

PRELIMINARY
UNEDITED
TRANSCRIPT

HOUSE OF ASSEMBLY
FOR THE PERIOD:
3:00 p.m. - 6:00 p.m.
THURSDAY, MAY 27, 1982

The House met at 3:00 P.M.

Mr. Speaker in the Chair.

MR. SPEAKER (Russell):

Order, please!

The hon. Premier.

PREMIER PECKFORD:

Mr. Speaker,

it is with a great deal of sadness that I rise in my place and I know that the day is one not relegated necessarily to me but to the Minister of Finance (Dr. Collins) and the budgetary initiatives of the government for the year - but I think after consultation with the Opposition there was unanimous agreement that I could rise in my place at this time and express on behalf of all hon. members our condolences and sympathy in the passing of Mr. Harvey Cole last night and to propose that a message from this House go forward to his family. I guess there is nobody within the reach of my voice who has not known or heard of Mr. Cole in his involvement in public life in this Province for many, many years. His last post was that of Chief Electoral Officer for the Province in which he distinguished himself as an objective, reasonable officer in that capacity. And before that into many, many capacities within the public life of the Province.

So, Mr. Speaker,

without delaying the natural, official proceedings of today I would like to go on record personally and on behalf of members on this side and I am sure I speak for the members on the opposite side in passing along condolences and sympathy to the family of Mr. Harvey Cole in this their hour of bereavement and pass on our sincere condolences to a gentleman who has contributed much to the public life of this Province over the last number of decades.

MR. SPEAKER (Russell):
Leader of the Opposition.

The hon.

MR. NEARY:
Mr. Speaker,
we support the motion so ably put forward by the Premier
on the passing of an outstanding Newfoundlander in the
person of Mr. Harvey Cole. I personally knew Mr. Cole fairly
well, I would say, and always found him to be a very
sincere, dedicated individual, an outstanding Newfoundlander,
Mr. Speaker, and we support the motion made by the Premier
that an expression of sympathy go out from this House to
the family and relatives and friends of the late Mr. Cole.

MR. SPEAKER: Order, please!

The hon. Minister of Finance.

SOME HON. MEMBERS: Hear, hear!

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

MR. SPEAKER,

It is with a great deal of pride in our People that I present to this Honourable House of Assembly the fourth Budget of the Peckford Administration. It is the first Budget since the citizens of our Province so overwhelmingly endorsed the policies of this Government in the General Election of April 6th. Considering the troubled economic times in which we live, the resounding victory at the polls must reflect a remarkable degree of trust by the Newfoundland People in an Administration which had laid no claim to magical short-term solutions to the economic issues confronting us, most not of our own making. The powerful mandate bestowed by the voters represents a strong vote of confidence for Government's unrelenting drive to rectify the inequitable treatment of our Province within the Canadian Confederation. It said much for the character and enduring nature of our People, Mr. Speaker, that they would rise so readily and wholeheartedly to the challenge which was placed before them in such unequivocal terms.

The renewed mandate given the Peckford Government is not only a great opportunity but also a great responsibility. We must continue the struggle to provide and improve upon the level of services and the opportunities for development which our People unquestionably deserve. For we must never lose sight of the fact that our rightful advancement within Confederation will be accomplished only when we obtain a legitimate share of the benefits from our resources.

Mr. Speaker, the pace of economic progress in the short-term is not solely ours to determine. We know we must contend with the national and international economic environments and their influences on our Province. As my colleagues and I worked through the budgetary process, commencing last November, we saw the North American economies slip into recession. We watched interest rates soar to unprecedented levels stifling capital expansion. We saw the strongest industrialized nation in the world, the United States, struggling to get its deficit under control, even at the cost of serious reductions in services to the American people. We witnessed the U.S. unemployment rate climb to its highest level since the Great Depression while some of the largest industrial enterprises in the world were forced to suspend production for periods of time and propose wage reductions in an effort to provide job security and sustain continued viability of their operations. We have seen the consequences of the U.S. economy in recession overflow the international border and pull down the Canadian economy which is so intertwined with that of our great neighbour to the south. Exacerbating the Canadian condition have been stubborn inflationary influences, partly resulting from misdirected economic management.

In Canada, Mr. Speaker, the monetary levers which contribute in a significant way to the climate and direction of economic activity are controlled by the Federal Government. Provincial Governments are left to grapple with the fall-out for business, labour and others in their economies. Over the past year we have witnessed an anti-inflationary policy characterized by prolonged and largely single-minded reliance on tight money supply and high interest rates, being pursued without visible sensitivity to down-stream effects, even in regions of weaker economic base. Mr. Speaker, it is now clearly apparent that the energy and industrial strategies followed by the Government of Canada are effectively fueling recessionary forces without controlling inflation. The news of the cancellation of the Alasands, Alaska pipeline and Cold Lake projects all stand out as stark examples of self-destructive Federal strategies.

Mr. Speaker, it comes as no surprise that Newfoundland and Labrador cannot insulate itself from these economic forces, nor can we, by ourselves, reverse them. However, this Province does possess vast treasures of under-developed natural resources which can significantly and beneficially impact upon them. All we ask is to be allowed, as good Canadians, to get on with the work that should be done. Rather than throw obstacles in our path, we ask the Federal Government to extend the hand of understanding and co-operation as we reach to attain the Canadian average in quality of life and contribute a fair share of our natural endowments to the national well-being. We were led to believe that is what Confederation is all about.

As well as economic conditions, Mr. Speaker, our Budget must address the present financial realities of the Province. While we wrestle with the ongoing pressures of inflation on our expenditures, and the many legitimate needs to expand public services, we have to cope with recessionary impacts of the national economy on our provincial revenue base and concurrently deal with major revisions to the revenue base from federal sources. We have had to be guided by fundamental principles of responsible financial management in reconciling conflicting budgetary pressures. The essential challenge was not so much to match the Canadian average as the standard for our public services, but to find the means of preserving those we currently supply.

Mr. Speaker, Government had thus to confront the 1982 Budget with the firm resolve to arrive at an expenditure and revenue balance which best reflects both the genuine concerns of the People and the financial capacity of the Province.

As I have already stated, a Provincial Budget in Newfoundland and Labrador cannot be expected to counteract all of the economic forces of recession. It can, however, establish a framework to ensure that available Government dollars converge upon areas which are likely to contribute most to the strengthening of economic activity. We have taken care to adopt that approach in this Budget, and are confident that the stimulus to be provided by the public

sector capital investment program, which I will outline shortly, will play a critical role in accelerating the rate of economic recovery from the current recession.

Before proceeding with the details of the Budget, I would like to review briefly the economic performance in 1981 and the outlook for the Province in 1982.

ECONOMIC REVIEW

Newfoundland entered 1981 with an upswing in economic activity. Employment in the Province expanded as the levels of industrial output picked up, and consumer spending showed signs of recovery from restrained levels in 1980. However, these encouraging economic signs were short-lived. Canadian and American interest rates, which were falling in late 1980 and early 1981, quickly reversed their trend and started to climb again in response to the tight monetary policies of the respective Governments. The Canadian economy's initial resilience in the face of a 17% bank rate early last year dissipated by mid-year as the rate climbed to over 21%.

In Newfoundland, the high interest rates affected most severely the fish processing and residential construction industries as well as those businesses involved in the sale and purchase of interest-sensitive goods and services. The fishing industry was troubled as well by depressed markets and a poor inshore fishery.

There were, however, some bright spots in the economy during the year and the Province did record a 2.2% expansion in real Gross Domestic Product for 1981. This was based in large measure on increases in newsprint production, partly due to the start-up of the new Stephenville mill; increased mining output; and expansion in offshore oil and gas exploration activities.

Employment grew during the first seven months in 1981 with strongest growth recorded in the primary, manufacturing, trade and public administration sectors. Slight declines were experienced by our construction industry and by the transportation, communications and utilities sectors of our economy. After mid-year, the level of employment fell in both the fish processing and construction industries while the service industries still experienced modest growth rates. Overall, the yearly average number of employed persons increased by 3,000; from 184,000 to 187,000; while the labour force grew by 5,000 persons. As a result, the official unemployment rate averaged 14.1% for the year.

ECONOMIC OUTLOOK

Mr. Speaker, as with the rest of North America, the recovery from the current recession in Newfoundland and Labrador is expected to begin during the latter part of 1982. Throughout the earlier part of this year, markets for

our major exports — iron ore, newsprint and fish products — will remain soft, reflecting the depressed state of the economies of the United States and our various other trading partners.

While it will require several months to re-establish the momentum of economic growth, some encouraging developments have taken place on the international economic horizon. Inflation has begun to decline significantly in the United States and in Europe, and international oil prices have fallen and may now stabilize for a period of time. Very soon there should be some room for Foreign Governments to begin to ease the economic restraints presently in place. This would have the effect of improving the demand for Newfoundland's exports and stimulating recovery in the resource sectors.

Offshore exploration activity is continuing at about the same level as in 1981 with drilling going ahead on the Grand Banks and the northern offshore areas. The minerals sector, on land, will also benefit from a high level of exploration activity in 1982. In addition, representatives of the Provincial and Federal Governments are currently involved in negotiations with Transpacific Corporation with respect to the asbestos mine near Baie Verte and it is hoped that these negotiations will result in the reactivation of the mine later in the year.

Investment in construction activities is projected to grow somewhat in 1982, mainly on the strength of increased spending by Government on new public infrastructure, and by Crown agencies, particularly Newfoundland and Labrador Hydro.

The rate of inflation has begun to decline, and the overall level of personal income will begin to benefit from the increase in employment later in the year. We believe that consumers may continue to hold off on major purchases until the recession is perceived to be ending and until interest rates begin to fall. At present, a larger than normal share of personal income is being directed into savings, partly as a hedge against economic uncertainty and partly a response to high returns paid on savings deposits. As the recession ends, pent-up consumer demand will be released, and this should aid the recovery.

It is expected that the Province's real Gross Domestic Product will remain constant for 1982 in comparison with 1981. This will be due to a substantial drop in production in the iron ore portion of the mining sector. Nevertheless, other sectors, including the fisheries, forestry and construction sectors, should show a modest improvement over last year leading to some growth in employment. With the expected strengthening in export markets toward the end of the year, the Province should be in the early stages of recovery as it enters 1983.

FINANCIAL PERFORMANCE

Mr. Speaker, as Minister of Finance since March 1979, I have had the opportunity to report to this Honourable House on the results of our continuing efforts as an Administration to pursue sound financial management policies. This Government has been firmly determined to achieve a positive balance in

During the 1981-82 fiscal year, the Province witnessed pressures on our budgetary position unprecedented in recent years. Expenditures were brought under pressure by inflation, wage settlements and high interest rates. Provincial revenues were depressed as consumers found their disposable incomes being squeezed by interest rates and by the impact of the economic slowdown. The private business sector also struggled under the burden of high interest rates, and deferred new investment decisions. The slowdown of economic activity was most apparent in the level of Retail Sales Tax receipts which by year-end were nearly \$29,000,000 below Budget.

When evidence of these factors began to emerge and accelerate last Fall, Government intensified its financial restraint efforts and imposed additional cost-saving measures in order to minimize the influence of these negative trends. This effort, coupled with positive adjustments in transfer payments and favourable variances in Provincial Income Tax receipts, enabled us once again to accomplish our important financial objective of a balanced Current Account for 1981-82.

Mr. Speaker, Government looks back upon the financial results for the 1981-82 fiscal year with a genuine sense of accomplishment and satisfaction particularly in view of the economic environment in which we had to function.

I will now turn to the budgetary outlook for the 1982-83 fiscal year.

BUDGETARY POSITION 1982-83

While unfavourable economic conditions have created financial difficulties for governments generally, for Canadian provinces in 1982-83 these difficulties have been aggravated by cutbacks in Federal transfer payments. In recent weeks, Mr. Speaker, sister provinces have been compelled to bring in hard line budgets, containing tight expenditure restraint, heavy tax increases and in some cases wage guidelines. Even in the face of these measures, Mr. Speaker, there exists still a troublesome growth in the volume of deficit financing by Governments in Canada.

Newfoundland and Labrador is presently weathering many of the same economic difficulties as our neighbours. In some respects, historically our economy might not be considered as strong as others because ours is more narrowly based and heavily reliant upon three or four major industries. However, we must be ever aware that we have not yet even begun to approach the realization of the massive economic capacity inherent in our resource wealth. This Government remains sharply focused on the need to develop this capacity in a carefully planned manner and thereby broaden and solidify our financial base in order to secure the prosperity of the Province over the decades ahead. In the short run, however, we have committed ourselves to live within our means while we diligently work toward the attainment of these rightful goals.

our Current Account, and it has reinforced that determination in each successive Budget. In point of fact, in the two fiscal years leading up to 1981-82, we achieved a greater degree of success than projected at the beginning of each budgetary period.

In my first Budget on July 19, 1979, I forecasted a Current Account surplus of \$10,800,000 for fiscal 1979-80. By year end, we actually had achieved a surplus of \$41,600,000. In 1980, a surplus of \$12,500,000 was budgeted but as the Public Accounts just released for the 1980-81 fiscal year show, a surplus of \$49,200,000 was accumulated. These very positive results effectively reduced our borrowing requirements during the two year period by over \$67,500,000 from the level originally thought necessary.

Mr. Speaker, today, in the midst of national and international economic turmoil, I am again happy to report to this Honourable House that revised estimates indicate Current Account for fiscal 1981-82 will maintain a positive balance which will result in a \$4,500,000 contribution to our Capital Account. By way of comparison, Newfoundland and Labrador was successful in achieving this position in a year when many Canadian provinces reported high deficits.

Table I summarizes the revised estimates for 1981-82 compared with the budgeted position.

TABLE I
SUMMARY OF 1981-82 FINANCIAL PERFORMANCE

	1981-82 Budget	1981-82 Revised	Variance
	\$	\$	\$
Current Account:			
Gross Expenditure	1,504,958,000	1,506,060,000	1,102,000
Related Revenue	161,603,000	144,965,000	(16,638,000)
Net Expenditure	1,343,355,000	1,361,095,000	17,740,000
Federal and Provincial Revenues	1,353,758,000	1,365,619,000	11,861,000
Contribution to Capital Account	10,403,000	4,524,000	(5,879,000)
Capital Account:			
Gross Expenditure	222,977,000	196,861,000	(26,116,000)
Related Revenue	66,470,000	41,553,000	(24,917,000)
Net Expenditure	156,507,000	155,308,000	(1,199,000)
Less Contribution from Current Account	10,403,000	4,524,000	(5,879,000)
Total: Budgetary Requirement	146,104,000	150,784,000	4,680,000
Non-Budgetary Transactions			
Debt Retirement	112,913,000	115,738,000	2,825,000
Total: Financial Requirement	259,017,000	266,522,000	7,505,000

Mr. Speaker, let me now deal in somewhat more specific terms with our budgetary plans for the 1982-83 fiscal year.

I am most pleased to announce that the Peckford Government, for the fourth consecutive time, is again budgeting for a positive balance on Current Account in the new fiscal year. At the same time, it is a matter of considerable satisfaction to report that the Budget also contains a carefully considered expansion on Capital Account in order to provide a resuscitative measure for the Newfoundland economy.

In actual figures, the 1982-83 Budget projects a Current Account surplus, or contribution to Capital Account, of \$5,400,000. Net Current Account expenditures and revenues are forecast to grow by approximately 12.9% over the 1981-82 revised level. Gross expenditures on Capital Account will increase by 28.9% over last year's revised level to a total of \$253,700,000. The net budgetary requirement to be financed by borrowings is \$168,200,000.

Table II provides a comparative summary of 1982-83 budgetary position.

TABLE II
COMPARATIVE SUMMARY OF BUDGETARY POSITION
1982-83 vs. 1981-82

	Estimates 1982-83	Revised 1981-82
Current Account:	\$	\$
Gross Expenditure	1,718,730,000	1,506,060,000
Related Revenue	182,676,000	144,965,000
Net Expenditure	1,536,054,000	1,361,095,000
Provincial and Federal Revenues	1,541,460,000	1,365,619,000
Contribution to Capital Account	5,406,000	4,524,000
Capital Account:		
Gross Expenditure	253,670,000	196,861,000
Related Revenue	80,016,000	41,553,000
Net Expenditure	173,654,000	155,308,000
Total: Budgetary Requirement	168,248,000	150,784,000
Debt Retirement:		
Redemptions	135,383,000	87,096,000
Sinking Funds	32,814,000	28,642,000
Total: Debt Retirement	168,197,000	115,738,000
Total: Financial Requirement	336,445,000	266,522,000

FISCAL ARRANGEMENTS

Mr. Speaker, before commenting on the details contained in today's Budget, I would like briefly to review the status of Federal/Provincial Fiscal Arrangements. As these arrangements, between the Province and the Government of Canada, govern approximately one-half of the revenue base of this Province, they occupy a position of critical significance in our fiscal framework.

As Honourable Members are aware, the Federal Fiscal Arrangements Act covers transfers from the Government of Canada under Equalization and Established Programs Financing. The purpose of the Equalization program is to ensure that each province in Canada has the fiscal capacity to maintain levels of basic public services, comparable to the national average, without resorting to unduly burdensome levels of taxation. The Established Programs Financing Arrangements support expenditures on hospital insurance, medicare and post-secondary education.

The Fiscal Arrangements Act (1977), in effect for the past five years, expired on March 31, 1982. A negotiating process for a new five-year Act commenced, belatedly, last Fall, subsequent to the November 12th Federal Budget. Honourable Members will recall that the Federal Budget initially proposed substantial cutbacks in both the Equalization and Established Programs entitlements from the levels which would follow from a continuation of previous arrangements. Such proposals by the Federal Government raised deep concerns that the Government of Canada was seeking to transfer its own budgetary deficit onto the provinces and moreover, raised the spectre of widening provincial and regional disparities — a direct contravention of the spirit and intent of the principles of Equalization which only last month were enshrined in the Canadian Constitution.

Let us take a closer look at the major components of those proposed fiscal arrangements.

Equalization

First, Equalization. The Government of Canada proposed replacing the well-tested ten-province national average standard formula under which we had been operating, with a one-province, Ontario-based standard which would have substantially reduced the stability of future Equalization payments. In addition, various ceilings on Federal expenditures under the Equalization formula were to be imposed. Moreover, the treatment of resource revenues under the new formula threatened to penalize unduly those provinces, such as Newfoundland, which have large natural resource sectors but which do not generate proportionately large amounts of economic rent.

After many months of intensive negotiations, the Government of Canada finally agreed to withdraw the unstable and inequitable one-province standard

and replace it with a five-province standard of Equalization. This formula, along with some other changes of a more minor nature, has now been included in a new five-year Fiscal Arrangements Act.

During negotiations with the Federal Government, in company with other provincial Finance Ministers and Treasurers, we pointed out anomalous features within the Equalization formula which create particular inequities for Newfoundland. The most serious of these is the treatment of water power rentals.

By way of explanation let me state that a province's share of Equalization from this revenue source is based upon the volume of hydro-electricity generated in that province. This hydro-electricity generation revenue base in the Equalization formula is designed to represent the province's capacity to raise economic rent from this source. Unfortunately, it does not measure the revenues actually received. This means that, not only does our Province fail to derive any meaningful revenues from the Upper Churchill because of the unconscionable power contract with Quebec, but, to add insult to injury, the relatively large volume of electricity which we produce reduces our Equalization entitlements by about \$18,000,000 per year.

During the negotiations, we were successful in getting the Federal Finance Minister to recognize and acknowledge this anomaly and he has indicated a willingness to work with us towards an early remedy.

Other more technical modifications to the Equalization program are also in the process of being negotiated with the Government of Canada, some of which hopefully will result in additional improvements in our Equalization entitlements.

With these changes, the level of Equalization transfers for this Province is now estimated to be \$548,000,000 compared with the initial Federal Budget proposal of \$513,000,000.

Established Programs Financing

Mr. Speaker, in its November 12th Budget, the Federal Government proposed fundamental revisions to the financing and program arrangements for health and post-secondary education. They eliminated entirely the revenue guarantee component of Established Programs Financing which was negotiated as a vital part of the arrangements in 1977. Also, they sought to implement during the next year or so, new, and as yet undefined, Federal/Provincial arrangements for the financing of post-secondary education. Further, they wished to establish expanded national standards for health care along with criteria for enforcement before the end of the current fiscal year. As a result, provinces have now been put in the position of receiving reduced funding for health and post-secondary education without knowing the financial implications of upcoming negotiations.

I am sad to say, Mr. Speaker, that the Federal Government has so far proven to be totally inflexible during negotiations aimed at effecting changes of a more reasonable nature.

In summary, the Federal Government intends to reduce its financial involvement in the Established Programs, and, at the same time, to increase its control over spending and program areas of Provincial jurisdiction. I want to assure Honourable Members that over the months ahead we will negotiate in a forthright fashion with the Government of Canada regarding standards and program conditions for post-secondary education and health care, and that we will exert every effort possible to ensure that the People of this Province will not have to sacrifice any of the benefits they presently enjoy.

The level of cash payments to the Province expected in this fiscal year under the Established Programs is \$155,000,000; an actual decrease of \$9,000,000 from the 1981-82 receipts. It is worth noting that a continuation of previous arrangements would have yielded in 1982-83 a grant of \$175,000,000; or \$20,000,000 more than the level now expected.

Mr. Speaker, the Government of Newfoundland is gravely concerned over the reduced level of funding for the Established Programs. At a time when high interest rates and inflation, as well as low levels of economic activity, are seriously limiting growth in tax receipts from provincial sources, the lower-than-expected revenues under the Established Programs Financing are especially distressing. The cut of \$20,000,000 from the payments we would have been entitled to receive under the program as it existed prior to April 1st, 1982, means that, in effect, our receipts from Established Programs in 1982-83 will decline by 5.5%. This must be contrasted with a growth rate facing us in expenditures for health and post-secondary education which is in excess of 14%.

BUDGETARY MEASURES

Mr. Speaker, it is clear that the fiscal arrangements situation I have outlined has exacerbated difficulties arising out of the general economic situation. In order to eradicate the potential budgetary shortfall, Government's approach in the first instance was a general scaling-down of all departmental expenditures. However, this alone proved insufficient and it thus became necessary to cut more deeply into certain Government programs and as well to implement measures to strengthen the provincial revenue base.

Faced with such a situation, we considered increasing the Retail Sales Tax rate as two provinces have done recently in like circumstances. This, we rejected.

We reviewed the concept of a Health Insurance Premium currently existing in three provinces and costing families up to \$500 annually. This, also, we rejected.

We looked at imposing a Payroll Tax as presently enacted in Quebec and as just announced in Manitoba, Again, rejected.

We considered increasing the rate of Gasoline Tax, but decided against so doing:

On the expenditure side, we examined the possibility of revising downward the University Student Aid program to the level current in other Atlantic Provinces, but ultimately determined to maintain the extra advantage to our own students.

We considered closing 400 active hospital beds in various areas throughout the Province, but we decided to avoid that option as well and to seek alternatives for which the rationale is stronger.

Revenue measures

In reaching final decisions on the budgetary measures to introduce, Government took care to avoid those which are regressive in nature in favour of measures whereby taxpayers who are more able to pay, pay most; and those less able to pay, pay least. As well, where possible we aimed our thrusts for the gathering of additional revenues at purchases by the public which are discretionary in nature.

Accordingly, Mr. Speaker, I wish to announce the following fiscal measures:

- The effective rate of Provincial Personal Income Tax will increase by 2%, with effect from July 1st, 1982. This increase will have a very modest impact on the low income earner. For example, a married taxpayer on an annual income of \$15,000; supporting a spouse and two children, will only pay an extra \$16 a year. A person in the same family circumstances earning \$25,000 per year will pay only an additional \$54. A like person earning \$35,000 will pay an additional \$102, and so on up the scale. I should point out that for 1982 the impact on the taxpayer will only be one-half the amounts which I just quoted. This measure will yield some \$6,000,000 in 1982-83 and represents the first increase in the Personal Income Tax in five years.
- The Newfoundland Liquor Corporation has been requested to increase its prices to provide an additional \$5,500,000.
- The Tobacco Tax will be increased immediately by an amount of 10¢ on a package of 20 cigarettes and a proportionate amount on cigars and tobacco. This will yield \$4,500,000 in 1982-83.

- The effective rate of Corporation Income Tax for large corporations will be increased by 1% to a new rate of 16% effective January 1st, 1982. This measure will add \$2,900,000 to provincial revenues in 1982-83. The rate of Corporate Income Tax on small business will remain unchanged at 12%.
- A new Capital Tax of 1.5% will be imposed on banks, loan and trust companies with effect from June 1st, 1982. There are five other provinces that impose a capital tax on corporations and banks. This new tax is limited to banks, loan and trust companies only and is expected to yield \$1,500,000 in 1982-83.
- Various fees imposed for Government licences and services will also be increased to yield a further \$1,000,000. These fees include: cutting permit fees, adult education course fees, liquor licensing fees, and non-resident big game licensing fees. The fees for drivers' licences will be increased with the regular rate being increased by \$1 a year to a new level of \$24 for a three-year licence. The fees for motor vehicle transfers, intransits, inspection books, and beginners' licences will also be increased. A new fee of \$10 will be charged for re-instating suspended driver licences.
- The interest rates charged on new resource loans made by the Fisheries Loan Board, Farm Development Loan Board and the Rural Development Authority have been increased from 8% to 12% per annum.

Mr. Speaker, these revenue measures total a little over \$21,000,000; an amount which approximates the extent of the cutbacks in Established Programs Financing payments.

Public Sector Restraint

With regard to Current Account expenditures, Mr. Speaker, Government is committed to providing a level of service that addresses our priority needs. Unfortunately, we cannot yet afford the level of service that is enjoyed by many Canadians in other provinces and it therefore, has been necessary to exercise firm restraint with existing programs to achieve our financial targets.

Almost half of the Current Account Budget of the Province goes to pay public service salaries and benefits required for program delivery. Over the past number of years, we have seen the wage bill grow, through a compounding effect of annual increases, increments, new positions and new benefits. Government simply cannot afford to continue the trends of the past few years and will, commencing immediately, restrain the growth in provincial public sector salary

cost. We have concluded that it is better to restrain wages and preserve employment where possible rather than to increase salaries by the rates recently experienced and then be forced by financial pressures to impose large scale layoffs.

As an initial step in this wage restraint policy, salary increases to Executives in the Public Service will be held at 5% in the 1982-83 fiscal year. Crown corporations and other Provincial agencies will be requested to adopt the same approach. At the same time, I am recommending that salaries and allowances to Cabinet Ministers and Members of this Honourable House be frozen for this fiscal year. I would emphasize that Government sees this policy of tighter restraint on wages being reflected throughout all groups in the Public Service, including those affected by current collective bargaining negotiations, and those covered by existing contracts when they come up for renewal. Also, the private sector should play its part in the process of wage and salary restraint during inflationary times. It is instructive to note the restrained wage settlements currently being negotiated in the U.S. even though inflation there is running at considerably lower rates than in Canada.

Government will continue its restraint program with respect to other aspects of administration in the Public Service. The provision of new positions, public service travel, building maintenance funding and a variety of other housekeeping areas have all been exhaustively reviewed to ensure that expenditures are contained within the minimum levels required.

HUMAN RESOURCE DEVELOPMENT

Mr. Speaker, it should be absolutely crystal-clear to any serious observer of the Peckford Administration that its highest priority is the People of this Province. Government has consistently emphasized the importance to our Provincial economy of natural resource development for the establishment of a sound stable revenue base. But resource development is merely the means to a more important end — the well-being of our People at every level and in every respect.

To that end, the Government has meticulously reviewed our human resource programs with the aim of improving them where the need exists, consistent with our limited financial resources. I take great pleasure, therefore, Mr. Speaker, in outlining the following initiatives in these areas.

Education

Mr. Speaker, Government is conscious of the inflationary pressures of providing primary and secondary educational services in our Province and accordingly has increased operating grants to School Boards in 1982. In addition, I take pleasure in announcing a new initiative. In recognition of the very difficult financial plight in which many of our School Boards find themselves, a special

fund of \$2,500,000 is being established to provide a measure of assistance beyond the existing grant structure. Details of disbursements from this Fund will be announced by the Minister of Education after appropriate consultations have taken place.

This year, Government will be providing \$22,800,000 to the Denominational Education Committees for school construction. Of this amount, \$12,000,000 will be spent on new facilities required for the Reorganized High School Program and the remainder will be used for other new school construction and for necessary extensions and renovations. When coupled with existing school construction commitments, these amounts will bring the total Government capital expenditure for school facilities this year to \$47,000,000.

Mr. Speaker, the Peckford Administration has long felt that this Province should be recognized as an international focal point for the study and research of marine resources and technology. For some time now, we have been negotiating with the Government of Canada with respect to a cost-shared agreement for the establishment of a new campus for the College of Fisheries and Marine Technology. Although an agreement has not yet been reached, Mr. Speaker, I am very pleased to announce that this Government has provided an amount of \$2,100,000 for the acquisition of land for the new campus and to finalize planning of the facility. It is hoped that this initiative on our part will encourage the Government of Canada to expedite the concluding of negotiations for cost-sharing the construction and equipping of a facility critically important to Canada's maritime activities. This decision is a further demonstration of Government's commitment to our fishing and marine industries and to all who are associated with them.

Government has recently carried out a review of the various student assistance programs in the vocational school system. The students in this system are not eligible for Provincial Student Aid Grants at present even though Canada Student Loans are available and, in some cases, weekly expense allowances are paid. These students also differ from their university student counterparts in that no tuition fee is applicable in the vocational school system. I wish to announce that Government plans to change this situation in September, 1982, at which time all post-secondary students will be provided assistance under the same "needs based" program which is currently available to University students.

Thus students in the colleges and vocational schools having demonstrated financial need will be eligible for grant assistance from the Province of up to \$2,000 a year, if single, and up to \$2,500 a year, if married. When this new program is introduced, payment of the weekly expense allowances to students in our colleges and vocational schools will be discontinued and a tuition fee of \$100 per semester will be introduced.

In response to the lack of demand in various traditional trades, certain training areas will be reduced in some of our vocational schools. However, programs in Electronics Technology and Computer Data Processing will be expanded in the new year providing places for more Newfoundlanders to undertake instruction in these high technology fields, where job opportunities exist.

Action is being taken in several areas to improve educational services for handicapped children. Provision is made in the Budget to complete design and site preparation work for a new school and for residential facilities to replace the existing School for the Deaf at Torbay. The new school will accommodate 150 students, 100 of whom will live in residence. The policy of providing resources to local School Boards will be continued so that as many mentally and physically handicapped children as possible can be integrated into a variety of "least restrictive" educational programs within the regular school system.

The Queen Elizabeth II Library at Memorial University will be officially opened this coming weekend. The Budget provides \$1,800,000 to complete Government's contribution to its construction. Government is proud of this new facility which is seen as playing a fundamentally important role in the pursuit of higher learning at our University. An amount of \$1,200,000 has been provided in Memorial's 1982-83 Budget for necessary renovations at the Henrietta Harvey Building in order to allow the University to accommodate its growing needs in many areas.

Mr. Speaker, the Reorganized High School Program, begun at the Grade X level in September, 1981, is progressing well. Full consultation is taking place with all associated interest groups to help minimize phase-in difficulties. The new program will see the first Grade XII graduates in June, 1984. Government will honour its commitment to allocate additional teacher salary units and capital funding this year to facilitate the implementation of the new program, and will also be providing additional financial assistance to School Boards for the purchase of equipment and supplies needed for some of the new courses.

Social Services

Mr. Speaker, I am pleased to state that funding has been provided for important changes in Social Assistance services. Effective April 1st, 1982, regular and special foster home rates were increased by 10%. General Social Assistance rates and rental and mortgage allowances were increased by 10% effective May 1st, 1982. Child Welfare Allowances were increased by 12% effective April 1st and the clothing allowances by 40%.

Mr. Speaker, Government is very much aware of the increasing needs of our senior citizens. While we believe that every effort must be made to allow

our senior citizens to remain in their homes as long as possible, it is necessary to provide facilities for the many who do require institutionalized care.

Accordingly, Mr. Speaker, it gives me great pleasure to announce that Government has decided to implement a three-year program to secure additional chronic care beds throughout the Province. I am pleased to announce that an expansion has been approved for the St. Patrick's Mercy Home in St. John's which will bring to 200 the number of beds in this facility. As well, approval has been given for an increase of 35 beds at the Harbour Lodge in Carbonear, an additional 10 beds for the Senior Citizens Home in Springdale, and a further 6 beds for the Blue Crest Interfaith Home in Grand Bank. Details of the second and third years of this program will be announced later.

Government has provided funding for an additional 50 beds in licensed boarding homes and an additional 25 beds in homes for ex-psychiatric patients. We have also provided financial assistance for the operation of the Infirmary at the new Masonic Lodge in St. John's.

Mr. Speaker, I am sure all Honourable Members will be pleased to learn that we have provided funds for the establishment of an Alcohol and Drug Dependency Commission, and we are confident that this initiative will make significant strides in addressing the many facets of social problems relating to alcohol and drug abuse.

Health

Mr. Speaker, Government remains committed to doing everything within its power to provide and maintain a health care system which is sensitive to the needs of our people and appropriate to our unique geography. The cost of operating the health care system today constitutes a major portion of the Provincial Budget, and it is a continuing challenge to allocate to it sufficient funds as the pressures of other social and economic needs of our people become stronger.

Despite economic restraints, Government is committed to the health facility construction program set forth in its Five Year Plan. Construction will be completed during this fiscal year on the Channel Hospital. Today, I am pleased to announce that funds have been allocated in the Budget to complete planning and start construction of a new hospital at Clarenville. Also, funds have been provided to commence planning for the construction of a hospital on the Burin Peninsula to serve the growing needs of that very important part of our Province. I am also happy to state that Government has decided to proceed with Phase II of the expansion plan for the hospital at Bonavista. Finally, funds have been allocated to commence construction of new community clinics in Labrador at Black Tickle and Fox Harbour and to undertake major renovations and upgrading

to community clinics at Cartwright and Mary's Harbour. Those clinics are being built and renovated under the provisions of the Labrador DREE Subsidiary Agreement.

Mr. Speaker, for some years, Government has been evaluating certain aspects of the Cottage Hospital System, which was introduced during the days of Commission of Government, nearly fifty years ago. The System served the Province well, but has remained relatively unchanged for decades. Cottage hospitals were built in outlying areas of the Province in times when patient referral to larger centres was not possible because of transportation and communications difficulties, except for very serious medical cases. In many areas, there were no regional centres. However, with improvements in road and other transportation services, and with the construction of modern health care facilities in most regions of the Province (and others under construction and in the final planning stages), a review and rationalization of the roles of some of the small cottage hospitals was obviously required. Some of these hospitals are faced with low occupancy rates and an inability to provide a comprehensive service to the people they seek to serve. As a first step in this process, during the coming fiscal year, Government will change the role of the cottage hospitals located in Old Perlican and Markland. Essentially this process will phase out the treatment of in-patients as the predominant activity and concentrate instead on the improvement of out-patient clinical services. In each case, some holding beds will be maintained in order to deal with emergencies.

As Honourable Members are aware, the health care system abounds with technological change and this implies a continual need for funds to buy new equipment as well as to replace existing items. Mr. Speaker, Government has allocated \$4,000,000 this year for these purposes.

Despite these times of restraint, funding for board-operated hospitals has increased by 15.5% over last year. In order to generate additional revenue, the existing nominal \$3.00 per day ward charge will be increased to \$5.00 per day and the ceiling for aggregate ward charges will be raised from \$45.00 to \$75.00 per hospital stay. The charges for private and semi-private rooms will increase from \$18.00 to \$30.00 and from \$12.00 to \$20.00, respectively. These increases in hospital rates are the first in four years and will be effective immediately.

After undertaking a thorough review of our existing Children's Dental Program, we have decided to adjust the number of examinations and fluoride treatments permitted from two per year to one per year, effective April 1, 1982. We have been assured by professional advice that this new level of service is entirely satisfactory for preventative dental health purposes.

Government is aware of the special needs of small groups of people who have health care problems of particular difficulty. In recent months, Government approved the extension of its medical transportation program to cover

transportation expenses of Newfoundland residents who require kidney transplants in centres outside the Province. Included as well is a provision to cover 50% of the transportation expenses of a spouse.

Government is keenly interested in encouraging Newfoundlanders to pursue careers in specialty areas of health care where qualified people are in short supply. Consequently, Government is providing an additional 22 places in an expanded bursary program to encourage more nurses to undertake specialty courses. We have also provided additional bursaries for medical residents designed to encourage practice in Newfoundland after specialist qualification.

Administration of Justice

Mr. Speaker, substantial improvements have been completed in the corrections area. Phase I of Her Majesty's Penitentiary has recently been opened and the first regional facility at Clarenville is now fully operational. Construction is proceeding on schedule on the Bishop's Falls regional correctional centre and it is anticipated that it will be completed in this fiscal year.

I am pleased to announce two further steps in the modernization of our correctional system. Construction will commence this year on the Labrador correctional centre to be located in Happy Valley/Goose Bay. Renovations will also commence on the old centre block of Her Majesty's Penitentiary to provide for additional inmate programs, including a new chapel.

Consistent with Government's plan to merge the Trial Division of the Supreme Court with the District Court, the Budget provides funds for detailed design work for alterations to the Supreme Court. Included are funds for planning to move the St. John's Provincial Court to leased accommodations. Additional support staff will also be provided to the Provincial Court in order that the provisions of The Small Claims Act are made fully effective. These changes will help provide equal access to the courts for all residents of the Province.

Government has recently announced a major expansion of the Royal Newfoundland Constabulary to Labrador City/Wabush to take effect in the Summer of 1984. Funds have been provided in this year's Budget for planning of a new Constabulary Building in the area to accommodate the expanded service.

BUSINESS INCENTIVES

The marine industries sector of our economy includes establishments which manufacture equipment or provide services in support of commercial and scientific activities in the ocean. Government is anxious to encourage the expansion of Newfoundland companies in this area and to attract new ocean related industry to the Province. Mr. Speaker, I am pleased to announce that

for the 1982-83 fiscal year only, a total of \$1,500,000 in incentive funds will be made available to assist companies with the cost of approved capital projects aimed at expanding local capacity in these areas. This assistance is evidence of Government's commitment to the development of a diversified marine industries sector to complement and enhance the traditional relationships of our economy with the sea. Full details of this program will be announced shortly.

In late 1981 Government announced its new policy with respect to industrial parks in the Province. This policy has centralized the planning, administrative and development activities which were previously fragmented in a number of agencies and provides a consistent approach to meet the demand of industrial growth. I am pleased to announce that funding is included in the 1982 Budget to commence Phase I of the new Octagon Industrial Park, including detailed planning and design work, as well as right of way acquisition. Work on six other projects will continue, as well.

Government regards small business as a vital component of the provincial economy, employing many Newfoundlanders. Economic benefits are especially important where local manufacturing reduces the need for imported goods, and where sales of manufactured goods are secured outside the Province. In order to encourage these types of business enterprise, Government has decided to bring in a new program. On an individual case basis, applications will be considered for exemptions from Retail Sales Tax for capital investment in machinery and equipment which results in increased local employment. The program will be jointly managed by the Department of Development and the Department of Finance.

As a boost to the sawmilling industry, a Retail Sales Tax exemption is being provided for capital equipment expenditures made by the sawmill operators and used directly in their manufacturing process. This exemption will not apply to the pulp and paper industry.

OTHER INITIATIVES

Government and Anaconda Aluminum are continuing to co-operate in conducting a study to establish the feasibility of locating an aluminum reduction facility in the Province. Considerable in-house work, both at Anaconda and the Department of Development, is ongoing and consultants have been retained to address other areas crucial to the completion of the study. All of these studies will be completed by August, after which full assessment can take place. Should the conclusions be positive, Anaconda would then be in a position to proceed with the detailed design and construction planning effort, subject of course to assurance that adequate and reliable power would be available. While this study is focusing on two sites, one in Labrador and one on the Island, I want to stress that the results would, with some minor additional site specific work, be applicable to other locations in the Province.

One of the hallmarks of the Peckford Administration has been an emphasis on the preservation of our heritage and unique way of life in this Province. Coincident with the development of our vast resources must be a determination to maintain and strengthen our rich history and traditions for the benefit of future

generations. I am, therefore, very pleased to announce, Mr. Speaker, that Government has decided to establish a Newfoundland and Labrador Heritage Foundation. The primary function of this Foundation will be to identify, enumerate and preserve various properties and structures of historical and architectural significance throughout the Province. An amount of \$100,000 has been provided in the Budget to initiate a fund for this purpose and Government will assess the future need for contributions on an annual basis. We are confident that the new Foundation will be instrumental in preserving important elements of Newfoundland's culturally significant past and that the private sector as well, will endorse the Foundation and its objectives by providing financial support.

In line with Government policy to promote cultural activities within the Province, I am very pleased to announce that funding has been provided to complete the planning for a new Arts and Culture Centre in the Labrador City/Wabush area. The addition of this new facility will provide a focal point for artistic expression in this culturally rich area of our Province.

Mr. Speaker, as a further demonstration of Government's commitment to the orderly and stable growth of credit unions within the Province, we have decided to provide a \$1,000,000 deficiency guarantee for the purpose of assisting with the establishment of a Credit Union Stabilization Fund. This Fund will be administered by a board and will lend an additional measure of protection to credit union members in place of insurance protection on their deposits. The guarantee will enable the Fund to be established at \$1,000,000 upon inception and will be provided for a five-year period, to be reduced at the rate of \$200,000 per annum, as credit unions themselves make annual contributions to the Fund.

Mr. Speaker, I am pleased to announce that Government has approved an increase for pensioners drawing benefits under the Public Service Pension Plan effective May 1st, 1982 which will average 10%. As in previous years, the larger increases will be provided to those individuals who began receiving pension payments prior to March 31st, 1972.

STIMULATION FOR THE ECONOMY

In my opening remarks I highlighted the present status of the major economies in North America and the many forces impacting upon the economic environment in Newfoundland and Labrador. I pointed to the limited scope of a provincial government to resist strong international undercurrents of recession. I emphasized, however, that the Government of Newfoundland and Labrador is committed to do its part, within the confines of our financial resources, to stimulate economic activity within the Province and thereby expedite the pace of economic recovery. Accordingly, Mr. Speaker, I am particularly pleased to be able to announce that the Provincial economy will benefit from various forms of public sector investment and financial support by the Province to a total extent of almost \$500,000,000 in 1982-83. The economic stimulus which will be provided through the provincial capital construction program including Crown corporations and agencies, will result in the creation of approximately 6,700 man-years of employment this year. In addition, a number of measures we have taken

over the past several months will be instrumental in maintaining the continuity of employment in the fishing sector. When viewed in its totality, the impact of these steps will be felt in all areas of the economy and all regions of the Province. Table III lists the major elements comprising Government's contribution to economic activity in 1982-83.

**TABLE III
CONTRIBUTION TO ECONOMIC ACTIVITY**

DIRECT BUDGETARY EXPENDITURES	Impact
Transportation Projects	\$ 70,100,000
School Construction	22,800,000
Hospital Construction	15,300,000
Fisheries Support	14,300,000
Forestry Stimulation	14,000,000
Municipal Infrastructure	13,200,000
Newfoundland Dockyard	5,800,000
Work Activity/Community Development	4,100,000
Confederation Complex	2,400,000
Fisheries Institute	2,100,000
General Capital Works	26,000,000
	<u>190,100,000</u>
CORPORATIONS	
<u>Newfoundland & Labrador Hydro Corporation/</u>	
<u>Power Distribution Districts</u>	
Cat Arm	78,000,000
Upper Salmon	70,700,000
Transmission Lines, etc.	13,400,000
Power Distribution Districts	5,900,000
	<u>168,000,000</u>
<u>Newfoundland and Labrador Housing Corporation</u>	
Housing	27,600,000
Land Assemblies	12,100,000
Industrial Development	9,600,000
Building Lot Subsidies	4,400,000
	<u>53,700,000</u>
FINANCIAL GUARANTEES	
Municipal Water and Sewer	32,000,000
Fisheries Support	13,500,000
Municipal Paving	13,000,000
Marystown Shipyard Limited	12,000,000
Fisheries Loan Board	7,000,000
Senior Citizens Homes	4,000,000
	<u>81,500,000</u>
TOTAL	<u><u>\$ 493,300,000</u></u>

The construction industry will benefit greatly both from the amount of public sector investment and, as well, from the procedural steps we have taken over the past few months to maximize employment. In particular, we have instituted measures to:

- Get the work started early through advance tendering of major projects;
- Make it possible for many smaller local firms to obtain contracts; and
- Accelerate planned investment expenditures to shift work ahead to the present year.

This increased public sector spending will offset the slowdown in private sector investment during the 1982 construction season such that real growth in the construction sector is expected to reach between 3% and 5% for the year.

Mr. Speaker, I would now like to comment upon certain specific sectors within Government's stimulative financial and economic program for 1982-83.

The Fishery

The fishing industry, from an employment-generating perspective, continues to be a major component of our economy. During the past two years, the industry has had to wrestle with high interest rates, weakened market conditions, and catch failures in certain sectors of the inshore fishery. These factors have contributed to an unprecedented cost-price squeeze for fishermen and processors.

Despite these short-term difficulties, we are more than confident that long-term stability can be assured through a number of initiatives directed towards overcoming specific structural weaknesses in the industry. Over the past several months we have provided some \$23,000,000 in direct assistance and guaranteed loans to the harvesting and processing sectors of the industry, including \$7,000,000 in direct assistance provided just prior to the expiry of the old fiscal year. The full impact of these measures will be felt in 1982. More than any other fact, this level of assistance to the industry in trouble demonstrates Government's commitment to and faith in the enduring nature of the fishery, as it has helped save the jobs of approximately 9,400 plant workers and at the same time, has assured the availability of processing facilities for the fish catches of some 11,000 fishermen. We are confident of the resilience of our fishing industry and its ability to bounce back from temporary setbacks.

A number of conditions is attached to the assistance we have provided, including proof of the future viability of the individual operation, as well as clear evidence of management expertise. Government also stipulated that affected companies must support Government-initiated quality improvement measures, consolidated marketing initiatives, and support Government should it decide to establish a consortium of Newfoundland seasonal operators to gain access to offshore northern cod outside the normal fishing period.

There can be no doubt about the long-term importance of these measures to our most basic industry — an industry historically more interwoven with our way of life than any other.

Newfoundland and Labrador Hydro Corporation

Investment by Provincial Government enterprises, of which Newfoundland and Labrador Hydro is the largest, represents a significant portion of all construction investment in our economy. Hydro is expected to increase its capital investment spending in 1982 by \$63,000,000 to a total of approximately \$168,000,000. This includes spending on a number of projects of which the Cat Arm and Upper Salmon hydro developments are the largest. During the construction season in 1982, employment will peak at 1,550 jobs as a result of all hydro projects in the Province.

Transportation

Mr. Speaker, capital expenditures on transportation in 1982-83 will be up 86.4% to \$70,100,000 as compared with \$37,600,000 in 1981-82. The greatest contribution to this increase comes from construction of new highways, bridges, and causeways, and from road reconstruction projects. In addition to these projects, a number of new airstrips will be built along the Labrador coast, costing \$6,200,000, as well as a number of new marine ferry terminals, costing \$4,400,000.

Municipal Infrastructure

During 1982-83 the Province will guarantee \$32,000,000 in loans to some 72 municipalities in order to finance water and sewer projects. This is an increase of 28.5% from the \$24,900,000 provided in 1981-82. Government guaranteed loans of \$13,000,000 will be provided to 39 municipalities for road construction and paving projects, for an increase of 42.9%.

The Department of Municipal Affairs will also increase its construction-related capital works budget to \$13,200,000 to cover industrial servicing, and other projects, including the major St. John's water and sewer projects.

Forestry

Spending under the Forestry Economic Stimulation Program and the Forestry II Subsidiary Agreement is projected to reach approximately \$14,000,000 in 1982-83. These programs include such major elements as forest access roads construction, silviculture projects, and harvesting budworm-damaged timber. Together, the programs are expected to generate a peak of 1,500 jobs during the coming Summer. These programs are co-operative efforts between the two orders of Government and the paper companies.

The economic impact of these measures will be to increase the wood fibre yield in the Province's pulpwood logging operations by utilizing wood which would otherwise be lost, and to ensure the availability of a continued wood supply for the forest industry in the future.

Housing

Through the Newfoundland and Labrador Housing Corporation we have already invited proposals for the construction of 100 subsidized housing units. A further 60 units will be commenced in the next several months. In addition, we will spend \$8,400,000 for land development in the Mount Pearl-Newtown area. As the Honourable Members are aware, we recently introduced a building lot subsidy program in an effort to stimulate private construction of single unit housing. This program is worth \$3,200,000 and will affect 1,200 provincially-owned building lots located in 18 communities. As well, I am pleased to announce the addition of a lot subsidy arrangement for the Cowan Heights Development affecting 200 lots with a subsidy of \$5,000 - \$7,000 per lot. This particular subsidy will be effective for a six-month period only.

Mr. Speaker, it goes without saying that a significant drop in mortgage lending rates would allow these programs to have a much greater impact on the level of housing starts.

THE GREAT CANADIAN IRONY

Mr. Speaker, I have, this afternoon, reviewed the economy, Newfoundland's financial performance and the budgetary position for the coming year. I have outlined a capital works program aimed at stimulating economic activity this year and I have reiterated the commitment of the Peckford Administration to manage the financial affairs of the Province on a sound and realistic basis. I cannot, however, conclude a Budget Speech for the Province of Newfoundland and Labrador at this time without addressing the issues which are fundamentally important in determining the financial and economic destiny of this Province. They are also fundamentally important to the future of our nation.

We live in a world, Mr. Speaker, that has become ultra energy conscious—a world where, notwithstanding temporary surpluses, nations struggle to locate new major reservoirs of oil, gas, and hydroelectric power. We see Canada stand out in sharp outline in this context with vast quantities of each of these resources, clearly identified as economically viable and technically feasible to develop. The development of these energy resources would provide billions of dollars of economic stimulus.

Yet, where are we?

The projects are not proceeding. The national economy is in recession. We are still burning imported oil and the country is no closer to energy self-sufficiency than it was 5 years ago. Hundreds of millions of dollars worth of unharnessed hydro power are flowing into the sea. Energy can be transmitted by pipelines across provincial boundaries but transmission of power by cables across the same boundaries to ready markets is still not permitted. One province exports the power of another province and reaps hundreds of millions in profits for itself while virtually none goes to the owner of the resource.

Oil resources on land are treated differently by the Government of Canada than the same resources in land extensions under the sea. Oil resources under fresh water are treated differently from those under salt water.

The exclusive right of some provinces to exploit and manage their petroleum resources is recognized by the Government of Canada. Yet, for the offshore resources of the coastal provinces, the Federal Government claims the sole right of management and control. There is a refusal even to entertain proposals for joint management and shared jurisdiction. In recent days we have witnessed the Federal Government's abandonment of any pretense of negotiating joint management and revenue sharing by taking the unprecedented action of referring the offshore issue directly to the Supreme Court of Canada.

Mr. Speaker, that is the Great Canadian Irony - Canada's Energy Strategy.

Mr. Speaker, it won't last. It can't last, It's too illogical and unreasonable. The world can't understand it. The people of Canada can't understand it and neither are they prepared to live with it.

Newfoundland will do its share to bring reason to this chaos, Mr. Speaker.

Through the Water Rights Reversion Act which has now been upheld by the Newfoundland Court of Appeal and awaits decision by the Supreme Court of Canada, we will bring about reason in the hydro sector and achieve equity in the utilization of the Labrador hydro resource.

In offshore oil and gas, we will again bring about reason. The unanimous condemnation of the recent Federal action by this Honourable House is a matter of record and this Government is determined that the course pursued by the Government of Canada in selfish desperation will not succeed. Our legal strength and the solid reasoning of our negotiating position will triumph over the shallow tactics being practised by the present administration in Ottawa.

We will work towards the legitimate goal of energy self-sufficiency for our nation and we will share the benefits therefrom with our sister provinces. Finally, Mr. Speaker, we will ensure that the resource is properly managed for the mutual benefit of Newfoundland and Labrador and all Canadians.

SOME HON. MEMBERS:

Hear, hear!

On motion, the

debate was adjourned until tomorrow, Monday.

MR. SPEAKER (Russell):

Order, please!

The hon. the

Minister of Finance.

DR. COLLINS:

Mr. Speaker, I

wish to inform the House that I have received a message from His Honour the Lieutenant-Governor.

MR. SPEAKER:

All rise, please.

This message is

addressed to the hon. the Minister of Finance (Dr. Collins).

"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 1983, in the aggregate of \$1,682,497,100.00 and in accordance with the provisions of the Constitution Act 1867, I recommend these estimates to the House of Assembly.

(Sgd) W. Anthony Paddon
Lieutenant-Governor."

I should like to take a few moments to distribute the documents to the various members.

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.

MR. CHAIRMAN(Aylward):

Order, please!

The hon. the

President of the Council.

MR. MARSHALL:

Mr. Chairman, I move

that the Committee rise, report progress and ask leave to sit again.

On motion, that the

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

MR. SPEAKER(Russell):

The hon. the Chairman

of Committees.

MR. CHAIRMAN:

Mr. Speaker, the

Committee of Supply has considered the matters to it referred, has made some progress and ask 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 this House resolve itself into Committee of the Whole to consider certain resolutions relating to the imposition of a tax on the income of individuals and the imposition of a tax on the income of corporations.

Mr. Speaker, I give

notice that I will on tomorrow move that this House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on tobacco.

DR. COLLINS: Mr. Speaker, I give notice that I will on tomorrow move that this House resolve itself into a Committee of the Whole to consider certain resolutions relating to the imposition of a tax on the taxable paid up capital of certain corporations.

MR. SPEAKER(Russell): The hon. the President of the Council.

MR. MARSHALL: Mr. Speaker, pursuant to Standing Order 119 I move that the following Heads of Expenditure be referred to the Resource Committee:

Heading No. VII Mines and Energy
Heading No. VIII Fisheries
Heading No. VI Development
Heading No. X Rural, Agricultural and Northern Development
Heading No. IX Forest Resources and Lands.

At the same time,
Mr. Speaker, I would like to move that the following Heads of Expenditure be referred to the Social Services Committee:

Heading No. XIX Justice
Heading No. XV Health
Heading No. XIII Education
Heading No. XII Environment
Heading No. XIV Social Services
Heading No. XVIII Culture, Recreation and Youth

I further move that the following Heads of Expenditure be referred to the Government Services Committee:

Heading No. XVII Municipal Affairs
Heading No. V Public Works and Services
Heading No. XVI Labour and Manpower

MR. MARSHALL:

Heading No. IV Finance

Heading No. XI Transportation

MR. SPEAKER (Russell):

Order, please!

Is it the pleasure

of the House to adopt the motion? Those in favour
'aye', 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 31, 1982, at 3:00 p.m. and that this
House do now adjourn.

On motion, the House

at its rising adjourned until tomorrow, Monday, May 31,
1982 at 3:00 p.m.