



Province of Newfoundland

FORTIETH GENERAL ASSEMBLY  
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***VERBATIM REPORT***  
***(Hansard)***

Speaker: Honourable Patrick McNicholas

Thursday

2 April 1987

The House met at 3:00 p.m.

MR. SPEAKER (McNicholas):  
Order, please!

DR. COLLINS:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the 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:  
The motion is that this House resolve itself into a Committee of Ways and Means and that I do now leave the Chair.

The hon. the Minister of Finance.

DR. COLLINS:  
Mr. Speaker, budgets are a composite or amalgam of projections, and accordingly are based on a series of assumptions.

In March last year, in the Budget Speech to this Honourable House I stated that our Budget would bring "good news" to the people of the Province. That comment was based on certain assumptions as to the unfolding of economic events over the twelve months ahead, ending on March 31st just past.

Mr. Speaker, I am happy now to say that our assumptions were substantially correct. Our total economy grew by about 2 per cent in real terms, the latest Statistics Canada information shows a year-over-year increase in employment of 2.8 per cent, the

inflation rate in the Province as reflected by Statistics Canada in the St. John's CPI came in at 3.0 per cent or 1.1 per cent below the Canadian average, mortgage rates have declined 1 per cent, retail trade increased by 6.1 per cent, and so on.

Strictly from the Provincial Government's own financial perspective, in the Budget Speech I estimated a likely Current Account deficit of \$49.3 million and on Capital Account a borrowed money expenditure of \$238.3 million. Honourable Members, to a woman and a man no doubt, will be delighted to hear now that, in fact, our year-end Current Account deficit was \$40.9 million or \$8.4 million less than estimated, and our Capital Account borrowings were lower by \$28.6 million at \$209.7 million for a total budgetary requirement for 1986-87 of \$250.6 million, instead of \$287.6 million as estimated last March, 1986.

Mr. Speaker, despite last year's performance, the Province is in an increasingly difficult position. Our economy remains weak while other provinces strengthen and prosper. Our employment picture is a national disgrace. We are suffering net outward population migration, largely because of economic circumstances. Aggregate income, business investment and Federal spending in the Province fall short of our needs to the extent that "tight money" persists and retards development potentials.

These conditions exist at the thirty-eighth anniversary of our confederating with the rest of Canada, a milestone passed only two days ago. The simple fact remains that the undoubted social benefits of the Act of Union have

not been matched with economic gains, anywhere nearly sufficient to raise us to an acceptable Canadian standard of living. Improvement is so slow, under current Federal/Provincial interaction, that a position of equity will not be attained within a foreseeable time span.

This harsh assessment, at the outset of our thirty-ninth year in Confederation, is confirmed by an array of factual evidence which allows for no other interpretation.

Mr. Speaker, our Government has been grappling with the enormous problem of our chronic economic disparity even since attaining office, and never more so than during this past year of some progress. We anticipate grappling with it for a number of years ahead. For the year immediately before us, we anticipate extremely trying and testing circumstances, particularly for the financial status of the Government itself in its role as the deliverer of the vast bulk of public services needed by our people.

For these reasons, Government has decided to use the presentation of this Budget Speech to lay out, in as clear terms as possible, all relevant details of our economic progress since becoming a Province of Canada, with particular emphasis on the past five years or so since the onset of the recent deep recession. Our present is rooted in our past, and our future would only be different and more fulfilled to the extent that we learn from it the ways to improve on our performance.

There is, for our expressed purpose, a virtual mountain of historic economic data available, Mr. Speaker, and in order to

render it intelligible in the short time available, I will concentrate on certain elements or indices.

The indices I have chosen make comparisons with the related Canadian situation as a whole, and with other areas such as the Maritime Provinces, so as to give some rational context for the data themselves. They are expressed by graphs and tables in the printed text.

#### GROSS DOMESTIC PRODUCT

Newfoundland and Labrador entered Confederation, in 1949, with the lowest level of output of goods and services, on a per capita basis, of all Canadian Provinces. For example, in 1949 the GDP index level was 47 per cent on a scale of 100 per cent for all provinces combined. That constituted a huge gap, and over the years many, and variously successful, projects and programs were undertaken by the two previous and the present Administrations, in order to close it. Regrettably, today the gap remains as wide as ever, for all practical purposes.

In the intervening thirty-eight years, the actual output of goods and services increased greatly, of course, in comparable real terms, more than doubling; but the other provinces also moved ahead, so that in 1986, the per capital GDP gap still left us at only 58 per cent of the Canadian average, a mere eleven percentage points better off than 1949, but still far behind.

In 1961, Newfoundland and Labrador's per capita GDP trailed the Maritime average by twelve percentage points, whereas in 1986 the gap was nearly nine percentage

points. Some small progress after twenty-five years, but what is worrisome is that, since 1981 a new widening of our GDP gap with the Maritime average has occurred.

#### EMPLOYMENT

The employment status of the workforce is usually expressed in terms of the Unemployment Rate.

In many ways, a more informative and realistic view of employment is gained by a study of the Employment/Population ratio, which gives the proportion of people employed at any one time among the adult population fifteen years of age and older, inclusive of both sexes and whether work is being actively sought or not.

The following ratios apply to the period 1975 to 1986: Ontario has advanced from 60 per cent in 1975 to 64 per cent; the Canadian average has moved up two percentage points to 59 per cent by 1986; the Maritime average and our Province remained virtually unchanged throughout at 51 per cent and 42 per cent respectively.

Thus, we have one-third less of our working-age population in remunerative employment than Ontario, and approximately 10 per cent less than the Maritimes.

As studies by the Royal Commission on Employment and Unemployment show, lack of a desire to work is not a significant factor in this Province, or probably elsewhere; it is the availability of remunerative employment which is a determining factor, and this is obviously where the Newfoundland economy is disadvantaged in relation to other areas of Canada.

#### PER CAPITA INCOME

If we go back to 1949, per capita income net of social assistance and other transfers, that is, per capita Earned Income, was just about 50 per cent of the Canadian average, whereas the Maritime average was 70 per cent and Ontario, 120 per cent. Thirty-seven years later, in 1986, the relative statistics show 52 per cent, between two and three percentage points more, for Newfoundland and Labrador; 74 per cent, five percentage points more for the Maritimes; and 115 per cent, a decline of six percentage points, for Ontario. Since 1981, both Ontario and the Maritimes have advanced, whereas our Province has experienced a small further decline in this economic index.

Thus, ever since Confederation, our gain in per capita income has been small, slow and uncertain, with significant gaps persisting throughout, leaving us the chronically poorest in the nation, and especially negatively affected by the recent recession.

Quite apart from the hardships for the individual family, the resulting lack of aggregate purchasing power constitutes a very real hindrance to business expansion in this Province and its potential for employment. Especially since the recent severe recession, when an expansion to aggregate income would have speeded recovery, the per capita Earned Income trend has been in reverse, and even total Personal Income, including transfer payments to individuals, is not accelerating and contributing progressively to recovery as is occurring in the Maritimes, Ontario and elsewhere in most parts of Canada.

## FISCAL CAPACITY

Fiscal Capacity, as defined by the Federal Government, according to standard criteria, for equalization calculation purposes, reflects each province's ability to raise own-source revenues, and the value of the index is independent of the actual tax structure in place in any particular province.

The index for Newfoundland and Labrador was 57 per cent of the Canadian average in 1980, and had risen only to 59 per cent by 1985. During the same period, the index for the Maritime Provinces had risen gradually from 64 per cent to 69 per cent, whereas that for Ontario went from 91 per cent to 99 per cent. Our Province, therefore, has considerably lower revenue-gathering ability than our neighbours.

It is particularly noteworthy that the Fiscal Capacity spread between ourselves and the Maritime Province average widened from seven percentage points in 1980 to ten percentage points by 1985, confirming that the basic economic problem in this Province cannot be considered as simply one aspect of a general Atlantic Canada problem, but is an inherent structural disorder unique to Newfoundland and Labrador and demanding particular approaches for its correction.

## GOVERNMENT EXPENDITURES

For our present purposes, my review is confined to the ten year period from 1975 to 1984, for which confirmed comparable data are available.

### Provincial and Local Governments

If we view the cost of supplying public services reflected as a provincial government's total expenditures expressed in per capita terms, we find Ontario moved from 98 per cent to 85 per cent, the Maritimes remained steady at about 90 per cent and our Province declined from 100 per cent to 94 per cent of the Canadian average, during the ten years. Obviously, these trends are not contingent on relative wealth, or Ontario would have gone in the opposite direction. The point to be learned from the changed relationships, between those three eastern areas of Canada, is that the per capita cost of provincial public services is increasing for both the Maritimes and ourselves, relative to Ontario, with our Province always having the highest per capita cost of all three.

This fact is also obvious from a consideration of provincial/local government expenditures as a percentage of GDP. Throughout the ten year period, the expenditure need in Newfoundland and Labrador remained in the range of 40 per cent to 45 per cent of our total GDP; the Maritimes were 35 per cent of GDP; whereas Ontario needed to expend just over 20 per cent, not much different from the Canadian average which ranged around the 25 per cent proportion of gross national product.

For reasons that are obvious in our own case, it appears that the Atlantic Canada area as a whole requires a significantly higher per capita expenditure than do Central and Western Canada, with our Province bearing the highest cost of all.

### Per Capita Federal Government Expenditures

In all areas of Canada, an important input into total expenditure is provided by the Federal Government. It is in this area, perhaps, that the most striking and unexpected facts result from the review of statistical data published by Statistics Canada.

In 1975, Federal per capita spending in Ontario was at 97 per cent of the Canadian average, remaining more or less so throughout the following ten year period. Based purely on need, it might be expected that spending in the Maritime Provinces would be next highest, and spending in our Province higher still. However, Federal spending per capita is actually much lower here than in the Maritimes. In Newfoundland and Labrador, per capita Federal expenditure annually approximated 125 per cent of the Canadian average over the period to 1984. The Maritime Provinces' rate began at 153 per cent in 1975, fluctuated upwards to 175 per cent in 1980 and was still over 140 per cent in 1984.

This striking finding is further clarified when the various components of per capita Federal expenditure are considered. In Newfoundland and Labrador, transfers to Government and to persons are at the highest level, ranging between 160 per cent to 180 per cent of the Canadian average throughout the ten year period. Federal payments for goods and services and on interest owing were also above the Canadian average but to a lesser degree, whilst Federal capital and assistance program spending was considerably below the Canadian average, in the range of 55 per cent to 65 per cent.

In contrast to our Province, for the Maritime Provinces on average, all three components remained above the general Canadian level; Federal Government capital and assistance expenditures in 1975 were 250 per cent of the Canadian average, ranged up to 400 per cent in 1982, and in 1984 were still over 180 per cent. Federal payments for goods and services and interest also were considerably greater than in Newfoundland and Labrador, by some 60 per cent on a per capita basis. Only transfer payments to governments and persons were less than in our Province, by approximately 10 per cent.

Even in the case of Ontario, the per capita payments for goods and services and for interest on public debt were about 15 per cent greater than in the Maritime Provinces and a huge 65 per cent to 85 per cent greater than in Newfoundland and Labrador.

We are neither receiving the highest level of Federal assistance on a per capita basis nor has it been particularly of the seminal type for economic advancement.

It must be emphasized that Federal transfer payments to governments and to individuals in our Province are not being denigrated. Nevertheless, the data available help to point up the areas where added stress in Federal assistance should be placed, with an expectation of greater and more long-lasting economic benefit than the present apparently excessive reliance on the transfer payment mechanism.

#### PUBLIC DIRECT DEBT

The most meaningful view of the

Province's indebtedness is provided by consideration of Direct Debt, net of Sinking Funds accumulations. Also, to realistically compare the current balance of debt with former years, a truer picture is obtained if the amounts owing are expressed in constant value dollars.

Misconceptions abound on the real Direct Debt of the Province. Significant debt accumulation has gone on for at least the past twenty-five years, with the greatest rate of growth in the 1960's and early 1970's. During the ten years up to fiscal 1973, debt grew at about 20 per cent per year. Over the following ten years, the annual growth rate declined sharply, to 3.5 per cent initially and, for fiscal 1979 to 1983 inclusive, the rate was actually negative, the net Direct Debt falling from \$2.1 billion to \$1.9 billion, the first declining trend over a five year period recorded in the history of the Province.

I regret to say that a serious reversal occurred during the five-year period we are now experiencing, including the current fiscal year. This period coincides with our economically and financially troubled post-recessionary period, and the annual accumulation of Direct Debt, expressed in comparable 1981 dollars, is at a positive rate of 7.9 per cent, a sharp contrast with the negative 1.3 per cent rate of the previous five years.

Hon. Members are aware that Government has experienced persistent deficits on Current Account since 1983, aggregating to approximately \$345 million, in constant 1981 dollars, during the latest five year period under

review, which in large part account for the reversal in debt accumulation.

In addition, a generally higher level of Capital Account spending added to Direct Debt, as hospitals and schools, some built during Commission of Government days, were replaced; increasing Canadian standards for public services required highway and other upgradings; the growing and regrouping Newfoundland and Labrador population necessitated the construction of new and expanded social infrastructure; and Government provided support for private sector employment and business through grants and investments.

Despite this, it is interesting to note that, by the end of fiscal 1985, our per capita Direct Debt more or less equalled that in the Maritime Provinces, whereas ten years earlier it had been approximately 85 per cent greater.

As an inevitable consequence of the run-up in Direct Debt in these most recent five years, the Debt Service Ratio, that is, the proportion of Government revenues needed to service the Public Debt, has accelerated significantly to 18.9 per cent, in comparison to the previous five years when the ratio was fairly steady in the 13 per cent to 14 per cent range, despite very high interest rates during much of the time.

#### SUMMARY OF REVIEW

To summarize, therefore, the main points arising from the review:

After thirty-eight years in Confederation, our per capital GDP still trails the Canadian average by a huge 42 per cent; an

increasing trend of disparity has reappeared since the recent recession began in 1981.

Our Employment/Provincial ratio showed no permanent improvement in the ten years from 1975 onward, and is over 21 per cent behind Ontario.

Since 1949, our per capita Earned Income level has advanced only slowly, and still is forty-eight percentage points below the Canadian average.

The Fiscal Capacity of the Province trails the Canadian average by over 40 per cent. Accordingly, the Provincial Government is more handicapped than any other provincial government in funds-gathering for public services.

Despite our relatively low level of public services, the cost of their provision is excessively high in this Province compared to other jurisdictions. It may not be generally appreciated that the net land mass of our Province is three times that of all the Maritime Provinces combined, and that our population density is the lowest of any Province in Canada.

Total Federal spending in our Province is not, as might be expected, at the highest per capita level, but, rather, we place more or less midway between such expenditures in Ontario and the Maritime Provinces.

The Direct Debt of the Province has shown a sharp acceleration in the five years since 1983 as post-recessionary economic sluggishness continues, a situation complicated to some extent by Federal government restraint and additional taxation

measures, withdrawing further wealth from our Province.

Mr. Speaker, these are the stark realities of our economic and financial situation. They paint a sombre picture but not a new one. Our history has always been full of struggle against trying odds, and Confederation has brought no lasting change to date.

The fact that our people now benefit from the Canadian social services "safety net", the fact that the Government of Canada spends large amounts of public money each year here as it does in other provinces, and the fact that our borrowing credit in world capital markets is helped by our status as a Canadian province, must not blind us to the reality we are not truly sharing in the fundamental benefits of Canadian nationhood as fully as other provinces are. After thirty-eight years, we remain the archetypical have-not Province.

It is absolutely essential for us fully to grasp these facts as we set to steer a more certain course into the future.

#### FINANCIAL STRATEGY

When Government had completed the review I have just outlined, a number of options presented themselves as the new Budget for the 1987-88 fiscal year was finalized.

The first option open to Government was to confront the Federal Government with these facts, and request immediate financial assistance, backed up by a solid commitment to participate in a longer-term remedial action. Both the Premier and myself were involved in this direct approach,



augmented by the good offices of our representative in the Federal Cabinet.

A clear, sympathetic understanding of our dilemma was achieved. The Government of Canada indeed now fully accepts that there is justification for increased Federal economic development assistance for our Province, and undertook to continue monitoring our economic and fiscal circumstances over the short term. But the request for commitments by the Federal government were not met in full measure, prior to bringing down this Budget. For our part, we will follow up this matter as the fiscal year ahead unfolds, striving to put in place whatever joint action is needed to secure a lasting improvement for the Province and the Government.

A second option facing Government was to immediately undertake a drastic reduction in public services, probably in conjunction with a significant increase in taxation effort, to bring about a better balance in our budgetary affairs.

It should be recalled that such a stringent strategy had been implemented previously when the effects of the recent recession on our budgets became apparent. It was decided, therefore, at this juncture to forego any additional restraint and taxation measures.

The reasons for so doing were twofold: first, such a program would undoubtedly have a decidedly dampening effect on our economy still struggling to throw off the after-effects of the recent recession; and second, the already relatively low level of our public services, by Canadian standards,

does not permit severe reductions in content or in extent, without relegating our citizens to a second-class relationship with other Canadians.

The third option, and the one finally taken up, is to view our chronic and exacerbated economic difficulties, not with resignation or hopelessness, but rather with a sense of challenge and determination. To that end, plans already in process, as well as new initiatives, were rapidly put into final form. I will outline these shortly. In the meantime, Government accepted the inevitability of a sizeable slippage in its budgetary accounts for this fiscal year, but with firm resolve to make up for past deficits in the years immediately ahead.

We are projecting, on Current Account, a deficit of just over \$172 million for 1987-88. The growth in net expenditures is projected to increase 8.9% over last year, whilst revenues will increase by some 2.6%. It should be noted that the actual growth rates in the year-over-year numbers are distorted somewhat by the impact of certain non-recurring items, detailed in an supplement attached to the printed Speech. For example, employee wage costs are artificially inflated by the need to fund more paydays than the usual 26 in a typical year.

Let me reiterate, Mr. Speaker. The cost of avoiding savage cuts in public programs and introducing widespread tax increases this one fiscal year predicts the carrying of a \$172 million Current Account deficit.

Even for this net deficit result,

several modest revenue raising measures were needed:

The Insurance Companies Tax, presently 3%, is increased to 4%, effective immediately, to generate an additional \$2.8 million;

The Corporation Capital Tax, imposed on banks, loan and trust companies, is increased from the current 1.5% to 2%, effective immediately, and will generate an additional \$700,000 in revenue;

The Newfoundland Liquor Corporation has been authorized to increase the mark-up on spirits by 25¢ per 750 ml bottle, with proportionate increases on other bottles and on wine, so as to raise an additional \$1 million for the Province. It should be noted that there is no increase in the commission rate on beer sales, and Government has requested the breweries not to put in place any beer price increases for the coming year.

A small number of fees and rates will be modestly increased.

Mr. Speaker, at this point I wish to draw the attention of Honourable Members to certain announcements of particular relevance.

A 4% increase has been included in the Estimates of the Department of Social Services for all components of social assistance rates, effective May 1, 1987. In the same Estimates we have included \$150,000, as the first of three annual contributions to the Canadian National Institute for the Blind which intends to replace its present building on the Boulevard in St. John's with a new \$1.3 million provincial facility.

In the Estimates of the Department of Education, the School Tax Equalization Grant, introduced last year, is continued and increased to \$2.5 million.

As Honourable Members know, isolated communities served by the Power Distribution Districts, and not interconnected with the Provincial power grid, purchase the first 500 kilowatts of diesel generated power at rates subsidized to equate to the rate paid by grid-connected customers. I am very pleased to announce that Government has now increased the level for maximum subsidy to 600 kilowatts per month, effective April 1, 1987. This move, no doubt, will be particularly appreciated along the Labrador Coast, where winter nights are longest.

I am also pleased to announce that, effective April 1, 1987, pension benefits for all retirees from Government Services will increase from 3% to a maximum of 10%, depending on the date of retirement; those who retired on low pension benefits prior to April 1, 1977 will receive the larger increases according to a progressive scale, the low end of which guarantees a minimum increase of \$240 per year.

Finally, I would like to indicate that Government intends to review the details of its programs for assisting municipalities and groups in acquiring community recreation facilities, in order to improve their effectiveness.

Helpful changes will be announced shortly by the Ministers concerned.

In making these particular announcements, I hasten to add that they do not constitute, by

any means, the totality of the positive features of this year's annual Budget. The many other continuing and enhanced budgetary initiatives of this Government are included in the supplement mentioned previously.

Information on the general and sectoral economies of Canada and the Province are supplied in a separate document, entitled "The Economy-1987", which I will also table.

Mr. Speaker, in regard to our Capital Account, there will be a significant increase in gross expenditure over last year, although net expenditure will be smaller than last fiscal year because of related revenue increases.

This current fiscal year will also see a much higher level of redemptions of Direct Debt contracted in the past, resulting from early refinancing of a 17.25 per cent debenture issue, which will save us approximately \$6 million in annual interest charges.

Overall, therefore, the total financial or borrowing requirements of the Provincial Government will increase this year by nearly \$260 million.

Government is acutely conscious, of course, of the increased size of the deficits in its Current and Capital Accounts, which, on a combined basis, amount to nearly \$376 million. Nevertheless, this large sum must be viewed in a proper context.

Expressed in constant 1981 dollars, to allow valid comparisons with previous years, the sum of just over \$310 million is not the largest combined

deficit in our history, having been exceeded in fiscal year 1976-77, when our overall budget numbers were considerably smaller.

In fact, when the combined deficit is expressed in real terms, it was exceeded in size, as a percentage of total gross Current and Capital Account expenditures, on no less than six occasions within the past decade and a half, in years needful of particular one-time spending.

#### PLAN FOR THE FUTURE

Mr. Speaker, as I have mentioned above, Government has put in place a clear-eyed plan for the development of our economy designed, once and for all, to "kick start" our Province out of the deep disparity which has been a festering blight on our people in 1949. We will involve the Federal Government very much in our plan, and, indeed, this Budget provides the opportunity for us to issue the Government of Canada a challenge, equal to that we place before ourselves, to participate vigorously and soon in its operations.

This plan affords both orders of Government the chance finally to employ the undoubted power and means of our Confederation, to remedy historic neglects and to unleash the human and physical resources of our Province, which have lain dormant and under-utilized throughout these past four decades. The plan will require good will to make it work, as well as innovative enterprise, determination, and not a little money. However, the goal of finally creating a vibrant economy at the eastern gateway to our great nation is surely worthy of mighty endeavours.

The plan is categorized under the following headings:

Industrial and commercial stimulation for large and small enterprises;

Restructuring of the traditional inshore fishery;

Workforce training and promotion of Centers of Excellence;

Entrepreneurship promotion and business financing;

Federal Government participation; and

Restrained Provincial Government demands on our local economy.

#### **INDUSTRIAL AND COMMERCIAL STIMULATION**

##### **Large-Scale Enterprises**

The Government has laboured long in its endeavour to bring certain other large-scale undertakings "on stream". Included are offshore gas and oil exploration and development, onshore spinoff activity related to the petroleum industry, and the construction of new Labrador hydro-generation sites and transmission lines. These will continue to be priorities of the first order and will receive vigorous new attention in our planning and promotion.

##### **Small Enterprises**

It is readily understood that sufficient employment and wealth will not be generated in the Province from large scale enterprises alone. In fact, at the present time, small-scale business activities already supply the bulk of these benefits. It is

particularly noteworthy that, since 1979, 13,000 jobs have been created in the service sector of our economy, which itself has grown by 13.6 per cent since that time. Furthermore, the period has seen the development of an "exportable" component of the service sector, related to research and development in marine expertise.

In a number of inter-related ways, Government plans to assist and support small-scale businesses of all types and in all regions of the Province. An example involves new arrangements whereby the huge procurement needs of the Provincial Government itself are made more readily accessible to local small businesses. Another example is our plan to introduce a "Buy Newfoundland and Labrador" campaign to help develop the sale and export of locally-produced goods and services of all kinds.

Other support for small-scale enterprises will be found throughout other categories of the overall plan.

#### **TRADITIONAL FISHERY**

Not too many years ago, our deep sea or offshore fishery was bankrupt and in complete disarray. As it well known, vigorous joint restructuring and funding by the Provincial and Federal orders of Government have succeeded in again placing this important sector of our fisheries on a sound and profitable footing. It has now been returned to the private sector in an outstandingly healthy state, far ahead of schedule.

Government is convinced that a similar and even more successful restructuring and reinvigorating

of our traditional inshore fishery can be achieved, given like determination and commitment of funds. If anything, the resulting benefits will be far more widespread and welcomed in hundreds of communities and by thousands of Newfoundland workers.

The basis for a successful traditional fishery already exists, in the knowledge and expertise of our fishermen and plant workers, in the extensive infrastructure at water's edge, in our new Marine Institute, and in the extensive harvesting system distributed throughout the Province. However, upgrading and renewal of plant and equipment are needed in many areas, as are retraining and upgrading of many workers involved. In addition, new initiatives have to be introduced and expanded such as various forms of aquaculture, and middle-distance harvesting technology. Also, the marketing and promotion of our traditional fishery products must be pushed more vigorously in the European and other world markets. In particular, production for the fresh fish market, as well as the non-traditional species markets, provides exciting prospects.

Government has already obtained Federal participation, in the form of a new Inshore Fisheries Agreement, representing a beginning of the revitalization of the traditional fishery. This will be implemented and pursued with all haste.

#### **WORKER TRAINING AND CENTERS OF EXCELLENCE**

##### **Worker Training**

A major emphasis is being placed by Government on post-secondary

education. The Department of Career Development and Advanced Studies has been given a mandate to prepare the youth of this Province for the new technologies, now and in the future, to be encountered in the work place. A number of specific initiatives will receive funding in the current fiscal year.

As was announced by the Premier in August last, a Provincial Community College System has been established and is funded to begin in September, 1987. This fiscal year will see the major structural support system put in place, with other elements implemented over a period of time.

Some of the important initiatives that will be commenced this year are:

The offering of first year University credit courses at certain of our community college campuses;

The establishment of a number of specialty welding centers throughout the Province;

The establishment of library resource centers in various community college regions;

The updating and expanding of engineering technologies related to offshore oil and gas activities; and

The upgrading of our training capability in various computer-related technologies.

The same Department will be responsible for the introduction of a major \$12.5 million program designed to provide employment in meaningful projects, not only to help develop the Province's

resource and service industries, but also to contribute to the development of skills by the workers involved.

In recognition of the difficulties experienced by young people in finding employment, a portion of the jobs created will be targeted towards the below twenty-five age group, and this program should contribute significantly to bridging the gap between school and the workplace.

The objective of the program as a whole is to encourage long-term employment of new employees, particularly in the private sector, which will play a vital role in certain parts of our redirected approach.

#### Centers of Excellence

Details of the exciting initiatives are discussed more fully in the publication entitled "The Economy-1987". I need only list the more striking ones here:

The Center for Earth Resources at Memorial University;

The expanded Center for Management Development in MUN's School of Business;

The Computer-Aided Design Center in the Engineering School at the University;

The Center for Remote Medicine and Telemedicine;

The aquaculture and other technology Centers of Excellence in our post-secondary institutions;

The Center for Cold Ocean Research and Engineering (C-CORE) recently approved for funding under the Canada/Newfoundland Offshore

Development Fund Agreement;

The Marine Sciences Research Laboratory (MSRL) at Logy Bay, expanding Research and Development activities in marine and other offshore areas; and

The Newfoundland Institute of Cold Ocean Sciences (NICOS), co-ordinating basic oceanographic research.

#### ENTREPRENEURSHIP AND BUSINESS FINANCING

The Royal Commission on Employment and Unemployment made many recommendations particularly directed towards the promotion of small businesses. Over the past year, Government independently initiated an inter-departmental review program designed to evolve new ways of assisting business enterprises, emphasizing the small business category, by gaining better access to equity and other forms of financial assistance. In carrying out this exercise, extensive consultations were held with the Economic Council of Newfoundland and Labrador, with the Investment Dealers Association of Newfoundland and Labrador, and with other interested groups.

As a result of these initiatives, I am pleased to announce that Government is launching a three-pronged approach:

stimulating equity financing;

extending financing programs to the service sector;

supporting and developing entrepreneurship in the Province.

Specifically, I wish to announce today nine separate initiatives:

A renewed program to respond directly to equity funding needs of new and expanding small businesses will be delivered through the Newfoundland and Labrador Development Corporation (NLDC). Its aim is encouragement of the entrepreneurial spirit throughout the Province with funding of \$2.0 million;

The Venture Capital Program, also provided by NLDC, will be significantly expanded to permit a greater number of interest-free loans to new venture capital companies, particularly those involved in emerging industrial technology services for marine and offshore petroleum developments;

Newly established small businesses will be exempt from Provincial Corporate Income Tax for an initial three year period of their operations; this fulfills one recommendation of the Royal Commission on Employment and Unemployment, and the initiative covers the two-year period following the date of this Budget, with later extensions dependent on detected results;

A Newfoundland Stock Savings Plan has received serious consideration and initial planning, and Government will form a task force, composed of representatives from the private sector as well as from the Public Service, to develop further details over the next few months; the plan could take the form of a provincial Income Tax Credit (ITC), put in place in time for the 1988 taxation year, with the objective of enabling mature investors to participate directly in investment opportunities arising throughout the Province;

A new Young Entrepreneur Loan Program will be established within

NLDC, directed at eighteen to thirty year old residents of the Province starting up new permanent small business ventures; a maximum of \$20,000 per enterprise will be available with flexible repayment arrangements based on positive cash flows and profits;

The Department of Rural, Agricultural and Northern Development (RAND), as well as NLDC, are provided significant additional funding to permit expanding their financing programs for all sectors of the economy including the service sector; this important initiative is also in line with a recommendation of the Royal Commission on Employment and Unemployment;

A "One Stop" Information Service will be established through a number of key centers across the Province; entrepreneurs will be able to obtain information, readily, and in a comprehensive form, on financial assistance programs and support services available from governments, as well as on new investment opportunities, market data, technological changes and other relevant business matters;

The business support service activities of NLDC will be expanded with the aim of reducing the rate of business failures during the critical start-up period of new ventures and expansions; and finally,

A provincial training network will be commenced in the new Community College System, making training in entrepreneurship available to all students registered in diploma and certificate level programs.

Mr. Speaker, Government is excited at the possibilities which should

arise from these new initiatives aimed at stimulating and providing leadership in the field of business development throughout the Province. Progress of the various programs will be monitored closely, and reporting mechanisms will be set up so as to ensure that effective results are obtained. As much involvement as possible by the private sector will be sought, both in terms of participating with programs and also from the point of view of soliciting further useful recommendations and suggestions.

By its very nature, entrepreneurship and small business are private undertakings, and Government intends to be careful not to intrude except where a real requirement exists, and to withdraw its presence as soon as possible after activities and projects are soundly based.

Occasionally it has been suggested that Newfoundlanders and Labradorians lack somewhat in personal initiative; the framework of activities which I am announcing today is pointed evidence that Government does not share this view.

#### FEDERAL PARTICIPATION

As I have stated a number of times during this Speech, if the disparity mold is to be finally broken for our Province, participation by the Federal Government at all levels of the task is essential. We have reason to believe that Ottawa is well sensitized to this fact, and we are justifiably optimistic of achieving a level of co-operation commensurate with our own efforts.

Further consultations and planning at ministerial and official levels

will be required before a defined framework of joint Federal/Provincial participation arises. At this stage I will merely enumerate a few areas where new approaches would seem appropriate and required:

The inclusion of expenditure need or cost-of-service criteria in determining Federal funding by way of fiscal transfers;

A renewed and re-invigorated program for Regional Economic Development. This will require an early implementation and adequate funding of the Atlantic Canada Opportunities Agency as announced in last Fall's Federal Throne Speech;

As a first order of business, the new Agency should address the outstanding ERDA and other regional development proposals which the Province has submitted;

An enhancement of Department of Defence expenditures and services (including air/sea rescue) within our Province; and

A renewed sense of urgency by the Federal Government for the implementation and continuation of certain major projects such as offshore petroleum development, Lower Churchill hydro development, Trans-Labrador Highway and other transportation needs in the Province, etc.

There are two particular areas of Federal spending on which I will make particular comment:

#### Regional Development Funding

For some years, the Provincial Government has been seriously troubled by an apparent de-emphasis being placed on



regional development and regional disparity programs by the Federal Government.

Whilst these Federal funding programs constitute a relatively small proportion of total Provincial investment, their special importance relates to their particular focus. It is disturbing to note, therefore, their generally declining trend. Hopefully, some upward trending in the more recent years indicates that our alarmed protestations are bearing fruit, and there will be continuing re-emphasis on Regional Development Assistance in future, along lines similar to the successful programs exhibited earlier in the 1970's.

#### Defence Spending

Table II depicting per capita expenditures by the Federal Department of Defence in each of the provinces of Canada, underlines a situation which speaks for itself, and which has caused this Government to protest vigorously to Ottawa for a number of years, so far with little success. The table clearly demonstrates what can only be termed a completely unacceptable and inequitable deficiency of defence spending in this Province.

Per capita defence spending here is about one-tenth the level in the Maritime Provinces and about one-third the provincial average throughout Canada. Taking into regard the positive economic spin-offs in the local area from such spending, remembering our distressful situation as the poorest Province in Canada, recalling our strategic position on the Eastern ramparts of the nation, and realizing the extensive military infrastructure

we inherited as a legacy of the Second World War, whilst also reminding ourselves of our particular claims as the maritime province par excellence of Canada for Federally-funded air/sea rescue services, one can only be astounded at the statistical information.

Government will continue to press its case vigorously on this issue, so that our Province can rightfully take its place for national defence of Canada's Atlantic approaches and Arctic areas.

#### RESTRICTIONS OF PROVINCIAL GOVERNMENT DEMANDS ON THE ECONOMY

Out of necessity, and in view of the relatively weak and underdeveloped aspect of the private sector in our Province, the Provincial Government assumes a larger role in the economic life of our Province than is the case anywhere else in Canada. Provincial Government expenditures equate to a higher percentage of the Province's GDP than in any sister Province.

Despite the necessities of this governmental intrusion, at least two downside aspects also exist: first, the large government presence calls for a relatively heavy revenue burden through taxation and other means; and second, there is a tendency to stifle or retard initiatives by the private sector.

Accordingly, to begin reversing this situation, particularly as the private sector strengthens and expands, as well as to improve its own expenditure-revenue balance, Government has decided to implement the following measures:

A three year freeze on construction of, or expansions to, nursing homes;

A three year freeze on new hospital construction and major renovations (existing commitments to be completed);

A three year freeze on new public buildings construction;

A three year freeze at current levels on capital grants for school construction;

A three year freeze at current levels on non-cost shared road construction and capital transportation projects;

Loan approvals for water/sewer facilities and paving projects to be frozen at \$25 million per year for three years;

No new commitments for capital projects at Memorial University of Newfoundland for three years;

A programme of privatization of various Government assets; and

A full review of the efficiency and effectiveness of Government's operations to be conducted by:

(i) A Senior Expenditure Review Committee, and

(ii) External efficiency experts.

The role of the Expenditure Review Committee will be to develop a plan for consideration by Government. The full range of Government programs, both Current Account and Capital Account, will be included in the Committee review process, the objective being to set out targets for improving our financial position

over a reasonable period of time. Ways will be identified gradually to bring our expenditure growth rate below our revenue growth rate, by concentrating, in the first instance, on improving the efficiency of Government programs and administration, and then, by eliminating lower priority activities, to the extent that program reductions prove necessary.

Many of our basic public services are provided by school boards, hospital boards and other such agencies. For the most part, we have been in the practice of providing these agencies, as well as many other bodies depending on Government for financial support, with inflation-related increases in their annual budgets. We may not be able to continue that practice after the current year, so those groups should begin developing contingency plans for that eventuality.

We are also concerned about the high growth rates in many program areas. Utilization and other factors are driving their annual costs well beyond revenue growth, or the inflation rate. We intend to review the available options for finding ways to check the excessive expenditure growth rates.

#### CONCLUSION

So far, the 1980's decade has not been kind to Newfoundland and Labrador. The severe recession, changed world markets for our exports, the oil price collapse as Hibernia was delineated, repeated inshore fishery failures, to name just a few, have been events which swept over our fragile economy with destructive force. They arose from causes far beyond our control. In times past, when we were a sovereign entity, such a

combination of adverse circumstances would have caused depression rather than a recession, and famine rather than mere economic hardship.

As part of Canada, we have escaped the worst potentials of the economic maelstrom this decade has visited upon us. We have not escaped unscathed. Some of our industries will never be the same again. Others have survived, some in different form, tougher and leaner, but somewhat exhausted by the struggle.

Arguably, we have been the Province of Canada hardest hit by the recession. We have never had the economic muscle and diversity of our sister Provinces, long in Confederation. The thirty-eight years of our Union have failed to give us real economic substance, although we have strived mightily to take on the full range of public services which a Canadian regards as his birthright. Our means to sustain them have always been strained to the limit. We should not be asked, nor would we agree, that our people should be thankful to receive half the Canadian loaf.

The combination of unrelieved economic under nourishment, and the heavy blows of the recession, have placed us at one of the turning points in our history. The circumstances which have led us to this point must not continue or our future is bleak indeed. Newfoundlanders and Labradorians have never willingly accepted bleak futures. We are already creatively seeking other paths, but, whether in taxes or in patience, we are already giving as much as we are able. It is our turn now to receive a boost.

If Canada has shielded us somewhat in the past, a distinctly different role is demanded of her in the future. Our four decades long travail has given us the right to petition, in polite but unmistakable tones, for a new deal within Confederation. One lifetime of regional disparity is enough. We acknowledge willingly past contributions but firmly say they have self-evidently been inadequate to our needs.

Essentially, we seek to share in the general wealth of Canada to which we are anxious and able to contribute. The plan to do so must be on our terms though we readily accept it must be evolved in compromising co-operation with all Canadians through the medium of our Central Government. We have the energy and the will, but alone, we lack the means.

This budget is a beginning of the new message we wish to be heard and understood in our Nation's Capital.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER:

The hon. the Minister of Finance.

DR. COLLINS:

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

On motion, debate adjourned until tomorrow.

MR. SPEAKER:

The hon. the Minister of Finance.

DR. COLLINS:

Mr. Speaker, I wish to table the documents related to the Speech: They include the Budget, The Economy, the Estimates, the Salary Details, and also certain Special

Warrants that have to be tabled at this time.

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

MR. SPEAKER:

This message is addressed to the hon. the Minister of Finance, April 2, 1987.

"I, The Lieutenant-Governor of The Province of Newfoundland, transmit estimates required for the public service of the Province for the year ending 31st. day of March 1988, in the aggregate of Two Billion, Three Hundred and Thirty Million, Two Thousand, Two Hundred Dollars (\$2,330,002,200) and in accordance with the provisions of The Constitution Act 1867, I recommend these estimates to the House of Assembly.

(Sgd.) \_\_\_\_\_  
Lieutenant-Governor"

We will take a few minutes to distribute the documents.

SOME HON. MEMBERS:

Oh, oh!

MR. SPEAKER:

Order, please!

The hon. the Minister of Finance.

DR. COLLINS:

Mr. Speaker, I move that the Message together with the Estimates be referred to a Committee of Supply.

On motion, that the House resolve itself into Committee of Supply to consider the Message from His Honour the Lieutenant-Governor, together with the Estimates, be referred to a Committee of Supply,

Mr. Speaker left the Chair.

Committee of Supply

MR. CHAIRMAN (Greening):

Order!

The hon. the President of the Council.

MR. OTTENHEIMER:

Mr. Chairman, I move that after the serious deliberation you have given the matter that the Committee now 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:

Order, please!

The hon. the member for Terra Nova.

MR. CHAIRMAN:

Mr. Speaker, the Committee of Supply has 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.

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 Committee of the Whole to consider certain resolutions related to The Income Tax Act; I also give notice that I will on tomorrow move that the House resolve itself into

Committee of the Whole to consider certain resolutions related to the imposition of a tax on insurance companies, and I give notice that I will on tomorrow move that the House resolve itself into a Committee of the Whole to consider certain resolutions related to the Financial Corporation's Capital Tax Act.

MR. SPEAKER:

The hon. the Government House Leader.

MR. OTTENHEIMER:

Mr. Speaker, pursuant to the relevant Standing Order I am now going to move the motion which will establish the Estimates Committees. In so doing, I acknowledge the co-operation of all hon. members, the Opposition House Leader and the Leader of the New Democratic Party, but particularly the Opposition House Leader in this particular respect.

I move that the following members comprise the Government Services Committee: The hon. the member for Port au Port (Mr. Hodder), the hon. the member for Humber West (Mr. Baird), the hon. the member for Torngat Mountains (Mr. Warren), the hon. the members for - perhaps I can abbreviate it that way - Terra Nova (Mr. Greening), Burgeo - Bay d'Espoir (Mr. Gilbert), Bonavista North (Mr. Lush) and Naskaupi (Mr. Kelland).

In each of these the first person mentioned is the Chairman, the fourth is the Vice-Chairman.

I further move that the following members comprise the Social Services Committee: The hon. the members for St. John's North (Mr. J. Carter), Trinity - Bay de Verde (Mr. Reid), Placentia (Mr. Patterson), La Poile (Mr.

Mitchell), Port de Grave (Mr. Efford), Stephenville (Mr. K. Aylward), St. John's East (Mr. Long).

Finally, I move that the following members comprise the Resource Committee: The hon. the members for Carbonear (Mr. Peach), St. John's East Extern (Mr. Parson); Bonavista South (Mr. Morgan); Humber Valley (Mr. Woodford); Twillingate (Mr. W. Carter); Windsor - Buchans (Mr. Flight), and Menihek (Mr. Fenwick).

Just for the information of hon. members, the first Committee, that of Government Services, takes in the Departments of Municipal Affairs; Public Works and Services; Labour; Finance; Transportation; and Consumer Affairs and Communications.

The Committee of Social Services concerns the Departments of Social Services; Justice; Health; Education; Environment; Culture, Recreation and Youth, and Career Development and Advanced Studies.

The Resource Committee takes in the Departments of Mines; Fisheries; Development and Tourism; the Rural, Agricultural and Northern Development; Forest Resources and Lands; the Newfoundland and Labrador Housing Corporation, and Energy.

So, I move the motion.

Motion, that the above Committees be comprised of the above mentioned members, carried.

MR. SPEAKER:

The hon. the Government House Leader.

MR. OTTENHEIMER:

Before moving the motion to

adjourn, I would now inform the House of the meetings which will take place Monday next with respect to these Estimates Committees. I point out, also, that this year we have been able to schedule them in such a way whereby meetings will take place Wednesday, which was not the case in the past, that being the day that members did not wish to have meetings because of caucus. But both groups which have a caucus, or a caucus in more than the minimal sense, are agreed that Wednesday will be no problem. I do not think it poses any problem for my hon. Socialist friends either. So it means that we shall be able to have these meetings on Wednesday, and we have also been able to arrange them in such a way that there will be no concurrent meetings, there will be just one Committee meeting at a time. All the Committee meetings will be in the House of Assembly.

The Resouce Committee will meet in the House of Assembly from nine-thirty to twelve-thirty on Monday to consider the Department of Forestry; the Social Services Committee will meet in the House of Assembly on Monday from seven-thirty to ten-thirty to consider the estimates of the Department of Education.

MR. J. CARTER:

I am sorry, that is wrong.

MR. OTTENHEIMER:

I am told that that is wrong.

The hon. the member for St. John's North's (Mr. J. Carter) writing is very difficult to decipher.

I will repeat that: The Resource Committee meets Monday morning from nine-thirty to twelve-thirty to consider the Department of

Forestry estimates. The Government Services Committee meets Monday evening seven-thirty to ten-thirty to consider the Department of Transportation estimates.

I now move that the House adjourn until Monday at 3:00 p.m.

I wish hon. members to have a pleasant weekend studying this budget document.

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