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TRANSCRIPT

HOUSE OF ASSEMBLY
FOR THE PERIOD:
3:00 p.m. - 6:00 p.m.
TUESDAY, MARCH 20, 1984

The House met at 3:00 p.m.

Mr. Speaker in the Chair

MR. SPEAKER (Russell): Order, please!

The hon. Minister of Finance.

SOME HON. MEMBERS: Hear, hear!

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

Mr. Speaker, each year the Budget opens a new chapter in the economic and financial history of this Province. Today marks the sixth occasion on which I have been given the honour and responsibility of beginning the examination by this Honourable House of the contents of the chapter for a new fiscal year.

Previous Budget Speeches have highlighted the challenges awaiting the Government and People of Newfoundland and Labrador in our persistent quest to secure prosperity and enhance the quality of life for ourselves and future generations. In recent years, they have also underlined the challenging necessity of tempering expectations to conform to the financial realities which currently prevail. The fiscal year which lies ahead may well turn out to be the climactic year of the challenging 1980's.

This decade will unquestionably leave its mark on history as one of economic change. Its early years saw interest rates ascend abruptly to unpredictable heights, corporate profits plummet, unemployment climb, investment retreat, Government revenues drop nationally and internationally, and budgetary deficits mount on all sides. As the decade unfolded, the worst worldwide recession in over 50 years was upon us.

Mr. Speaker, the recession denotes but one dimension of the economic change characteristic

DR. COLLINS: of the 1980's. Of equal importance today are the structural changes working their way through all economies. Nations have been coerced by economic reality and financial necessity into an era of cost-consciousness, of the like not seen since the 1930's. Especially in North America, we have been brought to the realization that financial resources are not always at hand to meet all our aspirations. Government, businesses, social organizations and individuals - none can do, or have all the things which seemed so affordable in the past.

Mr. Speaker, in many ways, these are healthier, more realistic times. We cannot live beyond our means, blithely uncaring of future consequences. In today's real world, it is curiously old-fashioned to hear demands for short-term gratifications and let tomorrow take care of itself. All societies must tighten belts and plan ahead. All must contain expenses, must become more efficient and productive. Goods-producing industries and the service sector must strive for cost-competitiveness. Government must play its vital role, but corporate management, labour, and all the various sectors of our society must similarly rise and co-operate to meet the challenge to integrate our abundant natural and human resources into a new economic order more befitting to the times.

Government is confident that we can adapt to the reality of economic change which this decade brings. The financial plan which I will now outline to this House of Assembly is itself evidence of our commitment to the attainment of financial goals suited to today's real world.

ECONOMIC REVIEW AND OUTLOOK

Mr. Speaker, the budgetary strategy for the new fiscal year is, of necessity, closely interrelated with the national and international economic environment. By the end of 1983, the North American economies

DR. COLLINS: were experiencing a recovery from the recession. Real growth in Gross National Product in 1983 was 3.3 per cent in the United States and 2.8 per cent in Canada. Even though some provinces were performing quite strongly, our own economy did not fare as well as the National average in 1983, and we recorded a decline of just less than 1 per cent in Gross Domestic Product. While the recession bottomed-out during the year, a sluggish goods-producing sector was the main factor restraining overall growth. Our economy is very dependent on the export of resource products, and the demand for these products has continued to lag in the wake of the recession.

The forest industry has been particularly hard hit by the recession and 1983 saw reductions in capacity at two of our mills. During the year, the mining sector stabilized and experienced only slight further reductions in production and employment, following a major reduction in 1982. It is encouraging that world demand for newsprint and mineral production is now improving. The fishery experienced declines in landings of between 5 per cent and 10 per cent for the year. We have, however, worked hard during the year towards achieving a major organizational and financial restructuring of the industry designed to provide a sound basis for future growth in the fishery.

The construction and capital investment sector grew by 6 per cent in real terms and made a positive contribution to economic growth in 1983. This represented a continuation of the strong performance experienced in 1982 and resulted mainly from expenditures on major projects in the public sector, and a turnaround in the housing industry. Housing starts for the year were up 18 per cent. Expenditures for the year on oil and gas exploration were up nearly 30 per cent to \$450 million. Employment in the offshore peaked to 2,500 individuals, also up 30 per cent over the previous year.

DR. COLLINS: The service sector, a major element in our economy, exhibited modest growth for the year. The retail sales segment of the sector grew strongly and registered a real increase of 4 per cent for the year. Sales of consumer durables rebounded appreciably with new motor vehicles sales up nearly 20 per cent, and sales of household appliances up almost 30 per cent.

The outlook for economic growth in Newfoundland in 1984 is for an increase of 2 per cent in real Gross Domestic Product. In general, the resource sectors are expected to stabilize or grow in real terms, while the service sector will continue to expand at a moderate rate, continuing its 1983 performance. The fishery is expected to begin to respond to the infusion of new capital, and it is hoped that markets will begin to firm up later in the year, allowing the industry to contribute to Gross Domestic Product growth.

The mining sector is forecast to produce an increase in output of 5 per cent in 1984, having weathered the worst of the recession. Real increases should be experienced in Labrador iron ore production and in mineral production on the Island itself. There are also prospects for new mining operations based on existing known deposits and positive results in other areas where recent exploration has been concentrated. Renewed interest in the inactive St. Lawrence fluorspar mine is expected to lead to a reactivation of that mining facility. In that regard, negotiations are nearing conclusion among the Province, the Government of Canada, and the British mining firm, Minworth Corporation.

Mr. Speaker, there is currently an intensive worldwide divestiture effort underway aimed at accomplishing a sale of the Bowater Pulp and Paper Mill in Corner Brook. The near term outlook for the forest industry

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DR. COLLINS: hinges upon the sale of that mill,
and in the longer term on the modernization of the Grand Falls and
Corner Brook mills.

DR. COLLINS: Recent improvements in international paper markets give encouragement that both these things will happen.

The service sector is expected to grow by 2 per cent in 1984 based on a return of consumer confidence and increases in business demand, particularly from the oil industry. Employment growth is expected to generate an increase in earned income in 1984, and consumer spending is expected to rise by some 2 per cent in excess of the rate of inflation.

Activity in offshore exploration is forecast to jump substantially again in 1984 as drilling expenditures are expected to rise by some 30 per cent to \$600 million, in that range. Employment of Newfoundlanders and involvement by Newfoundland-based companies have allowed the Province to capture a growing share of this activity over the past few years. This trend is expected to continue in 1984, contributing substantially to the expected growth in the service sector. Total employment in the offshore related activities is expected to approach 3,000 workers.

In summary, Mr. Speaker, the economy seems to have stabilized and at this stage is poised for a period of moderate growth. Developments in the national and international economies will continue, of course, to play a major role in our own economy.

Mr. Speaker, in my Budget Speech of last March, I indicated that Government was projecting a Current Account shortfall for the year of \$28.4 million. As the year progressed, this position was eroded by slow revenue growth such that the Current Account deficit at year-end is now projected to be \$64.7 million. Honourable

DR. COLLINS:

members have been kept fully informed of the Province's Current Account position throughout the year by my Reports in September and November past.

The essential cause of the variance in the overall position from the Budget projections is a revenue shortfall of \$45.2 million. Of this amount, \$35.4 million occurred in revenue sources estimated by the Government of Canada. Downward revisions were made in the estimates of Personal and Corporate Income Tax and Equalization Payments, offset somewhat by positive adjustments on the Established Programs Financing arrangements. These overall downward revisions resulted largely from the ongoing impact of the recession. Even though economic activity in Canada began an upswing last year, there was a built-in lag inherent in the revenue base and the impact of the recession proved to be worse than originally expected

The overall net variance of \$9.8 million in Provincial revenue estimates resulted mainly from a \$13.5 million drop below the Budget levels in Retail Sales Tax receipts, which was offset in part by some compensating positive variances in other sources. It is encouraging that this revision in Retail Sales Tax is not as severe as was expected after the first half of the year. The Retail Sales Tax receipts picked up during the Fall and early Winter periods and are continuing to hold firm, showing a slow, but consistent, improving trend.

Mr. Speaker, Government's diligence in controlling costs is evidenced by our Current Account expenditure performance. Net Current Account

DR. COLLINS: expenditures for the year will be nearly \$9 million below budget levels. With respect to Capital Account, the initial net expenditure projection of slightly less than \$172 million is largely on target with a projected year-end expenditure of \$174.4 million.

Mr. Speaker, I would draw the attention of Honourable Members of the House to one extraordinary transaction which has occurred in 1983-84 related to the financing of school construction, and which has already been referred to in an earlier Ministerial Statement. By year-end, Government will have refinanced a \$92.5 million debt by the Denominational Education Councils which had been incurred over a number of years in the building of schools. As background information, I would point out that the financing of school construction has actually evolved through three stages in recent years, each stage having financial advantages over the previous one from Government's point of view. In the first period, that is prior to 1980-81, construction was financed by the Denominational Education Councils through bank loans obtained on the strength of multi-year commitments of funds from Government. In the second period, which commenced in mid-1980, the Province started to fund new school construction costs directly in its Capital Account Budget, and also provided assurances to the banks to assist in refinancing the Denominational Education Councils' debt then outstanding, which totalled \$110 million. Since then, our Budgets have provided funding for each year's ongoing school construction program, in addition to annual payments on the outstanding debt,

DR. COLLINS: with the result that the balance of the outstanding debt has now been reduced to \$92.5 million.

During 1983-84, the third stage was reached when the Province availed of more attractive financing which has allowed the outstanding debt to be converted at significantly lower interest rates. As a result of this transaction, the \$92.5 million now outstanding has become a direct debt of the Province. The total public sector debt of the Province has remained unchanged, however, since the amount had previously been scheduled as indirect debt. The savings in debt service costs, by virtue of this transaction, was slightly in excess of \$1 million per year.

Mr. Speaker, in the printed document which will be circulated shortly, there is a Table 1 which summarizes the financial performance of the year compared to the Budget projections.

Mr. Speaker, as I indicated in my opening remarks, the economic recovery will not automatically restore previous levels of employment and output to each individual sector of our economy. Indeed, we are seeing structural changes in all economies. Accordingly, growth in Government revenues will not bounce back spontaneously to pre-recession levels. Yet, Government is still obliged to preserve the fiscal integrity of the Province through responsible financial management.

Mr. Speaker, in the last two fiscal years Government has accumulated deficits on Current Account of approximately \$100 million, primarily as a result of the slow growth in revenues brought on by the recession. This contrasts to the three prior years when surpluses totalling almost \$100 million in

DR. COLLINS: the aggregate were recorded. Considering the local severity of the recent recession and comparing the relative financial performance of other Canadian Provinces, where in many cases Current Account deficits were numbered in the hundreds of millions of dollars, it is fair to say that this Province has managed its financial affairs extremely well.

Nevertheless, we cannot permit a trend of escalating deficits to develop. We must chart a course in the opposite direction. We must reduce the deficit on Current Account in 1984-85 and strive to restore a balanced position in succeeding years. That is the first element of our budgetary strategy - reduce the deficit.

Mr. Speaker, how can this be done? Our tax burden is already heavy and our revenue base remains constrained by the recession.

DR. COLLINS: Further weighty fiscal measures at this time would dampen prospects for continued recovery. Consequently, a second key element in our budgetary strategy must be to avoid the imposition of any new taxes or any major tax increases.

It follows from the first two elements of the budgetary strategy that measures to reduce the Current Account deficit must be expenditure orientated. A broadly based expenditure restraint program is required, and that is our third budgetary objective.

The final element in our budgetary strategy is especially important if our Province is to shake off the recession, resume growth and reduce unemployment. Government is determined to take those steps within its capability to promote a favourable economic environment which will strengthen the confidence of the private sector and encourage investment. Government recognizes that alone it cannot solve our unemployment and other economic problems. Sustained economic growth and development can only be realized by private sector investment and expansion, which will also provide the base for the generation of revenues sufficient to fund necessary public programs.

In summary, Mr. Speaker, the four key elements of the 1984 Budget strategy are:

- (1) Reduce the Current Account deficit.
- (2) Avoid new tax measures and major tax increases.
- (3) Implement a broadly based expenditure restraint program.
- (4) Institute measures to promote economic activity and encourage private investment.

DR. COLLINS:

Mr. Speaker, in response to the first element, I am pleased to report that we are budgeting for a reduced deficit on Current Account of \$32.3 million down from \$64.7 last year.

Again, in the printed document which will be circulated, the second table outlines the 1984-85 position.

Fiscal revenues are forecast to grow by 7.1 per cent and net operating expenditures have been constrained to 4.9 per cent, thereby allowing for a meaningful improvement over last year's performance on Current Account. Gross Capital Account expenditures will be increased slightly over last year's level to a total of \$260.4 million. The net budgetary requirement, excluding debt retirements, and that amount will be fulfilled by new borrowings, will \$206.3 million, a reduction of \$33.1 million over last year's level when it is adjusted for the extraordinary item relating to school construction that I have just mentioned. Our requirement for debt retirement will be \$79.9 million.

The Newfoundland Liquor Corporation will generate an additional \$4 million in revenue over the 1983-84 level and this will result in some price increases. Certain fees for government services will be adjusted to reflect more realistically the costs of delivering those services. Apart from those measures, there are no new taxes instituted nor are there any increases in tax rates in the 1984-85 Budget - the second key element of our budgetary strategy.

EXPENDITURE MANAGEMENT PROGRAM:

Mr. Speaker, consistent with the third element of our strategy, emphasis has been

DR. COLLINS: placed on a series of decisions designed to achieve savings in virtually all aspects of Government's operations. I will now outline some of the major features of this broadly based expenditure management program.

HOSPITALS AND NURSING HOMES:

In the 1983-84 Budget,

Government

DR. COLLINS: announced the formation of a Royal Commission to study the ever-increasing costs of operating our hospitals and nursing homes. The Commission worked diligently and submitted its Report to Government on February 15, 1984. The quality of the Report is impressive and the recommendations provide a sound basis for rationalizing our health care delivery programs.

There are 217 recommendations, and it will be some months before all are fully studied by Government and decisions made. Some, however, are of high priority and deserve immediate implementation. Therefore, an interim strategy has been developed which recognizes the "package" nature of the Report's recommendations, and the balanced approach recommended by the Commission.

Mr. Speaker, our interim strategy contains eight points:

- (1) Effective April 1st, 1984, the total budgetary allocations for all hospitals and nursing homes, as a group, will be maintained at the 1983-84 levels for one year. The total budgetary allocation for the major hospitals in the St. John's area, as a group, will be maintained at the 1983-84 levels for three years from April 1st, 1984.
- (2) Effective April 1st, 1984, Government will implement a financial incentive system for hospitals and nursing homes, and the Hon. Minister of Health (Mr. House) will be detailing that in due course.
- (3) Effective April 1st, 1984, the \$5 a day ward fee charged to hospital patients will be discontinued. To help compensate for the reduced revenue, Government

DR. COLLINS: has decided to increase the charges made for semi-private and private accomodation by \$10 per day.

(4) An initial block provision of \$500,000 has been earmarked to commence various planning studies and implement other recommendations made by the Report.

(5) Pending the completion of some of these studies, planning on the Central Newfoundland expansion and the upgrading of the Grace Hospital in St. John's will be reassessed. Funding of \$500,000 is provided in the Budget to resume planning on these two projects later in the year, by which time some of the necessary studies should be completed.

(6) Capital funding for equipment purchased by hospitals will be increased by \$1 million over last year's level to a total of \$5 million this year.

(7) Government has decided to implement a universal rate for residents of senior citizens homes and patients medically dischargeable from hospitals. Those now paying the higher amounts will have their rates decreased immediately, while the new rate for those paying lower amounts will be phased-in. While this rate is different from that recommended by the Royal Commission, it will be subject to annual review.

(8) The amount provided for home care support services will be increased in 1984-85 to a total of \$600,000. Government recognizes that this kind of program is instrumental in minimizing pressures on our institutions and helping to maintain the elderly in their homes as long as possible as an alternative to institutional care.

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Mr. Speaker, we look forward to working closely with all interested groups in analyzing and implementing these measures and other recommendations of the Royal Commission in due course.

DR. COLLINS:

PUBLIC SERVICE STAFFING

Mr. Speaker, Government has cut back on hiring in the Public Service during the past several years. Our main efforts have been directed to leaving positions unfilled as vacancies occur through attrition, as opposed to laying off large numbers of employees. At the present time, there are about 550 vacant positions in Government Departments, all of which, or others of an equivalent nature, will remain unfilled for 1984-85. In addition, the salary costs of a further 150 positions will be saved through not filling additional positions that become vacant, or selective layoffs in low priority areas. In addition to these measures, departmental salary budgets for temporary employees and overtime have been reduced by 5 per cent below last year's levels, except in cost-shared and community development program areas. With respect to teacher allocations, declining enrollments will result in a reduction of over 100 positions in the teaching complement next year.

Mr. Speaker, let me emphasize that no large-scale across-the-board layoffs are planned and we will continue to limit job terminations to selective program areas.

PUBLIC SERVICE SALARIES AND PENSIONS

Government recently announced that no salary scale increases will be provided for a two-year period for individuals paid a salary from the public purse. This two-year period commences from the expiry of existing contracts or pay plans. Consistent with this policy, it has been decided that there will be no Public Service pension increases in 1984-85. The wage policy is a vitally important part of our expenditure restraint program and we seek the support and understanding of those affected.

DR. COLLINS: We are confident that public servants do understand the financial realities which have given rise to it, and appreciate the even more difficult options that Government has been able to avoid.

ASSISTANCE TO MUNICIPALITIES

Mr. Speaker, Government recognizes that many municipalities lack adequate funding for basic and essential services, particularly water and sewer services, street construction and paving. Accordingly, I am pleased to announce that \$25,000,000 will be made available through guaranteed loans for these critical purposes in areas of greatest need. Mr. Speaker, these projects are labour intensive and will provide substantial support for employment in the construction industry.

The financing cost to Government for municipal public works has escalated rapidly in recent years, and while it is recognized that many smaller municipalities may not have the tax base to cover a large portion of the capital cost in the short-term, they should assume responsibility in line with their financial ability. Therefore, commencing January 1st, 1985, the minimum contribution towards utility debt charges by all municipalities presently being subsidized by Government will increase from 15 per cent to 20 per cent of their fixed revenues. Fiscal restraints also necessitate that effective January 1st, 1985, Government reduce one of the components of the General Municipal Assistance Grant, namely the per capita grant, to generate savings of approximately \$600,000 annually. Details will be supplied to individual municipalities shortly. The delayed implementation of these measures will enable municipal councils to examine closely their current financial position and make the necessary adjustments in their 1985 budgets.

DR. COLLINS: Mr. Speaker, the response by municipalities generally to the implementation of property tax as the principal source of local revenue has been most encouraging to Government. To encourage the process further, Government will continue to pay the cost of initial property assessments in municipalities. However, the current fees charged for statutory reassessments and supplementary assessments will be replaced by an annual fee based on a percentage of assessed property value. This charge will be increased over the next two fiscal periods, so that the full cost of providing this service will be

DR. COLLINS: recovered in the fiscal year 1986-87.

SOCIAL SERVICES

Mr. Speaker, Government has completed an extensive review of its financial program for Social Assistance with the aim of directing benefits to recipients in most need. I am pleased to announce that provision has been made in the Budget for a substantial increase in the shelter allowance for Social Assistance clients. Effective May 1st, 1984, allowances for rent, mortgage payments and board and lodging with non-relatives, which currently range from \$175 to \$209 per month, will be increased to \$300 per month. This average 65 per cent increase in these rates should also go a long way towards providing equity between those recipients who live in their own homes or subsidized public housing and those who rent, board privately or have mortgages. Government is convinced that these focused additions to our Social Assistance Program are a much more effective way to meet real concerns of the needy than budgeting an undifferentiated increase in all rates.

The Budget, as well, provides for a 3 per cent increase in foster home rates, regular and special child welfare allowances, and clothing allowances for foster children.

EDUCATION

Mr. Speaker, this Government's financial commitment to education is plain for all to see from the fact that total expenditures have risen from \$344,000,000 in 1979-80, when this Administration first took office, to \$529,700,000 in this year's Budget.

Government remains committed to our educational institutions and the role they play in educating our people and increasing the overall level of knowledge

DR. COLLINS: in our society. But like so many other areas, the operations of our educational institutions are becoming increasingly expensive and here too, costs must be held in line to help contain overall expenditure growth. Accordingly, operating grants to Memorial University and the School Boards will be tightly constrained, reflecting Government's intention that all sectors of public expenditure must bear their appropriate share of restraint in 1984-85. In addition, fees for students attending our Colleges and District Vocational Schools will be increased by 5 per cent to \$210 per semester, effective September, 1984.

CHILDREN'S DENTAL PROGRAM

Mr. Speaker, Government is very proud of its ongoing program of providing subsidized dental care to children up to the age of 13. This program has been instrumental in bringing about real improvements in the overall quality of dental health in this Province. However, in light of the ever-increasing costs of the program, the fee charged for non-preventative procedures is being increased from \$2 to \$5.

INITIATIVES TO FOSTER ECONOMIC GROWTH

Mr. Speaker, the broad policy thrust of this Government continues to emphasize proper management and control over the development and utilization of our natural resources - fish, minerals, hydro power, forests, and petroleum. Their optimum development and the associated expansion in employment which is so needed at this time is ultimately reliant upon the investment of capital, particularly from the private sector. Complementing this emphasis on primary industries, other fundamental objectives of our industrial development policies are the attainment of further diversification of our economic base into the secondary and tertiary industries, the expansion

DR. COLLINS: of the service sector and a strong small business sector generally. Our policy thrust, therefore, is to bolster particularly the weaker sectors of our economy and thereby broaden its base, whilst still promoting our primary industries to their maximal potential.

In addition to these overall policy objectives, Government, at this time, recognizes the toll which the recession registered on the private sector, which in turn accounted for the vast majority of the loss in employment. We also recognize that it will be through a rejuvenation of the private sector that jobs are regained and further growth created. Therefore, after providing for indispensable public services, Government has attempted, in this Budget, to allocate the limited financial resources available to us, so as to enhance the atmosphere for business investment and expansion.

Mr. Speaker, notwithstanding the inevitable financial constraints placed upon us at this time, I am pleased to announce that Government will be proceeding in the coming fiscal year with a multi-faceted program designed to encourage and expand industrial enterprise throughout the Province.

DR. COLLINS: There are three principal components of the program; first, tax reductions or fiscal incentives; second, financial and technical assistance to business; and third, a package of expenditure initiatives targeted to upgrade the infrastructure base in the Province and provide employment.

TAX REDUCTIONS

Mr. Speaker, I am pleased to announce, on behalf of government, that as of midnight tonight, the Retail Sales Tax will be removed from all manufacturing capital equipment purchased for use by manufacturers in the Province.

SOME HON. MEMBERS: Hear, hear!

DR. COLLINS: This measure will encourage expansion and upgrading of equipment in the manufacturing sector and promote the further development of secondary industry. In particular, we hope it will encourage corporations such as those involved in the pulp and paper industry to proceed with modernization of their facilities to enhance their productivity and competitiveness.

Second, I am pleased to announce that, in recognition of the importance of the small business sector and the desire to see new small businesses created which will grow and prosper, Government has decided to reduce the rate of Corporate Income Tax for small business by 2 percentage points.

SOME HON. MEMBERS: Hear, hear!

DR. COLLINS: The new rate will be 10 per cent effective January, 1984, down from the previous rate of 12 per cent.

Third, Government is sensitive to the concerns raised in the border communities of Labrador with respect to the tax rate differentials between this Province

DR. COLLINS: and Quebec. Accordingly, I am pleased to announce that effective April 1st, 1984, adult clothing will be exempted from Retail Sales Tax in those Labrador border areas. In addition, gasoline and tobacco taxes will be reduced so that retailers can compete more effectively with those in neighbouring communities in Quebec.

Finally, in November, 1982, Government reduced the rate of Retail Sales Tax on building materials to 8 per cent in order to provide an incentive for the construction industry, and, in particular, assist in the recovery of residential construction. I am pleased to announce that Government has decided to continue with this reduced rate in the coming fiscal year.

FINANCIAL AND TECHNICAL ASSISTANCE TO BUSINESS

Mr. Speaker, Government will be taking a number of other initiatives to assist business development and business formation. First, I am pleased to announce that we will establish a new Venture Capital Program. This Program is designed as a vehicle for the formation of capital funds from the private sector for the purpose of investment in new and existing enterprises within the Province. Government's participation will normally be in the form of direct loans to venture capital corporations set up for specific investment purposes. The loans will be structured to include attractive interest forgiveness and principal repayment terms. An initial provision of \$500,000 is now available for approved ventures. Details on the implementation of this Program will be available shortly.

DR. COLLINS: Mr. Speaker, in my 1982 Budget, I announced an Ocean Industries Capital Assistance Program to stimulate further development of our ocean industry sector by encouraging the expansion of Newfoundland companies or by helping to attract new ocean-related industry to the Province. This Program has received considerable positive response from the Newfoundland business community. To date, it has funded 14 projects for a total of \$1.8 million and over 200 full-time jobs have been created. Mr. Speaker, I am pleased to announce that an additional \$2.5 million has been provided in the Budget for the Ocean Industries Capital Assistance Program to continue this year.

In 1983, Government received the result of a consultant's study which examined the feasibility of a convention centre for the Province, as well as the optimal type and location. Because feasibility has been established, Government is now committed to this project and has agreed to provide financial contributions. I am therefore pleased to announce that an initial amount of \$1 million has been allocated in the 1984-85 Estimates. We intend working with the Government of Canada on the design of an appropriate package of incentives to encourage private sector involvement so that construction of a hotel/convention centre will commence this year.

As a fourth measure, I am pleased to announce that a new Technical Assistance Program will be introduced on an experimental basis. The Program will entail the provision of financial assistance to small and medium-sized businesses to hire outside expertise in the areas of technical enhancement and productivity improvements. Basically, the Program will contribute up to 50 per cent of the costs incurred, to a maximum contribution of \$5,000 per project

DR. COLLINS: for the services performed by outside professionals.

Finally, as Honourable Members are aware, this Government has made a significant financial contribution to the Newfoundland Dockyard for the synchrolift facility in St. John's. That facility, which is now complete and operational, is a tremendous addition to the marine infrastructure which services the offshore sector and the shipping industry generally. Another part of the dockyard, the concrete graving dock, which was built in 1926 of a size suitable for vessels of the day, has been reviewed to determine the feasibility of lengthening and widening the dock. Canadian National has now determined that such a project with a new dock gate is feasible, and the Company is anxious to proceed in the coming year. Government foresees that this expansion would be a very positive factor in the economy of the area, and I am pleased to announce that the Province has agreed to provide an investment of \$500,000 towards the cost of this project. With this commitment by the Province, the Dockyard expects to be in a position to proceed with the commencement of construction this summer. One early benefit from this undertaking is that the new, larger ferry being constructed for the Port aux Basques - North Sydney run will now be able to be refitted annually in this Province, rather than having to go elsewhere.

EXPENDITURE INITIATIVES

Mr. Speaker, I have dealt with fiscal incentives and financial and technical assistance to business. The third thrust of our program to foster economic growth is the structure and delivery of an overall expenditure program directed to the most worthwhile social and economic needs. Emphasis has been placed on employment generation, as well, to provide as much support as possible to our economy. In

DR. COLLINS: this regard, I am pleased to inform this Honourable House that we will provide in the Budget funding in a number of very worthwhile areas.

HIGHWAY AND BRIDGE CONSTRUCTION

Since Confederation, a priority of successive provincial administrations has been the constructing, upgrading and paving of roads throughout the Province, together with the construction of required bridges. However, we recognize that much of the existing infrastructure is reaching or has passed its normal life expectancy. The physical life of any asphalt surfaced highway, given no ongoing program of rehabilitation, is about fifteen years.

In order to preserve the huge investment that we have made in highways and bridges, I am pleased to announce an expanded program of highway and bridge rehabilitation, to which \$15 million will be allocated in 1984-85. These funds will enable the Department of Transportation to undertake major rehabilitation

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on 150 kilometers of paved roads and restorative work on about 35 bridges.

Under the ongoing Provincial Highway Improvement and Construction Program this coming year, the Province will be spending a further \$21,000,000 mainly on the upgrading and paving of the secondary highway system and construction of new bridges.

SOME HON. MEMBERS: Hear, hear!

DR. COLLINS: In addition, a total of \$39,700,000 will be spent on highway improvement and construction under various cost-shared programs with the Government of Canada. We are working very closely with the Federal Government to obtain a further agreement to allow for a continuation of this very worthwhile activity in future years.

Mr. Speaker, all these Programs will give a significant stimulus to the construction industry this year and will provide meaningful employment, this coming Summer for 7,600 Newfoundlanders.

SCHOOL CONSTRUCTION

The provision of capital grants to the Province's Denominational Educational Councils for construction and replacement of school facilities remains a high priority with Government. I am pleased to inform the House that the amount of such capital grants for ongoing needs will be increased by 25 per cent in 1984-85, to \$13,500,000. I am also pleased to announce that a further amount of \$1,500,000 will be provided to initiate upgrading of existing facilities to modern-day health and safety standards, bringing the total amount provided for school construction or upgrading to \$15,000,000.

To facilitate year-to-year planning on larger projects, the Denominational Education Councils are also being informed that a minimum of \$10,800,000 will be available from the Province in 1985-1986 for further school construction needs. In addition, Government has now selected

DR. COLLINS: a site and completed preliminary design specifications for a new \$10,000,000 School for the Deaf. The Budget contains a provision of \$1,500,000 to finalize planning and commence site preparation this year.

MARYSTOWN SHIPYARD LIMITED

Mr. Speaker, I am very pleased to announce that Government will be constructing a new ice class ferry at Marystown Shipyards Limited over the next fifteen months to serve Fogo Island. The ferry, which will cost an estimated \$8,000,000, will have a capacity for 35 vehicles and 150 passengers.

This new construction project represents the Shipyards' first venture into the ferry construction field, which we hope will lead to further such projects in the future. More importantly though, this project will help provide a much needed economic stimulus to the Marystown area and will assist the Yard in retaining the construction expertise that it has built up over the years. Government is actively pursuing several other initiatives which will hopefully lead to further work for the Yard in the not too distant future. In particular, the acquisition of work in constructing new fishing trawlers for the reorganized offshore fishery, and additional offshore supply boats, would help to secure good long-term prospects for this industry.

INSTITUTE OF FISHERIES AND MARINE TECHNOLOGY

Construction of the new Institute of Fisheries and Marine Technology and the planning for the associated flume tank are now well underway and the Budget contains a provision of \$17 million for this major project under a cost-shared agreement with the Federal Government. The new Institute will open its doors in 1986 providing a badly needed replacement facility for the current Fisheries College. The new Institute will be a world class facility and will prove to be an integral part of our overall resource development plans.

DR. COLLINS:

HOSPITAL CONSTRUCTION

Construction activity on the new hospitals at Clarenville and on the Burin Peninsula will continue during the year. A provision of \$9,400,000 in the Budget for the Clarenville facility will allow that project to be completed late in the year. A provision of \$3,000,000 is made for the Burin Peninsula Hospital to allow major construction to commence.

DR. COLLINS: Funding is also included in 1984-85 to complete Phase II of the Bonavista Hospital upgrading project and an ongoing project at the Janeway Children's Hospital involving the upgrading of medical gas facilities.

BURIN PENINSULA DEVELOPMENT FUND

Mr. Speaker, there are a number of significant issues that Government is discussing with the Federal Government that will influence growth and diversity within the economy. As Members are aware, the recent agreement signed between our Government on the Restructuring of the Fishing Industry provided for the establishment of the Burin Peninsula Development Fund. The objective of this Fund is to enable this area of the Province to diversify its economic base and provide new employment opportunities for people in the area. This Program Fund will be jointly managed and cost-shared by both Governments and our Budget includes provision of \$2,470,000, representing the Province's share of the costs of several potential projects.

CROWN CORPORATIONS

Capital expenditures by Provincial Crown Corporations will provide an appreciable stimulus to the economy this year. In particular, Newfoundland and Labrador Hydro will be spending \$90,000,000 on the Cat Arm hydroelectric project, prior to its completion in 1985. A peak work force of 800 will be attained. In addition, a further \$5,000,000 will be spent on capital projects related to upgrading and improving rural electrification systems on the Island and in Labrador.

DR. COLLINS: Government has approved a \$55,000,000 capital program for the Newfoundland and Labrador Housing Corporation this year. The Corporation is expecting to initiate more than 500 units of new house construction under its Federal/Provincial subsidized rental and mortgage lending schemes. Other highlights of the Corporation's budget include the following:

An amount of \$9,200,000 will be spent on residential land development, and another \$1,600,000 on industrial land assemblies.

The Corporation will deliver some \$7,000,000 in Federal housing rehabilitation funds. It is also planned to have more areas designated as being eligible to receive this funding.

An estimated \$4,000,000 in Federal/Provincial funding will be spent to improve the existing public housing stock throughout the Province.

These expenditures on housing and land assembly will contribute substantially to economic activity and employment during the coming year.

OTHER MAJOR ACTIVITY

Mr. Speaker, I would like to highlight some of the other areas where the positive impact of the Budget will be felt in our economy this year.

Government is continuing its commitment to the harvesting sector of the inshore fishery in 1984-85 by providing \$15,400,000 in direct and guaranteed loans, interest subsidies, and bounties through the financing programs of the Fisheries Loan Board for the purchase of new or used vessels and the acquisition of engines and equipment.

The Government has experienced great success with the Community Development Program of the Department of Social Services which is designed to offer people an alternative to Social Assistance dependency for their

DR. COLLINS:

maintenance and support.

Through this Program, we have employed 4,500 people during the past year, with an expenditure of \$9,000,000. This amount is being increased to \$16,000,000 in 1984-85, which will create employment for approximately 8,000 individuals.

Construction of a new highways depot in Deer Lake will commence, with a projected \$4,000,000 total expenditure over two years.

Construction of the Confederation Building Extension will continue with \$11,000,000 estimated to be spent in 1984-85.

Construction will commence on the new Arts and Culture Centre for Labrador and an amount of \$1,800,000 will be spent this year.

DR. COLLINS: Provision of \$3.7 million is made for the St. John's Northeast Expansion Zone Water Supply to complete a contract awarded in 1983/84 and to award a contract for the third phase.

Modifications to the Whitbourne Training School will be undertaken in accordance with the requirements of The Young Offenders Act. In addition, provision is being made for six new group homes which will provide open custodial care for young people who come into conflict with the law.

The airstrips and maintenance buildings at Postville, Rigolet, Port Hope Simpson, and Davis Inlet will be completed this year at a total estimated cost of \$1.6 million. In addition, work will commence on the Charlottetown, Paradise River and Black Tickle airstrips, with expenditures projected at \$1 million each for the coming year.

Extensions to St. Patrick's Mercy Home in St. John's, Valley Vista Home in Springdale, and Lakeside Home in Gander, are due for completion in the 1984/85 fiscal year. In addition, expansions to Harbour Lodging in Carbonear, and Bay St. George Senior Citizens Home will commence. There is also a new 75-bed home that will be commenced in Placentia.

Forest management expenditures, provided under various cost-shared agreements with the Government of Canada, will be increased in 1984/85. We estimate that 2,500 people will obtain employment under these programs this year.

The available classrooms, laboratories and other facilities at the Sir Wilfred Grenfell College in Corner Brook are inadequate to support the current enrollment level. Accordingly, an amount of \$250,000 is included in the Budget to institute planning for an upgrading of this facility to meet current demands.

DR. COLLINS: Mr. Speaker, all of these initiatives are important to the process of building up and improving our public service. Government also takes much satisfaction in directing funding into capital projects which will create a very worthwhile associated economic spinoff for so many of our citizens and communities.

OFFSHORE RESOURCES - THE QUEST FOR EQUALITY

Mr. Speaker, in my concluding remarks, let me refer in some detail to the most pressing issue facing this Province today.

As stated in my opening remarks, our current economic problems are closely related to the length and depth of the recent worldwide recession. Contrary to what a few unthinking people say, they are not related to a lack of development of oil and gas resources offshore. On the other hand, the longer term outlook for our economy is closely related to offshore development, but both Government revenue flows and the levels of onshore activity will very much depend on the pace and mode of development chosen. It is for this reason that meaningful control and management by the Provincial Government is of vital importance.

It is worth noting that our offshore resources are not unique in this regard. Surrendering any of our natural resources to controlling interests outside the Province invariably diminishes their benefit to Newfoundlanders in direct proportion to their deflection elsewhere. Unfortunately, our history is replete with examples of natural resource control residing outside the Province, and the resulting damage to our economy is only too familiar to us all. The large expenditures of time and effort by this Administration to regain an effective role in our fishery and in Labrador hydro power clearly demonstrate the difficulty in recapturing for our People, benefits which had unwisely been given away previously.

DR. COLLINS: Mr. Speaker, the recent decision handed down by the Supreme Court of Canada on Hibernia is yet another example of denied local authority over a major natural resource. This is no criticism of the Supreme Court which interprets the law according to its own understanding, irrespective of any contrary understanding which may be prevalent amongst the people of this or any other Province. However, Mr. Speaker, no Province of Canada can accept a status quo which does it an injustice. The Canadian Confederation is a form of Government in a continual process of evolution. Constitutional change is a necessity if Confederation is to remain alive, adapting itself to meet the real needs of peoples embracing it.

As for all natural resources on which our economy relies, the real need of the Newfoundland people in the particular case of offshore natural resources is to have an adequate controlling voice in their exploitation.

DR. COLLINS: Our province must have a real capacity to influence the underpinnings of its economy, just as the Federal Government must control the underpinnings of the national economy. We support legitimate Federal prerogatives and we ask that they support our Provincial imperatives.

Mr. Speaker, it has been proposed that the Federal Government can adequately safeguard the interests of the Newfoundland people in offshore oil development. The proposal must be rejected for two reasons. First, history teaches us that it does not work. As the saying goes, a people who do not learn from their history, are doomed to repeat it. Our fishing industry tells the story. Newfoundland has not controlled the fishery for the past 50 years, since 1934, and throughout that time, the fishery has been in continual disarray. It saw stock depletion as never before, incursions of illegitimate outside interests into stock harvesting, erosions of world markets because of quality and price problems, and serious financial problems plaguing all major firms. Throughout those 50 years, the Province was powerless to intervene effectively because the levers of power controlling the fishery were not in our hands, and the fact that they were firmly in the hands of others proved no salvation. Let us not be trapped again offshore.

Second, the Federal Government cannot manage our natural resources primarily for our benefit because its mandate is national in scope and with the best will in the world it cannot, for long, channel national revenues and benefits to a single constituency within its national electorate. The very best it can do is to substitute transfer payments for earned benefits,

DR. COLLINS: hand-outs in place of
income earned by the sweat of our brows.

Mr. Speaker, the original framers of the Canadian Constitution clearly saw the necessity of totally withholding from the Federal Government the right of paramountcy over natural resources essential to the economic development of provinces. This they would place for all time firmly and securely in the hands of provincial governments. It is a fundamental principle of Confederation of overriding importance. They clearly saw that the only effective way to achieve economic viability for the widely dispersed regions of our half-a-continent was through constitutional entrenchment of Provincial authority to control all matters bearing on natural resource exploitation. It was a remarkable insight for those early Fathers of Confederation whose own traditions stemmed from a small compact country where central control was an effective mechanism for development in all areas of the realm.

But for the singular exception of the present Administration in Ottawa, succeeding Canadian Governments have faithfully held to this fundamental principle of Confederation, and have effected constitutional amendments, where necessary, to comply with it, notably in 1912 when the North lands were granted to Quebec, Ontario, and Manitoba, and in 1930 when natural resource rights were granted to the Western Provinces. Now, for the first time, the present Government in Ottawa has violated constitutional precedence, even to the extent of outright disallowal of the previous Federal Government's stated policy of vacating all ownership rights to natural resources claimed by provinces.

DR. COLLINS: Mr. Speaker, the Provincial Government has consistently stated that the offshore question, and similar questions relating to natural resource control, are not the proper concern of the Courts but are matters for political decision.

Until the Supreme Court decision, the position of the Provincial Government had been that, on the basis of logic and fairness, natural resources covered by salt water were already equivalent, constitutionally, to natural resources on land or covered by fresh water in international waterways. With the Supreme Court's recent interpretation of the law, the Provincial Government's position now is that an unacceptable situation exists whereby the natural resources vital to the economic welfare of one province are somehow constitutionally different from similar ones similarly vital to other provinces. Accordingly, we call on the Federal Authority to restore equality with other provinces at an early date. It is not a question of granting special rights to our Province over others; it is an urgent matter of preserving a fundamental principle of Confederation and of keeping faith with the Newfoundland people as they understand their own Terms of Union with Canada.

DR. COLLINS: Mr. Speaker, we call, also, on our own People to present to our Canadian fellow citizens a unified and steadfast posture on this matter crucial to our short-term and long-term economic well-being. Our objective is simply justice and equal opportunity for our People. Our combined voice is small at the best of times, but it must be heard throughout the land repeating a message of fairness and reason.

Over the past several years, the Government of Newfoundland and Labrador has been flexible on this all-important issue. We will continue to pursue with vigor our position for constitutional recognition of rights offshore, but, in the interim, we will also try to forge an agreement on management and revenue sharing which will meet our objective.

Federal leadership preserved the Confederation in the interest of French language rights for Quebec. The People of this Province now call on the present and future Federal leadership to rise again to the task of preserving our Confederation in the interest of equality for Newfoundland over natural resources to which no other Government has rightful moral claim.

We have a confident appreciation of the Canadian people's dedication to justice and equity for all provinces under the Constitution. We believe that Parliament will ensure that the ideals of our Confederation are not subverted but upheld for all Canadians.

The Canadian Confederation is a unique experiment in governing a huge land mass, a small and widely dispersed population, and diverse heritages and cultures. It is an enriching experiment in which Newfoundland and Labrador is proud to participate.

DR. COLLINS: Mr. Speaker, Government holds firmly to the view that the economic outlook for this Province is bright indeed, given an even chance to develop and realize on the abundant opportunities inherent in the quality of our People and the resources of our land and sea environment.

That sentiment has been expressed many times before, but we are convinced that better times will, in fact, be soon upon us. We are actively preparing for those days so as to reap maximal benefits for ourselves and our fellow Canadians.

The Budget I have just presented on behalf of our Government is one further step along the path to a more befitting role for our Province in the Canadian Confederation.

SOME HON. MEMBERS: Hear, hear!

MR. SPEAKER (Russell):

Order, please!

Finance.

The hon. the Minister of

DR. COLLINS:

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

until tomorrow.

On motion, debate adjourned

MR. SPEAKER:

Finance.

The hon. the Minister of

DR. COLLINS:

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

Mr. Speaker, I wish to inform

MR. SPEAKER:

All rise, please.
This message is addressed to the hon. the Minister of Finance (Dr. Collins).

All rise, please.

This message is addressed to

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

"I, the Lieutenant-Governor of the Province of Newfoundland, transmit estimates required for the public service of the Province for the year ending the 31st. day of March 1985, in the aggregate of \$1,849,893,300. and in accordance with the provisions of the Constitution Act 1867, I recommend these estimates to the House of Assembly.

(Sgd) W. Anthony Paddon,

Lieutenant-Governor."

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

MR. SPEAKER:

Order, please!

The hon. the Minister of Finance.

DR. COLLINS:

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

Mr. Speaker, I move that the

On motion, that the House resolve itself into a Committee of Supply, Mr. Speaker left the Chair.

MR. CHAIRMAN (Aylward):

Order, please!

The hon. the President of the Council.

MR. MARSHALL:

Mr. Chairman, I move that the Committee rise, report progress and ask leave to sit again.

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

MR. SPEAKER (Russell):

The hon. the Chairman of Committees.

MR. CHAIRMAN:

Mr. Speaker, the Committee of Supply 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 relating to the Income Tax Act; and I give notice that I will on tomorrow move that the House resolve itself into Committee of the Whole to consider certain resolution to amend the Tobacco Tax Act, 1978; and 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.

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 Expenditures 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.

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: 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, Wednesday, March 21, 1984, at 3:00 p.m. and that this House do now adjourn.

On motion, the House at its rising adjourned until tomorrow, Wednesday, March 21, 1984 at 3:00 p.m.