

PRELIMINARY
UNEDITED
TRANSCRIPT

HOUSE OF ASSEMBLY
FOR THE PERIOD:
3:00 p.m. - 6:00 p.m.
THURSDAY, MARCH 17, 1983

The House met at 3:00 p.m.

Mr. Speaker in the Chair.

MR. SPEAKER(Russell):

Order, please!

The hon. the Minister

of Finance.

SOME HON. MEMBERS:

Hear, hear!

DR. COLLINS:

Mr. Speaker, I move

that this House resolve itself into a Committee of Ways and Means and that the Speaker do now leave the Chair.

Before I begin the fifth Budget Speech of the Peckford Administration, perhaps I could be allowed to call attention to one individual in the Speaker's Gallery. When the printed document of the Budget is circulated, it will be seen that on the cover there is a reproduction of a painting which depicts the landing of Sir Humphrey Gilbert, 400 years ago, on this Island, which, as I will mention in my speech, was the beginning of the British Empire and subsequently of the Commonwealth. We have in the Speaker's Gallery a distinguished Newfoundland artist, Harold B. Goodridge, who painted that picture, and I would like the House of Assembly, and you, Mr. Speaker, to recognize the presence of Mr. Goodridge.

SOME HON. MEMBERS:

Hear, hear!

BUDGET SPEECH

DR. JOHN COLLINS: Mr. Speaker, it is my privilege today to present to this Honourable House the fifth Budget of the Peckford Administration. I do so in a year which is especially significant in regard to Newfoundland and Labrador's past and its future. Just one hundred and fifty years ago this Honourable House of Assembly first sat in government in Newfoundland. It was four hundred years ago that Sir Humphrey Gilbert set foot on our soil and, in claiming Newfoundland in the Name of Elizabeth I, founded what was to become the British Empire and is today the great Commonwealth of Nations.

Mr. Speaker, as we celebrate these milestones of our past, we are at the same time reminded that we have yet to reach a level of social and economic development consistent with the potential value of the great resources this Province brought into Confederation in 1949. When we acknowledge this historical reality, the need for firm decisive policies to achieve true economic progress is accentuated.

Since the Peckford Government came to office in 1979 it has been our abiding belief that the economic structure of this Province must undergo a fundamental restructuring if Newfoundland is to take its rightful place in the Canadian Confederation. Without doubt, this conviction is a reflection of a change in the attitude of our People as they saw their first enthusiasm for Confederation, fade into frustration at their apparent inability to achieve meaningful progress towards economic equality with other provinces. In these latter years, new leaders have emerged throughout the many sectors of our society - in business, in the professions, in the general workplace, as well as in all levels of government. They

DR. JOHN COLLINS: have replaced those who were content simply to accept whatever came our way merely as a result of Confederation itself. In contrast, these new leadership voices want, not an interminable vista of transfer payments from the Federal Government, but the right to take up the development of our natural and human resources, first and foremost for our own benefit, but at the same time for the enrichment of all Canada. Surely, this is not too much to seek after three and one half decades of union within the national identity.

Mr. Speaker, it is not only the leaders of our society, but the entire Newfoundland community that has become possessed of the determination to see our Province develop in a rational manner and at a planned pace. This conviction is exemplified in the truly astonishing measure of support given this Administration, time and again, even during the most adverse economic times. Only the faint-hearted and the short-sighted have cavilled at our unshakeable resolve to obtain what is our fair share by all moral right, whether it be in the fisheries, in Labrador Hydro-power or in offshore resources.

The first move of this Government in its programme to create a new Newfoundland, consisted of a Five Year Plan to restructure the activities of Government itself. As an example, Honourable Members will recall in that document Government laid out the comprehensive plan for hospital replacement and modernization which continues to unfold. The restructuring of the delivery of social welfare services, particularly in the area of institutional care, is another example that has guided Government policy throughout this period. Similarly, restructuring has progressed in the fields of education, in municipal affairs, and so on.

DR. JOHN COLLINS: During the five-year plan exercise, it was recognized, that social services and infrastructure could not be upgraded to average Canadian standards unless there was concomitant restructuring and expansion in areas of economic development. Of course, it was equally well-recognized that it would be a formidable task to construct an expanded economic base, producing benefits sufficient to secure the long term economic well-being of Newfoundlanders, rather than continuing the traditional trend of exporting virtually the full wealth from our indigenous resources. Government was aware that to undo the arrangements of the past and to rescue the developments of the future would not be easy; it would not always be welcomed; and it would not always bring short term benefits. However, we are convinced that, with persistence, with the support of our People, with careful planning, and with an ever-present willingness to compromise and be fair to other interests, Newfoundland will succeed in restructuring its economic base and will achieve a standard of living and of public services at least on a par with those of our sister Provinces.

Mr. Speaker, the recession which descended upon us in 1981, as it did on all nations in western society, complicated our drive to restructure our economy, but in no way rendered it invalid. Indeed, the failure of many traditional type business ventures under the onslaught of economic recession; the permanent loss of jobs in large hither-to successful industries; the deterioration in markets for many of our vitally important foreign exports - these economic imperatives have made the task of restructuring our basic industries, our commercial operations and the delivery of our public services, all the more necessary and urgent.

DR. JOHN COLLINS: Lower revenues to Government must be offset by more cost effective methods of providing health, education, social assistance and other services. Inflation, high interest rates and a greater emphasis on quality must cause a new type of fishery to come into being off our coasts. Permanent changes in international markets, and increasing competition from countries with greater productivity must be addressed in our pulp and paper industry and our mining operations. Similarly, our increasing workforce, and our high unemployment rate, call for restructuring and innovative effort in the small business sector of our economy, as it is well-known that a majority of jobs come from that source.

Mr. Speaker, any one budget cannot be expected to restructure a whole economy, or even to imprint on it an indelible mark. However, this Budget can, and hopefully will, contribute significantly to the process of change and rejuvenation that is a necessary prerequisite for the capture of opportunities arising out of the post-recession period. In this respect, this Budget fits the pattern set in previous budgets of this Administration, but perhaps states the message in more explicit terms, as befits the agitated economic times. If the Budget engenders an enhanced mood and awareness of the need to restructure, to innovate, to make more cost-effective all aspects of the work we do together as a society, then it will have achieved a large part of its purpose.

ECONOMIC OVERVIEW

The financial and budgetary position for the coming year, Mr. Speaker, is a reflection of the current economic environment. In this regard, an understanding of our economic performance over the last year and the outlook for 1983 is critically important. Current estimates indicate that the Gross National Product of Canada

DR. JOHN COLLINS: dropped by nearly 5 per cent in real terms in 1982 - a substantial variance from the growth rate of 2 per cent initially projected in the Federal Budget of November, 1981. In line with this trend, the real Gross Domestic Product for the Province declined by almost 6 per cent in 1982.

The main cause of the economic decline in Newfoundland and Labrador was the recession which overtook our export markets, particularly in the United States, and resulted in diminished sales of our minerals and, to a lesser extent, our forest products. The 40 per cent reduction in output in the iron ore industry alone accounts for two-thirds of the 1982 drop in the Province's Gross Domestic Product. Pulp and paper production dropped by just 1 per cent from 1981 levels, only because the new Stephenville mill supported the overall level of production. In addition, the influences of the recession on our resource sector generally carried over into trade and service sectors in all parts of the Province.

On the positive side, the value of fish landings was up by 5 per cent, led by a 23 per cent growth in the value of cod. Furthermore, there was real growth of 7.5 per cent in construction spurred on by activity in the public sector particularly through the Upper Salmon and Cat Arm Hydro Projects.

The unemployment rate in the Province during 1982 averaged 16.9 per cent, an increase of 2.8 percentage points over the 1981 level. In relative terms, the impact of the recession on employment in this Province has not been as great as elsewhere in the country. In Quebec, for example, the unemployment rate in 1982 averaged 13.8 per cent for an increase of 3.4 percentage points over 1981 while in British Columbia the rate was 12.1 per cent in 1982, up 5.4 percentage points from the previous year.

DR. JOHN COLLINS: At this time, the recession in the United States and the rest of Canada seems to have bottomed out, but growth remains stalled. Recent economic forecasts call for a slow-paced recovery to begin during 1983, based on a gradual strengthening in consumer demand and increased activity in residential construction. However, the timing of this upswing remains uncertain and it is now widely believed that it will be the third quarter before any real economic growth appears.

One of the more encouraging signals in the economy late in 1982 was the commencement of a decline in the rate of inflation. In one recent month, January, 1983, the St. John's Consumer Price Index actually dropped by a tenth of a percentage point to bring the inflation rate down to 8.8 per cent. Mr. Speaker, inflation has not stopped, but prices are moderating and further declines in inflation can be expected during the remainder of the year.

Interest rates also have fallen, from a prime rate peak of 22.75 per cent in August, 1981, to the present rate of 11.5 per cent. Those high interest rates of 1981 and early 1982 were a very serious constraint on consumption and economic activity. While lower interest rates in themselves are not sufficient to generate a rapid recovery, the declines to date and the possibility of further reductions in the months ahead are expected to have a very positive impact on restoring investor and consumer confidence in the coming year.

Thus, the outlook for 1983 indicates that the Provincial economy will begin to turn around, and real growth of 1 per cent in the Gross Domestic Product is expected for the year. Production in the fishing industry is forecast to increase by 10 per cent, however, the resource-exporting sector overall will continue to be constrained. The service sector is expected to exhibit stronger performance, reflecting improvement in retail trade and in the real estate and financial sectors.

DR. JOHN COLLINS: A dramatic upswing in consumer spending is not anticipated for 1983, but a smooth and gradual return of consumer confidence is expected to expand consumer spending by up to 2 per cent in real terms in 1983. I would point out that in 1982 the growth in retail trade in this Province exceeded the national average rate of growth by 4 percentage points.

Employment growth is projected to be very moderate as the recession ends, primarily as a result of the slow recovery of the major resource sectors. Productivity will improve in most industries, leading to gradual increases in real earnings over the next two years.

The construction sector is expected to continue to provide a measure of support to employment in the Province this year, largely as a result of a substantial increase in the level of new housing construction. Housing starts are expected to rise between 10 per cent and 20 per cent over their 1982 level, in response to lower interest rates and house prices that remain somewhat below pre-recession levels. While private industrial construction remains constrained, spending by Government and the various Provincial Crown Corporations will continue to sustain the level of construction activity.

Offshore drilling activity and seismic exploration are projected to increase in 1983 with spending estimated to be in the range of \$450,000,000 to \$500,000,000 for the year. In 1982, resident Newfoundlanders claimed 78 per cent of the jobs available, which peaked at almost 2,000 last Summer. This high level of local participation in the offshore work force should continue in 1983.

In summary, Mr. Speaker, it seems that the much talked about, much delayed and much desired economic recovery is about to begin, but the pace

DR. JOHN COLLINS: will be modest at the start.

Although a number of sectors are forecast to show significant improvement in 1983, the built-in lags, which are characteristic of the resource sector of the economy, will restrain the overall rate of growth for the year.

1982-83 FINANCIAL REVIEW

Mr. Speaker, in my Budget of last Spring, I projected a Current Account surplus for 1982-83 of \$5,400,000. This was based on a widely held consensus view that the North American recession was waning; that it would bottom out during the year; and that the economy would commence a mild recovery by year end. However, the recession deepened further than projected and timing of the recovery was pushed further into the future.

By mid-year it was apparent that the intensified recessionary influences would produce a Current Account deficit in excess of \$60,000,000 unless new budgetary measures were instituted immediately. The negative impacts fell squarely on the revenue base where major declines had appeared in receipts from Retail Sales Tax, Corporate Income Tax and Established Programs Financing. Accordingly, in my Economic Statement of November 18, I announced expenditure restraint measures of over \$19,000,000 and fiscal measures of approximately \$16,000,000 both aimed at containing the deficit to roughly \$25,000,000.

Mr. Speaker, since last Fall the revenue projections for the Province, and indeed those for all provinces and the Government of Canada, have continued to shrink as the actual impact of the economic decline outstripped earlier forecasts. For this reason, we now expect to incur a Current Account deficit of \$47,600,000 in the 1982-83 fiscal year. The major variances from the position I outlined in November relate to downward revisions in the

DR. JOHN COLLINS: revenue forecast as follows: \$8,500,000 in Retail Sales Tax; adjustments to Equalization and Established Programs Financing grants with a net impact of \$5,000,000; and a total of \$5,000,000 in adjustments to revenues from cost-shared programs and various other types of related revenue. These revenue variances are directly attributable to the economic climate prevalent across the country and in that respect they are largely beyond the control of this Provincial Government.

The expenditure side of the Budget, Mr. Speaker, is within our ambit of influence and we have been vigilant in controlling all aspects of Government spending. In this regard, I am very pleased to report that Gross Current Account expenditures are now estimates to be \$13,500,000 less than budgeted last May and \$2,600,000 below the November projections. I believe it is appropriate at this point to commend all Government departments, hospital and school boards, the University and other Government agencies for the tremendous effort they have made in holding expenditures to these levels. I want also to express Government's appreciation to the People of this Province for their patience and understanding in accepting the program reductions which have been necessary.

Apart from Current Account, Government requirements for the other aspects of the 1982-83 financial plan have been reduced. Capital Account expenditures for the year will be \$11,300,000 below the level originally budgeted for the year and the financial requirement for debt redemption has decreased by a further \$10,300,000.

Mr. Speaker, in summary, the Government has been able to restrain its expenditure requirements for the 1982-83 fiscal year such that the bottom line increase in the Provincial borrowing requirement is

DR. JOHN COLLINS: limited to \$31,400,000.

This position has been accomplished despite unfavourable variances in current account revenues totalling some \$66,500,000.

In reviewing our financial performance for this past year the question may be asked - How has the Province performed generally during the last number of years? Has our position relative to the other provinces improved? Have the fiscal management policies of the Newfoundland Government resulted in any noticeable changes in the Government's fiscal position relative to the rest of Canada?

Mr. Speaker, the answer to these questions is distinctly positive. Government's fiscal policies have been successful in producing a well defined, improving trend in our relative financial position. This fact stands out vividly when one considers the success which has been attained in limiting Provincial borrowing requirements in recent years. This is illustrated by the following analysis:

During the last five years the growth rate in the Province's direct debt was held to one half the rate of growth in our Gross Domestic Product. In statistical terms we have recorded a 5.4 per cent annual average rate of growth in direct debt as compared with a growth rate in Gross Domestic Product of 10.7 per cent.

Net budgetary requirements of the Province, as a percentage of gross expenditures have been proportionately cut in half over the past 10 years. In other words, we have moved from an annual average of just over 19 per cent of total expenditures during the early and mid 1970's to an annual average of slightly less than 10 per cent during the last five years.

DR. JOHN COLLINS: Most significantly perhaps, is the fact that over the past 5 years from 1977 to 1982 the rate of growth in total direct and guaranteed debt was only 7 per cent per year compared with the all-province average of 12 per cent and the Federal rate of 11 per cent. Four provinces had growth rates in excess of 14 per cent, more than double the Newfoundland growth rate.

Mr. Speaker, this Government understands the realities of the fiscal position of the Province and we all share a sense of satisfaction that our performance over the years clearly reflects the prudence of our financial policies. It is with this record of progress, and with this same commitment to financial responsibility, that we address the 1983 Budget.

BUDGETARY POSITION 1983-84

The budgetary position on current account for 1983-84 forecasts an increase in revenues of 10.9 per cent compared with an expenditure growth rate of 9.4 per cent which results in a net financial requirement on Current Account of \$28,400,000. Gross expenditures on Capital Account will increase by 11.6 per cent over the 1982-83 revised position for a total of \$251,300,000. The net budgetary requirement, exclusive of debt retirement, will be \$200,300,000 - a reduction of almost \$10,000,000 from last year. The requirement for debt retirement is estimated at \$94,300,000 which will be nearly \$64,000,000 less than last year. Overall, therefore, the Province's total borrowing requirement is budgeted at \$295,000,000, a 20 per cent reduction from the actual requirements in 1982-83.

The 1983 Budget reflects an improvement over the 1982-83 results, however, it is clear that the resilience of the revenue base in recovering

DR. JOHN COLLINS: from the recession will remain tempered by the lags inherent in the resource sector. This factor, coupled with the other ongoing realities of our fiscal position, has led Government to conclude that it would be imprudent to proceed with a widely expanded borrowing program to finance types of economic stimulus which many would like to see undertaken. On the other hand, Government also believes that further wide-ranging measures to reduce financial requirements through cuts in capital expenditures and a dramatically increased tax effort would be equally undesirable and should be avoided. Accordingly, Mr. Speaker, Government has devised an even-handed financial strategy for the coming year which is realistic and, to the extent possible, supportive of economic recovery. Our budgetary strategy was founded upon three key objectives:

No increases in the rates of taxation for the major Provincial tax sources;

Focus the effort to minimize the financial requirement for Current Account directly on restraint in expenditures; and,

Provide a modest increase in the overall level of capital spending for the year to maintain a consistent level of support for the economy.

Mr. Speaker, that was our budgetary strategy - seek to hold the line on taxes; cut operating expenses where possible; and maintain capital investment. We have been largely successful in implementing this strategy as will be seen from the details of the financial program which I will now outline.

REVENUE MEASURES:

The revenue measures to be instituted in 1983-84 have been restricted to adjustments in liquor prices and various fees for government services and to one relatively modest new tax which will have a minimal

DR. JOHN COLLINS: impact upon the People
of the Province. These measures are as follows:

The Newfoundland Liquor Corporation will be requested to adjust its prices in order to provide an additional \$7,000,000 in revenue to the Province in 1983-84. The actual increase in prices of wines, spirits and beer will vary among products depending on the escalation in manufacturer's prices, the Federal Excise Tax and the NLC increases.

During the past few years, Government has adopted a policy of reviewing all fees on an annual basis with the long-term objective of regularly adjusting them so that they reflect more accurately the cost of providing the services. Accordingly, fees in such areas as Provincial Parks, Crown Land services, and the Provincial Road Ambulance Program will be increased. In addition, effective April 1, 1983, an administrative fee of \$5.00 for new and replacement MCP registration cards will be introduced. The revenue from this source will enable Government to recover a portion of the administrative costs in processing these cards. These measures will collectively yield \$1,000,000 in 1983-84.

A tax of one cent per litre on fuel sold for certain marine purposes will be instituted immediately. This marine fuel tax will apply to fuel sold from a provincial port to foreign fishing fleets, oil rigs, offshore supply vessels, and large cargo vessels. Excluded from this tax will be Canadian fishing vessels; intra-provincial coastal boats and cargo vessels; and ferries. A marine fuel tax is presently imposed by the provinces of

DR. JOHN COLLINS:

Nova Scotia and British Columbia. This measure is expected to yield \$1,200,000 in 1983-84.

Let me emphasize therefore, that this budget brings forth no major new taxes and no substantial increases on current taxes. Mr. Speaker, I will not dispute that our Provincial tax levels are higher than all of us would like to see them. However, there has been a tendency from time to time to overstate the extent of the Provincial tax effort. A complete perspective on our tax structure is only obtained when we recognize that a large portion of the fiscal burden for our municipal expenditures is borne by the Province. Because of this factor the average per capita level of municipal taxation in Newfoundland and Labrador amounts to only 26 per cent of the all-province Canadian average. Furthermore, Newfoundland's school tax effort amounts to only 14 per cent of the Canadian average. These factors are often forgotten when evaluating our Provincial tax structure. For 1982-83, the Province's tax base using our existing tax rates would yield revenues only 5 per cent greater than what the yield would be using a national average tax rate structure.

1983 EXPENDITURE PROGRAM

Mr. Speaker, Government is very proud of its success in improving efficiency in the administration of the Public Service. This improved efficiency has allowed Government to minimize cutbacks in services to the general public by reallocating funds. At the present time, some 450 permanent positions are vacant in Government departments as a result of the hiring freeze instituted in November. This overall level of vacancies will continue through the new fiscal year, resulting in savings of more than \$9,000,000. And, of course, Mr. Speaker, Government's two-year restraint program on salary increases will continue in 1983-84, and

DR. JOHN COLLINS: will cover all health care sector bargaining units as agreements expire during the year.

In addition to implementing measures designed to curtail growth in salary expenditures, Government has also undertaken several initiatives in other areas, with a view to improving effectiveness and exercising greater control over administrative and operational costs. Some of these initiatives can be summarized as follows:

Government has commenced a review of Crown Agencies to update existing objectives in order to ensure that they are consistent with current Government policy.

The new financial reporting system will come on stream this year. This system has been in the planning stages for several years and will greatly improve our financial information data base.

Expenditures on the maintenance of public buildings, temporary employment, overtime, travel, consultants, the use of helicopter and fixed wing aircraft, and other housekeeping items have all been slashed. In many cases, these items are budgeted at or less than last year's levels.

This year will see the full implementation of a Performance Review Program for senior executives and the commencement of a similar program for other senior managers.

Mr. Speaker, Government has meticulously reviewed all major expenditure programs in this current Budget process. For the most part, funds have been

DR. JOHN COLLINS: provided to maintain existing services. However, in some cases, this has not been possible because of financial restraints. In all program areas, funding has been allocated with the emphasis on restraint and thrift. The challenge in 1983 to this Government, its agencies, school boards, hospitals and all so affected, will be to maintain essential public services within the parameters of the available, but limited financial resources. I am confident that those responsible will prove equal to the task.

I would now like to address some of the specific elements of our 1983 expenditure program.

HEALTH

Over the past five years, hospital operating costs have been increasing at a rate beyond the growth in Government revenues and it is becoming increasingly difficult to finance the demands of the system as presently structured. We must also address the financial requirements of hospitals in the context of declining rates of growth in Established Programs Financing payments from the Federal Government. While Government will be increasing the overall operating budgets of the Province's board-operated hospitals in 1983-84 to \$306,000,000, a 12 per cent increase over last year, this amount falls short of the amount requested by the Province's hospitals to maintain existing services for the coming year.

The increase in hospital grants which has been provided in 1983 represents the maximum that can be allocated within the reality of our financial constraints and hospitals will be required to institute various restraint measures to live within this amount. Any adjustments in services which hospitals may institute will be closely monitored by Government to ensure minimum impact on the public.

DR. JOHN COLLINS: Given the importance and sensitivity of our health care system, Government intends to initiate a major study of the whole area of hospital operating costs very early in the new year. The purpose of this study will be to weigh the cost of maintaining hospital services as they are presently structured against our ability to finance the system from existing or available revenue sources. This study will be performed in full consultation with the Newfoundland Medical Association and the Newfoundland Hospital Association, as well as individual hospital boards. Government looks forward to this study with great interest and anticipates that some positive recommendations will be forthcoming which will enable us to structure and finance needed services in the most cost-effective manner possible in the future.

The ongoing evaluation and review of small hospitals announced in last year's Budget Speech continues. As a result of that review and evaluation, in-patient care will be discontinued at the North West River Hospital and a community clinic operated in its place. In the meantime, steps will be taken to improve the capability of Melville Hospital at Goose Bay, approximately thirty kilometers away, to accommodate the acute care needs of North West River and the Labrador Coast.

Government remains committed to the health facility construction program outlined in its Five Year Plan and in that connection, construction will continue this year on the new hospitals at Channel and Clarenville. The Channel Hospital is expected to open later in the year. Site work will also be undertaken this year on the new hospital for the Burin Peninsula, and construction will commence on Phase 11 of the Bonavista Hospital project. I am very pleased to announce that funding has been included in the Budget to complete the shelled-in eighth floor of the Carbonear Hospital to enable the establishment of a psychiatric service in that area. With respect to the redevelopment of the

March 17, 1983

Tape No. 416

DR. JOHN COLLINS: Central Newfoundland Hospital at Grand Falls, functional programming and planning will take place this year. Planning is also underway for the new Markland Community Clinic and construction will commence during the Summer. Medical clinic construction will continue at Cartwright, Black Tickle, Fox Harbour and Mary's Harbour under the Labrador DREE Subsidiary Agreement.

EDUCATION

Mr. Speaker, Government announced a program of improvement in the pupil/teacher ratio two years ago in order to allow for a sufficient number of teachers to implement the enriched educational program associated with the introduction of Grade XII in our schools. This year, Government will be concluding its program of improvement with the introduction of a 23 to 1 ratio. The \$8,000,000 cost of the new ratio is being offset by some \$4,000,000 in savings to be attained through lower allocation of certain categories of teachers and a revision in the level of payments to substitute teachers.

DR. JOHN COLLINS:

~~Government~~ will provide \$10,800,000 to the Denominational Education Committees in 1983-84 to meet ongoing school construction needs. A further \$3,300,000 will be provided for the completion of facilities required for the Restructured High School Program. This is the final installment in respect of \$20,300,000 committed by Government for this purpose in 1981.

Mr. Speaker, the per pupil operating grant paid to School Boards will be increased by 6 per cent. A grant will also be provided this year in the amount of \$1,250,000 to assist School Boards with special financial needs. The combined cost of all operating grants will be \$35,600,000.

Education continues to comprise the largest single area of Government's Current Account expenditure program. It has been necessary to search for ways to reduce expenditure without jeopardizing the opportunity for individual educational advancement. Accordingly, the following cost reduction measures will be introduced:

Effective September, 1983, the amount students attending post-secondary institutions must borrow under the Canada Student Loans Program before becoming eligible for Provincial allowances will be increased from \$575 to \$900 per semester. It is expected that savings from this measure, together with other changes to the student assistance qualification criteria, will amount to about \$3,700,000. These changes will not deprive students of funding to attend post-secondary institutions, but rather provide the same level of assistance as is currently available to students in most other provinces, including Nova Scotia, New Brunswick and Prince Edward Island.

Effective September, 1983, fees for students attending Provincial Colleges and District Vocational Schools will be increased to \$200 per semester.

DR. JOHN COLLINS:

Effective September, 1983, the Government subsidy on high school textbooks will be 50 per cent of cost, rather than the 75 per cent subsidy now applicable.

Earlier this year, agreement was reached with the Government of Canada concerning the establishment of a new campus for the College of Fisheries. The estimated cost of the facility is \$41,700,000 and both Governments have agreed to a joint funding arrangement, whereby the Government of Canada will contribute \$27,500,000 and the Province \$14,200,000. Mr. Speaker, this new Institute will be able to accommodate up to 1,000 students and will also create a number of new instructional and support staff jobs. Government takes pride in the realization that this long-awaited and much needed facility is about to become a reality. We can now move forward with confidence that this new training capability will help us resolve problems in the fishing industry and provide a solid base for meeting the needs of offshore oil and gas development.

SOCIAL SERVICES

Effective May 1st, 1983, Regular Social Assistance Rates, including Rental and Mortgage, and the Labrador Winter Fuel Allowance, will be increased by 6 per cent. Similar increases will be applied to Regular Child Welfare Allowances, Foster Home Rates and Clothing Allowances, effective April 1st, 1983.

In keeping with Government's policy of protecting women and children who are the victims of physical abuse, I am pleased to announce the establishment of a transition house in Corner Brook which will be funded in the first three years under a Federal/Provincial funding arrangement and thereafter totally by the Province.

The Government has embarked on a very clear program to develop community residential facilities as alternate living accommodations to institutional care for mentally retarded children and young adults. Provision has been made in the

DR. JOHN COLLINS:

budget to continue this process of restructuring in the coming fiscal year, with the placement of more children in special foster homes, group homes and specialized small residential units. We are pleased to announce that as a part of this continuing program, two new group homes for mentally handicapped children, two group homes for mentally handicapped young adults, and one new co-operative apartment will be established during the 1983-84 fiscal year. These new facilities, together with other initiatives already underway will enable us to close the Children's Home by June 30th of this year, thereby achieving significant savings while providing more appropriate methods of care.

PENSIONS

Mr. Speaker, this Government has adopted a very progressive approach in the management of its pension obligations and the protection of the long term interest of pensioners and active members of the Public Service pensions plans. Not all Governments in Canada have taken the initiative that this Province has in setting up a pension fund. In a number of cases, including the Federal Government, all pension contributions and payments simply flow as normal revenues and expenditures through the Consolidated Revenue Fund. That same approach had been followed by Governments in Newfoundland from 1967, when the plans were introduced, until 1980. In my 1980 Budget, I announced that Government would commence funding employee pension contributions and furthermore, that Government would, for the first time, match employee contributions. Successive budgets since that time have reaffirmed that commitment to the extent that the fund which we created will have grown in just four years to approximately \$196,000,000 by the end of the coming fiscal year. In 1983-84 alone, the fund is projected to increase by some \$60,000,000.

In the new fiscal year, pensioners will receive an increase amounting to 6 per cent effective May 1, 1983.

DR. JOHN COLLINS:

PROVINCIAL FIRE TRAINING SCHOOL

In our continuing efforts to provide needed improvements in public services, I am pleased to announce that funds have been provided for the completion and operation of a Provincial Fire Training School at Gander. The core of this facility has been constructed as a municipal project by the Town of Gander and has been offered to Government as a Provincial facility. The Province has long recognized the need for a training school for our volunteer firefighters in order to ensure that they are fully prepared to meet the important task that they perform for the citizens of the Province in various municipalities throughout Newfoundland and Labrador. The initial function to be performed by this school will be to train Fire Chiefs in their fire inspection duties under The Fire Prevention Act.

HERITAGE PRESERVATION

Mr. Speaker, it is fitting that recognition of the 400th Anniversary of Sir Humphrey Gilbert's landing in Newfoundland should be a major focal point for our cultural and tourism programs this year. Already, this event has been recognized by the announcement of the visit of their Royal Highnesses, the Prince and Princess of Wales, later this year. A large number of special events will be taking place, not the least of which is the Canadian Heritage Festival, scheduled to commence in St. John's on July 1st. There will also be a re-enactment of Gilbert's landing in August, which will be a further high point of the celebration activities.

Mr. Speaker, I am pleased to announce that Government has provided funds to implement a Book Publishers Assistance Program for the 1983-84 fiscal year. The purpose of this program is to foster and promote Newfoundland creative, literary, and historical works. The new program will provide grants of up to \$3,000 per title to Newfoundland publishing houses. A review of the publishing firms' past three years

DR. JOHN COLLINS:

of activities will be carried out, as well as an assessment of the cost and saleability of each proposed publication, including marketing and distribution plans. Publishing firms must be based in, and operating within Newfoundland and Labrador for at least one year. This Publishing Assistance Program is a very positive step and is an indication of the firm commitment of the Government of Newfoundland and Labrador to the support of Newfoundland culture and literature.

ECONOMIC ACTIVITY

Mr. Speaker, we are generally pleased with our success in supporting the level of construction and other economic activity in the Province. Despite the continuing restraints, we will continue to direct public sector spending to achieve the maximum stimulus to employment and income generation. I would now like to address some of the elements of Government's contribution to economic activity in 1983-84.

THE CONSTRUCTION SECTOR

In addition to the hospital and school construction programs and the new Marine Institute, a number of other building projects are ongoing this year. Funding of \$10,000,000 is provided to continue the construction of the new Confederation Complex to house Government offices. The project has an estimated cost of \$32,400,000 and is expected to be completed in 1985.

Labrador will benefit from the economic activity associated with construction of a new arts and culture centre and a new building to house the headquarters in Labrador of the Royal Newfoundland Constabulary located in the Labrador City/Wabush area, and a new correctional institute in Happy Valley/Goose Bay.

Construction expenditures in the transportation sector are forecasted at almost \$70,000,000 in 1983-84, including \$20,000,000 for the Provincial Roads Program. Provision is also included for completion of the Greenspond Causeway,

DR. JOHN COLLINS:

the Grand Codroy Bridge, and the Landing Strip Construction Program in Labrador.

The 1983-84 fiscal year will see an active construction and paving program on the Trans-Canada Highway. This will be the second of a three-year Primary Highway Strengthening Agreement between the Province and the Federal Government. Of a total of \$40,000,000 available under the Trans-Canada Highway component of this program, some \$33,900,000 will have been spent by the end of the 1983-84 fiscal year. The Province is actively pursuing the Federal Government to commit additional funding to this program to ensure that this Province's Trans-Canada Highway is brought up to national standards.

This Government is continuing with its program of improvements to the intra-provincial ferry system. A number of improved terminal facilities will be completed this year, allowing for the institution of full car ferry service to Ramea, a separate car ferry service for Long Island, greatly improved frequency of service to Fogo Island, and increased traffic capacity for Little Bay Islands. In addition, Government will be reviewing the need for additional ferry capacity for Fogo Island and Bell Island.

It is Government's intention to complete land acquisition and continue construction of the new water main from Windsor Lake to the City of St. John's. Eventually, an improved water supply for the whole of the industrial area of the Airport and the Northeast of St. John's will be provided. An amount of approximately \$7,300,000 has been budgeted for spending in 1983.

Some \$6,600,000 will be spent for water and sewer servicing in Labrador coastal communities. Construction will be continuing in Cartwright, Forteau, L'Anse au Clair, and L'Anse au Loup, and preliminary work in West St. Modeste, Mary's Harbour and Red Bay will be undertaken. Through the

DR. JOHN COLLINS:

shared Canada/Newfoundland Native Peoples of Labrador Agreement, a further \$2,000,000 on water and sewer servicing for six other communities in Labrador is provided.

Government also intends to continue this year with the Provincially guaranteed municipal water and sewer program and the Provincial/Municipal cost-shared road upgrading and paving program. These projects benefit many municipalities and provide a much valued boost to employment in local areas. A program providing in excess of \$25,000,000 in projects is anticipated.

Investments by Provincial Government enterprises, of which Newfoundland and Labrador Hydro is the largest, represents a significant portion of all construction investment in our economy. The \$131,000,000 Hydro capital construction program is dominated by the Cat Arm project, with over 700 man-years of employment to be created this year on that project alone. Hydro will also be carrying out work on new transmission lines and a number of rural power projects during the year, creating additional employment in several parts of the Province.

Government has approved a capital program by the Newfoundland and Labrador Housing Corporation involving the construction of 200 subsidized housing units in various urban centres throughout the Province at a cost of \$14,300,000. Assisted mortgage financing has also been approved for 300 needy families under the Rural and Remote Housing Program, at a cost of \$13,900,000. Both these programs are cost-shared with the Federal Government and, while Federal allocations for the year have not, to date, equated with Provincial targets, it is hoped that required increases can be negotiated. In addition, \$7,100,000 will be spent on land development in Mount Pearl-Newtown. With regard to housing rehabilitation, the Corporation will be delivering close to \$7,000,000 in Federal funding assigned for this purpose in designated communities.

DR. JOHN COLLINS:

The continuation of the 4 per cent reduction on the rate of Retail Sales Tax applicable to building materials will be a positive element in the construction industry again this year. In addition, the key to recovery in the residential construction sector is the continuation of lower mortgage interest rates, and in this regard, we look forward to the coming year with an element of optimism.

THE FISHERY

Mr. Speaker, economic activity in the fisheries sector will be boosted through the financing vehicles of the Fisheries Loan Board. In 1983-84, over \$17,600,000 will be provided, through loans, guaranteed loans, and bounties, to finance new vessels, purchase used vessels and acquire engines and equipment.

We are also pursuing the review of a number of programs in the fisheries sector to determine their overall effectiveness and priority. As a result, subsidies paid to first-time longliner fishermen moving from small boat operations and to Labrador fishermen to assist with purchase and repair of fishing gear, will be discontinued.

The year 1983 will be a year of decision for this, our most vital and basic resource industry. The long-awaited Kirby Report dealing with the Atlantic Fishery was released in February. The document outlines the future course of the fishery from a Federal perspective, but it also encompasses many of the recommendations of this Province. If most of the recommendations are to be implemented, support will be needed from this Government through the regulatory and administrative functions. In this regard the Department of Fisheries will be working with the Federal Government in an effort to accomplish a co-ordinated response to the many critical issues analyzed in the report.

Perhaps the major outstanding concern in the fishing industry at this time, is the task of financial restructuring

DR. JOHN COLLINS:

for the offshore trawler based companies. While the Province has provided substantial support to these companies over the years, it cannot be expected to provide the financial resources currently required to improve the financial position of these companies. Intensive discussions are ongoing at present between the Province, the companies, the banks and, most importantly the Government of Canada with respect to these matters. The Province is hopeful that this vital issue will be resolved shortly through negotiations and that the long-term viability of these operations will be secured.

During the restructuring process it has been suggested that the rationalization of fish plant operations will result in a number of plant closures. In this regard it is our hope that both Governments and the companies can arrive at an arrangement to minimize the impact of any plant rationalization on our communities.

FORESTRY

Spending under the Forestry cost-shared agreements is projected to reach approximately \$20,700,000 this year. These agreements include such major elements as a forest access roads construction program valued at \$5,470,000 and silviculture projects valued at \$8,400,000. Together, the programs are expected to generate a peak of 1,900 jobs during the coming Summer.

The economic impact of these measures will be to increase the wood fibre yield from the Newfoundland forest to ensure the availability of a continued wood supply for the forest industry in the future, and to create productive jobs in high unemployment areas of the Province.

EMPLOYMENT STIMULATION

Mr. Speaker, in this Budget, Government is providing an initial amount of \$1,500,000 for the recently announced New

DR. JOHN COLLINS:

Employment Expansion Development Program (NEED), to provide jobs for those who have become unemployed during the present recession. The NEED Program will be aimed at providing short-term employment in carrying out worthwhile projects in the areas of resources, community and infrastructure needs. It is expected that up to 1,700 people may benefit from this Federal-Provincial effort in 1983-84 and 1984-85.

The Province is also continuing its own efforts to combat unemployment, and to re-integrate the unemployed into the labour force. In 1983-84, Government expects to spend \$6,500,000 through the Community Development Program of the Department of Social Services, to provide employment to some 2,600 people receiving Social Assistance. This Program, which the Province has carried out since 1976, has proven effective in providing unemployed people with sustainable job opportunities. Government believes that this Program has produced lasting benefits to a great many people, while reducing the burden of social assistance to the Province.

OTHER INITIATIVES

I am pleased to announce a change in the interest rates charged on Government resource loans. At the current time, loans are available through the Fisheries Loan Board, the Farm Development Loan Board and the Rural Development Authority at a rate of 12 per cent. We have reviewed this policy in light of the wide fluctuations in the level of interest rates over the past year or so. As a result, the policy will be changed to one which sets the effective rate of interest at 3 per cent below the bank prime rate. This will provide for a more consistent measure of support in this important area and will allow for periodic automatic adjustments in the rate in line with general movements in interest rates.

DR. JOHN COLLINS:

Mr. Speaker, the Peckford Administration is committed to ensuring that the Province remains poised to take advantage of major resource development opportunities. Accordingly, the Department of Development plans to conduct a comprehensive study on resources (materials, equipment and manpower) available in the Province suitable for concrete platform production related to offshore oil development. The objective of this initiative is to identify our requirements and determine how they can be met, given sufficient lead-time. Various incentive measures necessary to assure that the capability exists within the Province to undertake such a large project will be addressed.

Offshore oil and gas activity and the requirements of the offshore trawler fleet will surely secure the future of the Marystown Shipyard. I am pleased to report that the Shipyard continues to be a very positive and stable element in the economy of the Burin Peninsula and will show a profit for the past year. Obtaining new construction work has been a constant challenge and this Government continues to push for financing schemes to allow Canadian shipyards to be competitive with subsidized foreign shipyards. Should this become a reality, Government is confident that the Marystown Shipyard will be able to compete successfully for new construction work with respect to the replacement of our trawler fleet.

During the past year, Government has consulted with various leaders in the business community with respect to the need and structure of an Economic Council of Newfoundland. I am pleased to announce that this concept received a very favourable response and funding is provided to launch this organization during 1983-84. The overall purpose of the Council will be to provide Government with an independent and responsible view of major economic and social issues,

DR. JOHN COLLINS:

and to present alternate policies and strategies as to how these issues may be addressed. Mr. Speaker, Government is enthusiastic about the establishment of this organization and is hopeful that it will prove to be a dynamic and articulate voice in contributing to the formulation of economic and social policy in this Province.

CONCLUSION

Mr. Speaker, all Members of this Honourable House can take pride in the fact that our financial performance through these troubled economic times rates, in relative terms, with the top among Canadian Provinces. I am confident that this position will be preserved with the decisions Government has taken in the 1983 Budget.

While we can be legitimately content that we are proceeding with a well reasoned financial program for 1983-84, we are constantly aware of our inability to afford a level of public services on a par with that enjoyed by most Canadians. Newfoundlanders have been forced to the realization that meaningful progress toward economic equality with other Provinces requires a fundamental change in the approach to economic development. Our people now realize that Newfoundland and Labrador must have much greater control of its own economic and social destiny if it is to avoid a perpetual dependence upon transfer payments from the Federal Government.

This Province must also rectify the mistakes of the past in which our resources were alienated in order to seek, short term economic solace. The Churchill Falls situation is the burning example of this. While Newfoundland's case for a just and moral resolution of this inequity is irrefutable, the inequity still remains. The Province of Quebec continues to benefit from a windfall gain of hundreds of millions of dollars a year from our Churchill Falls hydro resource.

DR. JOHN COLLINS:

Mr. Speaker, this Government will spare no effort to ensure that our Upper Churchill strategy will precipitate the events necessary to resolve this issue.

Mr. Speaker, it had been the hope of this Government that as I brought the Province's 1983 Budget before this Honourable House, it would be against the background of a successfully concluded agreement with the Government of Canada regarding offshore resources. We had worked diligently towards this goal. Unfortunately, the agreement which we had anticipated - indeed, the agreement we had been let to believe was possible by the Federal Minister of Energy, Mines and Resources - was subsequently denied by the Government of Canada. While the matter is now before the Supreme Court of Canada, this Government holds the firm conviction that a politically negotiated settlement is necessary and that such an agreement will eventually be forthcoming.

Mr. Speaker, this Government will not relent in its ambition to attain for the people of the Province a fair share of the benefits accruing from the development of our major resources. As has been stated in this Honourable House so many times in the past, it is only through a moral and equitable resolution of these major resource issues that the people of Newfoundland and Labrador will benefit from the level of services, and the quality of life, to which they are legitimately entitled.

SOME HON. MEMBERS:

Hear, hear!

MR. SPEAKER(Russell):

Order, please!

The hon. the Minister
of Finance.

Dr. Collins:

Mr. Speaker, I move

that the debate be adjourned until tomorrow.

On motion, debate

adjourned until tomorrow.

MR. SPEAKER:

The hon. the Minister

of Finance.

DR. COLLINS:

Mr. Speaker, I wish to

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

MR. SPEAKER:

All rise, please.

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

"I, the Administrator

of the Province of Newfoundland, transmit estimates required
for the public service of the Province for the year ending
the 31st. day of March 1984, in the aggregate of \$1,787,780,700.
and in accordance with the provisions of the Constitution
Act 1867, I recommend these estimates to the House of
Assembly.

(Sgd) A.S. Mifflin
Administrator."

It will take a few
minutes for the pages to distribute the documents to hon.
members.

MR. SPEAKER(Russell):

Order, please!

of Finance.

The hon. the Minister

DR. COLLINS:

Mr. Speaker, I move

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

On motion, that the

House resolve itself into a Committee of Supply, Mr.

Speaker left the Chair.

MR. CHAIRMAN(Aylward):

Order, please!

The hon. the President

of the Council.

MR. MARSHALL:

Mr. Chairman, I move

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

On motion, that the

Committee rise, report progress and ask leave to sit again,

Mr. Speaker returned to the Chair.

MR. SPEAKER:

The hon. the Chairman of

Committees.

MR. CHAIRMAN:

Mr. Speaker, the Committee

of Supply have considered the matters to them referred, have made some progress and ask leave to sit again.

On motion, report

received and adopted, Committee ordered to sit again on

tomorrow.

NOTICES OF MOTION

MR. SPEAKER:

The hon. the Minister of

Finance.

DR. COLLINS:

Mr. Speaker, I give

notice that I will on tomorrow move that the House resolve itself into Committee of the Whole to consider certain resolutions to amend the Gasoline Tax Act, 1978, relating to the imposition of a tax on marine fuel for certain boats and vessels.

MR. SPEAKER(Russell):

The hon. the President

of the Council.

MR. MARSHALL:

Mr. Speaker, pursuant to

Standing Order 119 I move that the following Heads of

Expenditure be referred to the following Standing Committees:

To the Resource Committee:

Head No. VII Department of Mines and Energy

Head No. VIII Department of Fisheries

Head No. VI Department of Development

Head No. X Department of Rural, Agricultural
and Northern Development

Head No. IX Department of Forest Resources and
Lands.

MR. MARSHALL: To the Social Services Committee:

Head No. XIX	Department of Justice
Head No. XV	Department of Health
Head No. XIII	Department of Education
Head No. XII	Department of the Environment
Head No. XIV	Department of Social Services
Head No. XVIII	Department of Culture, Recreation and Youth

To the Government Services Committee:

Head No. XVII	Department of Municipal Affairs
Head No. V	Department of Public Works and Services
Head No. XVI	Department of Labour and Manpower
Head No. IV	Department of Finance
Head No. XI	Department of Transportation

MR. SPEAKER(Russell): The hon. the President of the Council (Mr. Marshall) has announced the various Standing Committees. Those in favour please say 'aye', those against please say 'nay'. Carried.

The hon. the President of the Council.

MR. MARSHALL: Mr. Speaker, I move that the House at its rising do adjourn until tomorrow, Monday, March 21, 1983, at 3:00 p.m. and that this House do now adjourn.

On motion, the House at its rising adjourned until tomorrow, Monday, March 21, 1983 at 3:00 p.m.