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The House met at 3:00 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER (Simms): Order, please!

The hon. the Minister of Finance.

DR. J. COLLINS: Mr. Speaker, I move that the House resolve itself into a Committee of Ways and Means and that the Speaker do leave the Chair.

## INTRODUCTION

Mr. Speaker, it is for me a very real honour to present to this Honourable House of Assembly today this, the third Budget of the Peckford Administration. It is only a little over two years ago that this Administration came to office and in that relatively brief period of time, a new and vigorous leadership has brought Newfoundland and Labrador into an exciting phase of carefully-planned economic focus, clearly and distinctly delineated, which is permeating practically every aspect of social and economic policy bearing on the Province and its people. That focus is strategically fixed upon the management of all our resources in a manner which assures the optimal long-term benefit to the people of Newfoundland and Labrador, and in turn to all the people of Canada.

Mr. Speaker, the attention of the world-wide business community today, is converging upon Newfoundland and Labrador as never before in our history. We see meetings and conferences being held to discuss the vast economic prospects of the Province. Respected business and financial journals and various resource periodicals frequently print indepth reports on Newfoundland and Labrador representing a broadly based, genuine interest in this Province. Our shores are visited in unprecedented numbers by representatives of powerful and wealthy industrial organizations. All this interest is not inspired by Government handouts or tax concessions. Those days of the fifties and sixties are all behind us. The new found interest is based on sharply defined business judgements and the fundamental attractions of our natural resource base.

This new attention has brought with it a particular challenge as Government prepared this year's Budget and, Mr. Speaker, before getting into some of the detailed aspects of the Budget for 1981/82, I would like to elaborate on this challenge, because it constitutes a point of fundamental importance that made the development of the Budget an intriguing, if somewhat difficult exercise this year.

Mr. Speaker, all Newfoundlanders are aware that the level of public services in this Province does not in any way approach that in other parts of Canada. Indeed, this deep-rooted problem was recognized at the date of Confederation, and Term 29 of our Terms of Union was evolved with the avowed intention of closing the gap, at least with the Maritime Provinces. Unfortunately Term 29 proved inadequate for that considerable task and we are today still very much behind our sister provinces, even in the Maritimes, with respect to the scope and accessibility of public services, such as Education, Health and Social Services, as well as other desirable government undertakings.

In addition, we are now faced with the development of major offshore oil and gas resources which are already placing demands on our public purse and human resources in order to provide on-land infrastructure to accommodate the direct and indirect impacts of those developments. Also special social programs may be necessary to ensure that the unfavourable aspects of offshore oil and gas are minimized. Then there are, and will continue to be, the necessary extra expenditures of a planning nature. All these will place further financial requirements on the Province over the next decade.

At the same time, as we strive to take full advantage of these offshore opportunities we should 'now' be putting in place certain oil-related infrastructures to ensure, for instance, that our workforce has the right type and level of skills to meet the advancing challenge and opportunities. It is an inescapable reality which we must face, that many of these demands must be met at an earlier date than the actual receipt of the first direct oil revenues which likely will not flow to the Province until approximately 1987.

Confirmation of the Province's ownership of offshore oil and gas would leave Newfoundland and Labrador in the same position as Alberta and Saskatchewan with respect to ownership and taxing powers over the resource. We believe that is only fair and equitable. Such are the circumstances currently confronting this Province and which make our right to a fair share of offshore oil and gas revenues so self-evident.

Mr. Speaker, it must be the determination of all Newfoundlanders that the financial benefits of offshore oil and gas be brought forward in time, to the extent feasible and prudent, so that the provision of public services will match the additional associated demands and so that other necessary pre-oil investments still can be made. On the other hand, Government is resolved not to borrow rashly against future revenues and thereby mortgage our children's future. In this matter, utmost care and meticulous planning must be the watch-words.

With these factors in mind, Government carefully analysed the possible role of future Hibernia and other oil and gas revenues with respect to this year's budget. In doing so, we came to the conclusion that it would be premature to undertake expenditure programs based on future oil and gas revenues at this time. We do remain convinced that the prospects for a major commercial oil and gas development at Hibernia are very high. In other words, any risk to the future revenue generating capacity of that resource does not appear to be geologic in nature. However, the current posture of the Federal Government makes this Province's share of Hibernia oil and gas revenues difficult to determine with the level of confidence necessary for definitive financial planning.

For instance, we have no guarantee that this Province will be treated in a manner equal to the other provinces having ownership rights in oil and gas resources. We have been offered with federal jurisdictional control "100% of

provincial-type revenues", which is less than 25% of total government revenues under the best assumptions. In addition, we do not have an agreement with the Federal Government on the well-head price for Hibernia oil and gas. Further, we do not know how the federal tax regime will impact on Hibernia oil and gas revenues and we have no certain knowledge as to how our direct Provincial revenues will be treated in the future under the equalization formula, which is up for review in 1982. Hence, our conclusion is that it is premature to launch new expenditure programs and to upgrade the services to our people at this point based on future oil and gas revenues. It can be seen that the expansion of services to the people of this Province is being restrained as a result of federally-imposed uncertainties and it is clear that the Province's tight financial position would be alleviated with the resolution of these matters.

It is Government's sincere wish that the Federal Government will cease its current unilateral and restrictive approach to Federal-Provincial relations and return to a policy of dealing fully and fairly with issues critically important to the economic well-being of this and other provinces. The sooner this is accomplished, the sooner will we begin to play our proper role in the Canadian Confederation as befits the extent of our natural resources and the inherent quality of the Newfoundland people.

While it is true that we should not attempt to finance new expenditure programs until such political uncertainties are resolved, Government will not, in the meantime, remain idle in its forward planning and research. We will need, in any event, some suitable mechanism, whereby we can bring future oil and gas revenues forward in time to achieve those objectives it would be irresponsible of us to ignore. We also need such a mechanism to ensure that a major portion of future revenues from oil and gas exploitation is invested in the development of our renewable resources, particularly the fishery.

Mr. Speaker, it is in the context of the foregoing that I say that this budgetary process has been for me an encounter of mixed emotions. The financial results for 1980-81 were unexpectedly gratifying. However, the fact that the projected 1981-82 expenditure pressures, both those of an inflationary nature and those for new services, exceed normal revenue growth patterns are a source of concern. Nevertheless, given an understanding of our basic financial position, I am encouraged that the development strategy adopted by this Government when implemented, has inherent in it the solution to those concerns. Accordingly, this Budget, in my view, does prove to be a source of satisfaction in that it encompasses a responsible financial plan which will contribute to the strengthening of the Province immediately whilst preserving the long-term prospects of all Newfoundlanders.

## ECONOMIC REVIEW 1980-81

An assessment of Newfoundland's economic performance in the past year can best be made in the context of the international economic climate. During 1980 all western industrialized nations experienced slowdowns in economic growth because of rising energy costs — international oil prices rose by approximately 150% from early 1979 to the middle of 1980. The direct effect was to curtail the growth in consumption in these countries, particularly with respect to imported goods other than oil. The demand for certain exports of the Province was reduced significantly and in fact the performance of the Provincial economy was held back principally as a result of a downturn in the international markets for iron ore and fish exports.

The effect of compressed world markets was augmented by strikes in certain key sectors of the economy during the summer of 1980. It was largely due to these factors that the Gross Domestic Product of the Province declined in real terms by 3.7%. Nevertheless, the underlying economic strength of the Province was demonstrated by an overall increase in employment of 9000 in 1980. Moreover, aside from the particular circumstances of the fishing and mining industries, evidence of strong performance was demonstrated in many other key areas. The third major export industry in the Province, newsprint, experienced strong markets and produced at near-capacity levels during 1980. Furthermore, while there was a decline in wholesale and retail trade, there was strong growth in the business services and personal service industries. The financial and real estate sectors also experienced increased volumes of business and employment.

The continuation of strong employment growth in 1980 must rank as the most encouraging economic indicator for the year. This improvement is reflected in a drop in the annual unemployment rate to 13.5 % from 15.4 % in 1979. For the second successive year the number of unemployed people has been held in check while the proportion of the adult population who have jobs has risen. The greatest contribution to increased employment has come from the fish processing industry which experienced a number of new plant openings and expanded production levels at existing plants. The full impact of this increase was not felt in 1980 due to the losses in wages during the Summer's strikes; in 1981 wages in the industry will receive a substantial boost from the increased level of employment.

One of the most encouraging aspects of the 1980 economic performance was the growth in investment by the private sector which amounted to 6.6% in real terms. This was concentrated in manufacturing and housing sectors as well as in exploration for minerals and hydrocarbons. Much of the manufacturing investment represented improvements in productive capacity which will enhance productivity and output in succeeding years.

While private sector construction investment improved moderately during 1980, helped by expanded housing and industrial building activity in the St. John's area, Government sector construction expenditures declined as a contributor to construction activity. This was largely a result of continued reductions in Federal Government spending on construction related projects. In total, Government's share of investment has fallen from 36% in 1976 to 25% in 1980.

### FINANCIAL PERFORMANCE 1980-81

Mr. Speaker, this Administration is firmly committed to sound financial management principles. Over the past few years we have kept control of our current account budget, stabilized the level of new borrowings for capital projects and just last year, we instituted a further important financial principle through the commencement of pension funding.

The results of the 1980-81 fiscal year indicate that Government was successful in achieving its overall budgetary objectives. While the Budget projected a net contribution from current account to capital account of just over \$12,500,000, I am pleased to report that by our latest estimates we are now projecting a contribution in excess of \$25,000,000. Table 1 summarizes the financial position for 1980-81.

**TABLE I**  
**SUMMARY OF 1980-81 FINANCIAL PERFORMANCE**  
(\$000's)

	<u>1980-81 Budget</u>	<u>1980-81 Revised</u>	<u>Variance</u>
<b>Current Account</b>			
Gross Expenditure	1,327,858	1,337,639	9,781
Related Revenue	<u>134,089</u>	<u>136,334</u>	<u>2,245</u>
Net Expenditure	1,193,769	1,201,305	7,536
Federal and Provincial Revenues	<u>1,206,278</u>	<u>1,226,840</u>	<u>20,562</u>
Contribution to Capital Account	<u>12,509</u>	<u>25,535</u>	<u>13,026</u>
<b>Capital Account</b>			
Gross Expenditure	223,630	177,706	(45,924)
Related Revenue	<u>70,444</u>	<u>47,611</u>	<u>(22,833)</u>
Net Expenditure	153,186	130,095	(23,091)
Less Contribution from Current Account	<u>12,509</u>	<u>25,535</u>	<u>13,026</u>
<b>Total Budgetary Requirement</b>	<u>140,677</u>	<u>104,560</u>	<u>(36,117)</u>
<b>Non-Budgetary Transactions</b>			
Debt Retirement	<u>148,994</u>	<u>144,773</u>	<u>( 4,221)</u>
<b>Total Financial Requirement</b>	<u>289,671</u>	<u>249,333</u>	<u>(40,338)</u>

The significant growth in current account revenues over budget was due primarily to favourable revenue adjustments totalling some \$19,200,000 on account of upward revisions in equalization payments and personal income tax. Provincial mining taxes were up some \$7,000,000 over budget. These favourable variances were partly offset by retail sales tax receipts which were almost \$10,000,000 short of the budgeted amount caused mainly by the strikes of last Summer.

Expenditure variances on current account were due to a number of factors including the need during the year to make an \$8,000,000 investment in Marystown Shipyard Limited which was not anticipated when the budget was finalized. Operating expenditures of unanticipated Royal Commissions exceeded our estimates by approximately \$900,000 and a number of areas in our health care system exceeded budgeted amounts as a result of increased patient utilization and higher than expected operating costs. On the positive side, the most significant variance was a \$6,800,000 adjustment in the budgeted payments under the Electrical Power Control Act which resulted from a number of factors including Government's successful renegotiation of ERCO contract.

Our net capital account program for 1980 was about \$23,000,000 below budget. Almost \$7,000,000 in savings accrued under our program of payments to the Fisheries Loan Fund and various boat construction bounties as a result of a lower than expected level of demand and late approval of federal subsidies. Savings in the transportation sector were also significant as a result of lower than expected bids on some projects and various delays associated with the calling of tenders for certain projects. Savings of over \$4,000,000 in capital grants to the Newfoundland and Labrador Housing Corporation resulted from late commencement of certain programs and reduced requirements from the Provincial Government due to increased revenues generated by the Corporation.

The increased current account contribution to capital account along with the savings experienced in our capital account program resulted in an overall reduction of over \$40,000,000 in our borrowing requirement. We had budgeted for a borrowing requirement of \$289,700,000 but our actual requirements declined to some \$249,300,000.

## **ECONOMIC PROSPECTS FOR 1981-82**

The new fiscal year is forecasted to bring a continuation of employment growth in the Province and a stabilization of output in the export industries. The economy is expected to complete its recovery from the impacts of last year's work stoppages and the decline in export markets should end during 1981 with the beginning of economic recovery in the United States and Canada. Newfoundland will lead most Canadian provinces in economic growth with an increase in Gross Domestic Product of 3 percent in real terms. However, the



full growth potential of the economy will not be experienced in all sectors because of slow growth in the international economy and the deterrents inherent in some of the present economic policies of the Government of Canada, to which I have already alluded in my introductory remarks.

Employment growth in 1981 is expected to continue in the fish processing industry while the activation of the newsprint mill at Stephenville will generate over 700 jobs in the mill and woodlands operations. The outlook for the mining industry is for a repeat of the 1980 level of output for iron ore, coupled with stable or rising prices and increased production for most other minerals. Service industry growth and retail trade activity are expected to accelerate in 1981 as a result of increasing incomes in other sectors, notably fisheries, and because of continued activity in offshore oil related services. In view of these factors, unemployment is expected to decline further in 1981 to an annual rate of just over 13%.

### **Fisheries**

Mr. Speaker, the fishery is without question the element in the economy of Newfoundland and Labrador which has the most pervasive impact on virtually every coastal community in the Province. The long term endurance of the industry and its self regenerating capability have been demonstrated over and over again throughout our history. Over the past year the fishing industry in the Province has weathered the storm of uncertain markets created by the United States recession and lost fishing time resulting from labour disputes. The endurance of this vital industry was exemplified in the fact that although there was a decline in total fish catches from 570,000 metric tons in 1979 to 490,000 metric tons last year, the total catch value at \$157,000,000 was just \$2,000,000 short of the 1979 level.

The 1981 outlook is for increased landings, forecasted at 585,000 metric tons with a value of approximately \$200,000,000. Product prices are expected to stabilize somewhat during the early part of the year and possibly increase later as the United States comes out of recession. Even assuming a modest recovery in the U.S. market, the value of fish products should exceed \$500,000,000 in 1981, even without large price increases, compared to \$390,000,000 in 1980.

Government's plans for the development and management of the fishing industry were clearly articulated in the Five Year Plan released last Fall. I would like to highlight the five fundamental thrusts which will constitute the focus of our efforts in the 1981-82 fiscal year:

- (i) As a top priority, we will concentrate on the commitment to the improvement in the quality of Newfoundland produced fish products. In this connection we will proceed jointly with industry

on an intensive quality enhancement program, in cooperation with the Federal Government. As part of this effort, a pilot project will be undertaken in 1981 to introduce a "point of sale" fish grading system.

- (ii) We will be actively encouraging further processing of Newfoundland fish products in our local fish plants. This effort will be concentrated in particular on improving the viability of the seasonal plants for extended periods, thereby promoting increased employment.
- (iii) The Report of the Royal Commission into the Inshore Fishery will be received later this year. That report will contain an objective assessment of the costs of harvesting and processing, and will deal with the fundamental fisheries policy issues confronting the industry and Government. We anticipate that this report will form the basis of a better understanding amongst all parties involved in the industry which in turn will lead to an improved climate for labour/management relations in the future. Government will act immediately to enhance the future of the inshore fishery on the basis of the report.
- (iv) An intensive effort will be launched to bring about improvements in the technology used to harvest, handle and transport fish. The Department of Fisheries utilizing professional expertise, will work with the fishermen to bring about reductions in the actual costs of catching fish and improved handling on board vessels.
- (v) There will be a continuation of Government's capital works program to provide the necessary infrastructure to support local fishing activities. This will include the provision of financial assistance for ice-making and cooling facilities at selected locations, as well as the continuation of financial assistance towards the costs of the installation of three-phase power. With respect to the leasing of those fish handling facilities owned by the Province, we propose, in consultation with the Fishermen's Committees and the industry, to introduce a new standardized leasing policy designed to bring the use of these facilities more in line with private sector operations.

A major step towards the enhancement of the inshore fishery in Labrador will be accomplished with the signing of a new DREE Agreement providing funding for a Coastal Labrador Fisheries Development Program. This Agreement, which is in the final approval stage will provide financing for various production projects as well as the construction of new facilities and the upgrading of existing facilities at various locations on the Labrador Coast.

The major reorganization of the Fisheries Loan Board has now been completed making the Board more flexible and responsive to the needs of the fishermen. A new and important aspect of the Board's policy is that qualified buyers of fishing boats will in future, subject to an appraisal by the Board, be able to purchase boats that are already built in anticipation of market requirements by local shipyards rather than having to arrange in advance for the Board to approve specific construction plans before the keel is laid. This will considerably speed-up transactions between prospective boat buyers and the Board.

In anticipation of the development of petroleum fields such as Hibernia, the Province will leave no stone unturned in 1981 and future years to protect the fishery which is our most important renewable resource. In this connection a detailed research project has been mounted by expert consultants to the Department of Fisheries to identify for continuous future updating, all relevant information with respect to inshore fishing operations extending from Point May at the foot of the Burin Peninsula to Cape Bonavista. This is the coastal area most likely affected in the event of the release of oil residues or any accidental spills of oil. It is important that all of us realize that our great fishing resources will remain the bulwark of our economy long after the oil has been extracted and the wells have been capped.

### **Hydro-Electric Energy**

The overall management of the hydro-electric sector of our economy has become a critical factor in the economic and financial well being of our Province. The short-sighted rationale surrounding the development of Churchill Falls and the consequent economic losses resulting from the power contract with Hydro-Quebec is a misjudgement of the past which will not be repeated as we strive to develop other hydro-electric potential. We have a comprehensive strategy in place for recapturing benefits from the Upper Churchill and for developing in a planned, rational and long-term manner the potential of the Lower Churchill at Gull Island and Muskrat Falls.

Our strategy includes:

- (i) Obtaining our legal rights to the low cost Churchill Falls energy for use in Labrador and on the Island, with the major action being the introduction of the Water Rights Reversion Act passed by this Honourable House in December of last year;
- (ii) Altering the terms of the Churchill Falls contract by increasing the purchase price paid for power and energy by Hydro-Quebec to a more realistic value;
- (iii) Confirming our constitutional rights to a power corridor through Quebec for the export of surplus Labrador energy;

- (iv) Developing the Lower Churchill potential to aid in our own and the Nation's energy self-sufficiency program, and to establish energy intensive industry in the Province; and
- (v) Obtaining Federal Government support and co-operation for financial backing of an electrical interconnection between Labrador and the Island of Newfoundland, carrying power from Churchill Falls, Gull Island or Muskrat Falls.

Newfoundland and Labrador needs a fully adequate supply of stably-priced energy, both for domestic purposes and for industrial growth. To meet our needs it is clear that we must access the existing and potential energy resources of the Churchill River. Government is concerned that already 30% of our electricity is being supplied from oil-fired thermal plants.

The demand for electrical energy continues to grow and the cost of providing facilities for our isolated Island system is constantly escalating as well. In 1980, Newfoundland and Labrador Hydro completed the \$85,000,000 Hinds Lake project and by the end of 1982, it will have the \$155,000,000 Upper Salmon hydro project onstream. Unfortunately, with the continuing uncertainties surrounding the timing of a start on a transmission line from Labrador carrying Upper or Lower Churchill power, it is clear that a new generation source will be required in the mid-1980's.

The need for stably priced and renewable hydro-electric energy becomes more apparent each day. Electricity costs will rise as a result of required new capital expenditures and will be further aggravated by the growing oil costs for Newfoundland and Labrador Hydro. Hydro must maintain a responsible financial position to meet its rising costs and to finance the new energy requirements. Furthermore, when Labrador power is to be brought to the Island, as it must be, then it can only be done with the confidence of the financial community that our electrical energy sector is being responsibly managed. Indeed, along with the requirement for Federal Government support for a transmission link between Labrador and the Island, goes the complementary requirement that Newfoundland Hydro demonstrate its financial ability to sign a take or pay contract for power from the Lower Churchill Development Corporation.

The immediate prospects for a project release on Gull Island and Muskrat Falls are uncertain, particularly given the preference for Gull Island and the need for a power corridor to enhance our ability to finance this Project.

Nevertheless, Government in co-operation with the Government of Canada is proceeding in 1981 with a \$12,000,000 capital program protecting the transmission line schedule and its critical component related to crossing the Strait of Belle Isle. The scope of activities of this program, comprises a marine boring program, seismic sub-bottom profiling and detailed evaluation of cable trenching and laying equipment. The project will be undertaken by the Lower Churchill Development Corporation, funded jointly with the Government of Canada with a budgetary requirement from the Province this year of \$5,100,000 in the form of an equity contribution.

In addition, an expenditure of \$2,500,000 will be made at the Muskrat Falls site to stabilize the natural dam which is such an important part of the development. The stability of this natural dam is critical to the feasibility of Muskrat Falls and the best technical and engineering advice is that the marine clays which predominate in the Lower Churchill River Basin have caused instability in the dam and the best long term measure of protection would be to proceed with remedial measures.

Hydro's ongoing capital program during 1981, in addition to completion of the Upper Salmon project, includes expenditures on rural electrification of over \$10,000,000, including \$5,100,000 for connection of communities presently served by diesel power to the main power grid. In total, a capital works program approximating \$130,000,000 will be undertaken by Hydro, employing 1100 persons at the peak of construction.

In summary, Mr. Speaker, Government is moving forward towards the ultimate achievement of an electrical infeed from the Churchill River. Our top priority for use within the Province is Churchill Falls power but we continue to move with determination in our dealings with the Government of Canada for the attainment of a power corridor through Quebec to enhance our ability to finance the Lower Churchill Projects. In the meantime, we will meet our energy demands in a financially responsible fashion both on the Island and in Labrador and we will continue to upgrade and maintain a reliable electrical system not only in the major urban centers but in the smaller rural communities of our Province.

### **Petroleum**

Mr. Speaker, during 1980 the Province experienced an acceleration in the tempo of offshore oil and gas activities and with it came an enhancement of the level of knowledge of our hydrocarbon resources. The central focus of attention was the Hibernia structure which has generated intense and widespread interest both in the context of its potential impact upon the Province, and its significance in the overall North American energy scene. Although delineation of the Hibernia structure has not yet been completed, most recent projections estimate that the Hibernia field contains 1.85 billion barrels of recoverable oil, 1.5 trillion cubic feet of recoverable solution gas and an additional 0.5 trillion cubic feet of recoverable associated and non-associated gas. It is further estimated that peak production, from the Hibernia structure would be in the range of 200,000 to 300,000 barrels of oil a day and 160 to 240 million cubic feet of gas per day. These estimates make Hibernia a giant discovery by world standards. It is currently estimated to be the largest known oil field in Canada. Of the more than thirty oil fields in the North Sea, only two are larger.

Quite apart from the delineation drilling at Hibernia, the drilling of new wells on three separate geological structures during 1980 has indicated further presence of oil and gas on the surrounding acreage. The Ben Nevis well, although abandoned, produced oil and gas on test and the structure requires

evaluation to determine its commercial potential. A well at South Tempest which is currently being tested, has flowed oil at rates of up to 1250 barrels per day and gas at 4.9 million cubic feet per day. Electric logs indicate some 95 feet of hydrocarbon pay in the South Tempest well. Similarly on the Hebron structure early drilling results indicate the presence of some 250 feet of hydrocarbon pay but the well has not yet been tested.

The 1980 exploration program involved a total expenditure by oil companies estimated at \$275,000,000. The net impact of this expenditure on the Provincial Gross Domestic Product is estimated to be some \$35,000,000. Employment generated by the offshore is estimated to be approximately 900 in 1981, up slightly from 1979. Indirect employment created as a result of oil and gas related activities is difficult to estimate. Nevertheless, it is apparent that the positive surge in service sector employment was partially attributable to increased oil induced activity. It is also very evident that an expansion in the business community is underway. For example, a cursory examination of records of the Registry of Companies indicates that 194 new companies were set up in Newfoundland during 1980 as compared to 44 in 1979. Many of these were oil related enterprises created to provide a wide range of services in transportation, engineering, research, supply base and ancilliary industrial support.

While company plans last Fall indicated that up to 12 rigs would be drilling off the coast of Newfoundland and Labrador in 1981, many of the planned programs have been cancelled as a result of the National Energy Program. At this point, it now appears that Mobil Oil and Petro Canada will be operating offshore this summer using six rigs with a total expenditure estimated at \$375,000,000. In addition, expenditures on seismic programs for 1981 are expected to be in the order of \$35,000,000.

Although total expenditures for 1981 are expected to be higher than 1980, this results from fewer, deeper, more expensive wells with the major portion of costs attributed to rig charters. Consequently, the level of local participation in the provision of goods, services and support facilities will remain much the same as in 1980.

While exploration work has continued Government has systematically established a sophisticated petroleum resource management capability in the Petroleum Directorate. The Province now has in place a core of staff engaged in a variety of professional disciplines: petroleum geologists, petroleum and ocean engineers, economists and social, environmental and industry specialists. This is the nucleus of our petroleum management effort which will be expanded as dictated by the level of offshore activity. We are developing the capability to carry out strict surveillance of operations and to appraise offshore installations to ensure they are structurally sound. We are in the process of setting down rules for the industry covering the design and construction of offshore systems. We are also putting in place the technical methodology required to assess proposed field development plans and their conceivable alternatives.

Mr. Speaker, the question inevitably arises as to where does the whole process now stand and what can we expect in terms of the potential development of Hibernia in the months ahead.

The next key step in the process will be the submission to Government by the operator, Mobil Oil Canada Limited, of a proposed development plan which will include an Environmental Impact Statement. The development plan must be filed in accordance with guidelines established by Government under the Newfoundland Petroleum Regulations, and the Environmental Impact Statement must comply with guidelines prescribed under the Environmental Assessment Act. Draft guidelines for the approval of the Hibernia Development Plan were released to the public in January to encourage public participation in the approval process well in advance of official public hearings which will take place when the development plan is eventually submitted. Public scrutiny of these draft guidelines will aid in identifying and dealing with the sensitive development issues in the early stages of development planning.

I cannot over-emphasize the importance which this Government places upon the Development Plan assessment and approval process. It is through these processes that the ultimate implications of the development on the social structure and the economy of the Province will be analyzed and assimilated. This procedure is fundamental to our policy of providing a structured resource management program which will ensure the smoothest possible integration of petroleum related developments into the fabric of society in this Province.

Under provisions of the Newfoundland and Labrador Petroleum Regulations, the Newfoundland and Labrador Petroleum Corporation was established in 1980 to hold the 40% participation rights of the Province in oil and gas developments. The Corporation will play a key role in the orderly development of the Province's petroleum industry. Petroleum and natural gas rights to certain open Crown acreage offshore have been transferred to this Crown Corporation. These rights are located on the Grand Banks and the Northeast Newfoundland continental shelf in the vicinity of the Hibernia discovery and encompass some 9.6 million acres. This direct involvement by NLPC will ensure Newfoundlanders are active first-hand participants in the development of our petroleum resources.

Mr. Speaker, we are determined that, through our affirmative actions, our people will be given the opportunity to gain employment in these new industries. We recognize that it will be necessary to provide a trained labour force to meet the requirements of the industry and under the Petroleum Regulations the oil companies are contributing to the cost of upgrading our labour force. To date, over \$5,000,000 has been spent by the companies in on-the-job training, support for the University and research institute programs, as well as social economic and environmental studies. Total expenditures by the industry on these programs will be in excess of \$15,000,000 over the next five years under existing permit obligations. As I outlined in my introductory remarks, Government itself is actively reviewing the means whereby additional infrastructure for educational, training and other purposes, can be put in place to ensure maximum benefits to our people from our offshore natural resources.

Mr. Speaker, the issue of jurisdiction over the offshore still remains outstanding between the Province and the Government of Canada. This Government takes the position that the constitutional review process is the most appropriate mechanism to bring about a resolution of this critical question.

While the jurisdictional issue remains outstanding, it is unrealistic to attempt to fix the timing of full scale development. Furthermore, the introduction of the Federal Energy Program also complicates the matter. The main implications of the Federal Programs are to increase the environment of economic uncertainty which already existed generally in the petroleum industry, to decrease profitability to the companies and to increase the revenue flows to the Federal Government from the resource.

Let us be clear about this — the new federal policy significantly alters revenue sharing between the Federal Government and the Province in favour of the Federal Government. The latest offer to the Province by the Federal Government to 'solve' the ownership question would leave the Provincial Government with 25% of the total government take with the Federal Government receiving 75%. This proposal demonstrates further the gross inequality of treatment of this province by the Federal Government within the Canadian Confederation. Recognition of the Federal Government of Newfoundland's ownership over the offshore, would see our offshore mineral resources treated no differently than if they were onshore in any of the provinces of Canada.

The issues related to petroleum development are weighty and far reaching. The temptation to sacrifice legitimate long term objectives and give up the struggle for equitable treatment is constantly placed before us and can be expected to intensify. The short term benefits of acquiescence, while far short of our ultimate entitlement, may from time to time appear relatively attractive. However, this Government is firm in its resolve to obtain our fair share from our resources, to control development within our economy and indeed to retain the ability to manage our future. Accordingly, we will stand by our policies to ensure that the pace of development is consistent with our strategy of planned resource management.

### **Forest Resources**

Mr. Speaker, while 1980 was a year of reckoning for the forest industries in this Province, 1981 will be a year of corrective action with the launching of long range programs carefully co-ordinated to provide an integrated approach to forest management and protection.

Members of the Honourable House of Assembly will recall that in my 1980 Budget I made reference to the appointment of a Royal Commission to investigate the problem of the spruce budworm infestation and other issues challenging the future of our valuable forest resource. Over this past year, the Royal Commission conducted an exhaustive analysis of the wood supply and



demand situation and the consequences of the spruce budworm devastation. All the analysis conclusively pointed toward the need for intensive forest protection measures to secure the long term viability of our forest industries. On the basis of the recommendations of the Royal Commission, Government has adopted a new integrated approach to forest protection and management. Accordingly, to combat the increasing devastation of the spruce budworm, this Budget provides funding for a spray program using the chemical Matacil. The 1981 Spray Program will be focused on approximately 900,000 acres of productive forest land at a total cost of \$3,600,000. The expenses of the program will be cost-shared with the pulp and paper industry and the net cost to the Province will be 33% of the total.

As announced in the Speech from the Throne, the Department of Forest Resources and Lands is now in the process of negotiating with the Abitibi Price Company Limited, 20-year Forest Management Agreements. These Agreements will replace the present 99-year licence tenure system in effect with the Company for timber areas under licence from the Crown. The objective of the Forest Management Agreement form of tenure is to place on the Company, an obligation for proper management of the forest resources assigned to them. Also, under the Agreements for the first time, the Company will pay stumpage fees to the Crown. This revenue source will contribute towards the funding required in the future for the forest management and silvicultural programs. The introduction of this management-oriented tenure system is a milestone in the utilization of the valuable forest resources of the Province.

The Department will also, in the coming months, be pursuing negotiations with the Bowater Company toward the implementation of a similar tenure system for the limits of the Company under Crown licence. Bowaters, like Abitibi Price, is presently operating under 99-year timber licences from the Crown.

Other components of the forest management and protection program include investment in reforestation and other silviculture activities. This program, assisted by funds from DREE under the Forestry Subsidiary Agreement signed early this year, includes planting of 2.5 million seedlings this Summer and preparation of planting sites for a much larger program in 1982. Major emphasis is being placed on expanding the production of tree seedlings at the Wooddale Nursery near Grand Falls. A number of co-operative silviculture projects with the pulp and paper industry are also included in the program.

After a lull in the forest access roads program in 1979 and 1980, this program is being expanded to the level of approximately \$3,500,000 for this year under the Forestry Subsidiary Agreement. To offset the forecasted wood supply shortages from traditional sources in the future, a program of introducing harvesting technology for low volume forest stands is included to improve the utilization of the forest resource. A number of initiatives on

exploring the feasibility of forest industry development in Labrador, technical assistance to the sawmills, export of surplus dead and dying wood, research and development in tree improvement and the updating and refinement of forest inventories are also being continued.

Another important component of the 1981 program is an expenditure of \$4,700,000 under the Forest Economic Stimulation Program which will be directed at harvesting dead forest stands and rehabilitating the forest sites in areas of high unemployment for the purpose of creating additional jobs as well as restoring the resource base. The aggregate impact of all aspects of the 1981 forest management program at peak employment is expected to total some 500 jobs beyond last year's level.

With respect to the newsprint industry, the outlook for 1981 remains positive and the two established mills have embarked upon a major upgrading and modernization program to increase productivity and enhance their longer term viability. Capital expenditures of roughly \$50,000,000 are anticipated in 1981 alone.

### **Department of Development**

In August, 1980, the Department of Development was formed with responsibility for industrial development and services, tourism, and housing and with a renewed mandate with regard to economic development in our Province. The Five Year Plan released last Fall emphasized Government's commitment to the promotion of economic development and growth in a manner consistent with our resource strategy and this Budget reinforces that commitment. During 1981-82, the Department will complete the organizational restructuring necessary in order to meet the challenges before it and will embark upon a number of the crucial initiatives identified in the Five Year Plan.

The Department of Development in consultation with other agencies of Government is currently in the process of finalizing a science policy for Government's consideration and, during the year, will be pursuing various aspects of productivity improvement. For example, the Department will be taking action aimed at establishing a climate favourable to increased secondary processing of our resources. It is intended to implement fully the Local Preference Policy with respect to procurement of goods and services by government departments, agencies, and institutions. This policy will have a positive effect on the viability of additional local processing of goods and on the development of our local base of professional expertise.

Our policy for withdrawing from direct Government involvement in industrial enterprises, where it is in the interest of our Province to do so, will continue to be an important element of our strategy. In this regard, Government expects that the sale of Burgeo Seafoods Limited to National Sea Products Limited will be concluded early in the fiscal year.

Government was encouraged, as I am sure all Newfoundlanders were with the successful probe of the bulk carrier 'MV ARCTIC' into Lake Melville in late February/early March of this year. This has taken us a giant step closer to demonstrating the viability of an extended shipping season into the Lake and to making industrial development in central Labrador a reality. These efforts will continue during 1981-82 with an enlarged program of ice management studies and other initiatives at a total cost of \$800,000 aimed at attracting industry to the area.

The development of offshore oil and gas will place considerable strain on our Province both socially and economically. The Department of Development has already concluded a preliminary analysis of potential sites considered appropriate for various shore-based activities related to this development. This exercise will be refined as offshore activity increases.

### **Marine Servicing Capability**

Mr. Speaker, at a time when marine activity is increasing due to a rejuvenated fishery and offshore oil and gas exploration, it is critical that the Province have the marine servicing capability available to meet the demands of both industries. It is this Government's view that both the Newfoundland Dockyard in St. John's and the Marystown Shipyard will be complementary elements in providing this service and both must be strengthened to ensure their viability to meet the demands.

Within the last month work has commenced on the design of a marine elevator and related vessel repair and servicing facilities at the Newfoundland Dockyard in St. John's. This project had previously been approved by the Government of Canada to be financed with Federal support. It was then shelved by the Federal authorities and a prolonged period of procrastination ensued. In our view, the development of this facility is vital to the enhancement of the port of St. John's as a marine service center and this Administration also considers the revitalization of the Newfoundland Dockyard to be an essential component to complement our marine resource industries. It was for these reasons that the Province agreed with CN to provide the necessary financial support to facilitate the development of the project.

The new facility (the 'Synchrolift') will enable the Dockyard to increase its ship repair capacity and flexibility and will create 150 to 200 new jobs, in addition to maintaining the present work force, which otherwise would be in jeopardy. The design stage is now well underway and provided the project cost is within the expected range, it will then continue into the actual construction phase later this year. The Province has agreed to assist the project financially by providing a loan of \$6,500,000, by paying interest during construction, and by subsidizing C.N.'s interest costs. The total cost to the Province is expected to be approximately \$10,000,000. A provision of \$5,000,000 has been made in this Budget to cover the expected outlay in

1981-82. I must state that Government fully expects to recover most, if not all, of its investments in the Synchronlift over a period of time. In the meantime, of course, the economy will benefit significantly from the increased activity and employment.

Government recently received the Report of the Royal Commission of Enquiry into the Financial Losses of Marystown Shipyard Limited. The Report dealt in depth with the internal and external problems associated with the Marystown Shipyard and, to some extent, with the problems facing the shipbuilding industry in general.

The Report pointed out that the Shipyard has incurred cash operating losses since 1967 of \$32,000,000 and has been supported by operating grants from the Province during that period of \$13,500,000 and an equity infusion by the Province in March 1981 of \$8,000,000. The March infusion, which helps to alleviate the under-capitalization mentioned in the Report, has been coupled with a restructuring of the Company's debt which more appropriately secures its loans by its assets and establishes repayment more in line with the life of the assets.

Other steps have been and are being taken by Government and the Shipyard to improve the situation in Marystown. A four-pronged effort is being made to set the course for the future activity of the Corporation. That effort includes:

- (i) the development of a standard hull design for a trawler and an offshore supply vessel;
- (ii) the pursuit of possible divestiture of the Shipyard to a private sector concern with marketing, research and development expertise; any such eventual divestiture to be undertaken only if continued operation of the Shipyard is assured;
- (iii) the evaluation of various shipbuilding financing packages by the Province; and
- (iv) an effort to convince the Federal Government to provide a more generous subsidy program to Shipbuilders in Canada, which would be more in keeping with that provided by other countries.

It is Government's hope that these efforts will enable the Shipyard to continue its vital activities as a shipbuilding and ship repair facility, contributing as it does to the economy of the Burin Peninsula.

### **The Come By Chance Refinery**

In my Budget Speech last year I spoke of the trying deliberations that this Administration had undertaken in an effort to bring about a reactivation of the idle bankrupt refinery at Come By Chance. I indicated at that time that, as the

first positive step toward reactivation of the Refinery, Petro-Canada had just signed a Letter of Intent with the Refinery's Receiver wherein Petro-Canada had agreed to undertake various economic and technical feasibility studies in order to ascertain whether the purchase and repair of the Refinery represented a viable venture.

Petro-Canada subsequently concluded various technical studies at an approximate cost of \$1,000,000 the results of which were very positive. In November 1980 the Corporation waived a right which it had under the Letter of Agreement to terminate the Agreement if it felt that it was not feasible or advisable to repair the Refinery. In addition the Trial Division of the Supreme Court of Newfoundland and the Newfoundland Court of Appeal have now given their consent to the proposed conditions of sale of the Refinery to Petro-Canada and this obviously constitutes a further positive development.

Mr. Speaker, Government is, therefore, very encouraged by the progress which has been made over the past year and we are receiving every good indication that Petro-Canada continues to focus its efforts on finalizing the purchase of the Refinery with the objective of eventual reactivation of the enterprise.

### **The Stephenville Newsprint Mill**

The painful economic saga of Labrador Linerboard Limited at Stephenville will truly be put to rest next month with the opening of the now converted newsprint mill owned by the Abitibi Price Corporation. The reactivation of this modern newsprint facility by private enterprise, and indeed one of the most respected corporations world wide in the industry, will contribute to employment and serve to strengthen the economic base of the Province in a very real way.

The Stephenville mill will add 150,000 metric tons to the Province's annual newsprint capacity. The mill itself will employ some 220 people while approximately 500 loggers will be engaged in wood operations.

### **Industrial Power Contracts**

In the past, one of the areas of weakness in assessing our management of the electrical energy sector was the subsidy required from Government for industrial customers. This subsidy was growing at an unacceptable rate and Government was determined to reduce the trend. In November of 1980, an agreement was reached with Erco Industries to revamp the remaining 12 years of their power contract with the result being that the power rates rose from 2 mills per kilowatt hour in 1980 to 8 mills per kilowatt hour in 1981 and rising to in excess of 30 mills per kilowatt hour by 1993. The upward trend in this subsidy has now been reversed and in the years to come we expect it to be a smaller and smaller percentage of the Provincial budget and a smaller percentage of Newfoundland Hydro's operating revenues. Discussions are

underway with Price (Newfoundland) Pulp and Paper Limited and Bowater Newfoundland Limited to modernize their existing power contracts as well. In the 1981-82 Budget the payment to Newfoundland and Labrador Hydro under the Electrical Power Control Act is estimated at \$18,000,000 which is \$4,500,000 less than it would have been had the ERCO contract not been revised. It is estimated that the savings to the Province over the remaining life of that particular contract will amount to in excess of \$130,000,000 in reduced subsidies.

In summary, Mr. Speaker, from the foregoing, it can readily be appreciated that the Peckford Administration has moved vigorously and innovatively forward to solve the more serious defects in our Provincial industrial strategies inherited from past administrations. We have every intent to continue solving what have been termed 'generation issues', Mr. Speaker, not just the current, short term problems that arise day by day. We remain determined in no uncertain terms to persist in these endeavours until at last our Province has thrown off the restraining bonds which had held us back in the past and we achieve our due as a full-fledged 'have' province within the Canadian Confederation.

## **BUDGETARY POSITION 1981-82**

### **Overview of Position**

Mr. Speaker, Government's overriding commitment to the principles of responsible financial management, forms the cornerstone of the financial measures contained in this Budget. In pursuing this commitment, we were initially confronted with the constraining forces of escalating inflation and a revenue growth pattern which lagged behind the increase in ongoing expenditure requirements. While Government wrestled with the double barreled effect of these forces, it was also necessary to address the many legitimate priorities for the expansion of public services. These factors formed the context for the challenging and difficult decisions which comprise this Budget.

I am pleased to report Mr. Speaker, that notwithstanding the necessity for tough decisions, we have successfully arrived at a sound budgetary position for the coming year, in line with our overall financial objectives. In summary, we are projecting a net contribution from current account to capital account of just over \$10,400,000 while our net capital account expenditure program is forecasted to total \$156,507,000. Table II further summarizes the 1981-82 budgetary position:

**TABLE II**  
**COMPARATIVE SUMMARY OF BUDGETARY POSITION**  
**1981-82 versus 1980-81**  
**(\$000)**

	<u>Estimates</u> <u>1981-82</u>	<u>Revised</u> <u>1980-81</u>
<b>Current Account</b>		
Gross Expenditure	1,504,958	1,337,639
Related Revenue	161,603	136,334
Net Expenditure	1,343,355	1,201,305
Provincial & Federal Revenues	1,353,758	1,226,840
Contribution to Capital Account	10,403	25,535
<b>Capital Account</b>		
Gross Expenditure	222,977	177,706
Related Revenue	66,470	47,611
Net Expenditure	156,507	130,095
<b>Total Budgetary Requirement</b>	<u>146,104</u>	<u>104,560</u>
<b>Debt Retirement</b>		
Redemptions	84,555	117,544
Sinking Funds	28,358	27,229
<b>Total Debt Retirement</b>	<u>112,913</u>	<u>144,773</u>
<b>Total Financial Requirement</b>	<u>259,017</u>	<u>249,333</u>

It was necessary, throughout the budgetary process, to review existing programs in depth and to exercise restraint wherever possible to contain expenditure growth. Financial constraints have also necessitated that certain of our desired new program initiatives must await the expansion of our fiscal capacity. In budgeting for an expenditure growth rate of 11.8%, we are satisfied that we have provided for a responsible level of programs for 1981-82 and that any further cut back in expenditures would result in unacceptable reductions in the level of Government services.

#### **Fiscal Measures**

Mr. Speaker, the revenue base of the Province does not automatically escalate in direct proportion to the rate of inflation and this was exemplified at the outset of this budgetary exercise when we were projecting an overall growth in revenues for 1981-82 of 8.5%. It is significant to note that around one half of our current account revenues come from federal sources for which the rate of increase is largely influenced by general trends in the Canadian economy. In this respect, I would point out that equalization revenues are forecast to grow by 8.7% in 1981-82 over the adjusted level of payments received in 1980-81.

Various provincial revenues are also demonstrating relatively slow growth due in part to the fact that many are based on fixed charges rather than percentage rates. Accordingly, it has been necessary to institute the following fiscal measures to bring the revenue growth rate up to an acceptable level:

- (i) The tax on gasoline and diesel fuel will be changed from a fixed charge to percentage rates. Effective immediately, the new tax rate for gasoline will be 22% which will mean an immediate increase of approximately one cent a litre. The new tax rate for diesel fuel will be 26% for an increase of approximately two cents a litre. Under this arrangement the Province's revenue base from this source will be adjusted periodically in proportion to price changes. This measure is expected to bring in an additional \$8,000,000 in 1981-82.
- (ii) Tobacco tax will be increased immediately by one half cent per cigarette and an equivalent amount on cigars and tobacco. In the future, this tax will be adjusted quarterly on the basis of escalations in the Tobacco Products Price Index. These increases are expected to yield approximately \$7,000,000 in 1981-82.
- (iii) Drivers' licence fees will be increased by \$2.00 a year. Registration fees for domestic motor vehicles with a weight of less than 1814 kilograms will be increased by \$8.00 a year and those in excess of that weight will be increased by \$15.00. There will be varying increases, proportionate in nature, applied to the registration of commercial vehicles and motor cycles. These increases will become effective May 1, 1981. These measures together will yield an additional \$4,000,000.
- (iv) Government has requested the Newfoundland Liquor Corporation to generate an additional \$4,000,000 in revenue for the Province beyond their initial projections for the year. This will result in immediate increases in the prices of wines, spirits and beer. The actual price increases will vary between products, taking into account as well, the escalation in manufacturers' prices and the federal excise tax.

With these fiscal measures, Government will attain a revenue growth rate for the year of slightly over 10%. Mr. Speaker, in accordance with the basic commitment of the Peckford Administration, there will be no increase in the taxes levied under either the Retail Sales Tax Act or the Personal Income Tax Act during the coming year.



## **Human Resource Development Plan**

Mr. Speaker, the primary function of Government is to provide public services. Governments are elected by the people for this purpose and must remain conscious of their responsibilities to provide the broadest possible spectrum of public services within the available financial resources. Through the provision of these services in such areas as health, education and the various social services, the Province is able to create and foster the atmosphere in which the people of the Province can develop and prosper. This personal growth can then spawn the attitudes and abilities needed to develop our non-human resources in such a manner as to ultimately benefit the people and enrich the quality of life. In fact, the Government recognizes that it is only with the ingredient of a strong, highly motivated population that the development of our resources to their full potential can occur.

The Peckford Government has exhaustively reviewed our expenditure programs to ensure that the maximum service is being provided. Accordingly, Mr. Speaker, it is with great pride that I would like to announce now the outline of our new Human Resource Development Plan comprised of the following major components.

### **Education**

One of the most basic, but important, responsibilities of Government is the provision of education services to the population. Through educational opportunities, each of us is assisted in reaching his own individual potential and collectively, society as a whole is likewise able to develop and prosper.

I am pleased to report that the planning and in-service training has now been completed for the introduction of a reorganized high school program into the Province's school system in September of 1981. Government will be making provision for the initial implementation phase this year, and for the additional phases in the years 1982 and 1983. The result of this initiative will be a completely reorganized high school program with Grade XII as the new graduating year for all high school students in the Province. This initiative can be considered as one of the major improvements to take place in our education system in the past ten years. The result of the introduction of this program will be an improved educational system generally, and the graduation from our secondary school system of an individual much better equipped to cope with life in the working world, or pursue further educational opportunity.

Government will again be making improvement to overall teacher allocations for the school year 1981-82, thus providing an additional 107 teachers beyond the number that would have been provided under the previous allocation formula, even though the pupil population has declined by approximately 2000 pupils since last year. Included are allocations designed to enable the individual school boards which are experiencing the greatest decline

in enrollments to maintain adequate numbers of teachers for the programs they offer. Government is fully committed to providing an adequate pupil/teacher ratio in future years to enable school boards to cope with the demands of the reorganized high school program.

In the area of operational grants to School Boards, Government is introducing assistance to School Boards on a cost-shared basis for the implementation of energy-saving initiatives in the operation of school facilities.

Government will be providing \$10,800,000 in 1981 for ongoing school construction needs. In addition, as a result of the reorganized high school program, a broadened program of school facilities construction will be commenced. A program specifically designed to improve our facilities to the point where they will be fully adequate for the reorganized high school program will be undertaken over the next three years at a total cost to Government of \$20,300,000. The addition of facilities to our system from this initiative will be of great benefit to all areas of the primary and secondary system. In 1981, some \$5,000,000 will be provided to commence this program. This amount is in addition to the \$10,800,000 being provided for ongoing school construction needs and will bring the total Government expenditure in this area to \$37,000,000 in 1981, when coupled with existing school construction commitments.

Mr. Speaker, I am pleased to announce on behalf of Government that funding is provided in the 1981 Budget in order to commence planning on a new School for the Deaf to replace the facilities now in use. It is fitting indeed, that during this Year of the Disabled, Government finds itself in a position to commence this very worthwhile project. Government will also be continuing its efforts to encourage educational opportunities for the handicapped and, accordingly, will provide additional funds to school boards this year for the education of the handicapped.

The need for highly trained Newfoundlanders to meet the challenges of future development efforts continues to be a priority of the Peckford Government, and funds for the updating of training programs, and the expansion of programs put in place last year, will be provided to support this most important endeavour. This funding is allowing more Newfoundlanders to undertake training in such areas as computer technology and petroleum technology which will enhance their opportunities for employment in offshore oil and gas development. In addition to this, funding has been provided for the updating and broadening of various marine related technologies. Initiatives are being taken to update and expand electronics and communications courses at various training institutions throughout the Province, and a special effort is underway to update and improve our training with respect to helicopter servicing.

## Social Services

Mr. Speaker, I am pleased to announce on behalf of Government that effective May 1st, 1981, Social Assistance rates will be increased by 10%. This increase is necessary in order to assist with the increasing cost of living for those citizens who have no other means of support. In addition, Government will be extending Social Assistance coverage for long term assistance recipients to include the provision of eye glasses for those in need. This represents a much needed improvement in our current system and this new program will be introduced effective July 1, 1981.

Government is introducing a 15% increase in regular foster home rates and child welfare allowances in 1981. In addition, the existing clothing allowances will be significantly improved. Funding has also been provided for the establishment of four new group homes in 1981-82. This initiative is consistent with Government's policy of de-institutionalization, and will provide a means of caring for children in a homelike setting. The Budget also provides new funding aimed at improving the social and cultural opportunities available to children in care of Government. The provision of this funding will ensure that children in care are not deprived of opportunities available to children living in a normal home setting. Mr. Speaker, Government is justly proud of the overall improvements that are being made in this program.

An expanded program of community development projects will be undertaken by Government this year. This program has the double-edged effect of providing useful community facilities, while at the same time creating a vehicle through which chronic Social Assistance recipients can be reintroduced to the workforce. Government is pleased with the long-term success which has been achieved to date in this program.

Mr. Speaker, the provision of services to senior citizens continues to be an area of concern to Government. The State has recognized responsibilities in this area and Government is now engaged in a number of studies toward the development of an appropriate long term plan for the provision of services to the senior citizens. These studies will establish, in particular, the appropriate type and location of facilities that will be required over the next several years to meet the increasing needs of our senior citizen population. Government will continue to address this area with keen interest.

Additional funds are also provided in this Budget to assist in addressing problems relating to alcohol and drug abuse and Government will be developing new initiatives with respect to this important area of concern.

## **Health**

Government's previously announced program on hospital construction will continue in 1981, with funding for construction starts to be provided for the new clinic at Forteau and the new Channel Hospital. Planning for these facilities is now virtually completed, and construction will be underway this year. Funding has been provided in the 1981 Budget for a start on the new hospital to serve the Clarenville area. This facility will have a total cost of \$15,000,000 and will be completed in 1985. These efforts are seen by Government as critical to establishing an appropriate long term plan for the efficient delivery of health care services to our people. Funding is also provided to continue with ongoing improvements to existing hospitals. Government will be continuing with further hospital construction efforts in future years.

Government is pleased to announce that during 1981, the coverage of MCP will be extended to include optometry services provided by qualified optometrists. This program will operate on the basis of one payment for each individual per annum, and will be of significant benefit to the general population. At the present time, individuals who require optometric examinations are required to pay the appropriate fees to the optometrist. The extension of MCP coverage to this item will ensure that no individual requiring eye examinations will be prevented from access to such examinations for financial reasons. This program will be effective October 1st, 1981.

Last year, Government introduced a transportation assistance program to assist residents, particularly residents of Labrador, with the very high cost of emergency air transport to major medical centers. Under the existing program guidelines, Government subsidizes the cost of emergency airlifts while patients are subject to a \$50 co-payment fee. Government has decided to extend this program to include non-emergency high users such as dialysis patients. Under this very worthwhile program, Government will reimburse the patient for 50% of transportation costs incurred in excess of \$500 per annum.

## **Administration of Justice**

There will be further advances in the administration of justice over the coming year, especially in the corrections area. Phase I of Her Majesty's Penitentiary will be completed shortly and is scheduled to open early this Fall. This will permit the closing of the old Centre Block. Funds have been allocated to permit the planning of renovations to the Centre Block in order to provide for inmate rehabilitation programs.

The third floor of the West Coast Correctional Centre has recently been completed and will be fully utilized this year. Construction will also be completed this Fall on the Women's Correctional Centre in Stephenville.

The regionalization of the correctional program of the Department of Justice will continue this year, with the completion of the Clarenville Correctional Centre in the late Fall. I am pleased to announce that construction will commence this Fall on the Bishop's Falls Correctional Centre and that \$100,000 has been allocated this year for planning and site acquisition for a Labrador Correctional Centre to be located in Happy Valley/Goose Bay.

These steps will serve to eliminate the severe problem of overcrowding in many of our lockups and will permit Government to close-out many of the old outport gaols. The result will be a modern penal system providing a humane and rehabilitative approach to those convicted of criminal activity and permitting many prisoners to serve their sentences in the area of the Province where they reside.

The Budget provides for the expansion of the Royal Newfoundland Constabulary into the Mount Pearl area. Also, the program of training police recruits at Holland College in Prince Edward Island will be continued. In addition, a formal training program for correctional officers will commence shortly in St. John's, again in consultation with Holland College.

Consistent with the five year plan for the Department of Justice and the recent Supreme Court decision, the regionalization program for Crown Prosecutors will be accelerated over the coming year.

Government is also in the process of reviewing both the level of fees charged for the registration of deeds and other documents as well as the level of fines imposed under the Highway Traffic Act for various violations of that Act. It is our intention to introduce increases in these respective areas, the exact details of which will be released later. It is significant to note that these various fees and fines have been unchanged for a number of years.

### **Municipal Affairs**

In 1980-81, the new Municipal Grants System was instituted to encourage municipalities to foster local autonomy and a greater level of fiscal responsibility. Government is pleased with the response from municipalities which has been most encouraging, and the number of municipal councils requesting the implementation of property tax is increasing.

During 1981, Government will continue its ongoing program of providing water and sewer facilities in the St. John's urban region. A total expenditure of \$4,565,000 is planned.

There are approximately 4500 volunteer firefighters in Newfoundland and Labrador who give freely of their time and services in the interest of their respective communities. In 1981, Government will honour its previous

commitment to provide province-wide insurance coverage for all volunteer firefighters. Under this program, all firefighters will be covered by a basic amount of \$100,000 in life insurance coverage while engaged in firefighting or training activities. In addition, disability insurance will be provided, along with guaranteed income benefits to dependents. This action on the part of Government will be a tangible recognition of the contribution being made by volunteer firefighters throughout our Province.

### **Transportation**

Mr. Speaker, Government is providing additional funding in 1981 to improve the level of maintenance activities now carried out on our Provincial highway system. We intend to continue to provide additional funding in this area to the extent our financial resources will permit. Last year's Improvement and Construction Program, with respect to our provincial roads system, will be expanded this year as well to an expenditure of \$19,000,000. A new surface replacement program will also be initiated, the purpose of which is to replace the surface of existing roads before they become deteriorated to the point of needing complete rebuilding. This program will add years of additional useful life to our roads, and reflects Government's interest in providing a proper transportation system at optimal long-run costs.

Mr. Speaker, I am pleased to announce that Government has included funding in the 1981-82 Budget to institute a passenger ferry service between the community of Gaultois and the Newfoundland mainland. The introduction of this service will provide a permanent transportation link between the residents of Gaultois and the mainland.

Mr. Speaker, the Province is continuing to negotiate with the Federal Government, through Transport Canada, for a continuation of the three-year cost-sharing agreement that saw some \$60,000,000 spent on improvements to the Trans-Canada Highway. The need to improve many sections of the Province's Trans-Canada Highway has been accepted by the Federal Government but to date no new agreement to continue the program has been concluded.

### **Other Initiatives**

Mr. Speaker, the 1981 Budget contains a number of other important initiatives which I would like to highlight at this time.

I am very pleased to announce that Government has agreed to provide an increase of at least 8% to all pensioners effective April 1st, 1981. Government is conscious of the impact of inflation on our pensioners, and we will be providing larger increases to those individuals who have been receiving pension payments since March 31st, 1972 or earlier.

An amount of \$1,000,000 is included in the 1981 Budget to commence the new public building in St. John's, which will replace more costly rented accommodations now in use. This new building will provide space for Government offices at a reduced long-run cost from the rental or lease approach and, at the same time, will result in more convenient and improved service to the general public.

Government has embarked on several fronts to improve the operational and financial management of the Public Service and control costs wherever possible. I am pleased to report that these efforts will be sustained and expanded in the coming year, and will include the following:

- (1) Pending the imminent passage of legislation, Government will be establishing an Office of the Comptroller which heretofore was considered in the position of Deputy Minister of Finance. The separation of these two roles will enhance Government's ability to practice sound financial management.
- (2) Government's budgeting system has experienced significant changes this year. A pilot project using the zero-base budgeting approach was implemented in four departments. While it is somewhat premature at this point to do a complete evaluation, it does appear that our exposure to Zero Base Budgeting was highly successful and, as a result, Government will be seriously considering continued involvement with this management tool.
- (3) Financial restraint will continue to be applicable with respect to all aspects of operation of the Public Service, including the provision of new positions, the allocations of funds for public service travel, and other housekeeping expenditures.

The application fee for crown land applications is being increased from \$1.00 to \$10.00. This change to the fee structure is necessary to discourage excessive applications that are being made by some individuals. These applications tend to slow down the overall processing of valid applications.

The fee applicable at the time that a crown land lease or grant is actually issued is being increased from \$10.00 to \$100.00 in order to provide for a more reasonable recovery of the costs associated with these transactions.

### **Financial Requirements**

The total financial requirements for the 1981-82 fiscal year will be \$259,017,000. By comparison, the revised total financial requirement for 1980-81 is \$249,333,000. As indicated previously, the revised requirement for 1980-81 is considerably less than the originally estimated \$289,672,000. The following Table shows the total financial requirements for both 1981-82 and 1980-81 (Revised):

**TABLE III**  
**FINANCIAL REQUIREMENTS**

	<u>Estimates</u> <u>1981-82</u>	<u>Revised</u> <u>1980-81</u>
	\$	\$
Capital Expenditure - Gross	222,977,000	177,706,000
Related Revenue	<u>66,470,000</u>	<u>47,611,000</u>
Net Capital Expenditure	156,507,000	130,095,000
Non-Budgetary Items	112,913,000	144,773,000
Contribution from Current Account	<u>(10,403,000)</u>	<u>(25,535,000)</u>
Total Financial Requirement	<u>\$259,017,000</u>	<u>\$249,333,000</u>

The net requirement for capital account shows an increase of \$26,412,000 over 1980-81 revised. Non-budgetary items, consisting mainly of debt repayment, are \$31,860,000 lower than last year, while the contribution from current account is \$15,132,000 less than 1980-81. The net effect is a financial requirement in 1981-82 of \$259,017,000.

As in previous years, the Province plans to meet its financial requirements by borrowing in the Canadian and International capital markets and from the Canada Pension Plan.

## CONCLUSION

Mr. Speaker, while pursuing our long term development strategy, we have been forced to struggle with the immediate budgetary pressures of inflation, requests for the expansion of Government services and less than desirable revenue growth trends. The challenges have been real and demanding — as they were in my previous Budgets. However, we have successfully achieved the overall budgetary objectives established in my first two Budgets and I am confident that we will again adhere to our Financial Plan in 1981-82. The demonstrated budgetary control of this Government, coupled with the initiation of pension funding and the stabilization in real terms of our borrowings for capital projects will all contribute to the strengthening of the financial position of the Province.

We have wrestled with the mistakes of the past and achieved success. The ERCO contract and the Stephenville Mill are clear examples of that success. While the problems of the Upper Churchill are more complex, we are confident that Government's recent initiative on the Water Rights Reversion Act will, in due course, result in an equitable resolution of that issue for the Province.



Mr. Speaker, it is clear that we have the resources and we have the interest of business to develop them. The challenge to this Government is to ensure that they are developed and managed for the optimal long term benefit of our people. The resources are massive and hold within them the prosperity of generations of Newfoundlanders and Labradorians yet to come. This Administration's approach to our resources is premised upon the concept of equitable treatment by the Government of Canada to that accorded to other provinces in similar circumstances. The question of jurisdiction between the Province and the Federal Government is critical to the design of our economic future. But, Mr. Speaker, it will be resolved. The resolution may take a little longer than some of us would like in the short term. However, given the life span of our resources and the magnitude of the development implications, the pace of activity during the resolution process will, in the long term, be regarded as a relatively brief but strategic pause in a carefully planned development policy.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER (Simms):

The hon. the Minister of

Finance.

DR. COLLINS:

Mr. Speaker, I am

pleased to table the following documents at this time for the information of the House. The first document contains the Budget Speech along with the main estimates.

This year we are presenting our estimates in two booklets. The main estimates contain additional explanatory information on government programmes along with a new grouping of accounts in a standard format. This format will allow for a more meaningful analysis of the various departmental programmes along with a better appreciation of the purposes of various programmes.

The second document provides detailed information on the various expenditure item components in the main estimates.

The third document are the salary details of the various salaried positions in government departments.

The fourth document is a document reviewing developments in the economy in 1980 - 81.

Mr. Speaker, government believes that the revised format for presentation of the estimates provides hon. members with a more useful package of information on which to base their analysis and scrutiny of government's spending estimates.

Mr. Speaker, I move that the debate on the motion be adjourned until tomorrow.

On motion, debate adjourned until tomorrow.

MR. SPEAKER (Simms):

of Finance.

The hon. the Minister

DR. COLLINS:

received a letter from His Honour the Lieutenant-Governor.

Mr. Speaker, I have

MR. SPEAKER:

All rise.

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

"I, the Lieutenant-

Governor of the Province of Newfoundland, transmit  
estimates required for the public service of the Province  
for the year ending the 31st. of March 1982, in the  
aggregate of \$1,477,285,800.00 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) Gordon A. Winter  
Lieutenant-Governor."

We will take a few  
moments and the pages will distribute the documents that  
have been tabled.

Order, please!

The hon. the Minister  
of Finance.

DR. COLLINS:

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

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

COMMITTEE OF SUPPLY

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 (Simms): The hon. the member  
for Conception Bay South.

MR. CHAIRMAN (Butt): Mr. Speaker, the  
Committee of Supply have considered the matters to it  
referred, has made some progress and asks leave to sit  
again.

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

NOTICES OF MOTION

MR. SPEAKER: The hon. the Minister  
of Finance.

DR. COLLINS: Mr. Speaker, I give  
notice that I will on tomorrow 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.

I give notice that I  
will on tomorrow 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: The hon. the President  
of the Council.

MR. MARSHALL: Mr. Speaker, pursuant  
to Standing Orders I propose that the following members  
comprise the membership of the Government Services Committee:  
The hon. the members for Stephenville (Mr. Stagg), Kilbride  
(Mr. Aylward), Bay of Islands (Mr. Woodrow), Conception Bay  
South (Mr. Butt), Terra Nova (Mr. Lush), Carbonear (Mr. Moores),  
St. Barbe (Mr. Bennett).

MR. MARSHALL: At the same time I move that the following constitute the membership of the Resources Committee: The hon. the members for St. John's West (Mr. Barrett), Placentia (Mr. Patterson), Baie Verte-White Bay (Mr. Rideout), Fortune - Hermitage (Mr. Stewart), Menihek (Mr. Walsh), Burin - Placentia West (Mr. Hollett), Torngat Mountains (Mr. Warren), Fogo (Mr. Tulk).

And that the following constitute the complement for the Social Services Committee: The hon. the members for St. John's North (Mr. Carter), Humber West (Mr. Baird), St. John's Centre (Dr. McNicholas), Exploits (Dr. Twomey), Port de Grave (Mr. R. Collins), Trinity - Bay de Verde (Mr. F.B. Rowe), Grand Bank (Mr. Thoms), Eagle River (Mr. Hiscock), St. Mary's - The Capes (Mr. Hancock).

Mr. Speaker, I would ask, with leave of the House, that the motions be put.

MR. SPEAKER: By leave?

HON. MEMBERS: By leave.

MR. SPEAKER: You have heard the motion. Those in favour 'aye'.

HON. MEMBERS: 'Aye'.

MR. SPEAKER: Contrary 'Nay'. Carried.

The hon. the President of the Council.

MR. MARSHALL: I move, Mr. Speaker, that the following departments be referred to the Resources Committee: Head VII, Mines and Energy; Head VIII, Department of Fisheries; Heading VI, Department of Development; Heading X, Department of Rural, Agricultural and Northern Development, and Head IX, Forest Resources and Lands.

I also move, Mr. Speaker, that the following Heads of Expenditure be referred to the Social Services Committee: Head XIX, Justice; Head XV, Health; Head XIII, Education; Head XII, Environment;

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MR. MARSHALL: Head XIV, Social Services; Head XVIII, Culture, Recreation and Youth.

I further, Mr. Speaker, move that the following Heads of Expenditure be referred to the Government Services Committee: Head XVII, Municipal Affairs; Head V, Public Works and Services; Head XVI, Labour and Manpower; Head IV, Finance, Head XI, Transportation.

Mr. Speaker, with leave of the House I move that the motions with respect to the reference of these departments to the Committees named be put.

MR. SPEAKER (Simms): Is it agreed by leave?

HON. MEMBERS: Agreed.

MR. SPEAKER: You have heard the motion.

Those in favour 'aye'.

HON. MEMBERS: 'Aye'.

MR. SPEAKER: Contrary 'Nay'. Carried.  
The hon. the President of

the Council.

MR. MARSHALL: Mr. Speaker, I move that the House at its rising do adjourn until tomorrow, Monday, May 4, 1981, and that this House do now adjourn.

On motion, the House at its rising adjourned until tomorrow, Monday, May 4, 1981, at 3:00 p.m.