordingly, we have initiated an extensive review of the corporation's operations and objectives and we will be aggressively pursuing the matter in the coming months with whatever measures are warranted. While we are guardedly optimistic that the yard can contribute to the Province's economy, this must be proven over time through the efforts of a productive labour force, with strong management and improved financial results.

#### **Other Development Prospects**

While, it is not possible in this Speech to review all of the developments in our diverse economy, it is extremely important that recognition be given to the economic development which has been directly stimulated through joint funding arrangements with DREE. Revenues from development agreements with DREE covering initiatives in forestry, fisheries, agriculture, tourism, rural development, minerals, highway construction, industrial development and in particular, Labrador development are forecasted to increase considerably this year. In addition, this Government is negotiating a number of new development agreements which should be implemented later in the year.

I should reiterate here that this Government will press for an expanded program to upgrade the Trans Canada Highway together with an improvement in the existing cost-sharing arrangements. While we are concerned about the temporary freeze which the Federal Government has imposed on new Capital Projects we are confident that the new Federal Colleagues will be sensitive to the potential effects of this measure on our Province and will adjust its policy to minimize them.

In summary, the numerous economic prospects for the province are sound and encouraging. The integrated development plan which Government will formulate before the end of 1979 will clearly identify for Newfoundlanders and the business community, firm policy objectives which will constitute this Government's vigorous development thrust to economic progress in the 1980's.

#### **FINANCIAL MANAGEMENT INITIATIVES**

Just as this Government stands committed to develop the Province to its fullest economic potential, we are without question, equally firm in our resolve to

maintain the financial integrity of the Province and to manage the affairs of Government in a financially responsible and business-like fashion. Government's immediate financial plans and policies must be tailored to complement and support the economy as it develops. We cannot afford to permit desires and expectations to overshadow our capabilities to finance public services. We must deal with the pressures of inflation and inadequate revenue growth in a realistic manner, while curtailing growth in Government spending and by improving administration and financial management.

The constraints of time since this Administration took office have not allowed us to assess all the expenditure programs or to review administrative and financial management practices. This Budget, as I have stated, must be viewed as only the first step towards this Administration's goals. The budgets of the 1980's, the first of which is only a few months distant, will be structured to implement our plans.

Concurrently with creating the development plan, this Government will be undertaking extensive reviews of:

- Revenue Sources.
- Expenditure Programs.
- Lending Activities.
- Administration and Financial Management.

#### **Revenue Sources**

Government is very concerned with the relatively high levels of taxation in the Province and this Administration has already pledged that there will be no increases in the retail sales tax, personal income tax, and small business corporate income tax rates. But restraint in the rates of taxation is not in itself sufficient to secure our financial objective.

To ensure that the taxation system of the Province is just and equitable, we will be undertaking a complete review of the existing structure as well as examining new and alternative sources of revenue. Special emphasis will be placed on the re-examination of taxation of the mining industry in the Province to assess whether we are receiving an equitable economic rent for our resources. As the Throne Speech stated, we are determined to ensure the rightful return of direct revenues to the province in this area of industrial activity.

We expect that further fiscal measures will be introduced once the review of the provincial tax structures has been completed. With the introduction of such measures, care will be taken to ensure that they are in harmony with the development plan and Government's emphasis on culture, heritage, continued

resource development and the improvement of living standards of all Newfoundlanders.

#### **Expenditure Programs**

In the light of the growing number of highly desirable new programs, the reality of our financial position dictates the need to undertake reviews of existing ones in order that we may establish a meaningful schedule of priorities to meet our objectives. This Government will immediately initiate reviews of all existing programs to identify and eliminate those of low priority which can no longer be justified in the context of other more pressing needs.

The educational system continues to be the most costly component of Government's expenditure commitments. It is logical therefore that this would be one of the sectors to receive immediate study. Much work has been done already in the area of educational finance and we are fortunate indeed, to have at hand the report of the Educational Finance Committee, and also the Report of the Task Force on Education, both of which will be of great assistance in aiding Government's review of educational funding. Of particular concern to Government is the capital financing for school construction, to replace obsolete and in some cases, hazardous structures and to handle increased enrolments in particular areas. We will also have to address the overall issues of declining enrolments, Grade 12, and their effect on classroom space. As a first step in the reform of educational financing, I shall be detailing shortly that Government will this year implement certain recommendations of the Educational Finance Committee in respect of operating grants to school boards. In addition, I will outline immediate steps to strengthen the capital grant structure.

An equally pressing priority for financial review is the funding of our health care system. With rapidly advancing health care expenditures, it is becoming increasingly difficult to meet the current account obligations associated with the existing system. This makes it more difficult than ever to finance the much needed improvement and expansion of the system. It is also this Government's view that there may be inefficiencies and abuses within the present system which should be eradicated.

Accordingly, we intend to study very carefully the patterns of health expenditures and facility utilization. This Government stands committed to obtaining the maximum value for the funds spent on health care and to reviewing the most equitable means of financing our essential requirements. With these objectives clearly established we will conduct a thorough examination of the potential revenue raising options to finance health costs, and an in-depth review of all realistic control measures available to deter abuse that may exist.

#### **Lending Agencies**

The lending programs and agencies of the Province — the Newfoundland Municipal Financing Corporation; the Fisheries and Farm Development Loan Boards; the Rural Development Authority; Newfoundland & Labrador

Development Corporation; and the secondary processing loan and deficiency guarantee programs for the fishing industry — have been responsive to meet our development needs and have expanded rapidly over the past several years. These activities will continue to be a key component in the Government's development plan.

This Government will undertake a thorough review of these activities to ensure that they are sensitive to the present day needs of the people and the business community and to evaluate whether the current account expenditures, through interest subsidization and grants, are warranted, and are cost effective. While this review is being undertaken, Government has decided that the interest rate on new loans granted by the Fisheries and the Farm Development Loan Boards and the Rural Development Authority will be increased to 6% which is still cheaper than alternative sources.

#### **Administration and Financial Management**

One of the most important commitments in this Budget is our pledge to run the offices of Government in a financially responsible and administratively sound manner. Taking into account the need to improve efficiency and management effectiveness, this Government will immediately embark on:

- A program to improve the effectiveness of program evaluation and to implement new budgeting techniques.
  
- The development of a computerized accounting and financial management information system to provide both Government and the departmental managers with timely accurate information.

These four assessments which I have just outlined, will we believe ensure that the Province's taxation structure is made more equitable; that expenditure programs and lending activities are fully responsive to our needs; and that the overall effectiveness of Government will be greatly improved.

#### **CURRENT ACCOUNT 1979**

Government's deliberations on current account have been particularly difficult in the face of many conflicting priorities. While hard decisions had to be made in order to enable us to arrive at our financial goals, I can say with all confidence that in budgeting for a contribution from current account to capital account of \$10,800,000 this year, we have been successful in providing an expenditure plan which is realistic and financially sound.



### **Education**

As I outlined previously, a major concern with respect to educational financing has centered around the method of providing operating grants to school boards. The Provincially appointed Educational Finance Committee, comprised of representatives of Government, School Boards, School Tax Authorities and the Denominational Educational Committees, has thoroughly reviewed and reported upon operating costs, the adequacy of grants and the role of the taxing authorities.

While we have not completed a full assessment of all the recommendations in the report, I am pleased to announce that Government has agreed to accept certain key recommendations designed to allocate the funds available for school boards in a more equitable manner. We propose therefore to implement the following improvements in the grant structure in the 1979 school year:



- Equalization grants will be paid to school boards experiencing declining enrolments and to boards which have to bus an above average number of students.
- Funding for the elimination of standees on school buses which have to travel on highways with speed limits above 50 kilometers per hour.
- Supplementary grants will be paid to offset high operating costs in Labrador.
- Payment of school taxes for social assistance recipients.
- Supplementary grants to offset excessive heat and light being incurred by a number of boards.

During the weeks ahead we will be discussing the manner in which the recommendations will be implemented with the various agencies concerned.

In assessing the financial requirements of Memorial University, Government reflected on the decision made in 1978 to increase the borrowing requirement for students seeking aid, and not wishing to impose a further financial burden on the students, this year Government decided not to increase the borrowing requirement further. In addition, Government has asked the University to keep tuition fees at their current level with no increase this year.

#### **Health and Social Services**

Over the past year, Government has initiated a concentrated effort to upgrade the standard of care provided in old age and nursing homes. This vitally essential area will continue to receive priority treatment through improvements in the quality of care and the level of safety provided in these institutions. Accordingly, Government funding of senior citizens homes will increase by almost 22% to \$32,100,000. As a further step in this direction the Forest Road facility vacated by the General Hospital is being adapted and upgraded to accommodate various aspects of care for senior citizens.

In keeping with Government's intention to improve the quality of life for the older generation, and the handicapped, funding has been provided to undertake a new pilot project to determine the need for home support services for senior citizens and handicapped persons. Our social program will also be augmented this year by an expansion of the day care program. Both of these initiatives are vitally important components of Government's social policy and will be expanded as our financial resources permit.

I am pleased to announce as well that the level of funding provided for the maintenance of children has been greatly increased, reflecting the commitment to ensure an adequate quality of life for the children entrusted to our care. The rates paid to operators of foster homes have been insufficient in the past and will be revised upward by between 10% and 30%, to reflect more appropriately the costs of caring for these children.

Social assistance rates have already been increased by 7% with effect from June 1st. However, notwithstanding the general increase, this Government recognizes the basic fact that no set of regulations and guidelines can adequately cover all the essential requirements of the needy. Thus, it gives me great pleasure to announce that Government has set up a special needs fund to accommodate unforeseen problems and circumstances of social assistance recipients. While these improved measures to fund the real needs of our people have been provided, a determined effort will also be undertaken to identify and eliminate areas of abuse in the social assistance program and modify programs in areas where costs are excessive.

Government will continue to fund Community Development Projects designed to take social assistance recipients off the welfare rolls and return them to gainful employment.

#### **Housing**

This Government is very cognizant of the lag in residential construction and the virtual inability of many low and middle income earners to finance the purchase or construction of their own homes. Accordingly, I am extremely pleased to announce that with effect from August 1st, a new home ownership grant program will be introduced to assist first time buyers. Grants will be available to Newfoundland families with combined incomes of less than \$20,000 and will range from \$1,000 to \$1,500 dependant upon income. Funding will be allocated during the life of this program to facilitate at least 1,400 new housing starts which will create over 2,800 man years of employment in the residential construction sector.

It is our hope that this new stimulus will shortly be complemented by the promised mortgage interest and property tax deductability program of the new Federal Government. Together these measures will constitute a double thrust to employment and home ownership.

#### **Newfoundland and Labrador Arts Council**

This Government has already announced its intention to place a renewed emphasis on the promotion and encouragement of the Arts in Newfoundland. Government feels very strongly that it is only through the development of a flourishing arts community that the Newfoundland people will maintain into the future, an appreciation of the many facets of our culture and heritage which makes our Province such a refreshing place in which to live. Through the Arts we express the way in which we see ourselves as a people. It is, therefore, appropriate that Government should provide incentives in support of the local arts community.

I am very pleased to announce that this Budget contains funding for the operating costs of a new Newfoundland and Labrador Arts Council. Funds will also be made available to the Council to assist worthy individuals and groups, and to establish an Arts Fund which will serve as an economic base for the

Council in the future, and will no doubt be augmented from time to time by contributions from various external sources.

#### **Additional Budgetary Initiatives**

I have great pleasure in announcing the following additional initiatives which will, I am confident, prove to be beneficial in various public program areas:

- An increase of 7% will be granted to pensioners with effect from August 1, 1979.
- Pensions will be granted to dependents of deceased civil servant pensioners who, under certain former pension legislation, were not entitled to such benefits.
- Funding will be provided for a Provincial Advisory Council on the Status of Women.
- A new Economic Council of Newfoundland and Labrador will be established with representatives from various sectors of society and the different regions of the Province.
- A revised abandoned vehicle program will be introduced to deal with this ongoing problem in an environmentally sound manner.
- Additional funds will be made available to assist with the travel costs of sports teams travelling between the Island and Labrador.

#### **General Austerity**

Restraint in public spending particularly in relation to the management and operation of the public service will continue throughout this year and the years ahead.

Only marginal increases have been permitted in expenditures for the maintenance and operation of public buildings and Government will intensify its energy conservation efforts in order to minimize the impact of escalating energy costs. Restraints have also been imposed on the public relations and advertising activities of Government. The Special Action Group will be discontinued this year as will the Resource Public Relations Program. It is this Government's opinion that these services can be provided more effectively by the resource departments.

The growth rate in the size of the public service will be minimized and Government departments and agencies will be directed to meet their program requirements from within their regular manpower allocation since the budgetary allocations for overtime and extra assistance have been restrained and will be strictly controlled. Staff complements will be reduced where practical through attrition and normal turnover.

Steps will be taken to eliminate low priority programs as an example, the Hunter Training Program will be eliminated this year while the Hunter Testing Program will be retained.

### FISCAL MEASURES

The pressures to maintain existing services and to provide expansion in certain essential programs coupled with the unavoidable reality of inflation, have again caused our expenditure growth to exceed the rate of escalation in our revenues. This growth pattern of expenditures must and will be curtailed as this Government completes its evaluation of programs and priorities in the coming year. In the years ahead it will no longer be acceptable to balance the Budget in Newfoundland by imposing heavier taxation measures.

This Government is determined to ensure that our commitment to freeze the rates of retail sales tax, personal income tax, and small business corporate income tax is not violated. We are equally committed, however, to the achievement of a fiscally responsible position. Accordingly, it has been necessary to institute certain revenue generating measures to meet our financial targets. In total, they will yield some \$6,500,000 over the balance of this fiscal year.

- The Tobacco Tax will be raised, effective immediately, by 1/4¢ per cigarette, or 5¢ per package of 20 cigarettes. A comparable increase will be applied to cigars and other tobacco products. This increase in Tobacco Tax is expected to yield \$2,000,000,
- the Insurance Companies Tax, which is presently 2%, has been increased, effective immediately, to 3%. It is estimated that this measure will generate an additional \$770,000.
- Fees payable for motor vehicle registrations and driver licenses are generally lower than those in other provinces and have not been revised since 1975. Effective August 1st, the passenger vehicle registration fee will be increased by \$10. This measure will produce \$1,400,000. An additional \$900,000 will be obtained from varying increases applied to commercial vehicle and motor cycle registrations and other administrative charges.

- Presently, all other provinces impose an Aviation Fuel Tax. To conform with this practice, the Gasoline Tax base is to be extended to include a .7¢ per litre charge on aviation fuel. This tax will only apply to flights both commencing and terminating in North America. International flights through Gander will not be subject to this tax. This measure is expected to generate \$600,000.
- A 4% tax on all forms of media advertising will be implemented immediately. This will provide an estimated \$750,000. Advertisements costing less than \$20 or placed in publications of non-profit organizations will not be taxable.

I am pleased to announce, however, that Government has decided to introduce a number of new exemptions from retail sales tax effective immediately. These measures are in keeping with the Government's emphasis on culture, education and safety:

- Sales of hard-bound and soft cover books are no longer taxable.
- Residential fire alarms, smoke detectors and children's car safety seats are now exempt.
- the exemption is raised from 19¢ to 25¢.

The overall net effect of the taxation changes which I am proposing will generate additional revenues totalling approximately \$6,000,000 in the 1979-80 fiscal year.

#### CAPITAL ACCOUNT AND FINANCIAL REQUIREMENTS

The 1979-80 Capital Account Budget provides for expenditures totalling \$253,600,000. As in previous years, a substantial portion of our capital program continues to be funded on a joint basis with the Government of Canada through DREE, and special agreements including the Trans Canada Highway Agreement. When the Federal revenues are reflected, along with the revenues which will be received this year from the Abitibi Company Limited in relation to the sale of the Stephenville mill, the net expenditure of the Province on capital account in this fiscal year will be \$147,400,000.

#### **Transportation**

The prime component of this year's capital budget is the extensive program of highway improvement and development which Government has undertaken at a total cost of over \$94,000,000. This program is already very much in progress and is providing a dramatic stimulus to employment in the construction industry.

#### **Hydro Ties**

I am very pleased to announce that a new program will be launched this year which will result in reduced electricity rates and improved service to consumers in certain rural communities of the Province. Government has

authorized the Power Distribution Districts to proceed with the first phase of a new \$10,000,000 program, to tie into the main Hydro grid certain communities which are now serviced by diesel generation. This will prove to be a positive step forward which will provide the ultimate combination of a fundamentally sound, cost-effective financial decision; with an improvement in service at reduced cost to the consumers. In other words, while this investment will provide for increased efficiency and savings to the Power Distribution Districts, the consumers of electricity in those particular areas affected, will benefit from the program through lower energy prices and a more reliable electrical supply source. Government has provided \$2,000,000 to cover the first phase of the program.

#### **Education**

In the education sector, it has become apparent to Government that steps must be taken to provide additional funding to upgrade those schools in the Province which are currently below acceptable safety standards. As a preliminary step to providing for new schools over the next decade, I am pleased to announce that Government has agreed to increase the School Construction Grant to the Denominational Education Committees by \$500,000 for each of the next eight years. Government has also decided to extend the grant structure beyond the present termination date, in order to meet the most critical needs of our school system. In keeping with our previously stated intention of reviewing the capital funding of education, Government proposes to consult with representatives of the Denominational Education Committees as soon as possible to discuss the specific capital projects which are deemed to be essential, and as well to examine the nature and term of the required extension to the grant. We also plan to explore with the Denominational Education Committees alternative methods of capital financing for the future.

Government is pleased to see that Memorial University has successfully launched its fund raising campaign to finance the construction of the new Library and the School of Business and we are encouraged by the support which the campaign has received to date. Funding has again been provided in this year's estimates to enable Government to match the private contributions received for these very worthwhile projects.

#### **Crown Corporations**

In addition to the stimulus provided to the economy through Government's own capital program, economic activity will be substantially augmented this year as a result of capital expenditures by crown corporations — Newfoundland and Labrador Hydro, Newfoundland Municipal Financing Corporation, and the Newfoundland and Labrador Housing Corporation — totalling in excess of \$140,000,000.

#### **Financial Requirements**

In the current fiscal year, total financial requirements will be \$206,800,000 as compared to the revised total financial requirement of \$168,500,000 for 1978-79. The requirement was reduced in 1978-79 due to various favourable variances previously outlined. Table IV summarizes the 1979-80 financial requirement.

The total financial requirements will be met from borrowings in the Canadian and International capital markets together with loans from the Canada Pension Plan and the Government of Canada.

#### CONCLUSION:

The 1979 Budget, while financially sound and realistic, is clearly an interim measure when viewed in the context of the policy objectives of this Administration. We have committed ourselves to a thorough review and analysis of Government programs and financial practices and we will meet these commitments in the months ahead. While there will be reforms in many areas, we must accept the fact that the financial limitations of the province will not disappear overnight. Difficult decisions will be required — we will make them and adhere to them. Our decisions will not always be popular, but they will be realistic and responsible and we will stand behind them. We will be openly frank in establishing our priorities and in explaining our policies to the people.

The Budgets of the 1980's will clearly reflect the planned approach to development which is the key thrust in our economic policy objectives. Our approach to development will invariably be predicated upon the need to secure the long term prosperity of our people and the preservation of our heritage and the Newfoundland way of life. To do any less, would sacrifice the cultural identity and natural wealth with which we are entrusted.

In concluding this Budget Speech I can assure all Newfoundlanders that they have every reason to be confident that improved prosperity will be forthcoming in the 1980's as our natural resource wealth is realized through a sound development strategy. We must however, be realistic and temper our immediate aspirations through endeavouring to understand more fully the practical realities of the complex financial and economic environment in which we live.



On motion, debate adjourned until tomorrow, Friday.

MR. SPEAKER (Simms): The hon. Minister of Finance.

DR. J. COLLINS (Minister of Finance): Mr. Speaker, I beg to inform you that I have received a message from His Honour, the Administrator.

MR. SPEAKER: The following message is addressed to the hon. the Minister of Finance:

"I, the Administrator of the Province of Newfoundland, transmit estimates required for the public service of the Province for the year ending the 31st. day of March 1980, in the aggregate of \$1,213,567,700 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. SPEAKER: The hon. the Minister of Finance.

DR. J. COLLINS (Minister of Finance):

Mr. Speaker, I move that His Honour's gracious message, together with the estimates, be referred to a Committee of Supply.

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

MR. CHAIRMAN (Butt): Order, please!

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

MR. SPEAKER: The hon. the member for Conception Bay South.

MR. CHAIRMAN: Mr. Speaker, the Committee of Supply have considered the matters to them referred, have directed me to report progress and ask leave to sit again.

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

MR. SPEAKER: (Simms)

The hon. the Minister of Finance.

DR. J. COLLINS:

Mr. Speaker, I move that the House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on tobacco.

Mr. Speaker, I also move that the House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on insurance companies.

Mr. Speaker, I also move that the House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on retail sales.

Mr. Speaker, I also move that the House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on gasoline.

Mr. Speaker, I move that the House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on advertising.

MR. ROBERTS:  
noted as such.

(Inaudible) not be moved as such or

MR. SPEAKER:

Order, please!

Notices.

It is my understanding that these are

DR. J. COLLINS:  
Motion.

Mr. Speaker, they are Notices of

MR. ROBERTS:  
the table.

Here we are. Here we are. One for

MR. SPEAKER:  
moment to distribute the Estimates.

A request has been made to take a

MR. ROBERTS:  
into Committee was to table them, Mr. Speaker.

I mean, the whole point of going

MR. SPEAKER:

Order, please!

The hon. the Minister of Finance.

DR. J. COLLINS:

Mr. Speaker, if there is any doubt about the procedure perhaps I would be permitted to table the Estimates.

MR. MARSHALL: They are tabled now. We will get through it together.

MR. ROBERTS: None of us want to be difficult, 'Bill', but the Estimates still have not been tabled. Could we have the Estimates tabled, please? I mean, these are salary details.

MR. SPEAKER: (Simms) Order, please!

MR. ROBERTS: I mean, the press has had them since 10:00 this morning.

MR. SPEAKER: The hon. the President of the Council.

MR. MARSHALL: I move that the House at its rising do adjourn until tomorrow, Friday, at 10:00 A.M. and that this House do now adjourn.

MR. SPEAKER: It is moved and seconded that this House do now adjourn. Is it the pleasure of the House to adopt the motion?

MR. ROBERTS: Mr. Speaker, I do not intend to disagree. I simply want to ask if the House Leader would indicate the business that the government intend to call tomorrow.

MR. SPEAKER: The hon. the President of the Council.

MR. MARSHALL: Mr. Speaker, what we intend to do tomorrow is to proceed into the consideration of the amendment to the Standing Orders and then whatever time, if any, is left, we will then be getting into the Address in Reply.

MR. SPEAKER: Those in favour of the motion, 'Aye', contrary, 'Nay', carried.

This House stands adjourned until tomorrow at 10:00 A.M.