

The Committee met at 5:45 p.m. in the Boardroom at the West Block.

CHAIR (Oram): Order, please!

Welcome, everyone. Thank you for coming to the Committee meeting.

I think, by agreement, we will probably do the Public Service Commission first. Is that okay?

AN HON. MEMBER: (Inaudible).

CHAIR: Okay.

Before we do, we are going to do some introductions. We will start with this side first, and work our way through, and then we will come over on the minister's side after that.

MR. FORSEY: Clayton Forsey, MHA for Exploits.

MR. DINN: John Dinn, MHA for Kilbride.

CHAIR: Just press your button, by the way, everyone, when you go to speak. When you stop, just stop it again.

MR. LANGDON: Oliver Langdon, MHA for Fortune Bay-Cape la Hune.

MS THISTLE: Anna Thistle, MHA for Grand Falls-Buchans.

CHAIR: Thank you.

Over here?

MR. T. MARSHALL: Tom Marshall, Minister of Finance and President of Treasury Board.

MR. PADDON: Terry Paddon, Deputy Minister of Finance.

MR. CONSTANTINE: Bob Constantine, Assistant Deputy, Taxation and Fiscal Policy.

MR. WALSH: Ed Walsh, Chair of the Public Service Commission.

MR. BARRY: Keith Barry, Vice-Chair of the Public Service Commission.

CHAIR: Okay.

We will ask the minister if he wishes to have a few opening comments and then we will get to the questions.

Mr. Minister.

MR. T. MARSHALL: I want to welcome everyone here tonight. Obviously, what we are doing here tonight is presenting the Estimates of the Public Service Commission and the Department of Finance. I understand we are going to do the Public Service Secretariat with the Executive Council on another day, because I also have responsibility for that as well.

Government has introduced its Budget. As indicated in the Budget Speech, it is a great Budget. It has been acclaimed as the most generous Budget in the Province's history. Our revenues have gone from \$5 billion to \$5.6 billion. Our spending is going from about \$4.6 billion to \$4.8 billion. We are showing a surplus of \$261 million. The increase in spending is a very responsible 5.6 per cent, compared to last year's 8 per cent, and compared to the federal government's 5.7 per cent.

Our strategy is to leverage the non-renewable resources into developing our vast inventory of renewable resources. We are going to provide the largest tax deduction, the largest tax decrease in the history of the Province, which will put money in the pockets of the people of this Province but also make our economy more competitive and help us attract new investment and new business. We do that because that creates jobs for our people.

We are going to make a major investment in infrastructure, \$440 million. We are going to invest in \$100 million worth of business attraction initiatives and investments in the resource sector, investments particularly in aquaculture on the South Coast, investments in forestry, investments in the fishery and, in particular what pleases me, we are going to make major investments in research and development, in innovation, because we in this Province have, for many years, had opportunities and jobs based on our resources. We provide jobs for the public sector, but now we want to see the people of this Province have a new level of employment with jobs based on the knowledge economy, based on innovation.

I think that sums it right up. In addition, we are investing \$2.2 billion in health. That is an increase in spending of over 10 per cent over last year. We are investing \$1 billion in education. That is the first time the education budget has exceeded \$1 billion. There is \$6.9 million going into skills training, so that we can make sure that our people have the skills and the education necessary to take advantage of the employment opportunities that are going to come to them from some of the large projects in the offshore or the gas sector, in the mineral sector and in the innovation sector. We have to make sure that people have the skills so that we can keep our people here.

We are also going to be a caring government as well as a responsible government. We are paying down debt to show our responsibility. We are living within our means. We are having a surplus of \$261 million but we are also going to invest heavily, in addition to education and health, in poverty reduction. There is \$91 million being spent on poverty reduction. We are making a major investment in the Big Land up in Labrador. These initiatives are all meant to ensure that we become more self-reliant, standing on our own, a proud, a prosperous and a self-reliant Newfoundland

and Labrador within a strong and united Canada.

Having said that, I understand we are going to do the Public Service Commission first. The Chair and the Vice-Chair are with us tonight, so we are open for questions.

CHAIR: Thank you, Mr. Minister.

First of all, we are going to call subhead 1.1.01.

I would like to also welcome to the Committee meeting, Ms Marshall.

MS E. MARSHALL: Thank you.

CHAIR: Thank you.

All right, we have questions. We will start with Ms Thistle. Go ahead.

MS THISTLE: Thank you, Paul.

Good evening, everybody. I guess when this is lit we are on tape.

CHAIR: Yes, that is right.

MS THISTLE: Okay.

Good evening, everybody.

If I were here tonight with Loyola Sullivan you could expect us to be here a long time, but tonight I am here with Tom Marshall, our new Finance Minister, and I don't expect we will be as long as we would have been with the former minister.

Ed Walsh, in the Public Service Commission, I thought you guys were scaling back somehow, but I notice that, looking at your salaries, you are projecting a huge increase in salaries. What is all that about?

CHAIR: Ed, before you speak, could you just give your name so they will know for recording purposes?

MR. WALSH: Ed Walsh, Public Service Commission.

CHAIR: Thank you.

MR. WALSH: Ms Thistle, you may recall the discussions from the previous year when there was a discussion about the whole restructuring of government's corporate services delivery model. As a result of that restructuring exercise, the Public Service Commission has resumed its responsibility for the direct delivery of the staffing process. Effectively what we have in the Budget is that the positions that were previously allocated and assigned responsibility for staffing have now been reassigned, reallocated to the PSC. So, effectively what we have are the positions associated with the staffing delivery piece as well as the budgetary allocations (inaudible).

MS THISTLE: Based on that, what is the role now of the Public Service Secretariat? If you are going to be taking on more duties as Public Service CEO, what is the role of the Public Service Secretariat?

MR. WALSH: Ultimately, the role of the Public Service Commission is to focus almost exclusively on the staffing piece. We will do the hiring, we will run the job competitions, and we will make the recommendations to the various deputy ministers of the various organizations from which those appointments can be made.

The Public Service Secretariat assumes the role of the employer, particularly as it relates to the collective bargaining piece and the establishment and the relationship with Treasury Board and with Cabinet for the establishment of government HR policy.

MS THISTLE: Mr. Walsh, you just mentioned that you are going to resume your activities in the hiring and selection process of the public service employees.

MR. WALSH: Yes, ma'am.

MS THISTLE: Are you saying that any hirings that are now going to be done within government, through any department of government, will become the responsibility of the Public Service Commission?

MR. WALSH: The short answer to that is, yes. I would like to say that notwithstanding the fact that we were not directly involved over the last number of years in actually sitting in on job interviews, nevertheless, we had that responsibility all along. We had the responsibility for the development of staffing related policy, for doing the training of individuals who are involved in the job competitions, for the audit function to ensure that commission policies were adhered to and for reviewing staffing related complaints and activities. The difference between now and what it has been like over the last ten years or so is that in addition to all of those activities, we are also more directly involved in the delivery piece.

So, we have had some responsibilities all along but in addition to that, now we will be more directly involved in delivery.

MS THISTLE: How many extra employees on your executive have you hired to take care of the extra activities?

MR. WALSH: The new model provides us with five managers of strategic staffing. We have four staffing specialists and five administrative support staff.

MS THISTLE: Are all of those individuals working out of St. John's?

MR. WALSH: At this stage, yes. The plan, at some point - and we anticipate this is going to be finished by the end of the calendar year. The second phase, if you will, of the corporate services restructuring will require that we take a look at the regional delivery systems related to administration, particularly as it relates to financial controls, human resource managements and administrative support

staff. That process is underway and we hope that by the end of December of 2007 we will be in a better position to make a judgment in terms of how those supports will be delivered outside of the metropolitan St. John's area.

MS THISTLE: Mr. Walsh, are you now responsible for all of these ads that we see in *The Telegram* and newspapers across the Province?

MR. WALSH: Yes, assuming the positions in question are positions that fall under the scope of the Public Service Commission.

MS THISTLE: Is there ever an opportunity when a particular minister of a particular department will advertise for a job and you will not have anything to do with it?

MR. WALSH: The short answer to that is, if the position is a public service job and the position falls within the core complement of the public service, well then, obviously, the requirement, the expectation, is that job would be filled through the Public Service Commission.

There are positions, however, that fall outside the scope of the Public Service Commission Act; not the least of which, for example, would be political support staff. They are not public employees. They are not public servants. Therefore, the Public Service Commission recommendation would not be necessary.

The short answer to your question is the vast majority of the positions would be filled through the PSC. There are some, however, exclusions from the Public Service Commission Act that other mechanisms may be used.

MS THISTLE: What you are saying now, basically, is that, for the most part, anyone applying for a job within government will be applying through the Public Service Commission.

MR. WALSH: That is correct.

MS THISTLE: I noticed that in your annual report this year, it is a little different than previous years because when there was a changeover in government there were a lot of people requiring employee assistance and there were no numbers indicated in your annual report like that this time. Was that deliberate or because not everyone is feeling perfect that they are not using the EAP?

MR. WALSH: Just to clarify, the last annual report that the Commission tabled was for fiscal 2004-2005. The 2005-2006 report is drafted - to be quite frank with you, it is on my desk. There are some issues regarding format and layout of that that we have some concerns with. We have to try and ensure that our annual report interfaces appropriately with government's commitment to transparency and accountability. We are trying to find a way to rationalize that sense of transparency and accountability with the Public Service Commission in the sense of autonomy as it relates to the issues under its jurisdiction.

What I can tell you for the period in question is that over the last ten years the Employee Assistance Program, the demand for that service has increased on average of about 7 per cent per annum. In the past year, that rate of increase is the lowest that we have seen it in about ten years and that rate of increase in the last year is a 1 per cent increase.

I think what it reflects is a sense of stability that is happening within the public service and that obviously reflects on a whole bunch of issues, not the least of which would be the lack of fear of layoff that is prevalent over the last number of years.

MS THISTLE: In your opinion, the numbers that are employed by government, overall, would they be comparable to what they were four years ago? Do you know the number of employees employed within the

Government of Newfoundland and Labrador?

MR. WALSH: Are they comparable? I would not be able to quote the numbers off the top of my head. I would suggest to you, however, while there have been some increases, a lot of those increases have been in - there have been vacancies that we have been carrying for some period of time. So I do not suggest to you that the numbers will be inappropriate but we are seeing more employment opportunity now than we have previously, where over the last ten or fifteen years or so, because of the economic conditions, we have been forced to go through periods of downsizing. Right now, we see more employment opportunities, and I think that creates a sense of positive optimism within the public service.

MS THISTLE: Well, my final question to you at this point will be: Can you supply me, in the next little while, with a listing of the number of employees for each department of government, permanent and temporary, compared to 2003?

MR. WALSH: So you want permanent and temporary with that?

MS THISTLE: Yes.

MR. WALSH: Yes, ma'am.

MS THISTLE: Okay. Thank you, Mr. Walsh.

CHAIR: All right, thank you.

Any other questions?

MR. LANGDON: Yes.

CHAIR: Mr. Langdon.

MR. LANGDON: The communications people with government with the different departments and so on, these were political appointments in the past, are they now part of the Public Service Commission?

MR. WALSH: I am sorry, sir, I am going to have to ask -

MR. LANGDON: The communications people with each department.

MR. WALSH: The communications directors in each of the departments are public employees. If you recall the history on that, when these positions were initially filled they were hired as public employees. At some point - this would have been the early 1990s. Subsequent to them becoming employed in the public service, the positions were transferred and made political support staff. Then, subsequently, they were transferred back from political support staff and are, again, now part of the public service. So, yes, they are now public employees. Those positions are filled through recommendation and competition from the Public Service Commission.

MR. LANGDON: I will just leave it at that. I could make other comments but I will not do it at this time.

CHAIR: Ms Thistle.

MS THISTLE: No, you are off the hook, Mr. Walsh.

MR. WALSH: Thank you.

CHAIR: Anyone else with a question?

MR. ANDERSEN: I do, if you do not mind.

CHAIR: Go ahead.

Mr. Andersen.

MR. ANDERSEN: Just a quick question. As you are full aware, the Nunatsiavut government now has their land claims and the Innu are in the process of becoming a reservation in Sheshatshiu. They have already accomplished that in Natuashish. Do you plan on transferring a lot of your

people who have worked the different land claims deals and so on? Is your government looking at transferring any of these high-position jobs to Labrador to - that do not implement the land claims but to make sure that things proceed on a fairly smooth basis?

MR. WALSH: I apologize, sir, but I have no knowledge of any plan to do that. What I can say is that as a result of a land claim agreement, the Public Service Commission was named, if you will, and referenced in that agreement. The efforts that we will make will be to ensure that as positions within the areas covered by the agreement, as those positions are filled, priority consideration will be provided to individuals who qualify. By qualify, I do not mean that in an academic work experience perspective but individuals who are registered and who have entitlement for priority consideration in accordance with the agreement.

MR. ANDERSEN: So you have no idea if a lot of these city jobs that are in St. John's now will be transferred to Labrador?

MR. WALSH: At this stage, I have no knowledge of that.

CHAIR: Any other questions?

Shall subhead 1.1.01 carry?

All those in favour, 'aye'?

Carried.

Thank you. Now we will go to Finance.

AN HON. MEMBER: (Inaudible).

CHAIR: Shall I report that 1.1.01 carried?

SOME HON. MEMBERS: Carried.

On motion, subhead 1.1.01 carried.

CHAIR: All right. We will now go to Finance, but before we do I would like to get

a motion to adopt the minutes of the last Committee meeting.

MR. FORSEY: So moved.

CHAIR: Moved by Mr. Forsey.

On motion, minutes adopted as circulated.

CHAIR: Now we will go to Finance, subhead 1.1.01.

Mr. Minister, I do not know if you want to have a few more words first or if you just want to move right into the questions.

MR. T. MARSHALL: No, I have been through this process, I think three times with the Department of Justice, but this is the first time for me here with Finance. I became the minister on December 29. I cannot say that I have learned it all yet, but like everyone else, we do the best we can.

CHAIR: Thank you.

Questions?

Ms Thistle.

MS THISTLE: Thank you.

I am going to have a few line questions first and then I will go into my regular questions after that. I am curious about the Executive Support, subhead 1.2.01. I noticed that you budgeted roughly \$1 million last year. You did not use it all but you are going up this year to \$1.1 million. What is happening? What is the reason for that?

MR. T. MARSHALL: The Executive Support Salaries; that is salary costs for thirteen permanent positions and temporary assistants' overtime. The Budget last year was \$1,054,500 but at Revised it dropped to \$843,000, that was lower than budgeted due to the reduced requirement for temporary assistants. There was a savings there of \$125,000. There was also a secretary to an ADM position that remained vacant in 2006-

2007. So, there was a savings there of \$40,000. The Policy Capacity position funding of \$80,000 being restated to Finance with only \$28,000 being spent, for a savings of \$52,000. So that was the difference between what was budgeted and the \$843,000 that was spent.

Do you want an explanation of next years?

MS THISTLE: Yes, I am just wondering what you are anticipating is going to happen with the increase?

MR. T. MARSHALL: Well, with all of them you will find there is a 3 per cent general salary increase.

MS THISTLE: Yes.

MR. T. MARSHALL: That is \$31,600, and to fund the government-wide reclassification of executive secretary salaries, that is \$29,300. There was a reduction of \$11, 500 for the Policy Capacity position, as that position was filled at a lower level.

I will also point out that a fifth ADM secretary position will be abolished or transferred to another department, subject to the outcome of the corporate services administrative support review which is going to be undertaken this year.

MS THISTLE: What did you buy extra for \$6,000 under Purchased Services, .06?

MR. T. MARSHALL: Purchased Services, the extra \$6,000. This amount was revised because the costs were greater than anticipated for pre-budget consultation, facilities, rentals and associated costs.

I know Minister Sullivan had conducted the pre-budget consultations on the East Coast and Central when I was appointed. After I was appointed, we did the pre-budget consultations in Stephenville, Corner Brook, St. Anthony, Labrador West and Happy Valley-Goose Bay, Labrador. I do not know

where the extra \$6,000 - whether that was me or whether it was Loyola.

MS THISTLE: Okay.

Under General Government, 1.3.01. Are there no collective agreements not settled at this point, because I know that you did not have to use any of that budget last year? Salaries, 01., you did not need any negotiating people there. Was there no need for any of that?

MR. T. MARSHALL: This was a provision for block funding. It was not required during 2006-2007. Why wasn't it required, Mr. Deputy?

MR. PADDON: There were a couple of items that were transferred to other departments. There was some money to the Department of Business for the minister's office that came out of that block and there was some money to the Department of Justice for judges' salaries, but the rest of it was not required. So there was a shortfall of about \$3.5 million that, ultimately, was not needed. It was basically a block provision at the beginning of the year.

MS THISTLE: Right. How much was transferred to the Minister of Business?

MR. PADDON: One hundred and sixty-four thousand dollars.

MS THISTLE: How much went for judges' salary increases?

MR. PADDON: Three hundred and sixty-eight thousand dollars.

MS THISTLE: Three hundred and sixty-eight thousand.

MR. PADDON: The original budgeted amount was just over \$4 million.

MS THISTLE: This year, of course, you are indicating that you may need \$4 million.

What do you anticipate is going to use up that \$4 million this year?

MR. T. MARSHALL: The \$4.9 million for this year is to provide an allocation. There is \$2.9 million, plus further funding for the Department of Justice, almost \$2 million, \$1,971,300. Also, contracts for the Uniform Services, that is the RNC and Adult Corrections, have not been quite finalized. They have gone to interest arbitration, both groups, thus the funding for the anticipated negotiated salary increases has been removed from Justice's budget over to Finance.

MS THISTLE: Okay.

Under 2.1.02., Debt Management. The increase I see there is in Salaries. You used \$615,000 last year and now you are looking at \$677,000 this year.

OFFICIAL: (Inaudible).

MS THISTLE: We have a couple of Finance ministers over here. That is good.

MR. T. MARSHALL: The increase for 2007-2008, basically that is just the 3 per cent general salary increase.

MS THISTLE: Yes, that is basically what it works out to be.

MR. T. MARSHALL: There are thirteen permanent positions there.

MS THISTLE: Yes.

Where does the revenue come from there, 2.1.02., Amount to be Voted 02. Revenue - Provincial? Why the difference? For instance, last year it was budgeted for \$338,000 and there was \$213,000.

MR. PADDON: The Revenue is an allocation from the Newfoundland and Labrador Sinking Fund plus the Newfoundland and Labrador Municipal Financing Corporation. The Debt

Management Division does the accounting for both of those organizations. Essentially what they do is, they do up an estimate of the time involved and they would charge the time to the two organizations.

What they did during the year, basically, is go back and do a re-evaluation of the amount of time of their staff that is required to do the accounting and they have made some adjustments. So, in a sense, they had anticipated recovering \$338,000 but essentially the time required was not as much as they had anticipated, so they have revised that down to about \$213,000 last year and they expect that to be about \$238,000 in the coming year. It is really just sort of a re-estimation of the time involved to do the work.

MS THISTLE: By the way, is our Sinking Fund still intact, that \$1 million that was there in 2003?

MR. PADDON: In the Sinking Fund?

MS THISTLE: Yes.

MR. PADDON: The Sinking Fund has more than \$1 million. The Sinking Fund is still intact. It is, I guess, a normal part of the debt covenants there.

MS THISTLE: Over and above what is required.

MR. PADDON: There might have been a small amount but relatively modest, I think.

MS THISTLE: I think I recall that in 2003, over and above required debentures that were about to mature and so on, I think there was about \$1 million extra built up there.

MR. PADDON: There were additional amounts over and above, you are absolutely right, that we took in to income over a number of years, but that was probably four or five years ago now. I am not quite sure of the time frame.

MS THISTLE: Have they disappeared?

MR. PADDON: I do not think there are any excess earnings there in the Sinking Funds now.

MS THISTLE: Under 2.1.03, Budgeting and Insurance – or Financial Assistance, 2.1.04., rather – you budgeted for \$7 million and the actual was \$10 million. Where was that spent?

MR. T. MARSHALL: This is Financial Assistance, Grants and Subsidies?

MS THISTLE: Yes.

MR. T. MARSHALL: That is financial support for Crown agencies and grants to promote business opportunities. It includes a \$350,000 operating grant to the Pippy Park Commission.

The revision for 2006-2007 reflects a one-time grant of \$10 million that was provided to Newfoundland and Labrador Hydro to pay down the deficit in the Industrial Customers' Rate Stabilization Plan. There was a press release out on October 5, 2006 that mentioned this. This is the amount that would have been paid by Abitibi, and it ensures that the operations of the remaining four industrial contributors are not adversely affected. The remaining \$350,000, as I said, was for the operating grant to Pippy Park.

MS THISTLE: Initially, when you budgeted the \$7 million, what did you anticipate was going to come out of it?

MR. PADDON: The \$7 million was really a block fund with no specific allocation. Essentially what it was, it was a provision just in case something came up during the year that government, in terms of an investment, or something of that nature, felt appropriate to invest in. Really, in this particular area, other than the \$10 million and the \$350 for Pippy Park, there was nothing else allocated out of the \$7.1 million.

MS THISTLE: I remember that increase last fall - Newfoundland and Labrador Hydro - but Abitibi were not the only ones, were they? Abitibi did not need \$10 million.

MR. PADDON: No, this is the amount of the deficit as a result of Abitibi Stephenville mill closing down. So basically what happens then is the other industrial customers, in the absence of us providing \$10 million to Hydro, the other industrial customers would have had to fund that deficit that was there because of Abitibi Stephenville closing down.

MS THISTLE: Okay.

Well, I misunderstood you because I was left with the impression that was a subsidy for Abitibi like you did that one-off deal the year before with Ed Byrne. Remember, there was a couple of million dollars given to Abitibi?

MR. T. MARSHALL: No, this is the Industrial Customers' Rate Stabilization Plan. So this went into the plan because Abitibi wasn't contributing from Stephenville.

MS THISTLE: Yes, I understand what you are saying but there was a one-off deal where Abitibi's hydro rate was to be subsidized. That was in Stephenville probably a year before, I remember, when Ed Byrne was the Minister of Natural Resources. That came to the forefront at that particular time. There was money approved - I think it was the \$1 million, or something like that - but this is entirely different. I know what the \$10 million is now.

MR. T. MARSHALL: Do you want the estimate for next year?

MS THISTLE: Yes, it is \$9.5 million. Do you have any idea how you are going to spend it?

MR. T. MARSHALL: Well, the \$400,000 is to Hydro to offset the rate increase for the isolated diesel communities on the Labrador Coast and the Island, the people who are using the diesel, and \$1.5 million is for the electricity rebate for homeowners who are using diesel generated power in the Province. There is \$500,000 added back funding to Finance for funding that was budgeted to Fisheries in 2006-2007. That related to the cod aquaculture demonstration farm. Fisheries wanted funding for this project and, rather than increase government's bottom line, it was decided to give \$500,000 from the financial assistance fund, but Fisheries never used that fund. The rest, I guess, is block funding for what may come up in the future.

MS THISTLE: Financial Planning, subhead 2.1.06. - I am looking at Loans, Advances and Investments for business opportunities - you budgeted for \$500,000, yet there was just about \$1 million spent. Do you recall what -

MR. T. MARSHALL: This is the loans (inaudible)?

MS THISTLE: Yes, 2.1.06.

MR. T. MARSHALL: Subhead 2.1.06.08?

MS THISTLE: Yes.

MR. T. MARSHALL: We budgeted \$500,000 and spent \$970,000?

MS THISTLE: Yes.

MR. T. MARSHALL: The \$970,000 makes provisions for loan and equity financing to support business opportunities and promote industrial developments that may arise. The expenditure overrun was the result of a payment to Orphan Industries.

MS THISTLE: Orphan Industries? Who are Orphan Industries? I am trying to jog my memory now.

MR. PADDON: Orphan Industries is a company that operates in the offshore. They do fabrication work. This was an investment or a loan to Orphan Industries to allow them, I guess, if memory serves me correctly, to repatriate some work from Alberta to be done here related to the offshore, related to, I guess, the oil and gas industry.

MS THISTLE: Was it an outside grant or loan?

MR. PADDON: It is a repayable contribution. I am not just quite sure right now if it was a loan or if it was an equity investment.

MS THISTLE: How much was it?

MR. PADDON: It was \$970,000. It was the full amount.

MS THISTLE: Nine hundred and seventy thousand.

My colleague just asked a question. Is it a Newfoundland company that started up here and is actually doing business here?

MR. PADDON: That is right; it is a Newfoundland company.

MS THISTLE: Are they still in business today?

MR. PADDON: That is right.

MR. LANGDON: Can I just ask a question on that?

MS THISTLE: Yes, sure.

MR. LANGDON: Who are the proprietors, the people who own Orphan Industries? Do you have that? Can you get it? If you do not have it at your fingertips - I don't expect you to have everything; that is not where I am coming from.

MR. PADDON: It should not be a problem to determine who the principals are.

MR. LANGDON: Yes, okay.

MS THISTLE: Taxation, 2.2.01. You budgeted for \$469,000 in the Salaries Budget but you used \$360,000. Who was laid off last year or how many?

MR. T. MARSHALL: The Revised amount was lower as funding was approved for a Senior Policy Analyst position. The position was not filled and that resulted in a \$70,000 savings. In addition, a Policy Analyst position was vacant for six months and there was a savings there of \$35,000.

MS THISTLE: Do you still have those eight extra people working in the Department of Finance now at tax collection that the former Finance Minister mentioned in last year's Budget?

MR. PADDON: Yes, we do.

MS THISTLE: Are they almost at the end of their assignment, or how is the tax collection coming?

MR. PADDON: The tax collection, that specific area relates to school tax. I guess the collections are proceeding. The question as to whether they are nearing the end of their term is a decision that government would obviously make as to what the disposition of school tax is going to be or when it is going to be.

MS THISTLE: What amount is outstanding in school tax recovery?

MR. CONSTANTINE: When we started the year, I guess we had almost 19,900 accounts. We are currently down to about 10,300. So, that is a reduction of almost 9,600 accounts. We started the year with about \$29.9 million in receivables. We closed the year at \$19.5 million. That is a reduction of \$10.4 million in receivables.

MS THISTLE: Well, Bob, that is good. They have paid their salaries, and more. That is good.

Basically, you have \$19 million left to – is it?

MR. CONSTANTINE: Nineteen million. We have also made some progress since the end of the year, obviously, so that number is down still further from that.

MS THISTLE: Good. So it has been a worthwhile venture, no doubt.

Looking at 2.3.01, Economics and Statistics, the salary budget is really mushrooming there. Can you give me some, for this coming year - what is going ahead there that is going to increase Salaries by \$500,000 from last year?

MR. T. MARSHALL: There are a number of special projects that this division, the Economics and Statistics division, will be carrying out and that they are going to receive revenue from. So that particular amount, the estimates are higher to provide temporary assistance for the special projects, plus a 3 per cent salary increase on the base budget. That 3 per cent increase will be \$31,700 and the rest of it is for special funding projects.

There is a census project which is \$247,600. There is a production accounts market base measures, \$89,700. There is a population therapeutics research, \$706,200. There is a National Crime Prevention Strategy of \$115,000. Then there are miscellaneous surveys, projects, forecasts and contracts of \$250,000, for a total of \$1,408,500.

MS THISTLE: Are your special projects around out-migration?

MR. T. MARSHALL: Well, there is a census project. So, obviously, out-migration and in-migration would have an impact there. Population therapeutics research - I will need some help with that one.

MR. PADDON: The projects that the Economics and Statistics branch undertake are not directly related to out-migration. These are projects that they would have contracted with outside agencies. So, the funding is external from government. It would be really directed towards a particular need or project that that outside agency has looked at. You would not be able to say that they are related to out-migration specifically. There might be some -

MS THISTLE: Well, it certainly related to the demographics.

MR. PADDON: Some of it is related to demographics. Certainly, the census project would have some demographic issues related to it. Some of the output may be able to be used in terms of out-migration and those sorts of things, but the projects themselves, you would not be able to say they are specific to out-migration.

MS THISTLE: The next one is the -

MR. T. MARSHALL: Ms Thistle, I can tell you, these projects are 100 per cent recoverable from other sources. So, there is funding for all of these special projects.

MS THISTLE: Yes, you have federal and provincial sources.

MR. T. MARSHALL: Yes.

MS THISTLE: Are our statistics shared across Canada with the federal government?

MR. PADDON: Well, we would share statistics with the federal government. If they would require it, we would have an information sharing agreement with the federal government. Similarly, the Statistics Canada information is available to our Newfoundland statistics agency on, sort of, a basis of an information sharing agreement. If they wanted anything that we had, we would give it to them.

MS THISTLE: I note that part of the revenue generation there is from the federal government. Are these projects that are cost-shared between the provincial and federal government and they will be the recipients of the information should they want it?

MR. PADDON: No, this would not be cost-shared as much as the federal government would contract with us for some specific information or some specific projects that they are looking for information for.

MS THISTLE: Okay. So, it is the federal government that is looking for the information, and they are paying the money and we are hiring the people. Is that it?

MR. PADDON: That is right, yes.

MS THISTLE: Okay.

Office of the Comptroller General, 2.4.01. This is a case on Salaries, 01., where the Salaries have been down about \$500,000. How do you explain it? I am pleased to see that but now this coming year they are going to be up around \$700,000. What is going on there?

MR. T. MARSHALL: The big thing there is, apart from the 3 per cent general increase, there is going to be funding for seven additional internal auditors.

You may recall the Auditor General, one of his reports, I think it was dated March 31, 2006, he talked about the need for government to increase its investment in internal auditors. He mentioned that we are down to three. So, there is an additional seven going to be hired here, together with an additional Public Accounts Analyst, an additional OMSP training analyst and also additional temporary assistants to comply with the recommendations of the Auditor General. I believe in the Legislature there is also an additional internal auditor hired there to beef up our internal audit capacity.

MS THISTLE: Our accountability, yes.

Let me see now. Under Corporate Services, that would be 2.4.02. What did you buy in Purchased Services that would bring you up an extra -

MR. T. MARSHALL: From \$4,800 to \$17,000?

MS THISTLE: Yes. Well, an extra \$12,000.

MR. T. MARSHALL: Purchased Services, the revision is higher due to costs associated with professional training and other purchased services. Under this heading there is photocopying charges, printing costs, professional training, shredding services, meeting room rentals and other general purchased services. I understand that this was associated with professional training.

MS THISTLE: Who were trained?

MR. PADDON: These would be the staff in the corporate services area.

MS THISTLE: Was that in-house training or were they gone out of the Province for training?

MR. PADDON: I know it was not out of the Province. I believe it would have been inside the Province, but I would have to get you the details. I am just not sure of who did the training, but my understanding is that it is external to government.

MS THISTLE: External to government.

MR. PADDON: External provider.

MS THISTLE: I would like to have the details of that, if you would.

MR. PADDON: Yes.

MS THISTLE: On the Estimates, the numbers, the line items, I am finished. I am

going to turn it over to my colleague to ask some questions and then I will come back after.

CHAIR: Yes, sure, not a problem.

Mr. Langdon.

MR. LANGDON: On the constituency allowances, we paid \$2,875 back to government, I guess to the Comptroller General. We were issued a receipt for it. We do not owe government any money. That is the point of it. That money would then be given to government as revenue. We get a receipt back for it. Probably the minister is like me in this, I paid it because it is part of a moral thing or whatever, but what is government just going to take that \$2,875 and put it back into general revenue?

MR. PADDON: That is correct. That is what would happen with it, yes.

MR. LANGDON: Okay. Is there any possibility in the future, depending on what happens, that that \$2,875 could be recoverable again?

MR. PADDON: In what sense?

MR. LANGDON: For example, if there was a class action suit or something of that nature. I do not know all the legal ramifications. I said to John Ottenheimer today, one of the things I should have done over the eighteen years was get a law degree and be like the minister, or whatever. Even though I have paid it there is something wrong with this here, for a person who was given the money upfront, no coercing or anything on my part or anybody else who worked in the House of Assembly or MHAs, who take \$2,875 out of your own pocket and pay it back to general revenue. It might be ten or fifteen years down the road, or probably twenty years, I may not even be around, but I just wanted to know where it was going because (inaudible) general revenue and use it for something else, that is fine.

On another line, or not a line as such, another question - it probably does not even refer to the Department of Finance, but I will just ask it and if not, then you can tell me and we will be no enemies as a result of it. There are a lot of municipalities - the larger municipalities have Crown lands within their boundaries. It probably would be - probably I should have asked Municipal Affairs but I did not get in this morning. I drove in from the district and it took me six or seven hours to come in.

They are saying if they had that land that was public land or owned by Crown lands within their boundaries, whether it is Corner Brook or St. John's or whatever, they could then take that land unhindered or unencumbered by Newfoundland and Labrador Housing to improve economics within their jurisdiction. I am just wondering - and I do not know the answer, I am just trying to get some information. How much money would be generated, or is there any money generated, to government as a result of the land that is public land that is owned within the municipalities jurisdiction?

MR. T. MARSHALL: That has come up recently. It came up at the pre-Budget consultations in St. Anthony. A representative of one of the councils suggested that government give to the municipalities the Crown land within the boundaries of the municipalities.

Now government's attitude is that our land is a valuable natural resource. We consider it the same as our nickel and our oil and gas, and that if it is going to be disposed of to anyone, if it is going to be transferred to anyone, that government has a duty to give fair market value for it for the taxpayers of the Province. I think what the municipalities want to do is they would get the land from government free and then they would turn around and sell it to a developer or whatever and then they would use those revenues for their purposes.

Government's position right now is that any Crown land that is sold, government wants fair market value for the taxpayers of the Province. I do know - I spoke about this issue to Minister Jackman recently and he indicated that he is looking at the whole idea of valuation of Crown lands, that possibly lands could be disposed of to municipalities, but that the valuation would not be as high as it might be considered now. So they are going to look, I believe - and I do not want to put words in the minister's mouth, but I think they are going to look at the whole idea of what values they should charge for Crown land in municipalities and outside of municipalities, but you can probably put that to him.

MR. LANGDON: Yes, but you do not have a ballpark figure of how much that land would be worth he sold at market value to government within those municipal boundaries?

MR. T. MARSHALL: All Crown land within all municipalities? No, I do not have that number. I would imagine Crown lands may have that.

MR. DINN: Can I comment on that? I know when I was at the City of St. John's we just had development control over land. I do know that the value of a piece of Crown land depends on a couple of factors; one, especially, would be accessibility. How remote is it? You could have land in the City of St. John's that could have no roads or anything going to it and it could be five miles away. That piece of land, normally, would not have the same value as a piece of Crown land on the Bay Bulls Road. A piece of Crown land on the Bay Bulls Road would get the same equivalent value as a normal building lot that someone else would be selling, but a piece of Crown land, I guess up in the woods someplace, would probably have values anywhere from, I suppose, \$1,000 to \$10,000. I know that the Department of Agriculture, under the Land Consolidation Program, pays anywhere from

\$3,000 to probably \$10,000, \$15,000 for land, depending on where it is.

MR. LANGDON: Yes, I understand that, but the thing about it is, I see it as an opportunity for some of the communities, probably not in St. John's Metropolitan or the Northeast Avalon, but I am looking at some of the smaller municipalities, for example, like Clarendville - even Gander, Grand Falls-Windsor, or Botwood, Lewisporte, Springdale - that these communities could use that as an economic generator or lever. You would not be giving it away, as such, to the Chevrons or the Hebrons of the world or whatever but you would be giving it directly, as I see it, to the taxpayers of the Province or people who would be within that - I can see that, but we will just leave it at that, and thank you for the explanation.

On the aquaculture thing for new monies from government put into the Budget for this year, I do not have all the figures in front of me - and even if I did, I could not see them, I left my glasses home. I can see you fellows fine, but I am as blind as a bat when it comes to here. I recognize that Cooke did put in a lot of money last year and government put in \$10 million, which was about 6 per cent, I think, of the total investment or whatever. Discounting the money that you put in last year with Cooke when the big announcement was made, how much new money in 2007-2008 has gone into aquaculture?

The thing is, again, I am not presumptuous of the fact that you would have all of that at your fingertips; probably a week or two or a month down the road, if you could get that information for me, I would be pleased with that.

MR. T. MARSHALL: Okay. We can undertake to provide that. We can get that information.

I know in the highlights here there is a reference to - I am familiar with the Cooke

investment. I think it was \$150 million, \$155 million, I think the Province put in \$10 million and the federal government put in \$10 million.

MR. LANGDON: That is right.

MR. MARSHALL: I just see here in the highlights, it is over \$16 million to advance the aquaculture sector. I know that there is \$1 million to build an aquaculture research facility in St. Alban's. They are the only ones I can recall but -

MR. LANGDON: Can I ask you another question? On that thing for St. Alban's, my understanding is it is \$1.2 million this year. In subsequent budgets in 2008-2009, or whatever the case might be, that there would be close to probably \$4.75 million or \$5 million to complete that centre. Is that correct?

MR. MARSHALL: I am personally not aware of that. My notes, as well, say \$1.2 million, but that would be the spending this year.

MR. LANGDON: Yes.

MR. PADDON: The amount allocated this year would not be the complete amount for the facility in St. Alban's. The year after, 2008-2009, I think the bulk of the money would be spent to complete the project.

MR. LANGDON: So there is more than \$1.2 million, or the \$1.2 million is it? Or the \$1.3 million or whatever it was that was announced?

MR. PADDON: I believe it is more than - I think there is more. It would be allocated the year after.

MR. LANGDON: Yes. I did not have a chance to speak to a number of people this weekend but somebody was telling me yesterday when I was there that the Coast of Bays Corporation is saying that the thing is going to cost \$4.755 million. I hope it will

cost \$20 million. I know the Finance Minister would wish it did not cost anything, but for down in the area, the thing about it, the more that we can do to enhance aquaculture the better it will be. I am not complaining. I just want to be able to confer or to substantiate what they are saying, if that is correct.

MR. PADDON: There is no doubt, the money allocated this year would be more for the planning and design work on the facility. It would be, I guess, inappropriate to say how much it would cost in advance of the design work.

MR. LANGDON: Yes.

MR. PADDON: I think the year after the bulk of the construction work would be completed. So, there will be more in that year.

MR. LANGDON: Yes. A couple of years ago when Tobin was here - you probably were around at the same time - they had announced \$3.75 million, I think it was, for a facility in Bay d'Espoir but it never, ever materialized. One of the problems that I encountered in the area is that one entrepreneur in particular had a large building in the area and a lot of the space was taken up by aquaculture Newfoundland and Labrador and so on. He was pretty perturbed, in a sense, that he would lose the clientele that he had in his building to a new particular building put up by government.

I was just wondering in my own mind, have there been - not that there should be - any consultations with the person who now houses the offices for aquaculture and so on within the St. Alban's area?

MR. PADDON: No, I am not aware of any.

MR. LANGDON: No, that is fine. I am not going to quote you tomorrow, either. I do not operate like that.

The other thing that I will just ask, a number of people in the district are asking: Where is my cheque for the fuel rebate? Do you have any idea when you might be able to catch up on that, and when can some of these people expect to get some of their money? I know some people have gotten it; a lot of people have not.

MR. T. MARSHALL: I am going to ask if Bob could speak to that.

CHAIR: Do not forget your microphone, Bob.

MR. T. MARSHALL: Well, maybe I could open it up. The program this year, of course, is much broader than it was in the past. It is going to be available to 68,000 families. That is three times the number of applications last year and it is six times from when the program first started.

We have received about 66,000 applications. I understand approximately 44,000 have been reviewed or processed and there is another 22,000 in inventory. There are fourteen temporary employees assigned to work on this. There has been additional resources dedicated to deal with the backlog, and I am told that we expect that 80 per cent of the inventory will be processed by May 18. I know the staff is working hard. I know they are working nights and they are working weekends as well, in order to ensure that - we know how anxious people are to receive their rebate. I can assure everybody who are eligible, they will get their cheque.

Go ahead, Bob.

MR. LANGDON: But you are involved in the political thing. The questions we ask - we know people are working, they are working twenty-four seven, but when they do not have their cheque they want to know where it is -

MR. T. MARSHALL: Sure, of course.

MR. LANGDON: - and being the political thing, I will be able to say to them when I go back this weekend: You should get your cheque by the last of May.

MR. CONSTANTINE: Forgive me, minister, because I get weekly updates and I did not get yours today. So, you are probably a week behind. I am sorry about that.

We actually now have 69,000 applications. We have reviewed 57,000 of those and some of them are rejected and they go back through the system. We had over 17,000 of those and then about half of those have been returned again.

So, we have processed, right now, over 47,000 cheques; we have paid out \$9 million. We now have a seven week turnaround. By this time next week that will be down to five weeks, and within a couple of weeks, as the minister suggests, we will be starting to be very current and be able to turn around applications within a couple of weeks.

The cheques are on the way. We have been overwhelmed by the number. It took us a while to get it under control. As the minister has said, we have had people working overtime and weekends and the whole business. Part of the problem, I guess, is that when you get a little bit behind you have everybody calling and looking for their cheque, and people cannot process the applications and answer the phone.

MR. LANGDON: I understand.

MR. CONSTANTINE: It has a snowballing effect. Once we had people working in the evenings, when they did not get the phone calls, everything started to move along. I think it is well under control now and we are seeing some positive results.

MR. LANGDON: I am not criticizing; I am just asking for a bit of information, that is all. I have been there, done that.

MR. CONSTANTINE: I understand.

MR. LANGDON: One more question and then I will pass it over to my colleague. He will keep it going until 11:00 o'clock (inaudible).

On the grants and loans to students at the university, is it my understanding that the grants and loans would affect, let's say, 7,000 or 8,000 students in post-secondary education who would be eligible for the grant and the loan, and that grant system that you are going to put into place would be contingent - or the levels that were probably in place last year, like the total income of family, and I will just use the figure of \$60,000, that level has not changed? So, if your family income is lower than \$60,000 or \$70,000, whatever the case may be - I just used \$60,000 for the number - they would be eligible for the grant and the loan, but students whose family incomes are above that threshold would not be eligible for loans if they went to Memorial or to Marine Institute or CONA, or whatever? Am I correct in saying that or not?

MR. T. MARSHALL: I would have to defer that to Minister Burke in terms of the details of the program. As I understand it, the maximum available was \$140 a week. Is that correct?

OFFICIAL: Yes.

MR. T. MARSHALL: - and that now, based on need, a student can get up to \$70 of that, up to 50 per cent, based on - get grants, but the other \$70 would be borrowed.

MR. LANGDON: I have no problem with that; that is good. I mean, there are a lot of students who come out of the university with an albatross around their neck with loans and that kind of thing. I understand that.

My concern is for the two parents who work here in St. John's and their total income,

say, is \$80,000 or \$85,000. You have a mortgage of \$1,000 or \$1,500 a month. You have your taxes. Both parents are working. You have two cars. I do not have to go into detail with all of these things. Then the student is not eligible for loans. The parents, then, the responsibility rests with them to put their kids through university, and they are lucky if they get Millennium Grants or work terms and so on.

I want, in my own mind again, just for clarification and for information if I am ever asked by a constituent or whatever if their son or their daughter is eligible for grants or loans - no more, no ulterior motive other than that.

MR. PADDON: It is my understanding that the income threshold to determine need has not changed; but, as the minister said, I would defer it to the department.

MR. LANGDON: I understand.

MR. PADDON: That is my understanding.

MR. LANGDON: Yes.

MR. T. MARSHALL: You mentioned 7,000 students. I do not know the total number that would be eligible, but I understand on the other end, the debt reduction or the interest drop, I think there are about 46,000 students who will benefit from that drop in the interest rate.

MR. LANGDON: I understand that, but you are asked these questions out there in the area. Not too many people in my district, when you look at the situation, unless you are involved with going to Alberta or whatever, make \$70,000 or \$80,000 a year, but there are people out there who look at the situation and say: Well, with the government Budget my kid now gets half a grant and half a loan. But, if you are not eligible for a grant or a loan because of that threshold then their burden is still there as it was before the Budget. That is all I wanted to find out, no more than that.

MR. T. MARSHALL: The other thing, you made a comment about Finance Ministers not wanting to build buildings. I am a great believer in our Province taking advantage of the knowledge economy. To do that, we need research and development facilities.

St. John's has done exceptionally well at the university here in cold ocean research, and research in the oil and gas. Corner Brook is trying to do it in the environment sciences. This is wonderful, that we can see the South Coast do it in aquaculture. I would hope some day to see Labrador doing it in another niche area - maybe mining, something like that - because of what can come out of that research. The research means new products, new ideas and new processes. We need that to happen, and then we need the entrepreneurs to come and take those new products and ideas and processes and turn that into new businesses, and that means jobs.

I am really excited about that. I want to see it happen outside of St. John's, and that is why I am delighted with what is happening down in St. Alban's and delighted with what is happening on the West Coast, at Corner Brook, with the Centre of Environmental Excellence and the Institute for Biodiversity and Ecosystem Science.

I would like to see more of that, and that is the plan. There is a new council being set up, and a new Crown agency will be set up to advise the government and the Premier on that, and I think that it is very important, that we seize the day in that area. If it has been done in other places, we can do it here.

I do not have any concerns about building that facility in St. Alban's, I can assure you.

MR. LANGDON: Obviously, I was being facetious when I said that.

You are right on the aquaculture. The way that I see aquaculture on the South Coast - and we only just touched, so to speak, the

potential that is there, because we have more potential in the district that I represent than in all of New Brunswick and Nova Scotia put together - the philosophy that I would like to see extend, and I heard, in the House of Assembly, one person say: Well, what are you asking for? You have \$500 million, or whatever the case might be, in your area; that is enough, so to speak.

I do not see it that way. Alberta is not saying that about the tar sands. So, if you can put Shell, if you can ExxonMobil or Petro Canada, to do more projects, they are going to do it.

The thing is, if, with time and with the water resources approving the new lots, and you get your hatchery in and you can put your fish in the water, if you can put \$2 billion, \$3 billion or \$4 billion on that coast then you should take advantage of that niche, as I see it, and that is the way I would envision it to go in the future.

Right now, some things are happening, but like in the Town of Harbour Breton, to give you an idea, we had a letter from Mr. Barry only a few days ago - because there is lots of concern about no work in the plant, even though there was a lot of optimism earlier - and he is saying now that the amount of aquaculture that would probably be needed to keep the Harbour Breton plant in a viable operation there is going to take to about 2011.

My question - not to you, as minister - what is going to happen in the next four years? We have a lot of young people who will go to Alberta, and they probably will not return with their families. That does concern me, because I think we have the possibility where we can have an influx of a lot of people down in the area rather than having out-migration. Politics has nothing to do with that; it is people who you see benefit, providing a decent income for their families. That is what it is all about.

CHAIR: Another question?

MS THISTLE: Wally?

CHAIR: Do you have a question, Wally?

MR. ANDERSEN: I was delighted, Minister, a short while ago when my colleague said he had one question and I was going to raise quite a few, but that was eight questions ago.

CHAIR: You take your time, Mr. Andersen.

MR. ANDERSEN: Minister, again, what were the revenues that were generated from the Voisey's Bay operation this past year?

MR. T. MARSHALL: Well, I know the revenues this past year - there was about \$95 million in total mineral revenues. How much of that was in Voisey's Bay, I don't know.

OFFICIAL: About \$49 million from the Voisey's Bay operation in 2006.

MR. ANDERSEN: Those are the revenues that the government took in from -

OFFICIAL: That is the mining tax, the mining and mineral rights tax.

MR. ANDERSEN: Okay.

Minister, in the Labrador Strategic Plan, in your Budget you outlined \$1.6 million to offset the cost of diesel power in Coastal Labrador, and no question it is quite startling. The only concern I have with it is this: In these small isolated communities, the small business owners in many cases are the largest employers in these communities and in some cases they are the sole employer in small communities. These people are exempt from the benefit. I am well aware that a small business owner, particularly on the North Coast of Labrador, pays more for electricity and oil than a large business in the Upper Lake Melville area and in Lab West.

My question is – and I asked the same question of the Minister for Aboriginal Affairs and the Minister for Labrador Affairs: Minister, given this big, I guess, burden on these people, would you look at offering this to the business people in these small communities or maybe even on a smaller level providing some break to these people as well?

MR. T. MARSHALL: The decision that was made was to give the rebate to the individuals, to the homeowners, on the Coast of Labrador, the North Coast and South Coast, as part of the Northern Strategic Plan for Labrador.

As part of our energy plan and as part of what is going to happen in Labrador, the needs of the commercial operations in Coastal Labrador will be examined as part of that whole review.

To answer your question, yes, it will be looked at.

MR. ANDERSEN: Minister, I guess when you look at your whole energy plan, again I welcome the news of the \$1.6 million, but none of the residents on the North Coast of Labrador will be able to put baseboard heaters in their houses. In most cases, with the amount of electricity that these diesel generators can put out they are pretty well maxed out. With the growth that is taking part on the North Coast of Labrador, I certainly hope that when you put together your overall plan certainly these things will be looked at as well.

The only other question I have for you is as Minister of Finance. I raised this question with some other departments also. Some years ago there was talk that the previous government had taken \$90-odd million out of the Labrador Transportation Fund and put it into general revenues. I was a part of that government, and I spoke very strongly against that. I was told that this would never happen. Now, at that time there was a lot of controversy. In the last number of months

the members of government, your government, have raised the question that the Member for Cartwright-L'Anse au Clair and the Member for Torngat Mountains were part of a government that took \$92 million out of the Labrador Transportation Fund and put it into general revenues.

Is there any way, as minister, that you can confirm that it wasn't taken out or can you confirm that it was taken out?

MR. PADDON: In terms of the Labrador Transportation Initiative Fund, there is no money left in that fund right now. All the money that was in the fund plus the interest that was earned in the fund has been directed completely and solely towards Labrador transportation initiatives.

From an accounting perspective, I guess, yes, the money did come out of the fund into general revenues but it then was used or dedicated directly towards either the Trans-Labrador Highway or the ferry service and those sorts of things.

There has been, I guess, a full and complete accounting of all the money that went into the transportation fund and then came out, and where it was used. I do not think there is any doubt that it was all used for Labrador transportation initiatives.

The fund itself - there is no money left in the fund, but the money has been used for its intended purpose, I guess, is the point.

MR. ANDERSEN: Again, from your knowledge, the concept was that it was taken out and put into general revenues to be used for, most people assume, the extension to the Health Sciences, or it could be for a hospital for Badger, or to do a bridge on the West Coast. It was used totally and solely for transportation initiatives within Labrador?

MR. PADDON: That is correct.

MR. ANDERSEN: Thank you.

I do have other questions but I will raise them in the House.

Minister, if I could use a phrase that you made very famous in the House: Stay tuned.

CHAIR: Thank you, Mr. Andersen.

Ms Thistle?

MS THISTLE: Thank you, Mr. Oram.

I just have a few questions now to the minister.

I would like to have an update on the VLTs. Your government promised that they would have a reduction in VLTs and they had a planned exit, termination, for VLTs. How is that going?

MR. T. MARSHALL: I don't know if we had a planned exit. You mean to remove them completely?

MS THISTLE: To remove them.

MR. T. MARSHALL: I think we had a target that we would reduce the total number by - I just cannot remember how many.

MR. CONSTANTINE: What happened is, a couple of years ago we froze the number of VLTs. I do not have the exact data in front of me, but we froze the number and then there was a plan to reduce by 15 per cent over five years. That 15 per cent reduction would come from the lounges that had more than five.

The original VLT regulations had provided for five VLTs per site, and through some, I guess, loose interpretation of the law, we ended up allowing different sites within one establishment. If you had two bars within one establishment, that was considered two sites and ten VLTs. Ultimately, there were some establishments that had twenty VLTs. The five-year reduction plan would be to remove the excess VLTs so that at the end

of the day no liquor establishment would have more than five VLTs. That would be consistent with the regulations that were in place at the time.

On April 1 of this year we completed the second year of reductions and there are approximately ninety coming out per year. So there are about 180 that have come out over the last two years.

MS THISTLE: Mr. Minister, there has been a lot of talk about equalization and I am sure there will be a lot more on Friday morning. Even Wade Locke, the Chief Economist with MUN, had to draw in his horns with the wrong information that he had, so he claims.

Is it going to be the policy of this government to actually put something on paper so the taxpayers of this Province or the people of this Province would actually see a comparison of what we should be getting and what we are not getting? The ordinary man or woman on the street doesn't have anything they can look at in their hand. There has been nothing develop by government. All we hear is what you are saying and others in your government, and we are taking that to the bank.

Do you plan, as a government – you know, this issue is front and centre – to putting anything to paper that people can actually view?

MR. T. MARSHALL: The problem with equalization and the problem with doing what you are suggesting, or doing again what Dr. Locke did, is that we have to make so many assumptions: assumptions as to the price of oil; assumptions as to production levels, assumptions as to interest rates; assumptions as to what the fiscal capacity of Ontario is going to be. To do that over thirteen years, I don't know where that would take us. It is difficult enough to budget our oil and gas revenues in just the next year. We all know what happened last year with the Terra Nova FPSO. We

assumed it would go down for three months, it went down for six months, and as a result we had a loss of revenue of about \$200 million. To do that the next thirteen years, you have to make assumptions, assumptions as to what the price of oil is going to be and what productions levels are going to be. Whatever assumption you use can easily be subject to criticism.

What I can say is that we have two programs right now. One is the equalization program and one is the Atlantic Accord program. Under the equalization program which has been here since 1957, if you have a fiscal capacity that is lower than this national average you get paid equalization, as long as your fiscal capacity stays below that average. If we are here and the average is here, we get equalized. That is the difference. If our fiscal capacity ever goes above that line, then we stop getting equalization.

When we get an increase in mineral revenues, that drives up our fiscal capacity. If our fiscal capacity compared to the average goes higher, obviously we don't get as much equalization. We only get this much as opposed to all of this. When the oil and gas came, that is exactly what happened; our fiscal capacity went up therefore the amount of equalization we are getting is less. The problem is the oil and gas was coming out of the ground and we had no net fiscal benefit. The total amount we were receiving was the same.

Before the oil and gas we were getting one check from equalization. After the oil and gas came, we are now getting two checks. We are getting some from the oil and gas and some from equalization, but the total is still the same. We were not getting any benefit and the oil and gas was coming out of the ground. It is going to be gone one day. We were not any further ahead except for the fact that we had an active economy. We had lots of people working on the supply ships and working for the oil and gas companies, but once the oil and gas stopped,

that would end. The economy was busy but from the point of view of the taxpayers of the Province, from the point of view of the fiscal position of the Province, we weren't any further ahead.

That is why the Atlantic Accord was such a great deal for this Province, because that allowed us to get a different payment, an offset payment from a different branch of government. Equalization in under the Department of Finance but the offset payment on the Atlantic Accord came from a different department in Ottawa. It came from the Department of Natural Resources. That would offset the loss of equalization caused by the oil and gas. We were allowed to keep both but we were only allowed to do it for a particular term of time, it wasn't forever. It was for a minimum of eight years, as long as we qualified for equalization. Because once you no longer qualify for equalization you no longer get the Atlantic Accord.

We got it for eight years. We got a pre-payment of three quarters of what we estimate to get from the Atlantic Accord over eight years. If in the seventh and eighth year, if we are still on equalization in either one of those years and if our per capita debt is lower than at least four other provinces, the program goes for another eight years and we get it again, and then it would come to an end. Those are the two programs in theory.

Of course, what happened is that the Prime Minister made a commitment that we could remove 100 per cent of the Labrador resources from the equalization formula. Of course, when the Budget came down on May 19, they did not keep that commitment, and instead, they gave us a choice. We could either stay with what we had or go to a potentially more generous program, but under that program there would be a cap under equalization.

Not only was there a cap on equalization, which we found out on March 19 when the

Budget came down, but ten days later when they introduced the Budget Implementation Act, we found out they also were putting a new deal with the Accord, which they had not mentioned to us. That is a trigger that whereas under the old system, if we qualify for equalization, we automatically get the Accord payment. Under this new system, if we qualify for equalization, that does not mean we get the Accord. There is now a test to determine whether we get the Accord.

It is very complicated to follow, and I can certainly understand - people who are watching it on television or reading about it in the media - how difficult it is to follow this, but the bottom line is, what has happened here is the federal government has taken action that will take away from us the benefits of the Accord by bringing in a cap under equalization and by bringing in a test to determine whether or not we even get the Accord. So that is what has happened.

Now, to determine the numbers - Dr. Locke made assumptions. He assumed what the price of oil would be. He assumed what production levels would be. He assumed that our economy would grow by a certain percentage in relation to everybody else. He ran his numbers and you saw the trouble he had. For us to do that - I would like Terry to comment on that because you would have to make a lot of assumptions, and I think we would be criticized for some of those assumptions.

MS THISTLE: We understand what you just said. We understand all of that, but I think it is unfair for the general public, Joe and Martha Chesterfield out there, that they are just repeating rhetoric they hear in the media and through government sources. They have no clue about what is happening with equalization. There should be some simplified form if you cannot predict what is going to happen in the future, just to give the ordinary man and woman out there an idea of what equalization is. It has to be in its simplest form.

We are expecting a rally to come out on Friday morning - I do not know about me, I guess the Province is expecting a rally to come out on Friday morning, but most people who will be attending that rally do not have an idea about what our future might hold because of equalization. We are getting beat up on the mainland because we have not produced a paper on what our issues are. The actual mechanics of it, we all understand that here, but I just wonder why government, even though they are saying it is complicated, has not put something out?

MR. T. MARSHALL: Well, let me just say that - I am sure Terry can add to this - if we put out our numbers, the feds will criticize us and say we are using all kinds of wrong assumptions. That is why we like Dr. Locke. Dr. Locke is independent. Dr. Locke is very, highly qualified. Dr. Locke is well respected. He put out his numbers, which would be respected much more than ours because we think if we put ours out then the feds will put out different numbers with different assumptions and people would say: Well, we are still going at it.

MS THISTLE: Well, at least you could put out the process.

Anyway, I am going to drop equalization because what we know about it here in the room the general public does not know. I think there is a wall, that people should have the information even though you cannot be direct.

In fact, on the same line of questioning for equalization, I want to know: How do you take into account that invisible employee who is out working in Alberta and comes home here every four weeks on a chartered flight? Is he on our books or is he on the books of Alberta as being employed in Newfoundland, in Alberta but living home?

MR. CONSTANTINE: I guess in terms of residence, it is where your place of principal residence is, and that applies generally for

tax law as well. If somebody maintains their principal residence in this Province, they are counted here.

MS THISTLE: As working here?

MR. CONSTANTINE: As being a resident of here. It is not so much where they are working, I guess, is where they spend their income perhaps, or where their tax -

MS THISTLE: If they are paying their income tax, they are working here.

MR. CONSTANTINE: No, you do not pay income tax based on where you work, it is where your principal residence is.

MS THISTLE: That is what I am saying. So, if you are living -

MR. CONSTANTINE: If somebody is working in Alberta and commuting, and their family is here, they are living here, their bank accounts are here and everything like that, then for tax purposes they are residents of Newfoundland; they pay our taxes.

MS THISTLE: Would they be counted as being employed here in this Province even though they are working in Alberta?

OFFICIAL: Part of our workforce.

MS THISTLE: Part of our workforce?

MR. CONSTANTINE: In terms of the economic data, if they are a resident here and they are working, they are employed. I guess that is all we really care about.

MR. PADDON: You are just thinking in terms of the employment data itself?

MS THISTLE: Yes.

MR. PADDON: I think if they are working in Alberta they would be considered to be an employee, a resident of Alberta for that particular statistic.

MS THISTLE: I do not know how you can delineate a situation like that. There is an exodus of probably 20,000 people coming home on a plane every three or four weeks like that. I do not know, do you rely on Stats Canada for your numbers that are employed, or how did you find out? How did you get your 215,000 people employed here right now? Where did you get those figures?

MR. PADDON: Those are Statistics Canada numbers.

MS THISTLE: Those are their numbers?

MR. PADDON: Statistics Canada does a labour force survey across Canada, so those are their numbers.

MS THISTLE: Those are their numbers, okay.

Like you say, a lot of these people if they were called would probably say: Yes, I am working in Alberta but I am from Newfoundland. That is possible.

MR. PADDON: The labour force survey is done by a phone survey, so one of the questions they would ask is: Where are you employed? Where do you report to work?

MS THISTLE: There is probably no way to determine that.

Are there any plans afoot to do anything about the indexing of public sector pensions, those already retired?

MR. T. MARSHALL: With respect to pensions, and I have looked at some of the answers you have given in the past to that very question, basically what we have done is - we can't talk about enhancing the benefits to the pension plan until we secure the pension plan first. That was our thing. What we have agreed to do is put another \$972 million into the pension plan; \$400 million is in and we are going to put another

\$572 million in before the end of June of this year. That will bring the pension plan up to 85 per cent sustainability. That pension plan has done very well in terms of its investments. It has done amazingly well. The investments that it will earn from the monies in that fund together with the monies that the employees are contributing every year and the government is contributing every year, the employer's contributions, that will continue to grow. Then when that fund hits 100 per cent and it is well sustained, it is then that the government would be willing to consider discussions about enhancing the benefits under that program.

MS THISTLE: I imagine you haven't had any direct lobby from the main union group, NAPE, for their retired employees, have you?

MR. T. MARSHALL: No, but I have heard from retired NAPE employees and different pension groups. I have met with them both here and on the West Coast.

MS THISTLE: I think the union membership is mostly concerned with the active employees at the present time.

I am going to ask you one final question now and we will get the rest in the House. I saw massive advertising this past weekend in the *Telegram*, a centerfold double page, for the Newfoundland and Labrador Liquor Corporation. That was really a huge amount of money to spend, two coloured pages side by side. Has there been a change in the policy of the Newfoundland and Labrador Liquor Corporation? What did it cost to put that there, and how often are you doing it?

MR. T. MARSHALL: I was in Corner Brook on the weekend so I am not familiar; I did not see that ad.

Maybe, Terry, you can add something.

MR. PADDON: I guess there is no change in policy. The Liquor Corporation has a

focus of being operated as a business to generate revenue for the Treasury; so, as part of their marketing activities, on occasion they will put advertisements in for specials to promote a particular issue. In this case it was the opening or the refurbishment of some stores, so it was really just part of the promotion to draw attention to the fact that they have new facilities.

MS THISTLE: Well, I would think that is going to be done anyway, but two color page ads in the centre of *The Telegram*, I imagine, was probably \$3,000. I wondered if it was a shift in policy, because most consumers will know what is out there anyway without any advertising. It is the first time I have seen it.

Anyway, we will leave the rest for the House of Assembly.

I do thank you.

CHAIR: Any further questions?

Shall subheads 1.1.01. to 2.4.02. inclusive carry?

All those in favor, 'aye'.

SOME HON MEMBERS: Aye.

On motion, subheads 1.1.01. through 2.4.02. carried.

On motion, Department of Finance, total heads, carried.

CHAIR: I need a motion to adjourn as well.

MS E. MARSHALL: So moved.

MR. LANGDON: (Inaudible).

CHAIR: I am sorry.

Mr. Langdon.

MR. LANGDON: I want to thank the minister and his staff for the Estimates; it shows a lot of class.

CHAIR: Thank you.

The motion of adjournment was by Ms Marshall.

Just a brief note to this Committee: we meet again on Wednesday morning at 9:00 o'clock in the House of Assembly.

Thank you.

On motion, the Committee adjourned.