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Speaker: Honourable Thomas Lush

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The House met at 2:00 p.m.

MR. SPEAKER (Lush):
Order, please!

DR. KITCHEN:
Mr. Speaker.

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

DR. KITCHEN:
Mr. Speaker, I move that the 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.

DR. KITCHEN:

INTRODUCTION

Mr. Speaker, I am pleased to present to this Honourable House the first Budget of the Wells Administration. While this is a Budget of restraint, it truly is a liberal Budget, bearing a strong message of hope and opportunity to every Newfoundlander and Labradorian. It signals a new and fresh beginning.

The Wells Government brings with it new ideas, new directions, and a comprehensive approach to revitalizing our Province. But major changes cannot be wrought overnight. It will take much time and effort for our ideas to crystalize into a plan of action to provide new opportunities for our people. The task, which began on April 20 and continued in the Throne Speech, today moves one step further with the tabling of this document.

The ability to pursue our economic and social agenda is dependent upon the availability of resources, both economic and fiscal. This presents a special challenge in Newfoundland and Labrador. The economy of this Province is narrowly based and more fragile than that of most other provinces. Our financial flexibility has been limited by many years of borrowing at close to our annual capacity.

The few weeks we have had to prepare this Budget were not sufficient for the document to reflect fully the priorities of this Government. In fact, this Budget is in some respects a housekeeping Budget and includes program commitments inherited from the previous administration. Major decisions on the economic and fiscal management approach most appropriate for the Province cannot be made hastily; but this is not to suggest that we have not acted. Already, we have restructured and downsized Government departments and effected some changes in spending priorities. Today, I will be addressing further our most urgent and immediate priorities.

This Government has approached the preparation of its first Budget with a sense of purpose, and a determination to put our financial house in order by applying the principles and practices of responsibility and good management. I believe this Budget reflects that. It also leads us decisively into the next decade. It makes a firm start in providing the people of this Province with the services and opportunities they expect and deserve. It is, however, a prudent Budget.

THE ECONOMY

Mr. Speaker, I shall now discuss the economy, first from an historical perspective. Then I shall review briefly the events of the past year and the outlook for the coming year.

Historical Perspective

Mr. Speaker, the essential character of the economy of Newfoundland and Labrador has not changed appreciably over the past decade. There have been some positive developments, and we are currently going through an extended period of economic growth. The undeniable realities, however, are that our economic base is still narrow, the disparity between this Province and the remainder of the country is still large and has in many respects been increasing over recent years. We are still, to an unacceptably large degree, dependent upon transfer payments from the Government of Canada for our economic well-being.

In 1988, the gross domestic product in Newfoundland grew by 3.8 per cent, after taking inflation into account. This represented our sixth consecutive year of economic growth. Notwithstanding this fact, the previous administration was unable to balance the budgets during that period. Neither was our economic progress unique. Our economy grew at a slower pace than that of the Maritime Provinces and that of the country as a whole from 1980 to 1988. During that period, Newfoundland's economic output per capita increased from 57.2 per cent of the national average to 58.2 per cent, but this apparent improvement was due more to our relatively slow growth, and loss in recent years, in population, than to real economic improvement.

During the 1980s, population growth in Newfoundland was substantially below that of any other province in Canada. In fact, there are fewer people residing in this Province now than at any time since 1983. Out-migration has created a net loss of about 4,000 people every year. Newfoundlanders have been leaving home because the opportunities for meaningful employment in their own Province did not exist.

Mr. Speaker, personal incomes grew quite strongly over the last several years in this Province, but our performance again was below the Maritime and national levels. The slow population growth also resulted in a slight improvement in personal income per capita relative to the national average, but the per capita gap between us and the Maritimes widened.

Economic Review of 1988

Mr. Speaker, in the year just past our resource based industries, which link the performance of the economy of Newfoundland and Labrador to the performance of other countries, benefitted from continued growth in the international economy.

As a result of strong demand and high commodity prices in important export markets, the total value of mineral production in 1988 rose by 31.7 per cent. Newfoundland also shared in the exploration boom that was experienced across Canada.

In 1988, both the demand and the price for newsprint improved over previous years. Shipments were about 2.1 per cent lower, due primarily to the strike at the Corner Brook mill, while value

rose by 0.2 percent. Pulpwood production rose by about 5.6 percent from the previous year.

The fishing industry recorded some growth in 1988 despite lower cod prices in the United States, the Province's main export market. This was offset somewhat by higher prices for other species such as caplin, crab and shrimp. Overall, the value of landings was down 3.8 percent compared to 1987, while the volume rose 7.6 percent.

The service sector benefitted from growth in the goods producing industries, increased tourism and high consumer expenditures. Strong disposable incomes, boosted to a large extent by lower personal income taxes and higher unemployment insurance payments, contributed to an 11.6 percent increase in retail trade.

Economic Outlook for 1989

Mr. Speaker, the rate of growth in the Provincial economy is forecast to be 2.8 percent in 1989, compared to 3.8 percent last year. In the Province's main export market, the United States, real economic growth of 2.3 percent is anticipated. Economic growth in Canada is forecast to be 3.0 percent. Inflation in Newfoundland will continue to be low, at 3.1 percent compared to a 4.7 percent national rate. We expect employment growth of 2.3 percent in 1989. The unemployment rate is expected to average approximately 15.7 percent, a decline of 0.7 percentage points from the previous year.

The single most important issue facing the Provincial economy is the critical fishery resource shortage which has developed, particularly in the northern cod

fishery. The Harris report calls for further quota reductions. The Province will consult the industry and work closely with the Federal Government to cope with this major resource crisis.

Government will be seeking industry's co-operation to design operational plans which are sensitive to the people who depend on the fishery and who are most vulnerable to a downturn. We will be looking to various programs to diversify the industry by broadening the species and product base. Particular attention will be given to developing under-utilized species through exploratory fishing and technology transfer. In addition, we will be seeking means to utilize more fully fish which already is being harvested, and we will pursue innovative approaches to market development and promotion.

The Federal Government must deal more decisively with foreign over-fishing. This issue has to be elevated to the top of the national policy agenda, with the personal involvement of the Prime Minister. The amount of fish taken over and above quotas, if processed in the Province, would have created close to 5,000 person years of employment in 1989 in the processing sector.

Mr. Speaker, this Government is keenly aware of the economic development opportunities presented to this Province by three potential major projects: offshore oil and gas development, Labrador hydro power development, and the establishment of a NATO facility in Goose Bay.

The issue of offshore oil and gas development has been a central public policy issue in this

Province for almost two decades. Unfortunately, during the last decade the Government has relied almost exclusively on this development to be the basis of our economic future and as a result created expectations unrealistic both in terms of time and value. There is no doubt that development of our offshore resources presents an opportunity to open a new chapter in the Province's economic history but we will be disappointed if we continue to judge its potential by what we would like to see instead of what it can realistically provide.

The Hibernia project does represent a major industrial undertaking which would provide much needed employment, and at the same time provide numerous business opportunities for local industry, thereby broadening our overall economic base. When developed, we intend to ensure that the project results in appropriate technology transfers to the Province, thereby enabling us to take full advantage of subsequent projects.

Mr. Speaker, Labrador contains one of the greatest undeveloped hydro-electric resources in Canada. Its development has been in abeyance for the past 17 years. As part of our determination to develop that resource, this Government will continue negotiations towards an agreement with the Province of Quebec that will enable Labrador power to be delivered in a manner that will provide the people of this Province with the benefits of the development and sale of their resource. Should agreement be reached and development take place, it will provide the Province with major economic benefits. Unless and until such

development is certain, this Government will not count on or speculate on its value.

The potential development of the NATO facility in Goose Bay offers tremendous economic benefits in terms of construction, permanent employment and industrial and commercial opportunities. The current level of military activity, which already has done much to rejuvenate that region of the Province economically, will expand several-fold if NATO selects Goose Bay over the alternate site in Turkey. Subject to ensuring that the concerns of our native people are properly addressed, and our environment protected, we intend to do everything in our power to secure on a permanent basis the new found enthusiasm and prosperity now evident in the Happy Valley-Goose Bay region.

FEDERAL - PROVINCIAL ISSUES

The economic and financial well-being of Newfoundland and Labrador is highly dependent upon the actions of the Government of Canada.

The recent Federal Budget is regressive in distributing the burden of increased taxation and expenditure restraint across provinces. The measures contained there will collectively remove \$80 million from the Newfoundland economy this year, and double that amount next year. It will inflict hardship upon the residents of this Province, and will impede the ability of this Government to pursue its objectives.

Mr. Speaker, correcting regional disparity requires a recognition of the real problem and a continuing and increasing

commitment on the part of the Federal Government. Instead, funding levels will be reduced next year and then frozen. The Atlantic Canada Opportunities Agency had its time frame stretched by two years without an increase in total funding allotment. Also, funding will be less accessible.

Expenditures under the Economic Regional Development Agreements will be \$72 million this year. The decline from last year's level of \$82 million reflects federal financial restraints. The Province is currently attempting to negotiate several new and recently expired agreements. Mr. Speaker, the Province needs these agreements to further our economic and social development, and the Province will pursue vigorously a satisfactory conclusion to these agreements.

The reduction of one percentage point in the annual rate of growth of Established Programs Financing transfers from the Government of Canada, coming on top of previous reductions in this area, will make it even more difficult to fund our health care and post-secondary education systems. These program areas are already hard pressed to provide our people with access to the quality of services enjoyed by other Canadians. Growth in our health and post-secondary education expenditures already exceeds the growth in the federal commitment.

The Federal Government's tough Budget stance was a reaction to the problem created by high interest rates which in turn resulted primarily from the federal policy to curb inflation generated in the booming southern Ontario economy. The outlying

regions of the country, which themselves have been experiencing none of the overheating, are already paying heavily for that problem through high interest rates, and are now being asked to shoulder a further share of the burden through increased federal taxes.

The Federal Government claims that the burden of its admittedly tough Budget will be equally distributed throughout Canada. On the surface such a strategy appears to be fair, however, because there are tremendous divergences in regional economic performances, a broad brush approach is not appropriate for curing Canada's problem. To balance economic growth and move the country forward into the 1990s, federal fiscal policies should be targeted to the fullest extent possible to enhance the performance of the economically disadvantaged regions through increased transfers, and spending for economic development, while directing the tough measures at the overheated segments of the economy.

Mr. Speaker, the Federal Government is also moving independently to introduce a broadly based goods and services tax, a new federal sales tax at the retail consumer level, to take effect January 1, 1991. We share concerns with other provinces about the implications of this new tax on our people, and on our tax base.

The Federal Government proposes to amend the Unemployment Insurance Program by increasing the minimum period required to qualify for benefits and by reducing the maximum duration of benefits. These changes will cause considerable hardship for the many

Newfoundlanders in areas of limited job opportunities and low incomes who are unable to find the required number of weeks of work. The changes will be of particular concern in many rural communities where there are fewer full-time job opportunities, especially when considered in conjunction with the current situation in the fishing industry.

The Canadian Constitution commits the Federal Government and Parliament to the principle that all provinces will have sufficient revenues to provide a reasonably comparable level of public services without having to resort to unduly burdensome levels of taxation. The vehicle for living up to this commitment is the Equalization Program. Mr. Speaker, this program adjusts only for imbalances in relative ability to generate revenue, thereby assuming that all provinces have the same program delivery costs and the same physical infrastructure to provide services. This is simply not the case. There are many special costs involved in providing services to a widely dispersed population in a Province characterized by such geographic factors as rugged terrain, physical isolation and distances. The program does not recognize that economically disadvantaged provinces like Newfoundland have driven up their own debt service costs in an attempt to provide the basic infrastructure taken for granted elsewhere, leaving less money for current program expenditure. This Government will pursue fair treatment for the Province in this area.

The Newfoundland Transportation Initiative, signed in 1988, was aimed at compensating the Province

for the closure of the Newfoundland railway by providing funding for the capital costs of highways and ports. This Government believes that the Province does not have the long term financial resources to maintain, without the level of financial help given to the other provinces, the Newfoundland portion of the national transportation system. We will pursue discussions with the Federal Government towards a financial commitment for the increase in construction, operation and maintenance costs that resulted from the phase down and ultimate closure of the railway.

FINANCIAL POSITION

Mr. Speaker, so far I have been discussing the economy, historically, for the year just past, and for the coming year. Now I shall comment on the financial position of the Province using these same three time frames.

Historical Perspective

Mr. Speaker, the Government of Newfoundland and Labrador has experienced budgetary difficulties in this decade as have all governments in Canada. These difficulties were exacerbated by the effects of the recession of the early 1980s, which, combined with the run-up in interest rates during the same period, created problems and pressures which we still have not completely overcome.

As I indicated earlier, since the 1982-83 fiscal year, the Government of Newfoundland and Labrador incurred six consecutive Current Account deficits, despite economic growth in each of those years. The rate of growth in

Current Account expenditures exceeded that of revenues in many of those years, and, combined with the Capital Account expenditure program, resulted in significant new borrowing each year.

The result of these large budgetary requirements was a significant increase in our total public sector debt, from \$3.0 billion in 1980 to \$4.9 billion at the beginning of this fiscal year. It is projected to reach \$5.1 billion by March 31, 1990. Our total current indebtedness of over \$8,500 per capita is one of the highest in the country.

Despite the high level of spending previously undertaken in the Province, tremendous expenditure pressures remain on our health, education, social services and transportation systems. Moreover, the homes of many families in this Province still do not have adequate water and sewer services. The combination of high existing debt and substantial unanswered needs is the major challenge faced by this Administration.

This Government's flexibility to finance these needs is limited. Not only are existing borrowing levels high, but our ability to raise revenues from our economic base is the lowest in the country. We still rely upon the Government of Canada for almost 50 percent of our revenues.

Financial Review of 1988-89

Mr. Speaker, the unaudited results for the 1988-89 fiscal year indicate that Government ended the year with a deficit on Current Account of \$2.1 million. The improvement of \$39 million from Budget resulted almost entirely

from stronger than projected revenue flows, most notably in retail sales tax and equalization payments from the Government of Canada. The 1988-89 Capital Account net expenditure was \$5 million higher than projected, and the total budgetary requirement was therefore \$34 million less than Budget.

Financial Outlook for 1989-90

Mr. Speaker, upon assuming office, we were informed that the Province faced a \$90 million deficit on Current Account for 1989-90. Expenditures were forecast to grow by 8.5 percent above 1988-89, while Current Account revenue was projected to be up by only 4.6 percent on a cash flow basis. One major restraining factor on revenue growth is overpayments of federal transfers for prior years which will be recovered from 1989-90 revenue. The negative impact of the Federal Budget adds to the decline in revenue growth.

No provision has been made to fund the significant expenditure commitments. The previous administration was obviously not prepared to take the responsible course and make the tough decisions necessary to bring our operating budget into balance or to face the public with the bleak outlook they had wrought. To us a Current Account deficit of any magnitude was clearly unacceptable at this time. Mr. Speaker, I am pleased to announce that for the 1989-90 fiscal year, we will have a modest surplus on Current Account of \$5.3 million. This could quickly disappear, however, if a deteriorating economic situation were to result in lower revenues and put more people in need of Government help.

This Budget does not yet incorporate the full economic agenda of the Wells Administration. That was not possible within the brief period since we took office. Other initiatives will become apparent when the recently announced Economic Recovery Team moves into action, and when our legislative program for the Fall sitting of the House of Assembly is announced. We have served notice through the measures I will be announcing today, through the downsizing of Cabinet, and through the streamlining of Government departments, that we are determined to take action, and that we will be prudent and efficient managers of the taxpayers' dollars. Financial decisions will be rational and based purely upon need and economic efficiency. They will not be made for political gain.

Mr. Speaker, I am also announcing today that Government will be embarking upon a Capital Account expenditure program of \$370.2 million in the 1989-90 fiscal year. Of this, \$111.5 million will be offset by related revenues, resulting in a net Capital Account requirement of \$258.7 million, and a total combined budgetary requirement of \$253.4 million. The increase in our Capital Account spending program over 1988-89 is attributed in large measure to the requirement to repay \$14 million to honour loan guarantees associated with Newfoundland Enviroponics.

This Administration is determined that this and subsequent Budgets will chart a course that will lead to a gradual strengthening of our fiscal situation, thereby ensuring Government's ability to provide

the public services that the people of this Province need and deserve.

BUDGET STRATEGY

Mr. Speaker, this Government has given our people a commitment to be prudent and efficient managers of the taxpayers' money and to be fiscally responsible. We have no intention of buying goodwill, either through keeping our tax effort artificially low or our expenditure levels exorbitantly high. We intend to earn support, through sound management and the fair and balanced treatment of all sectors, all regions and all people of our Province. This cannot be accomplished unless we balance the books with sensitivity to the genuine needs of our people.

To meet these needs we cannot borrow from the future. We cannot and should not burden our children with our failure to act responsibly and prudently today. Our children and grandchildren have the right to set their own priorities and to deal with the demands of their own day unencumbered by the debts of their parents and grandparents.

We felt it would be inexcusable to ask the people of this Province to accept a Current Account deficit, particularly after our economy has been buoyed somewhat for several years by the global economic expansion. Eliminating this Current Account deficit was a necessary but not an easy task. Some expenditures were reduced or reallocated to help relieve more pressing priorities. Given the demand for Government services and the proportion of our Budget consisting of fixed commitments, restraint measures alone could not balance our Current Account. The

needs are too urgent and too long neglected.

Mr. Speaker, what are our alternatives? Essentially we have three sources of funding: what we generate ourselves, what we receive from the Federal Government, and what we borrow by adding to the Provincial debt. We cannot justify borrowing to have future generations pay for our day-to-day bills. We cannot depend on the Federal Government to fulfill our financial obligations. The only remaining option is to increase Provincial revenues. Ideally this additional revenue would flow from a stronger Newfoundland economy. The right economic development initiatives can and will accomplish this. But that does not solve our immediate problem.

Mr. Speaker, in the past few weeks we have reviewed our revenue options. Our review of the tax system indicated that because of increases in taxes by other provinces, the tax effort in this Province is only 99 percent of the all-province average. Our traditional reliance on the highly visible personal income and retail sales taxes, has contributed to the popular misconception that our tax burden is more onerous than that in other provinces. Actually, the tax effort in this Province is lower than in Ontario, Saskatchewan and British Columbia, and substantially lower than that in Quebec and Manitoba.

In implementing measures to enhance our revenues, it is also our duty to ensure that they reflect the same fair and balanced approach that will be the hallmark of this Government in all its endeavours. The burden of taxation must be distributed in

proportion to a taxpayer's ability to pay, and should ensure that the beneficiaries of public spending contribute as they are able to its funding. Mr. Speaker, I believe we have fairly achieved this balance. In arranging our spending priorities we have emphasized those measures which will bring the greatest good to the greatest number in the greatest need. In revenue enhancement we have drawn equitably on consumption and income taxes, individuals and the business sector, and, to the extent possible, have avoided regressive taxation in favour of proportional or progressive measures.

REVENUE MEASURES

Mr. Speaker, in order to spread the burden equitably, we have adopted several revenue generating initiatives, rather than rely on one major tax change. The revenue measures that I am announcing today will raise \$31.5 million this year, and \$43.4 million in the 1990-91 fiscal year. These measures will place less of a burden on taxpayers than a one percentage point increase in retail sales tax or a new measure like health insurance premiums. As part of our revenue measures, I am moving today to eliminate two loopholes we have identified: one in our tobacco tax and the other in the children's clothing exemption.

Over the past several years there has been a significant shift in tobacco sales away from cigarettes in favour of fine cut loose tobacco. This shift has been largely tax motivated because the tax differential between these two products has encouraged smokers to substitute one for the other. Mr.

Speaker, smokers burden our health care system and therefore should bear a fair portion of that cost. To this end, I am announcing an increase in the fine cut tobacco tax rate to two-thirds of the cigarette rate, with a concurrent increase in the cigarette rate of one-half cent per cigarette.

It is now possible to evade the payment of retail sales tax due on the purchase of taxable adult clothing by misusing exemption certificates meant to be used only in the purchase of children's clothing. This exemption is in place to ease the burden on parents who have to continually replace these articles before full utility is received from them because of growing children. Since this growth phase occurs primarily before children begin to wear adult sizes, the clothing exemption will now be limited to standard recognized children's sizes. As well as removing the opportunity to evade tax, the elimination of the exemption certificates will also simplify our tax system by reducing the administrative burden on clothing stores.

Mr. Speaker, our environment is a prime concern of this Government. Consumers should not be induced to add to our environmental problems. A body of scientific research has revealed such a danger to our health from leaded gasoline that the Federal Government has moved to ban all sales of this product after December 31, 1990. In support of recent efforts by other provinces and the Federal Government to further discourage the use of leaded fuel, I am announcing today a leaded fuel surtax of 1.5 cents per litre designed to promote earlier conversion to unleaded

fuel. Because sales of leaded fuel will cease at the end of 1990, the surtax is not a permanent tax change but only a temporary measure.

Mr. Speaker, with the increasing demands that are being placed on our system of roads and highways, we have to look to traditional sources for funding our road network. In this regard, I am today announcing an increase in the ad valorem rates on motive fuels of one percentage point, or slightly less than one-half cent per litre. As well, revenue from drivers' licenses and vehicle registrations will increase by approximately five percent.

Mr. Speaker, in response to representations by suppliers of marine fuel that our existing tax regime is causing a significant loss of local business to mainland suppliers, I am pleased to announce that effective today we are abolishing the one cent per litre marine fuel tax. This measure is an example of the steps this Government is willing to take to ensure that our business community will not be competitively disadvantaged by factors within this Government's control.

The Newfoundland Liquor Corporation will be asked to generate an additional \$1 million from the sale of spirits and wines, and the Newfoundland Liquor Licensing Board will implement a new fee schedule. There will be no increase in the price of beer resulting from this Budget.

Mr. Speaker, over the past few years, a number of federally instituted measures have served to diminish substantially our personal income tax revenues. The

Federal Government, which administers our personal income tax system from the perspective of managing its national tax base, has shown the inclination to make us party to tax measures which, while maybe having some merit, are simply beyond our ability to afford. Tax Reform implemented in 1988 has reduced our direct Provincial personal income tax receipts by \$20 million annually. Further, the Northern and Isolated Posts' deduction implemented in 1987 has cost the Provincial treasury an additional \$20 million a year in foregone revenues. Mr. Speaker, we cannot absorb a \$40 million shortfall in personal income tax receipts and still provide a level of essential services which the people of this Province have a right to expect.

Unfortunately, the personal income tax system as presently constituted does not give the Province the flexibility to implement a tax regime that reflects our unique circumstances. Therefore, to ensure that our personal income tax system will again contribute a fair measure to the provision of essential services, I am today announcing that the Provincial personal income tax rate is being increased by two percentage points as of July 1, 1989. This will phase in the rate increase giving effective rates of 61 percent and 62 percent respectively for the 1989 and 1990 taxation years. Because Provincial personal income tax is calculated as a percentage of basic federal tax, the actual increase averages only about one-half a percentage point of taxable income, I would further comment that when fully implemented, most taxpayers still will be paying significantly less Newfoundland personal income tax

than in 1987. The impact in 1989 on a family of four earning \$30,000 a year will be \$33, and \$41 for a single taxpayer.

Mr. Speaker, we of course cannot ask only individual taxpayers to shoulder the cost of publicly funded services. To this end, I am announcing that the income tax rate for corporate taxable income in excess of \$200,000 per year will be increased by one percentage point, from 16 percent to 17 percent effective July 1, 1989. At the same time I am pleased to inform the House that the small business tax rate on taxable income less than \$200,000 will remain at ten percent and the tax holiday for new small business will be extended for two years for companies incorporated from April 3, 1989 to April 2, 1991. This recognizes the importance of small business to the Provincial economy and this sector's leading contribution to the creation of new employment opportunities across the Province.

Mr. Speaker, in addition I have directed officials in the Department of Finance to carry out two studies of our taxation system.

The first study results from the recent Federal Budget announcement of the intention to implement a nine percent goods and services tax effective January 1, 1991. This is of great concern to this Government. The Federal Government will be invading the tax room traditionally occupied by the Province in our most productive tax base. To ensure that the best interests of this Province are protected, we will be reviewing all aspects of our consumption taxes in light of this threat to our fiscal

manoeuvrability and the additional burden on consumers of the new federal tax.

Also, Mr. Speaker, in formulating our economic recovery plan, the tax impact on the mining sector of the Provincial economy deserves our particular attention. We will be undertaking a study of the relative tax burden imposed on mining operators currently active or contemplating developments in this Province with a view to securing a tax regime that will foster the interests of all parties.

NEWFOUNDLAND AND LABRADOR HYDRO

Mr. Speaker, we are the owner of one of the most financially sound public utilities in the country, Newfoundland and Labrador Hydro. While we have no intention of imperiling the financial position of the Corporation, we have concluded that it can be called upon to relieve some of our budgetary pressures.

Mr. Speaker, in the past, Government has not requested Newfoundland and Labrador Hydro to remit any of its annual profits to the Province. A prime determinant of Hydro's sound credit rating, however, is the unconditional debt guarantee provided by the Province. To date, unlike a number of power utilities in other provinces, Hydro has not been charged a fee by Government for this service. In view of its contribution to the Corporation's sound financial position, Government has decided that an annual fee, equal to one percent of the total outstanding guaranteed long term debt, is appropriate. The fee will yield about \$10 million this year. We have requested the Corporation to

finance this payment out of its annual net income or retained earnings and to refrain from passing the cost on to its electrical consumers through increased rates, if at all possible. The Corporation will seek rate relief only if the payment of the fee results in Hydro's earning less than the bottom of the range recommended by the Public Utilities Board.

Government now expends approximately \$30 million of taxpayers' funds annually to subsidize electricity in areas where uniform rates do not permit full cost recovery. It is our policy that the cost of providing electrical service should be borne by all ratepayers in the Province and not be funded by taxpayers. Accordingly, over the next three years this subsidy will be phased out. The subsidy reduction this year will be \$10 million. No general increase in electricity rates will be necessary in 1989 because of this decision, and over the next three years, as consumers absorb this cost, the increases will be cumulatively less than ten percent. Accordingly, legislative amendments will be introduced which will provide that as of April 1, 1989 all the costs of Newfoundland and Labrador Hydro and of the Power Distribution District, which are incurred to produce and deliver electrical power and energy to customers, will be recovered within a uniform provincial power and energy policy. The one exception to this general arrangement relates to the special circumstances of the ratepayers who are served from the Labrador grid with electricity from Churchill Falls, specifically the residents of Happy Valley - Goose Bay and Wabush.

Mr. Speaker, Government also plans to provide some relief for electrical consumers serviced by the Power Distribution Districts' diesel systems. These customers are now charged a higher differential rate than other ratepayers when they consume in excess of 600 kilowatt hours per month, reflecting the higher cost of providing this electricity. Government is committed to providing a more reasonable threshold before the higher differential rate will apply. To accomplish this, I am announcing that Newfoundland and Labrador Hydro will increase the level at which uniform rates apply for these consumers from 600 to 700 kilowatt hours per month.

PENSIONS

Review of Government Pension Plans

Mr. Speaker, Government is extremely concerned with the financial state of its various Government pension plans covering public servants, teachers, uniformed services and Members of the House of Assembly. The latest actuarial reports on these four plans reveal a total unfunded liability of \$1.5 billion. Three of these plans were evaluated as at June 30, 1984, and showed an unfunded liability of \$607 million. The teachers' plan, with a liability of \$898 million, was evaluated as at June 30, 1987.

The Province's consulting actuaries are now undertaking an updated actuarial review of the Public Service Pension Plan. Later this year similar reports will be completed for both the Uniformed Services Plan and the MHA Plan, to be followed by another review of the Teachers'

Pension Plan in mid-1990. It is our intention that all pension plans will be reviewed at least every three years. Mr. Speaker, while the 1987 report has been finalized for the Teachers' Pension Plan only, it is safe to assume that the unfunded liability of the other three plans has grown substantially since the last evaluation date.

I am concerned that the Province may have to make substantial deficiency payments to meet the pension obligations under the two larger plans. Already, Government is making deficiency payments to meet obligations under the Uniformed Services Pension Plan and the MHA Pension Plan. Government estimates that \$3.4 million will be required to meet deficiency obligations of these plans in 1989-90.

The immediate concern with respect to the two larger plans is the anticipated future net cash requirements of the Teachers' Pension Plan. Based on the most recent actuarial report, the Province's actuary has estimated the Teachers' Pension Fund, which amounted to \$91 million at 31 December 1988, will be depleted by the year 1996, unless existing contribution rates and/or benefit arrangements are changed. From that date forward the Province would be required to make deficiency payments similar to those already being made for the Uniformed Services and MHA Plans. Because the number of teachers is so much greater than the number of MHAs and uniformed services employees, the amount of the deficiency payments would be much larger.

Regarding the Public Service Pension Plan, Mr. Speaker, the

Province's actuary has estimated that, if the present level of contributions and benefits are continued, the pension fund will start to decline around the year 2004 and be depleted sometime after the year 2010. This plan covers approximately 25,000 of the 34,000 total membership in all plans.

Mr. Speaker, it is evident that the financial condition of these plans must be addressed and pension arrangements must be developed which will provide adequate pensions at costs acceptable to Government and plan members.

In this regard, Government soon will be appointing a Commission of Enquiry to review all aspects of the pension program included in the four plans. The Commission likely will have a mandate to review the four contributory pension plans and assess the magnitude of the unfunded pension liability. This will encompass recommending appropriate levels of benefits to provide suitable retirement income comparable to other provinces of Canada at reasonable costs, and a suitable funding program within acceptable budgetary limits. The present pension organizational structures and operations will be reviewed to permit the Commission to make appropriate recommendations on any matter related to the pension program.

Mr. Speaker, Government cannot permit the financial condition of its pension plans to deteriorate. Government must come to grips with the unfunded liabilities of its pension plans. The establishment of the Commission of Enquiry is the first step in this process.

Pension Increase

Government will shortly be introducing legislation which will approve a pension increase of 2.5 percent to all pensioners, effective from April 1, 1989. In addition to Government's four plans, this pension increase will apply to former employees of Memorial University and persons pensioned under Special Acts and Government's Ex-gratia Program.

ECONOMIC DEVELOPMENT INITIATIVES

Mr. Speaker, we gave the people of this Province a commitment that developing the economy of rural Newfoundland and Labrador would be a priority. We have begun that task. Yesterday, we announced the members of our Economic Recovery Team which will help us keep that commitment. No one is naive enough to think the solutions are readily at hand. We believe, however, solutions can and will be found. The Team will draw on the existing strengths and latent potential in all our regions, to replace stagnation and despair with opportunity. The Economic Recovery Team has been allocated \$3 million from Current Account to commence this effort. Additional funds will be obtained from the pool of capital raised through the Newfoundland Development Savings Bond issues.

In order to complement the work of the Economic Recovery Team, the Newfoundland and Labrador Development Corporation will be making available up to \$15 million to be disbursed in loan, equity, and venture capital financing to Provincial enterprises during 1989-90, should the funds be needed. The general public will have the opportunity again this year to contribute towards keeping

local capital at work here through participating in the issue of Development Savings Bonds. In addition, \$7.25 million has been allocated through the Rural Development Authority to provide term loans to small businesses at interest rates of three percentage points below prime.

Mr. Speaker, our small business sector is a mainstay of the Provincial economy. This Government recognizes the crucial role this sector must play if we are to secure future economic and rural development. We already have moved to consolidate the various business support divisions of Government into a more focused and cohesive unit to meet the needs of the small business community. We expect that greater access to services and increased local support to small business will nurture our economic renewal.

I am pleased to announce that in light of the Federal Government's withdrawal of operational support to the Pasadena and Port aux Basques incubator malls, Government has decided to fully fund their operations with \$395,000 provided in 1989-90 for that purpose.

Mr. Speaker, I am pleased to announce that we are providing \$2 million to fund cash grants to local investors under the Newfoundland Stock Savings Plan and Venture Capital Tax Credit Program, in addition to the available Newfoundland personal income tax credits. These programs encourage Provincial residents, in making their own investment choices, to put capital directly into companies which contribute to our economy. We will be reviewing these programs to assess how they can contribute

to our economic recovery plan.

Mr. Speaker, through an aggressive advertising and promotion campaign we are attempting to position Newfoundland and Labrador in the very competitive marketplace for tourism dollars as a distinct destination choice. To further this effort, I am pleased to announce an increase of \$500,000 in our tourism marketing budget. Recent indications that a new Tourism Subsidiary Development Agreement might not be forthcoming from the Federal Government are most disappointing in view of the significant importance of tourism development in rural Newfoundland. Government will be endeavouring to seek Ottawa's reconsideration of this position.

Mr. Speaker, the geological survey database developed by the Department of Mines and Energy has been a major factor in increasing mineral exploration in the Province during recent years and has been directly responsible for a number of significant mineral discoveries. Our previous federal cost sharing has been put in doubt and the existing level of Provincial funding is not sufficient to support a reasonable level of field operations. I am pleased to announce we are providing an increase of \$1 million for survey activities in 1989-90.

Mr. Speaker, agriculture has great potential to strengthen the rural economy. We are providing \$5 million in funding for the Farm Development Loan Board to provide loans to farmers at preferred interest rates. Also, to establish a long term policy and a strategy for developing agriculture, funds have been allocated for a Task Force on

Agriculture.

Mr. Speaker, this Government refuses to let the crisis in the fishery go unchallenged. To assist the Department of Fisheries in retaining the expertise needed to advise on a course of action and to carry out product development and other experimental projects, Government is providing an initial allocation of \$500,000.

Expenditures under the Inshore Fisheries Development Agreement, cost shared with the Government of Canada, will increase significantly during this second year of the five-year agreement. Overall, Current Account expenditures on fisheries development initiatives in harvesting, aquaculture, processing technology and marketing will amount to \$3.1 million.

Capital Account expenditures on fisheries related infrastructure projects will also increase significantly in the 1989-90 fiscal year. Expenditures on marine service centre expansion and modernization will amount to \$9.3 million. This will include modernization of fish plants in northern Labrador. These initiatives will ensure that the infrastructure meets the needs of inshore fishermen in particular.

In 1989-90, the Fisheries Loan Board will continue its support to the inshore fishery through its Direct Loans Program, Bank Loans Guarantee Program, and Bounty Programs to provide interest subsidies on guaranteed bank loans, low interest rates for direct loans, and capital grants for the construction of new boats and the rebuilding of used boats. Under the Direct Loans Program the Board will support an investment

of approximately \$11 million to about 1,000 fishermen for small boats, engines and equipment.

The Canada-Newfoundland Offshore Development Fund is a \$300 million initiative cost shared on a 75/25 basis by the Federal Government and the Province. To date approval has been given for over 20 projects valued at \$233 million from the Fund, including \$95 million made available under the Hibernia Statement of Principles. While no specific allocation has been made in the Budget for the Marystown offshore fabrication facility, it is Government's intention to provide funding as the project is released in conjunction with the finalization of the Hibernia Development Agreement.

EXPENDITURE PRIORITIES

Efficiency Measures

In 1988, the consulting firm of Woods Gordon undertook a review of the operations of the Department of Social Services and Public Works and Services. The resulting reports have been reviewed and the majority of the recommendations have been, or are in the process of being, implemented. The new Department of Works, Services and Transportation will be increasing efficiency by implementing an automated security system, and Government's telephone system will be assessed to identify cost saving measures.

Government has accepted the recommendation of the Senior Expenditure Review Committee and its consultants to carry out a systematic reassessment of Government programs. Funding has been provided for this purpose to the Treasury Board Secretariat.

We are optimistic that this exercise will identify further opportunities for savings.

The Voluntary Early Retirement Program has reduced the size of the public service while minimizing any negative impact on public employees. The reduction in the size of the Cabinet and the senior executive has already occurred with significant cost savings and increased efficiencies. Departmental reorganizations are now being implemented. Our first priority in filling positions vacated as a result of the Voluntary Early Retirement Program will be to reassign redundant employees. Furthermore, through the budgetary process in this and subsequent years, departments and agencies involved in the Voluntary Early Retirement Program will be required to take appropriate measures to ensure there will be no net cost to Government of implementing the Program.

Unfortunately, the self-financing nature of the Voluntary Early Retirement Program implemented in Government makes it inappropriate for the health care sector. Few positions could be eliminated in hospitals and nursing homes, thereby minimizing any cost savings. Difficulties would be encountered in replacing the staff who would retire, thereby causing service reductions. Accordingly, Government will not be providing funding to offer this program to the health care sector. Should circumstances change, however, Government would be prepared to consider any self-financing alternatives put forward by organizations in that sector.

Mr. Speaker, this Government will be prudent. Similarly, we ask all

agencies associated with Government and all interest groups to be prudent in their expenditures and moderate in their demands, so Government can build the economy and provide the levels of service and opportunity the people of the Province require.

Health Care System

Mr. Speaker, health care services are vital to any society. Because of difficult fiscal circumstances, however, our ability to enhance the health care system is limited. Nevertheless, I am announcing measures today to move us in the right direction.

This Government believes that health care programs at the community level merit special attention. Accordingly, we will allocate a further \$1 million for home care programs throughout the Province. This funding will provide for the development of a Provincial framework for service delivery, assessment and placement, as well as the enhancement of direct care to individuals. This will improve the quality of life for many patients by allowing them to remain near their homes and families.

Funding is also being provided for 50 new personal care home beds in the Province. As well, the personal care allowance to residents of chronic care facilities to cover personal amenities is being increased immediately by 22 percent from \$90 to \$110 per month.

Government will be reviewing in detail the recent Report of the Advisory Committee on Nursing Workforce. As an interim measure, however, Government is providing

funding for a minimum of 45 new nursing and resident care positions around the Province.

A special amount of \$3.5 million has been allocated to enable hospitals to reopen high priority beds in a number of locations and to maintain and develop key specialty services in regional and Provincial health care facilities. Additional funding has also been provided to commence the orderly expansion of CT scanning services in the Province and to provide for significant adjustments in funding for road ambulance services.

This Government is committed to maximizing health care benefits for the residents of our Province and is prepared to make difficult but necessary decisions. To ensure that the new \$20 million, 75 bed facility on the Burin Peninsula operates at full capacity, in-patient services at the St. Lawrence and Grand Bank Cottage Hospitals will be phased out, and the remaining beds at the new hospital will be opened. The Department of Health will be asked to assess the need for and level of primary medical services at Grand Bank and St. Lawrence.

Mr. Speaker, funding for health capital projects will amount to a total of \$9.4 million this year. Funding will be provided to continue the construction of a modern health care facility at Roddickton which has an expected final cost of \$3.5 million. Planning funds have been provided for an upgrading project at the James Paton Memorial Hospital in Gander.

While these measures will be a considerable help to the Province's health care system,

Government, in consultation with those involved in the health care sector, will identify and address other needs in the months and years ahead.

Construction

Mr. Speaker, substantial funds will be required over future years to provide for the cost of water and sewer services to the 309 incorporated municipalities in this Province. In order to address this need, Government will immediately investigate new and innovative methods and technologies which can be adapted to this Province's harsh terrain and weather conditions. The Department of Municipal and Provincial Affairs is presently assessing whether the extension of water and sewer services to unserved municipalities can best be achieved through a Provincial water and sewer corporation, which would have responsibility for all such services in the Province, or by some other means. In the meantime, this Administration will continue to address the most pressing needs through the provision of substantial funding for water and sewer infrastructure this fiscal year.

In addition, Government will spend a total of \$106.7 million on its road programs, an eight percent increase over 1988-89. A total of \$30 million is provided for ongoing public building construction projects.

Newfoundland and Labrador Hydro and its subsidiaries will have capital expenditures in excess of \$100 million in 1989 distributed throughout the Province. A decision on the next major power generation source for the Province will have to be made within the

next 12 to 18 months. It is still Government's objective to accomplish this through an inter-connection with Labrador.

Mr. Speaker, Government has approved a 1989-90 capital expenditure program of \$118.4 million for the Newfoundland and Labrador Housing Corporation (NLHC). This year NLHC will deliver approximately 350 new social housing units to low income families and senior citizens living throughout the Province. In addition, nearly \$20 million will be committed on a cost shared basis with the Government of Canada for home repair and renovations through over 2,200 grants to homeowners. NLHC also plans to increase its efforts to provide residential and industrial land assemblies and continue renovation of the Corporation's market rental units.

Education

Mr. Speaker, Government considers education to be a fundamental element of any long term strategy for economic recovery. Therefore, We are committed to undertaking during the 1989-90 fiscal year a series of initiatives designed to improve the quality of education in the Province.

While the Report of the Task Force on Education Finance, together with a planned assessment of the current school tax system, should identify a range of options for future consideration, it is clear that immediate measures are also necessary to address funding of the school system. Effective April 1, 1989, operating grants to school boards will be increased from \$255 to \$265 per student. School Tax Equalization Grants will increase from a 1988-89 level

of \$4.5 million to \$10 million for 1989-90, to help reduce disparities primarily in rural areas with weak tax bases.

The pilot project to deliver advanced mathematics courses through distance education technology will be expanded from 13 to 20 small rural schools during 1989-90. The funding for the Provincial Teacher Aide Program for severely handicapped students will increase by 50 percent to \$3.4 million. Bursaries provided to students in remote communities who must travel to larger centres to complete their high school education will be increased from \$1,750 to \$2,250.

Mr. Speaker, in addition to increasing the funding for school operating costs, this Government will substantially increase its commitment to school construction from \$20 million last year to \$27 million in 1989-90 and in each of the two following years. A portion of the enriched funding will be allocated each year for capital projects designed to improve accessibility for handicapped students. An amount of \$2.5 million of the first year's commitment will be targeted towards school board debt retirement.

This Government is also committed to improving access to education at the post-secondary level. We will expand the curriculum at the Sir Wilfred Grenfell College in Corner Brook to include third and fourth year courses. Approximately \$2 million will be provided during 1989-90 for new post-secondary education facilities. I am pleased also to announce that university courses will be offered at Burin this year, and that preparatory work

will commence for the introduction of a similar program to western Labrador next year.

This Government recognizes that certain initiatives should be introduced immediately to improve access to post-secondary education and make the system more responsive to the demands of the labour market. Accordingly, an allocation of \$2.1 million is provided this year to finance new initiatives at Provincial institutes and community colleges.

Mr. Speaker, to further demonstrate Government's commitment to post-secondary education, \$2 million is provided to Memorial University to undertake planning for new facility developments and for various other projects.

The post-secondary education system initiatives I have announced today will be costly. Students must help share the burden of these costs. Accordingly, it will be necessary for Memorial University, Provincial institutes and community colleges to increase tuition fees by ten percent.

With the co-operation of the Federal Government, approximately \$600,000 will be devoted towards literacy initiatives in the coming year.

Employment Initiatives

Mr. Speaker, an evaluation of the Private Sector Employment Program indicates that while it may have generated some short term employment, the objective of providing unemployed persons with a basis for long term attachment to the labour force is not being realized. Government is

considering a program which combines education and training opportunities with work opportunities. The existing Private Sector Employment will only provide funding in 1989-90 to meet existing commitments.

Government will implement a new program this year to assist primarily under-educated social assistance recipients in obtaining work experience. It is our intention to create more meaningful job opportunities in the private sector for social assistance recipients thus enabling them to remain in the workforce. This program will be delivered on a 75/25 cost shared basis, between Government and private sector employers with funding of \$2 million provided this fiscal year.

Furthermore, \$4.4 million in funding has been allocated for the Federal-Provincial Employment Enhancement Program to assist unemployed persons in obtaining meaningful work and receiving career related training. Government remains concerned about the effectiveness of the Community Development Program and intends to study other options in this area. We will continue to fund the Program in 1989-90, however, with \$29.4 million provided for that purpose.

The Occupational Integration Program for Women implemented in 1988-89 is currently under review. Funding of \$250,000 has been provided to continue this project, but further funding will depend on an evaluation to be conducted early in 1990. The review will also examine alternative methods of encouraging women to enter non-traditional occupations.

An intensive youth summer employment program is available under the Federal-Provincial Youth Strategy Agreement with a budget of over \$11 million provided for 1989-90. Also, the Provincial Government will provide \$900,000 for a student employment program.

Mr. Speaker, this Administration is committed to the concept of equal pay for work of equal value and to the implementation of pay equity for women in the public sector. Government and the major public sector unions have signed a Pay Equity Agreement which provides for a co-operative approach to achieving pay equity for women. The Agreement is being implemented by a Joint Pay Equity Steering Committee, which includes equal numbers of union and employer representatives.

Regional Co-operation Initiatives

Mr. Speaker, there is much unnecessary duplication of services among the many municipalities throughout this Province in such areas as waste disposal, fire protection, municipal buildings, libraries and recreation facilities. This Administration is studying ways to reduce this duplication, to make the quality of services across municipalities more equitable, and to spend scarce Government funds more effectively. One of the solutions being considered is the integration of services in a number of incorporated and unincorporated municipalities, local service districts and communities. Appropriate funding has been earmarked to launch this initiative.

Marine Transportation Improvements

Mr. Speaker, Government is committed to the provision of improved ferry service for Newfoundlanders residing in island communities. Users of Provincial ferries should pay rates equivalent to the cost of utilizing road transportation. This Administration does not endorse a ferry rate policy for island communities which penalizes their residents and hinders their potential for economic growth. Accordingly, over a three-year period commencing October 1, 1989, Government will phase in new lower rates which will be approximately one-half their current levels.

Effective in the current year, Government will restore the dedicated ferry service to Change Islands, with service to be shared with the Fogo ferry during the winter season. The whole question of year-round, reliable ferry service to Fogo Island will be examined.

Government has authorized the first replacement for the aged ferries on the Bell Island service, to be constructed shortly at Marystown. Funding for a second replacement vessel is under active consideration.

Social Assistance Increase

This government is committed to improving the economic and social well-being of those among us who are in need. We are currently reviewing our Social Assistance Program with a view to implementing changes where appropriate. At this time, I am pleased to announce that a four percent increase has been provided for social assistance recipients effective July 1, 1989.

Other Initiatives

Mr. Speaker, health and environmental concerns dictate that we deal more effectively with the costly problem of solid waste disposal. To meet the ever increasing demands, this Government is realigning its present program and is implementing a 60/40 Provincial-Municipal cost shared program for all major projects effective immediately. This initiative will be funded through the Newfoundland Municipal Financing Corporation.

A sum of \$2 million has been allotted for the destruction of PCB wastes at Happy Valley - Goose Bay. These wastes will be destroyed in a mobile high temperature incinerator which is scheduled to be brought into the area later this year.

Government will be placing added emphasis on the maintenance and upgrading of our Provincial parks system. We will be initiating general capital improvements to our Provincial parks at a cost of \$1 million in 1989-90. These initiatives are designed to reverse the declining number of visitors to our Provincial parks in recent years. I am pleased to announce that our Provincial historic sites will open for an extended period of public visitations this year. This extension into the spring and fall seasons is expected to bring very positive benefits to the Province's tourism industry.

CONCLUSION

The fiscal plan that I have presented to this Honourable House today signals the beginning of a new era of realistic and responsible economic and financial management of the people's

business. In a few short, but very difficult weeks, we have put together a Budget based upon an overriding principle of fairness and balance that recognizes our capacity to provide new opportunities for our people.

The expenditure program I have outlined today concentrates on our most pressing social and economic priorities, and begins the elimination of unnecessary and unproductive outlays which we simply cannot afford. Our job is to do more than just put a new face on Government. We have to do a major restoration from the ground up. We must restore our financial strength and flexibility. We must restore the economic foundation upon which we can build our future. And most importantly, we must restore the confidence of our youth in the ability of this Province to provide them with a meaningful and productive lifestyle.

This Government is dedicated to the principle of equality, equality of opportunity for Newfoundlanders and Labradorians within the Canadian federation, and equality of opportunity for all Newfoundlanders and Labradorians in all regions of this Province.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

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

On motion, debate adjourned until tomorrow.

DR. KITCHEN:

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

Lieutenant-Governor.

MR. SPEAKER:
All rise.

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

"I, the Lieutenant-Governor of the Province of Newfoundland, transmit estimates of sums required for the public service of the Province for the year ending the 31st. day of March 1990, in the aggregate of Two Billion, Six Hundred and Twenty-Nine Million, Six Hundred and Eighty-Four Thousand Dollars (\$2,629,684,000) and in accordance with the provisions of The Constitution Act of 1867, I recommend these estimates to the House of Assembly.

(Sgd.) _____
Lieutenant-Governor"

We will take a few moments to distribute documents to all hon. members.

Order, please!

The hon. the Minister of Finance.

DR. KITCHEN:
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, Mr. Speaker left the Chair.

Committee of Supply

MR. CHAIRMAN (Snow):

Order, please!

MR. BAKER:
Mr. Chairman.

MR. CHAIRMAN:
The hon. the Government House Leader.

MR. BAKER:
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:
The hon. the member for Trinity - Bay de Verde.

MR. L. SNOW:
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.

Notices of Motion

DR. KITCHEN:
Mr. Speaker.

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

DR. KITCHEN:
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 to amend The Income Tax Act relating to the imposition of a tax on the income

of individuals and the imposition of a tax on the income of corporations.

I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions to amend The Tobacco Tax Act, 1986, relating to the imposition of a tax on tobacco.

I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions to amend The Gasoline Tax Act, 1978, relation to the imposition of a tax on gasoline.

MR. BAKER:
Mr. Speaker.

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

MR. BAKER:
Thank you, Mr. Speaker.

I would like to move the establishment of the Committees of the House to examine the Estimates of the various departments. This has been done in concurrence with the Opposition House Leader.

I move that the Resource Committee contain the member for Carbonear, Chairperson; the hon. the member for Mount Pearl, Vice-Chairperson; the hon. the member for Lewisporte; the hon. the member for Menihek; the hon. the member for St. George's; the hon. the member for Green Bay and the hon. the member for Placentia, and that the following Heads of Expenditure be referred to the Committee: Mines and Energy, Fisheries, Forestry and Agriculture, Development, Environment and Lands.

The Social Services Committee members: the hon. the member for LaPoile, Chairperson; the hon. the member for Humber East, Vice-Chairperson; the hon. the member for Eagle River; the hon. the member for Fortune - Hermitage; the hon. the member for Harbour Grace; the hon. the member for St. John's East and the hon. the member for Stephenville, and that the following Heads of Expenditure be referred to this Committee: Social Services, Justice, Health, and Education.

And that the Government Services Committee be made up of the hon. the member for Pleasantville, Chairperson; the hon. the member for Port au Port, Vice-Chairperson; the hon. the member for St. John's South; the hon. the member for Fogo; the hon. the member for Mount Scio - Bell Island; the hon. the member for Terra Nova and the hon. the member for Bonavista South, and that the following Heads of Expenditure be referred to this Committee: Municipal and Provincial Affairs and Housing; Works, Services and Transportation, Employment and Labour Relations, and Finance.

I might point out to all hon. members, Mr. Speaker, that a suggested schedule of meetings is attached to the document as it is circulated. This schedule is a suggested schedule for the Chairpersons of the Committees. There is a certain amount of flexibility built in, but the working of the Committees is largely the responsibility of the Chairpersons so appointed.

I so move these Committees, Mr. Speaker.

Motion, that the Estimates Committees comprise the members

named, carried.

MR. SPEAKER:

The hon. the Government House Leader.

MR. BAKER:

Mr. Speaker, I move that the remaining orders of the day do stand deferred and that this House at its rising do adjourn until tomorrow at 2:00 p.m., and that the House do now adjourn.

On motion, the House at its rising adjourned until tomorrow, Wednesday, at 2:00 p.m.