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FORTY-FIRST GENERAL ASSEMBLY  
OF  
NEWFOUNDLAND

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***VERBATIM REPORT***  
***(Hansard)***

*Speaker: Honourable Thomas Lush*

Thursday

[Preliminary Transcript]

15 March 1990

The House met at 2:00 p.m.

MR. SPEAKER (Lush):  
Order, please!

MR. BAKER:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the President of Treasury Board.

MR. BAKER:  
Mr. Speaker, I ask leave to read a very brief statement.

MR. SPEAKER:  
I assume the hon. the President of Treasury Board has leave.

The hon. the President of Treasury Board.

MR. BAKER:  
Mr. Speaker, I am pleased to announce to hon. Members that the Government of Newfoundland and Labrador and the Newfoundland Hospital and Nursing Home Association have reached a tentative collective agreement with the Newfoundland and Labrador Nurses Union.

The contract is for a two year period, ending December 1991. Details of the tentative settlement will not be released until union members have ratified the contract.

The settlement, Mr. Speaker, recognizes that nurses are a special case in the current labour market. It also recognizes the value of the contribution made by this group of professionals in providing quality service in the health care field.

SOME HON. MEMBERS:  
Hear, hear!

MR. RIDEOUT:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Opposition House Leader.

MR. SIMMS:  
On behalf of hon. Members on this side of the House I commend the two sides for being able to successfully conclude what appears to be at least a satisfactory agreement. We hope, as well, that the plight of the nurses was recognized in reaching this agreement, and that the nurses were treated in a very satisfactory way.

I can only say that I hope the people in Treasury Board, and the Minister, will have as much success during the rest of the year in dealing with other groups, such as the General Service and the Teachers. We look forward with great anticipation to hearing similar statements from the President of Treasury Board.

SOME HON. MEMBERS:  
Hear, hear!

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

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

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

The hon. the Minister of Finance.

DR. KITCHEN:

## INTRODUCTION

Mr. Speaker, I am pleased to present to this Honourable House the second Budget of the Wells Administration.

These first ten months of Government have brought many challenges in managing the provincial economy, in providing services essential to our people, and in responding to the changing nature of the federal - provincial fiscal balance in this country.

To date, this Government has established a record of responsible action and decisive leadership, and has demonstrated a willingness to tackle head-on the tough issues that confront us. Notwithstanding the current difficulties in our economy, optimism and enthusiasm pervade this Administration. We are restructuring the machinery of Government, we are eliminating the waste and extravagance of former years, and we are making significant progress in implementing policies for which the people of the Province voted nearly eleven months ago.

The preparation of this Budget has not been easy, partly because of the far-reaching effects of the drastic reductions in cod quotas, but largely because of the economic, fiscal and monetary policies of the Federal Government. However we have been able to produce a Budget that addresses in a very significant way this Government's three basic priorities of Economic Development, health care and education; a Budget that does not come down hard on the people.

SOME HON. MEMBERS:  
Hear, hear!

## DR. KITCHEN:

This is a prudent Budget that will enable us to go a long way towards delivering to all regions of the Province the fairest and most equitable level of service we are able to provide and still be fiscally responsible to the present and to the future. Mr. Speaker, I am proud to present this Budget for it is truly a Liberal Budget, a people's Budget.

## THE ECONOMY

Mr. Speaker, the Province's economy continued to expand during 1989 with the Gross Domestic Product, or GDP, growing by 1.4 per cent, after adjusting for inflation. Although we have made progress, the rate of growth of the Newfoundland Economy has not kept pace with that of the rest of Canada. Over the past seven years the Newfoundland Economy grew at an average annual rate of 3 per cent, compared with average annual growth nationally of 4.2 per cent.

## Economic Review of 1989

Mr. Speaker, economic growth in 1989 was not as high as in the previous two years, due primarily to a slowdown in the forestry and fishing industries. Most other goods producing industries and the service sector, however, continued to perform well.

Newsprint production in the Province increased by 1.2 per cent in 1989, while shipments declined slightly because of soft newsprint market conditions. Pulp wood production decreased by approximately 6.3 per cent due to an earlier than usual suspension of wood harvesting operations.

The fishing industry experienced a number of difficulties during

1989. The performance of the fishing industry was affected by reduced quotas and by strikes at the two largest fish processing companies in the early part of the year. Decreased landings, combined with lower prices for some species, caused the value of fish landings to decline.

Demand was strong for the Province's mineral products as the total value of mineral shipments rose by 11.1 per cent. Mineral exploration remained at a high level.

Total construction investment increased by 1.5 per cent. Strong growth was recorded in residential construction which increased by 10.5 per cent. The more than 3,500 housing starts, the highest level since 1980, represented an 11.6 per cent increase over 1988.

The service sector benefitted from higher consumer spending stimulated by gains in personal income and tourism. Personal incomes grew by 8.6 per cent in 1989, while retail trade increased by about 7 per cent. The Province's inflation rate averaged 3.6 per cent last year compared to a national rate of 5 per cent.

Total employment increased by 8,000 person years, up 4.1 per cent from the previous year. Employment growth outpaced growth in the labour force causing the unemployment rate to fall to 15.8 per cent. Mr. Speaker, this was the lowest unemployment rate in the past eight years.

SOME HON. MEMBERS:  
Hear, hear!

Economic outlook for 1990

DR. KITCHEN:

Mr. Speaker, the Provincial economy is expected to grow again in 1990, but at a slower rate than in recent years. This is consistent with the growth slowdown expected for the national and international economies in 1990. Real GDP in the Province will increase by just under 1 per cent. Economic growth in the United States and Canada will decline to 1.7 per cent and 1.3 per cent, respectively. The inflation rate in this Province will average 4 per cent compared to a national rate of 4.7 per cent.

Total employment will increase by about 1,000 person years in 1990. Growth in the labour force, however, may exceed growth in employment and this would cause the unemployment rate to average 16 per cent.

Further declines are expected in the fishing industry as a result of the reduction in groundfish quotas and the consequent increase in downtime at fish plants throughout the Province. The economic and social consequences would be much greater if Government had not acted to extend the period of notice of termination which will result in fish plants remaining open during 1990.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
In the mining industry, a strong performance is again expected this year. The markets for iron ore will remain healthy, and exploration activity will remain strong. Mr. Speaker, the value of mineral shipments will be the highest since 1981, and will exceed \$1 billion.

The forest industry is expected to experience difficulties in 1990, should soft market conditions continue.

The service sector will undergo economic expansion in 1990, driven largely by growth in consumer spending.

Negotiations ongoing between the Federal and Provincial Governments and the Hibernia consortium should lead to a binding agreement this year to develop the Hibernia oil field. The construction industry will experience increased activity in 1990 as development expenditures begin for the Hibernia project. Hibernia development will represent the start of a new industry in this Province with a strong possibility of other similar developments to follow, such as Terra Nova and Whiterose. The contribution of this new industry to the Provincial economy will be substantial. We should not, because of past delays, underestimate its potential impact on the Province. Exploration activity already has resumed in the offshore. Further exploratory drilling is expected in the early 1990's as a result of recent land sales and the sale proposed for 1990.

Active discussions have been ongoing regarding the further development of the hydro electric potential in Labrador. Should these discussions lead to an agreement, the economic effects will be significant.

Military training in Labrador is a source of current prosperity and future economic opportunity. The Canadian Forces Base at Goose Bay is used as a training facility by three foreign countries, and

provides employment for more than 1,100 people. Over \$150 million in capital projects are planned for the next few years in support of the current level of training. A decision to locate a NATO training center at Goose Bay would create an even more substantial boost to the local economy. Due regard must be had for the concerns of native peoples and for the protection of the environment.

#### FEDERAL-PROVINCIAL ISSUES

Mr. Speaker, the future of this Province is influenced considerably by the Government of Canada. We rely on the Federal Government to implement balanced policies that are for the betterment of all regions of the country. As one of Canada's presently less affluent provinces we must look to the Federal Government to assist us to provide essential services and to develop our economy. In this regard, I wish to address several issues relating to the fiscal and economic policies of the Federal Government.

#### Federal Budget

To balance economic growth, federal fiscal policy should be targeted to the fullest extent possible to enhance the performance of the economically disadvantaged regions. The tough measures should be directed at the overheated segments of the national economy. Unfortunately, the recent Federal Budget did nothing to alleviate disparities between this Province and the rest of Canada.

Although the Federal Budget did not include any new tax increases, some measures previously announced will become effective in 1990-91.

These include the Goods and Services Tax, or GST, rate changes to the personal high income surtax and the capital tax on large corporations, as well as the phase-in of social transfer repayments.

The primary target of the two-year expenditure control plan announced in the Federal Budget is transfers to provinces. Direct transfers to individuals are exempt from this federal restraint plan. The task of making the tough decisions affecting individuals in effect has been delegated to the provinces.

The largest restraint measure announced in the Federal Budget is a two-year freeze applied to the Established Programs Financing, or EPF, arrangements which provide federal financial support for provincial health and post-secondary education systems. This measure will reduce fiscal transfers to this Province by more than \$50 million over the next two years. Combined with previous restraint, the federal policies make it increasingly difficult to provide adequate health care and post-secondary education programs.

The federal austerity program extends beyond the major transfer programs to provinces. Newfoundland and Labrador will be negatively affected by a broad range of changes in a variety of programs and activities such as reductions in legal aid and funding for women's centres, restrictions on cost-shared funding for social housing, lower subsidies for Marine Atlantic, and the elimination of the Canadian Exploration Incentive Program.

#### Equalization Program

The principle of the Equalization Program, as enshrined in the Constitution, is to ensure that all provinces have sufficient revenues to provide a reasonably comparable level of public services at reasonably comparable levels of taxation. However, this program currently has a transfer ceiling which limits equalization payments despite increasing fiscal need. In order to satisfy the principle of the equalization program, there should be no ceiling on the growth of equalization transfers. Indeed, an enrichment of the equalization program is needed.

#### Goods and Services Tax

Mr. Speaker, the Government of Newfoundland and Labrador is quite concerned about the negative impact the proposed GST will have on our people, our economy and our fiscal position.

The Government of Canada's prediction that there will be a smooth economic transition to the new tax is too optimistic. The inflationary impact of the GST will be higher in Newfoundland during the transition period than forecast by the Federal Government due to lower competitive pressures in this Province and the taxation of transportation costs. Also, few of the long term economic benefits from the GST will be derived in this Province. The output from most Newfoundland industries will be influenced more by such factors as resource supply, world demand and prices for specific products, interest rates and exchange rates, than by the removal of the present federal sales tax on business inputs.

Removing the existing federal sales tax on businesses will

result in shifting the tax burden almost entirely to individuals. The federal taxes paid directly by individuals will increase by about \$130 million annually, even after taking into consideration increased sales tax credits. The Federal Government contends that most of this increase in direct burden will be offset by lower prices resulting from the GST not being applied to businesses. I am skeptical that this will in fact be the case.

The GST will result in a serious deterioration in the fiscal position of the Government of Newfoundland and Labrador. Moreover, the increasing intrusion by the Federal Government into the consumption tax field will restrain our fiscal maneuverability and impede our ability to provide necessary services.

The administration and compliance complexities associated with two retail sales tax systems will be enormous. Not only are we concerned about the GST interfering with our provincial taxes, but also with the pending loss of tax administration staff to the expanded federal system.

Mr. Speaker, for all of these reasons, this Government is, has been, and will be firmly opposed to the Goods and Services Tax.

SOME HON. MEMBERS:  
Hear, hear!

#### Unemployment Insurance

DR. KITCHEN:

The Federal Government appears determined to proceed with its reform of the Unemployment Insurance Program despite opposition throughout the

country. Under the new proposals, the Federal Government is no longer contributing its share, which averaged about 23 per cent during the 1980s. Instead, all contributions to the unemployment insurance fund are made by employees and their employers, at rates 15 per cent higher than last year. For many claimants there will be increases in the number of weeks required to qualify for unemployment insurance, longer waiting periods and shorter benefit periods. The traditionally high unemployment rates in this Province mean that these changes will be quite burdensome and will exacerbate the present crisis in the fishery. We estimate that the proposed changes could remove more than \$100 million from our economy, result in a decline of \$15 million in Government revenues, and increase social assistance payments. This, Mr. Speaker, is not easy to accept.

#### Regional Development Funding

Significant regional economic disparities have persisted in Canada over an extended period of time. Nowhere is this more evident than in Newfoundland and Labrador.

In order to reduce regional economic disparity, resources must be targetted at the disadvantaged regions. The Federal Government's current regional and industrial assistance programs are too broadly applied to achieve that objective.

#### Monetary Policy

Mr. Speaker, the current high interest rate policy of the Bank of Canada is hurting this Province. The Federal Government is keeping interest rates high in

order to slow the economy and thus ease inflationary pressures. We believe this monetary policy is inappropriate for Newfoundland.

This Province does not need the brakes applied to its economy. The inflationary pressures in Canada are not originating here, but are being generated in overheated regional economies, mainly in central Canada.

Because interest rates cannot be set on a regional basis, the Government of Canada should be targetting the overheated regions of the Country for more restrictive fiscal policies, primarily expenditure reductions and in particular the removal of industrial development incentives in these overheated regions.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
The current policy of applying restrictive monetary and fiscal policies evenly across the Country, including those regions where resources are underutilized, where unemployment is excessive, and where inflationary pressures are not as great is counter-productive.

Mr. Speaker, federal fiscal, economic and monetary policy must serve not just central Canada, but all of Canada, including Newfoundland and Labrador.

#### The Constitution

Mr. Speaker, this Government has come to the conclusion that economic fairness and balance will be achieved in Canada only when the Constitution makes provision for greater political equality among provinces. That is why we

support a Triple E Senate that is elected, has equal representation from all provinces, and has the power to ensure that its vote will be effective. That is why we cannot support the present wording of the Meech Lake Accord which, by extending the Constitutional veto, will make Senate reform virtually impossible and prevent forever the ability of Newfoundland and Labrador to get out from under the yoke of economic disparity.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
With Meech Lake the two economic solitudes that now exist in Canada would be entrenched.

#### FINANCIAL POSITION

##### Financial Review of 1989-90

Mr. Speaker, in my Budget last year I projected a current account surplus of \$5.3 million for the 1989-90 fiscal year. I am pleased to announce today that we surpassed that estimate and achieved a surplus of \$37.8 million on current account.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
The improvement of \$32.5 million from Budget is largely the result of higher revenues. Net current account expenditures remained substantially on target. Our overall deficit or total budgetary requirement was \$221.7 million last year, or \$31.7 million less than Budget.

Mr. Speaker, in my Midyear Financial Report to this House in December, I estimated a current account surplus of \$52 million.



Out of this surplus on current account, Government decided to begin the process of addressing the serious unfunded liability in the Province's Pension Fund by making a \$21 million special contribution this year.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

This substantial contribution furthers the process of ensuring the long term integrity of our pension plans.

#### Financial Outlook for 1990-91

Mr. Speaker, it is with considerable satisfaction and pride that I am able to announce that in 1990-91 we will achieve our second consecutive current account surplus, at a level of \$10.2 million.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Current account revenues are projected to grow by 5 per cent, on the strength of growth in Provincial revenues. Federal transfers are expected to increase by only 2.1 per cent.

Expenditures on capital account will be \$367.5 million. Of this, \$108.8 million will be offset by related revenues, leaving a net capital account requirement of \$258.7 million. The combined current and capital budgetary requirement will be \$248.5 million, which is approximately \$5 million less than last year's Budget.

#### Budget Strategy

Mr. Speaker, when this Government

took office less than a year ago, we made a commitment to manage the people's finances in a prudent and responsible manner. We are fulfilling that commitment.

If we are to ensure our future ability to provide the services our citizens deserve, then we must not burden ourselves and those that follow us with excessive debt. It is all too easy to say that prosperity is just around the corner so let us borrow from our future and avail of it today. There has been too much of that in the past.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

The total debt of the Province is \$5.2 billion. That is more than \$9,000 for every man, woman and child in the Province. That will grow again this year. The interest on that debt will be over \$470 million this year. This is almost as much as we spend to operate our primary, elementary and secondary school system. It is equivalent to what we spend to operate all our hospitals.

Despite our achievement of a current account surplus in the 1989-90 fiscal year, our total per capita budgetary requirement was the second highest budgeted by any Province last year. Our credit rating, which influences the interest rate we must pay on our debt and determines the markets in which we may borrow, remains at the lowest level assigned to any Province. Mr. Speaker, we do not have the capacity for unrestrained expenditure.

In developing this Budget, Government took its responsibilities very seriously.

The overriding principle was that we must balance our current account position, and keep our overall budgetary requirement at a manageable level, while providing necessary services.

Achieving the current account surplus was not an easy task. We are saddled with servicing the debts of our predecessors. The recent Federal Budget dictated that we shoulder an even greater share of their deficit. The economy is experiencing a period of slower growth. The needs of the people of this Province are real and many.

In pursuing our budgetary objectives, there are two courses of action available to us: restrain our spending and enhance our revenues.

Mr. Speaker, this Government is committed to fiscal restraint, to eliminating extravagance and waste, to reducing the cost of operating government, and to making the public service leaner and more efficient. All expenditures of all departments have been examined, and non-essential services have been trimmed to make greater financial resources available for higher priorities.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

As part of an extensive pre-Budget exercise, every department of Government was directed to identify substantial expenditure reductions. The savings generated through this exercise, as well as further reductions established through the Budget process, are reflected in operating budgets throughout the public service.

Expenditures for travel, supplies, and other operating items have been kept to a minimum.

To meet Government's changing priorities some re-allocation of human resources has been necessary. A conscious effort, however, has been made to keep layoffs to a minimum. Permanent employees affected have been notified of this decision.

There are 1,264 automobiles and similar vehicles directly under the control of Government departments. There are hundreds more in Crown corporations and other Government agencies. Mr. Speaker, Government has decided to reduce this oversized fleet of vehicles by eliminating all non-essential use built up over the years. We are placing an immediate freeze on the purchase of all new automobiles except where absolutely necessary, thereby saving Government \$1.8 million this year. In addition, we will be substantially downsizing the fleet, thereby achieving additional savings both in capital and operating costs. This long-overdue efficiency measure will mean substantial savings for the people of this Province.

Mr. Speaker, Government will shortly be introducing legislation to repeal the Parliamentary Commissioner (Ombudsman) Act. In Government's view, the number and substance of complaints investigated by the Ombudsman and his staff do not warrant an office costing \$236,000 annually. In future, complaints against departmental actions will be brought directly to Ministers and to the other Members of the House of Assembly.

Many of the expenditure reduction decisions were very difficult, and were not taken lightly. Others were part of a vitally important re-evaluation process, which we intend to continue throughout our mandate, whereby all programs and services will be regularly examined. Only through such a process can we ensure that our limited financial resources are used most effectively.

The expenditure plan contained in this Budget continues the efforts of my first Budget to eliminate spending that is no longer serving a useful purpose. We have further rationalized and downsized many programs and services. By doing so, we have lessened our need to borrow and freed up resources to address our most pressing expenditure priorities.

Mr. Speaker, this Government has established three priority areas for this Budget, three areas which are essential to ensuring a better future for our citizens. These high priorities are economic development, health care and education. We must advance in these areas despite a diminished commitment to them by the Federal Government.

Our attempts to achieve our fiscal goals through sound fiscal management have been interfered with by transfer cuts in the recent Federal Budget. Because of the very real need to sustain funding, particularly for our health care and post-secondary education systems, we have, Mr. Speaker, been left with no choice but to recover the shortfall through our own revenue sources.

#### REVENUE MEASURES:

This Government does not take

lightly a decision to raise taxes. In choosing the revenue measures for this Budget, we deliberately avoided regressive measures which would inflict an additional burden on those least able to pay.

Mr. Speaker, because the Federal Government chose in its recent budgets to cut transfers for health and post-secondary education by over \$20 million commencing April 1, I am announcing today our intention to implement on August 1 a new tax, to be called the Health and Post-Secondary Education Tax. This will apply at a general rate of 1.5 per cent to employer payrolls in excess of \$300,000 each calendar year. For primary producers and secondary processors in the three renewable resource industries of fisheries, forestry and agriculture, the rate will be 0 per cent. This measure is expected to generate \$15 million during 1990-91 and \$25 million in 1991-92.

The balance of the EPF shortfall will be recouped from two revenue sources. An additional \$5 million in fees and licences will be generated by various measures spread across several departments. Our Corporation Capital Tax, which applies to banks, trust and loan companies, will have a rate increase of one percentage point from 2 per cent to 3 per cent, for a \$1.7 million revenue gain.

This Government recognizes the impact the taxation system has on our economy. To ensure that the taxation system is enhancing rather than inhibiting our long term economic development strategy based on diversification and small business, the Department of

Finance will complete four taxation studies this year. First, our review of the implications of the proposed GST on Provincial consumption taxes, announced in my last year's Budget, is continuing. Emphasis is being placed on assessing whether broadening the Retail Sales Tax base to incorporate some goods and services presently excluded, while lowering the tax rate to maintain a constant revenue yield, would give the Province a fairer and simpler tax. Secondly, the school tax review already underway will be completed. For the interim, it must be stated clearly that the existing school tax system will be retained for at least another year. Thirdly, we will be scrutinizing, with a view to possible rationalization, many fees and licences which are annoyances to the businesses and people of the Province, rather than important tax revenues. Fourthly, the mining tax review begun last year will be concluded.

#### ECONOMIC DEVELOPMENT INITIATIVES

Mr. Speaker, this Government will pursue with vigour its sound and rational approach to economic development. The current fisheries crisis threatens to disrupt the social structure of our rural regions and encumber the substantial investments already made throughout the Province by individuals, businesses and Government in homes, equipment and infrastructure. This Government is determined to see that these investments of hard work and faith in our Province will bring rewards to those who persevere to secure a brighter economic future. A strategy which emphasizes long term, permanent economic development and diversification

will be one of the principle initiatives of this Government.

Mr. Speaker, this Government has moved to establish an Economic Recovery Commission as the focus of its effort to implement this strategy. Funding of \$2.1 million has been provided for the Commission in this Budget compared with \$900,000 spent in the shorter period last year.

As a result of considerable consultation between the Minister and senior officials of the Department of Development, and the Commission, Government has decided to combine the Newfoundland and Labrador Development Corporation and parts of the Department of Development into a new Crown corporation with a mandate to deliver all local development and business programs and services to assist new and existing business enterprises. There will be five regional offices - St. John's, Clarenville, Gander, Corner Brook and Goose Bay, with field offices reporting to them in each region. This structure will provide one-stop access to Government with a minimum of red tape, for small and medium-sized enterprises requiring assistance and services. It is the intention of Government to allow a substantial amount of decision making to be made at the regional level, in line with an election commitment. The new corporation will report directly to the Minister of Development. Mr. Speaker, to cover the additional cost of this corporation an amount of \$1 million has been approved bringing its total budget to \$13.9 million this year.

Mr. Speaker, in keeping with our focus on long term development this Government recognizes the

importance to our economy of technological change. I am pleased to announce that financial support has been provided by the Province in the amount of \$300,000 for the continued work of the Newfoundland and Labrador Science and Technology Advisory Council. More details of our Government's policy in this area, indicating the role and activities of the Council, will be released shortly.

Government looks forward to pursuing on a priority basis new federal-provincial agreements in several areas including tourism and cultural-historical development, forestry and minerals.

#### Tourism

Mr. Speaker, I would like to highlight tourism for its potential positive impact on the economy in rural and urban regions both in the short term and in the long term.

This Government has been successful in negotiating a Comprehensive Labrador Subsidiary Agreement with the Government of Canada. The tourism component of this agreement will see \$800,000 in new money, cost-shared with the Federal Government, go to various tourism related projects in that region. Funding is also provided to cover the cost of producing a new tourism marketing video which will reinforce our efforts to portray the Province as a distinct and attractive tourist destination. Grants for festivals and special events will also be increased.

This Government sees the Province not only as a seasonal summer destination but also as an all-season tourist alternative. During the past year this

Government provided over \$1 million for Marble Mountain. I am pleased to report today that we have budgeted considerably more funding for the Marble Mountain Development Corporation this year. With this additional investment, we get closer to generating the private sector interest needed to develop this area into an all season tourist resort. The benefits to the local economy and to the Provincial treasury will be substantial.

At a time when budgetary funds are scarce, I am pleased to indicate that we are maintaining our tourism marketing budget at an all time high.

#### Trade and Investment

Mr. Speaker, this Government will not ignore the significant opportunities that exist beyond our shores. Particularly do we see the Pacific Rim as a source of investment, a market for our products, and a wealth of business acumen and technical know-how. To enhance our promotional efforts in these nations we are providing \$450,000 for an Asian initiative to raise the level of awareness for investment opportunities in this Province. We hope to identify potential joint venture and strategic partnerships as well as new products we can export to these markets. We believe this initiative offers great potential for the growth of trade and investment. Hon. Members should know that hundreds of millions of new investment dollars are entering Canada each year under the Business Immigration Program. Newfoundland and Labrador will be pursuing these dollars under this Asian initiative.

#### Forestry and Agriculture

Mr. Speaker, the base of a diversified Newfoundland economy will continue to be the resource sectors.

Funds are provided to continue our forestry programs in anticipation of a renewed Forest Resources Development Agreement with the Government of Canada. The current Agreement expires on March 31, but we are confident that a new Agreement will be concluded shortly. A \$12.8 million Forest Workers Training Agreement was signed recently with the Federal Government. This unique arrangement will see over \$3 million spent annually over the next four years to train over 300 young men and women in many aspects of forest work, especially silviculture.

Funding is provided to complete the work of the Agri-Foods Task Force. This Government believes that we have not yet reached our potential in agricultural production. The report of the Task Force should assist Government in implementing a long term development strategy.

#### Mining

Geoscientific surveys carried out by the Department of Mines and Energy have played a major role in the increase in mineral exploration in the Province. Last year, when the continuation of federal cost sharing was in doubt, we increased funding to maintain this important activity. Government will continue these surveys this year, although the level of activity will be reduced in keeping with our current program of fiscal restraint. We anticipate that the new Mineral Development Agreement, now in the final stages of negotiations with

the Federal Government, will provide additional funding for these surveys.

#### Fishery

Mr. Speaker, the state of the fishery is of deep concern to the entire Province. I will not try to minimize this concern. At least some segments of the fishery, some plants and some communities are facing very lean and unsettled times. This troubles me and the other Members of this Hon. House, not only because we have the responsibilities of Government, but also because we have family and friends in these communities, and because we share the strong attachment our people have to their home and to their Province.

But there will be a fishery next year. Plants will open and people will be employed. The same is true for the year after that, and for as many years to come as any of us can realistically foresee. This Government will continue to support and encourage that fishery, and remains resolutely committed to the fishing industry's being one of the cornerstones of our economy.

In this regard, funding is approved to operate four new Marine Service Centres. Funding to the Fisheries Loan Board for incentives and assistance will be maintained. Cost-shared spending under the Canada/Newfoundland Inshore Fisheries Development Subsidiary Agreement will increase by 25 per cent to \$3.7 million.

The fisheries component of the Labrador Subsidiary Agreement will provide \$7 million of support to the industry over a five year period. Current and capital

expenditures of \$1.5 million have been earmarked for this fiscal year. Details of the fisheries component of the Agreement will be announced in the near future. Government is confident that this initiative will have extremely positive implications for the Coastal Labrador Fishery.

For the first time, Mr. Speaker, provision has been made in the Budget to facilitate the distribution of surplus fish landings during the glut season, and to distribute fish to processing plants in Labrador. An amount of \$300,000 has been allotted.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

While we are determined to maintain our financial support for the industry, the shortage of fish stocks and consequent reduction in quotas will require an additional response.

This Government already has acted by implementing the Adjustment Program for Fish Plant Workers which will provide \$9 million to ensure that workers in the processing plants in Trepassey, Grand Bank and Gaultois will have an adequate notice of termination.

The magnitude of the supply crisis for some communities, however, goes beyond what the Province of Newfoundland can be expected to bear alone. Nor should we have to bear this alone because the supply crisis is not of our making. The jurisdiction and responsibility to manage the stock lies with the Federal Government. They have to accept the reality that their quota reductions have led to dire consequences that threaten the

very existence of entire communities in this Province and throughout Atlantic Canada. It is not the fishermen, plant workers or fish companies who control the state of the stocks, yet it is they who suffer from the mismanagement of the resource. The responsibility of the Federal Government to act is clear. One-industry communities cannot be expected in the short time given to absorb the shock of drastic quota reductions.

Last week's Throne Speech clearly outlined this Government's position with respect to the supply problem in the fishery. We have already indicated to the Government of Canada that the Province is prepared, within its financial capability, to share the cost of a comprehensive fisheries revitalization and economic diversification program. A broadly based economic response program must be implemented to address the social and economic consequences of the stock rebuilding process. This Government will continue to press for federal action.

HEALTH CARE INITIATIVES:

Mr. Speaker, this Budget reflects Government's continued commitment to the health care system. The budgetary allocation to health will increase by \$74 million, a growth rate of 10 per cent over the 1989-90 fiscal year.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

In the recent Throne Speech, the Government outlined its concern about the considerable pressure that has been exerted on the health system in recent years and

indicated that planning is now underway to develop a framework for a comprehensive new community Health Care Program.

Government is concerned about beds being closed in medical facilities throughout the Province, due to insufficient funding. Mr. Speaker, in this Budget, we have made funding available to these institutions to enable them to open eighty-eight of those beds.

This year, additional funding will be provided to the General Hospital to enhance critical care services, with particular emphasis on cardiac surgery. I am pleased to announce that the General Hospital will receive funding to open fifteen additional beds, including four beds in the newly redeveloped critical care area. A total of forty additional beds are being opened at hospitals in Gander, Grand Falls and Corner Brook.

Government also recognizes the pressures on the Province's nursing homes, particularly in view of the changing demographics of our society. To assist in meeting the ever increasing demand for chronic care in nursing homes, funding will be provided to enable the Agnes Pratt Home to open thirteen additional beds. Also, funding will be provided to open twenty additional beds at the Dr. Hugh Twomey Health Centre in Botwood.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, Government continues its commitment to increase the number of nursing positions in the health care system. In my last Budget, I announced the

establishment of a minimum of forty-five new nursing and resident care positions in the health system. I am pleased to announce today that another thirty-three nursing positions will be approved for the health system by October 1. As well, effective April 1 funding will be provided for thirty-two additional residential care staff for the Province's nursing homes. All of these nursing and other positions are in addition to those required to open the eighty-eight beds referred to previously.

Additional funding is provided to assist in integrating children with disabilities into the regular school system and to met their special health care needs.

This year, in cooperation with Health and Welfare Canada, the Department of Health will commence a five-year initiative to address cardiovascular disease through public education and prevention. Also, funding will be provided to expand our initiatives in public education with respect to AIDS prevention.

The Government recognizes the importance of the services provided by the Newfoundland Cancer Treatment and Research Foundation. I am very pleased to announce a joint venture with the Cancer Foundation under which Government will provide \$5.4 million of the projected \$6.9 million cost of new facilities, adjacent to the Health Sciences Center.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

In 1990-91, \$1.9 million of the Government's commitment would be



provided to enable this project to get underway.

As a further step in rationalizing health care services on the Burin Peninsula, I am pleased to announce that funds are being provided for the planning of a new community health centre for Grand Bank and for a new 40 bed nursing home in St. Lawrence.

Planning funds will be provided for the redevelopment of James Paton Memorial Hospital in Gander, for the redevelopment of Brookfield Hospital, for new community health centres and long term care facilities at Burgeo and Port Saunders, and for the redevelopment of the Interfaith Senior Citizens Home in Corner Brook. The Government will also be taking preliminary steps to assess the manner in which the need for nursing home facilities in the Port aux Basques area can best be addressed. Also, funding is allocated for the completion of the Roddickton Community Health Centre.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, in total \$22.8 million will be allocated in this Budget to support capital improvements in the health care system.

#### **EDUCATION INITIATIVES**

Mr. Speaker, education is a key component of this Government's long term economic strategy. We are committed to improving the quality and accessibility of educational opportunities throughout the Province. The measures announced today will enhance the efficiency and equity

of our education programs.

Funding has been provided to increase the per pupil operating grants to school boards by 4 per cent. The School Tax Equalization Grant will be maintained at \$10 million this year, up from \$4.5 million in 1988. The budget for building and equipping schools will be \$27 million, including \$1 million for making school buildings more accessible to people with disabilities. As well, there will be a \$200,000 increase in scholarship funding for secondary school students.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, I am pleased to announce that we are making an additional \$1.7 million available for student aid, which represents an 11 per cent increase in funding over last year.

Government's recent White Paper on post-secondary education presents proposals to improve greatly the equality, excellence and efficiency of the post-secondary education system in this Province. Consistent with the high priority placed on education, capital funding is provided for the planning of both the Central Newfoundland Campus and the expansion of the Grenfell College in Corner Brook.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

The \$10 million capital budget for Memorial University includes provision for an extension to the Arts and Administration Building, improvements to the Schools of Pharmacy and Nursing, as well as

for the construction of a facility for small animal care.

Funding of \$1.7 million is allocated to commence the construction of an \$8 million extension to the Fisher Institute in Corner Brook.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Planning funds have been provided for a Centre for Engineering Technology in St. John's. The capital budget for the Marine Institute will exceed \$10 million. These include funds for the establishment of a Simulator Training Centre and an Offshore Survival Centre, both to be financed primarily from the Offshore Development Fund. Mr. Speaker, I am pleased to announce that this year Education's total capital budget will be \$60 million.

The Department of Education will work with the education community to develop and implement specific measures to improve efficiency and cost-effectiveness.

Mr. Speaker, the Department of Education has launched a major initiative to prepare high school students to meet the modern challenges of mathematics, science and technology, by using savings achieved this past year to purchase computers and other instructional materials. This \$2 million initiative, \$1.5 million of which was for computers, will result in a significant improvement in the quality of high school education in the Province.

**OTHER INITIATIVES**

**Government Pension Plans**

Mr. Speaker, in the 1989 Budget Speech, I expressed Government's concern with the financial condition of the four pension plans covering public servants, teachers, uniformed services personnel and MHAs. Because of this concern, Government appointed a Commission of Enquiry On Pensions to review the plans. The final Report of the Commission should be ready for Government's consideration in the very near future. I am confident that this Report will be an essential ingredient in Government's formulation of appropriate measures to resolve the financial difficulties being experienced by the pension plans.

With the financial position of Government's pension plans in mind, Government has decided to make an immediate special payment of \$21 million into the Pension Fund in 1989-90. This payment, made during a time when the Province's economy is feeling the effects of problems in the fishery and a general slowdown in other areas, should give a clear indication to all employees of Government's commitment to doing its share towards putting the pension plans on a sound financial basis.

SOME HON. MEMBERS:

Hear, hear!

Mr. Speaker, in view of the fact that the Commission of Enquiry Report is not yet available, Government has decided to defer for the time being any decision regarding increases to pensioners. This subject will be addressed in the near future after reference to the Commission's Report and in the context of possible indexation of Government's pension plans.

## Social Services

Mr. Speaker, Government views with alarm the dramatically increasing incidence of child abuse referrals in this Province. Child abuse is not a new phenomenon and neither is it unique to this Province. A large segment of our society now appears ready to report openly and to discuss this complex and unacceptable problem. Accordingly, I am pleased to announce that funding has been provided in the Budget for 50 new front-line positions in child welfare services.

Government is committed to improving the quality and quantity of services to those who need assistance of various kinds. To this end, I am pleased to announce that allowances paid to social assistance recipients will increase by four per cent, effective May 1. Allowances for foster parents will also increase by four per cent while the clothing allowance for foster children will increase by 20 per cent.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
Mr. Speaker, \$8.3 million has been provided to accelerate construction of the new young offenders' facility at Whitbourne.

Mr. Speaker, one of the great success stories of this Province is the outstanding community service provided by an organization called the HUB, which provides jobs, recreation, and personal services to physically disabled persons. We are aware of the extremely crowded conditions under which they presently operate. I am, therefore, very

proud to announce that to assist them to provide additional opportunities to those among us who are physically disabled, this Government is enabling the HUB to extend their building by providing a capital grant of \$1 million.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
The Department of Social Services is one of the most decentralized departments in Government with 53 offices located throughout the Province. We have approved the development of a major computer system to facilitate and further enhance the delivery of social services and programs to all regions of the Province.

## Justice

Mr. Speaker, both the Royal Newfoundland Constabulary and the Royal Canadian Mounted Police are faced with increased workloads, including cases involving child abuse. Government is committing sufficient funds for the deployment of up to five per cent more police officers across the Province. This will be accomplished through the hiring of additional officers and the more effective re-deployment of existing officers now performing civilian work. This measure, combined with the allocation of additional resources for front-line social work positions, represents a major step in the prevention of the abuse of children, and will provide additional resources to assist the police forces in all areas of their work.

## Employment Initiatives

Mr. Speaker, Government will

continue to provide several programs to help women, students, older workers and youth take advantage of job opportunities. We will adhere to the objective of creating meaningful, long term employment for all of our labour force.

The Graduate Employment Program to help post-secondary education graduates obtain job related experience will continue. The Provincial Government will participate in the joint Federal-Provincial Program for Older Worker Adjustment.

Provincial funding will continue for the Canada-Newfoundland Employment Strategy Program, with major emphasis being placed on enabling people in the 16 to 24 age group to make the transition from school to work. Funding is provided through this program for the ongoing development of a Provincial Career and Labour Market Resource Centre. A computer network will ensure that career and labour market information is easily accessible in all areas of the Province.

#### Women's Issues

This Government is firmly committed to improving the economic and social well-being of women. The Budget is providing \$6.3 million to support pay equity in the health sector. Operating funding of \$100,000 is provided for a new transition house in Gander. Eligibility criteria have been modified to enable more single-parent families to obtain subsidized day care. Changes in the student aid program will provide for single parents and married students additional funding estimated to reach \$500,000. There is more money for

programs to assist women obtain employment, including \$500,000 for the Women in Successful Employment Program, a program of flexible learning, counselling and other self-development assistance. There will be a continued funding of \$300,000 for the Newfoundland and Labrador Advisory Council on the Status of Women and for the Interagency Committee on Violence Against Women. These and other initiatives, Mr. Speaker, demonstrate this Government's continued commitment to women's issues.

#### Transportation

Mr. Speaker, this Government will continue its efforts to improve the Province's road system through an extensive construction program. We have provided \$80.5 million for further road upgrading, primarily of the Trans Canada Highway, under the ERDA agreement and the Newfoundland Transportation Initiative. Expenditures under the Provincial Road and Bridge Program will total \$30 million this coming year. Under the Comprehensive Labrador Subsidiary Agreement, we are providing \$3 million for the Charles River Bridge at Lodge Bay Labrador.

This Government is providing improved ferry services to the island communities of the Province. We are entering the second year of a three-year plan to reduce marine services rates to equivalent road transportation costs. Construction will begin on a new ferry with ice breaking capabilities for the Fogo Island service. The vessel will be built at the Marystown Shipyard at a cost of \$24 million, \$4 million of which will be spent this coming year. Also, \$12.5 million is

allocated for the operation of the Provincial ferry system.

#### **Municipal Capital Program**

Mr. Speaker, Government will support the expenditure of \$55 million this year on water, sewer and paving projects in communities throughout the Province. Details have already been announced to facilitate early tendering and construction.

#### **Crown Corporations**

Government has approved a capital budget of \$98.7 million for the Newfoundland and Labrador Housing Corporation. These funds will be used to deliver over 300 new social housing units throughout the Province, and to upgrade approximately 2000 homes through the RRAP program.

Newfoundland and Labrador Hydro expects to spend \$97 million on capital projects to improve electrical generation and transmission facilities.

#### **CONCLUSION**

Mr. Speaker, this Budget has been prepared within an environment of adversity. The fishery is beset with serious problems. The economy is slowing in other areas, though it is not without its bright spots. The Federal Government's high interest rate policy is restraining business in parts of the country, like Newfoundland, where restraint is not needed. The recent Federal Budget has reduced EPF transfers for health and post-secondary education services, at a time when the need for those services is great. And, we will feel the impact of the GST in this Budget year, an impact which we know will

be considerable in many different ways.

Despite this difficult environment, the Government has taken important initiatives towards achieving its objectives in economic development, health care and education. We have shown our sincere commitment to solving the problems of our pension plans by making a sizeable special payment into the Pension Fund. We have restrained Government's operating expenditures both by general cuts across departments and by specific measures to eliminate wasteful and unproductive expenditures. And where we have raised additional revenues, we have done so without regressive tax measures.

#### **SOME HON. MEMBERS:**

Hear, hear!

#### **DR. KITCHEN:**

In summary, Mr. Speaker, the fiscal and economic plan contained in this Budget is based upon a prudent and realistic assessment of what we can achieve over the coming year. We are refocusing both the substance and the delivery mechanisms of Government's programs to meet the needs of the people of this Province.

Mr. Speaker, a major transformation of the Province's economy cannot be achieved overnight. This Budget clearly demonstrates, however, that the groundwork has been set for creating a stronger economy and a meaningful and productive lifestyle for Newfoundlanders and Labradorians in all regions of the Province.

Thank you, Mr. Speaker.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, I move that the debate be adjourned until tomorrow, Tuesday, March 20.

On motion, debate adjourned until tomorrow, Tuesday, March 20.

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

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

MR. SPEAKER:

All rise.

The following message is from Government House, dated March 15th, addressed to the hon. the Minister of Finance.

"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 1991, in the aggregate of Two Billion, Seven Hundred and Seventy-Two Million, Three Hundred and Thirty-Seven Thousand Three Hundred Dollars (\$2,772,337,300) and in accordance with the provisions of The Constitution Act of 1867, I recommend these estimates to the House of Assembly.

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

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

Order, please!

The hon. the Minister of Finance.

DR. KITCHEN:

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

On motion, that the House resolve itself into Committee of Supply to consider the Message from His Honour the Lieutenant-Governor, together with the Estimates, Mr. Speaker left the Chair.

Committee of Supply

MR. CHAIRMAN (Snow):

Order, please!

The hon. the President of Treasury Board.

MR. BAKER:

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

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

MR. SPEAKER:

The hon. the Member for Trinity Bay de Verde.

MR. L. SNOW:

Mr. Speaker, the Committee of Supply has considered the matters to it referred, has made some progress and asks leave to sit again.

On motion, report received and adopted, Committee ordered to sit again on tomorrow.

Notices of Motion

DR. KITCHEN:

Mr. Speaker.

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions relating to the imposition of a tax on employers for the purpose of funding health care and post-secondary education.

I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions relating to the Financial Corporations Capital Tax Act.

I give notice that I will on tomorrow ask leave to introduce a Bill entitled, "An Act To Amend The Mineral Holdings Impost Act."

MR. BAKER:

Mr. Speaker.

MR. SPEAKER:

The hon. the Government House Leader.

MR. BAKER:

Thank you, Mr. Speaker.

Before adjourning I would like to advise hon. Members, because the House is not sitting on Monday, that the Private Member's resolution for debate Wednesday will be the resolution put forward by the Member for Bellevue (Mr. Barrett) on Women's Issues.

Now, Mr. Speaker, I move that the remaining Orders of the Day do stand deferred and that this House on its rising do adjourn until tomorrow, Tuesday, at 2:00 p.m.

and that this House do now adjourn.

MR. SIMMS:

Mr. Speaker.

MR. SPEAKER:

The Opposition House Leader.

MR. SIMMS:

I was going to ask the Government House Leader if he was going to do what is traditionally done, I guess, on Budget Day. Are you going to move the Estimates Committees?

MR. BAKER:

(Inaudible).

MR. SIMMS:

You are going to wait until Tuesday?  
Tuesday?

MR. BAKER:

Yes.

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



Province of Newfoundland

FORTY - FIRST GENERAL ASSEMBLY  
OF  
NEWFOUNDLAND

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Volume XLI

Second Session

Number 5

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***VERBATIM REPORT***  
***(Hansard)***

***Speaker: Honourable Thomas Lush***



The House met at 2:00 p.m.

MR. SPEAKER (Lush):  
Order, please!

MR. BAKER:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the President of Treasury Board.

MR. BAKER:  
Mr. Speaker, I ask leave to read a very brief statement.

MR. SPEAKER:  
I assume the hon. the President of Treasury Board has leave.

The hon. the President of Treasury Board.

MR. BAKER:  
Mr. Speaker, I am pleased to announced to hon. Members that the Government of Newfoundland and Labrador and the Newfoundland Hospital and Nursing Home Association have reached a tentative collective agreement with the Newfoundland and Labrador Nurses Union.

The contract is for a two year period, ending December 1991. Details of the tentative settlement will not be released until union members have ratified the contract.

The settlement, Mr. Speaker, recognizes that nurses are a special case in the current labour market. It also recognizes the value of the contribution made by this group of professionals in providing quality service in the health care field.

SOME HON. MEMBERS:  
Hear, hear!

MR. RIDEOUT:  
Mr. Speaker.

MR. SPEAKER:  
The hon. the Opposition House Leader.

MR. SIMMS:  
On behalf of hon. Members on this side of the House I commend the two sides for being able to successfully conclude what appears to be at least a satisfactory agreement. We hope, as well, that the plight of the nurses was recognized in reaching this agreement, and that the nurses were treated in a very satisfactory way.

I can only say that I hope the people in Treasury Board, and the Minister, will have as much success during the rest of the year in dealing with other groups, such as the General Service and the Teachers. We look forward with great anticipation to hearing similar statements from the President of Treasury Board.

SOME HON. MEMBERS:  
Hear, hear!

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

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

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

The hon. the Minister of Finance.

DR. KITCHEN:

## INTRODUCTION

Mr. Speaker, I am pleased to present to this Honourable House the second Budget of the Wells Administration.

These first ten months of Government have brought many challenges in managing the provincial economy, in providing services essential to our people, and in responding to the changing nature of the federal - provincial fiscal balance in this country.

To date, this Government has established a record of responsible action and decisive leadership, and has demonstrated a willingness to tackle head-on the tough issues that confront us. Notwithstanding the current difficulties in our economy, optimism and enthusiasm pervade this Administration. We are restructuring the machinery of Government, we are eliminating the waste and extravagance of former years, and we are making significant progress in implementing policies for which the people of the Province voted nearly eleven months ago.

The preparation of this Budget has not been easy, partly because of the far-reaching effects of the drastic reductions in cod quotas, but largely because of the economic, fiscal and monetary policies of the Federal Government. However we have been able to produce a Budget that addresses in a very significant way this Government's three basic priorities of Economic Development, health care and education; a Budget that does not come down hard on the people.

## SOME HON. MEMBERS:

Hear, hear!

## DR. KITCHEN:

This is a prudent Budget that will enable us to go a long way towards delivering to all regions of the Province the fairest and most equitable level of service we are able to provide and still be fiscally responsible to the present and to the future. Mr. Speaker, I am proud to present this Budget for it is truly a Liberal Budget, a people's Budget.

## THE ECONOMY

Mr. Speaker, the Province's economy continued to expand during 1989 with the Gross Domestic Product, or GDP, growing by 1.4 per cent, after adjusting for inflation. Although we have made progress, the rate of growth of the Newfoundland Economy has not kept pace with that of the rest of Canada. Over the past seven years the Newfoundland Economy grew at an average annual rate of 3 per cent, compared with average annual growth nationally of 4.2 per cent.

## Economic Review of 1989

Mr. Speaker, economic growth in 1989 was not as high as in the previous two years, due primarily to a slowdown in the forestry and fishing industries. Most other goods producing industries and the service sector, however, continued to perform well.

Newsprint production in the Province increased by 1.2 per cent in 1989, while shipments declined slightly because of soft newsprint market conditions. Pulp wood production decreased by approximately 6.3 per cent due to an earlier than usual suspension of wood harvesting operations.

The fishing industry experienced a number of difficulties during

1989. The performance of the fishing industry was affected by reduced quotas and by strikes at the two largest fish processing companies in the early part of the year. Decreased landings, combined with lower prices for some species, caused the value of fish landings to decline.

Demand was strong for the Province's mineral products as the total value of mineral shipments rose by 11.1 per cent. Mineral exploration remained at a high level.

Total construction investment increased by 1.5 per cent. Strong growth was recorded in residential construction which increased by 10.5 per cent. The more than 3,500 housing starts, the highest level since 1980, represented an 11.6 per cent increase over 1988.

The service sector benefitted from higher consumer spending stimulated by gains in personal income and tourism. Personal incomes grew by 8.6 per cent in 1989, while retail trade increased by about 7 per cent. The Province's inflation rate averaged 3.6 per cent last year compared to a national rate of 5 per cent.

Total employment increased by 8,000 person years, up 4.1 per cent from the previous year. Employment growth outpaced growth in the labour force causing the unemployment rate to fall to 15.8 per cent. Mr. Speaker, this was the lowest unemployment rate in the past eight years.

SOME HON. MEMBERS:  
Hear, hear!

Economic outlook for 1990

DR. KITCHEN:

Mr. Speaker, the Provincial economy is expected to grow again in 1990, but at a slower rate than in recent years. This is consistent with the growth slowdown expected for the national and international economies in 1990. Real GDP in the Province will increase by just under 1 per cent. Economic growth in the United States and Canada will decline to 1.7 per cent and 1.3 per cent, respectively. The inflation rate in this Province will average 4 per cent compared to a national rate of 4.7 per cent.

Total employment will increase by about 1,000 person years in 1990. Growth in the labour force, however, may exceed growth in employment and this would cause the unemployment rate to average 16 per cent.

Further declines are expected in the fishing industry as a result of the reduction in groundfish quotas and the consequent increase in downtime at fish plants throughout the Province. The economic and social consequences would be much greater if Government had not acted to extend the period of notice of termination which will result in fish plants remaining open during 1990.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
In the mining industry, a strong performance is again expected this year. The markets for iron ore will remain healthy, and exploration activity will remain strong. Mr. Speaker, the value of mineral shipments will be the highest since 1981, and will exceed \$1 billion.

The forest industry is expected to experience difficulties in 1990, should soft market conditions continue.

The service sector will undergo economic expansion in 1990, driven largely by growth in consumer spending.

Negotiations ongoing between the Federal and Provincial Governments and the Hibernia consortium should lead to a binding agreement this year to develop the Hibernia oil field. The construction industry will experience increased activity in 1990 as development expenditures begin for the Hibernia project. Hibernia development will represent the start of a new industry in this Province with a strong possibility of other similar developments to follow, such as Terra Nova and Whiterose. The contribution of this new industry to the Provincial economy will be substantial. We should not, because of past delays, underestimate its potential impact on the Province. Exploration activity already has resumed in the offshore. Further exploratory drilling is expected in the early 1990's as a result of recent land sales and the sale proposed for 1990.

Active discussions have been ongoing regarding the further development of the hydro electric potential in Labrador. Should these discussions lead to an agreement, the economic effects will be significant.

Military training in Labrador is a source of current prosperity and future economic opportunity. The Canadian Forces Base at Goose Bay is used as a training facility by three foreign countries, and

provides employment for more than 1,100 people. Over \$150 million in capital projects are planned for the next few years in support of the current level of training. A decision to locate a NATO training center at Goose Bay would create an even more substantial boost to the local economy. Due regard must be had for the concerns of native peoples and for the protection of the environment.

#### FEDERAL-PROVINCIAL ISSUES

Mr. Speaker, the future of this Province is influenced considerably by the Government of Canada. We rely on the Federal Government to implement balanced policies that are for the betterment of all regions of the country. As one of Canada's presently less affluent provinces we must look to the Federal Government to assist us to provide essential services and to develop our economy. In this regard, I wish to address several issues relating to the fiscal and economic policies of the Federal Government.

#### Federal Budget

To balance economic growth, federal fiscal policy should be targeted to the fullest extent possible to enhance the performance of the economically disadvantaged regions. The tough measures should be directed at the overheated segments of the national economy. Unfortunately, the recent Federal Budget did nothing to alleviate disparities between this Province and the rest of Canada.

Although the Federal Budget did not include any new tax increases, some measures previously announced will become effective in 1990-91.

These include the Goods and Services Tax, or GST, rate changes to the personal high income surtax and the capital tax on large corporations, as well as the phase-in of social transfer repayments.

The primary target of the two-year expenditure control plan announced in the Federal Budget is transfers to provinces. Direct transfers to individuals are exempt from this federal restraint plan. The task of making the tough decisions affecting individuals in effect has been delegated to the provinces.

The largest restraint measure announced in the Federal Budget is a two-year freeze applied to the Established Programs Financing, or EPF, arrangements which provide federal financial support for provincial health and post-secondary education systems. This measure will reduce fiscal transfers to this Province by more than \$50 million over the next two years. Combined with previous restraint, the federal policies make it increasingly difficult to provide adequate health care and post-secondary education programs.

The federal austerity program extends beyond the major transfer programs to provinces. Newfoundland and Labrador will be negatively affected by a broad range of changes in a variety of programs and activities such as reductions in legal aid and funding for women's centres, restrictions on cost-shared funding for social housing, lower subsidies for Marine Atlantic, and the elimination of the Canadian Exploration Incentive Program.

#### Equalization Program

The principle of the Equalization Program, as enshrined in the Constitution, is to ensure that all provinces have sufficient revenues to provide a reasonably comparable level of public services at reasonably comparable levels of taxation. However, this program currently has a transfer ceiling which limits equalization payments despite increasing fiscal need. In order to satisfy the principle of the equalization program, there should be no ceiling on the growth of equalization transfers. Indeed, an enrichment of the equalization program is needed.

#### Goods and Services Tax

Mr. Speaker, the Government of Newfoundland and Labrador is quite concerned about the negative impact the proposed GST will have on our people, our economy and our fiscal position.

The Government of Canada's prediction that there will be a smooth economic transition to the new tax is too optimistic. The inflationary impact of the GST will be higher in Newfoundland during the transition period than forecast by the Federal Government due to lower competitive pressures in this Province and the taxation of transportation costs. Also, few of the long term economic benefits from the GST will be derived in this Province. The output from most Newfoundland industries will be influenced more by such factors as resource supply, world demand and prices for specific products, interest rates and exchange rates, than by the removal of the present federal sales tax on business inputs.

Removing the existing federal sales tax on businesses will

result in shifting the tax burden almost entirely to individuals. The federal taxes paid directly by individuals will increase by about \$130 million annually, even after taking into consideration increased sales tax credits. The Federal Government contends that most of this increase in direct burden will be offset by lower prices resulting from the GST not being applied to businesses. I am skeptical that this will in fact be the case.

The GST will result in a serious deterioration in the fiscal position of the Government of Newfoundland and Labrador. Moreover, the increasing intrusion by the Federal Government into the consumption tax field will restrain our fiscal maneuverability and impede our ability to provide necessary services.

The administration and compliance complexities associated with two retail sales tax systems will be enormous. Not only are we concerned about the GST interfering with our provincial taxes, but also with the pending loss of tax administration staff to the expanded federal system.

Mr. Speaker, for all of these reasons, this Government is, has been, and will be firmly opposed to the Goods and Services Tax.

SOME HON. MEMBERS:

Hear, hear!

Unemployment Insurance

DR. KITCHEN:

The Federal Government appears determined to proceed with its reform of the Unemployment Insurance Program despite opposition throughout the

country. Under the new proposals, the Federal Government is no longer contributing its share, which averaged about 23 per cent during the 1980s. Instead, all contributions to the unemployment insurance fund are made by employees and their employers, at rates 15 per cent higher than last year. For many claimants there will be increases in the number of weeks required to qualify for unemployment insurance, longer waiting periods and shorter benefit periods. The traditionally high unemployment rates in this Province mean that these changes will be quite burdensome and will exacerbate the present crisis in the fishery. We estimate that the proposed changes could remove more than \$100 million from our economy, result in a decline of \$15 million in Government revenues, and increase social assistance payments. This, Mr. Speaker, is not easy to accept.

Regional Development Funding

Significant regional economic disparities have persisted in Canada over an extended period of time. Nowhere is this more evident than in Newfoundland and Labrador.

In order to reduce regional economic disparity, resources must be targetted at the disadvantaged regions. The Federal Government's current regional and industrial assistance programs are too broadly applied to achieve that objective.

Monetary Policy

Mr. Speaker, the current high interest rate policy of the Bank of Canada is hurting this Province. The Federal Government is keeping interest rates high in

order to slow the economy and thus ease inflationary pressures. We believe this monetary policy is inappropriate for Newfoundland.

This Province does not need the brakes applied to its economy. The inflationary pressures in Canada are not originating here, but are being generated in overheated regional economies, mainly in central Canada.

Because interest rates cannot be set on a regional basis, the Government of Canada should be targetting the overheated regions of the Country for more restrictive fiscal policies, primarily expenditure reductions and in particular the removal of industrial development incentives in these overheated regions.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
The current policy of applying restrictive monetary and fiscal policies evenly across the Country, including those regions where resources are underutilized, where unemployment is excessive, and where inflationary pressures are not as great is counter-productive.

Mr. Speaker, federal fiscal, economic and monetary policy must serve not just central Canada, but all of Canada, including Newfoundland and Labrador.

#### The Constitution

Mr. Speaker, this Government has come to the conclusion that economic fairness and balance will be achieved in Canada only when the Constitution makes provision for greater political equality among provinces. That is why we

support a Triple E Senate that is elected, has equal representation from all provinces, and has the power to ensure that its vote will be effective. That is why we cannot support the present wording of the Meech Lake Accord which, by extending the Constitutional veto, will make Senate reform virtually impossible and prevent forever the ability of Newfoundland and Labrador to get out from under the yoke of economic disparity.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
With Meech Lake the two economic solitudes that now exist in Canada would be entrenched.

#### FINANCIAL POSITION

##### Financial Review of 1989-90

Mr. Speaker, in my Budget last year I projected a current account surplus of \$5.3 million for the 1989-90 fiscal year. I am pleased to announce today that we surpassed that estimate and achieved a surplus of \$37.8 million on current account.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
The improvement of \$32.5 million from Budget is largely the result of higher revenues. Net current account expenditures remained substantially on target. Our overall deficit or total budgetary requirement was \$221.7 million last year, or \$31.7 million less than Budget.

Mr. Speaker, in my Midyear Financial Report to this House in December, I estimated a current account surplus of \$52 million.

Out of this surplus on current account, Government decided to begin the process of addressing the serious unfunded liability in the Province's Pension Fund by making a \$21 million special contribution this year.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

This substantial contribution furthers the process of ensuring the long term integrity of our pension plans.

#### Financial Outlook for 1990-91

Mr. Speaker, it is with considerable satisfaction and pride that I am able to announce that in 1990-91 we will achieve our second consecutive current account surplus, at a level of \$10.2 million.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Current account revenues are projected to grow by 5 per cent, on the strength of growth in Provincial revenues. Federal transfers are expected to increase by only 2.1 per cent.

Expenditures on capital account will be \$367.5 million. Of this, \$108.8 million will be offset by related revenues, leaving a net capital account requirement of \$258.7 million. The combined current and capital budgetary requirement will be \$248.5 million, which is approximately \$5 million less than last year's Budget.

#### Budget Strategy

Mr. Speaker, when this Government

took office less than a year ago, we made a commitment to manage the people's finances in a prudent and responsible manner. We are fulfilling that commitment.

If we are to ensure our future ability to provide the services our citizens deserve, then we must not burden ourselves and those that follow us with excessive debt. It is all too easy to say that prosperity is just around the corner so let us borrow from our future and avail of it today. There has been too much of that in the past.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

The total debt of the Province is \$5.2 billion. That is more than \$9,000 for every man, woman and child in the Province. That will grow again this year. The interest on that debt will be over \$470 million this year. This is almost as much as we spend to operate our primary, elementary and secondary school system. It is equivalent to what we spend to operate all our hospitals.

Despite our achievement of a current account surplus in the 1989-90 fiscal year, our total per capita budgetary requirement was the second highest budgeted by any Province last year. Our credit rating, which influences the interest rate we must pay on our debt and determines the markets in which we may borrow, remains at the lowest level assigned to any Province. Mr. Speaker, we do not have the capacity for unrestrained expenditure.

In developing this Budget, Government took its responsibilities very seriously.



The overriding principle was that we must balance our current account position, and keep our overall budgetary requirement at a manageable level, while providing necessary services.

Achieving the current account surplus was not an easy task. We are saddled with servicing the debts of our predecessors. The recent Federal Budget dictated that we shoulder an even greater share of their deficit. The economy is experiencing a period of slower growth. The needs of the people of this Province are real and many.

In pursuing our budgetary objectives, there are two courses of action available to us: restrain our spending and enhance our revenues.

Mr. Speaker, this Government is committed to fiscal restraint, to eliminating extravagance and waste, to reducing the cost of operating government, and to making the public service leaner and more efficient. All expenditures of all departments have been examined, and non-essential services have been trimmed to make greater financial resources available for higher priorities.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
As part of an extensive pre-Budget exercise, every department of Government was directed to identify substantial expenditure reductions. The savings generated through this exercise, as well as further reductions established through the Budget process, are reflected in operating budgets throughout the public service.

Expenditures for travel, supplies, and other operating items have been kept to a minimum.

To meet Government's changing priorities some re-allocation of human resources has been necessary. A conscious effort, however, has been made to keep layoffs to a minimum. Permanent employees affected have been notified of this decision.

There are 1,264 automobiles and similar vehicles directly under the control of Government departments. There are hundreds more in Crown corporations and other Government agencies. Mr. Speaker, Government has decided to reduce this oversized fleet of vehicles by eliminating all non-essential use built up over the years. We are placing an immediate freeze on the purchase of all new automobiles except where absolutely necessary, thereby saving Government \$1.8 million this year. In addition, we will be substantially downsizing the fleet, thereby achieving additional savings both in capital and operating costs. This long-overdue efficiency measure will mean substantial savings for the people of this Province.

Mr. Speaker, Government will shortly be introducing legislation to repeal the Parliamentary Commissioner (Ombudsman) Act. In Government's view, the number and substance of complaints investigated by the Ombudsman and his staff do not warrant an office costing \$236,000 annually. In future, complaints against departmental actions will be brought directly to Ministers and to the other Members of the House of Assembly.

Many of the expenditure reduction decisions were very difficult, and were not taken lightly. Others were part of a vitally important re-evaluation process, which we intend to continue throughout our mandate, whereby all programs and services will be regularly examined. Only through such a process can we ensure that our limited financial resources are used most effectively.

The expenditure plan contained in this Budget continues the efforts of my first Budget to eliminate spending that is no longer serving a useful purpose. We have further rationalized and downsized many programs and services. By doing so, we have lessened our need to borrow and freed up resources to address our most pressing expenditure priorities.

Mr. Speaker, this Government has established three priority areas for this Budget, three areas which are essential to ensuring a better future for our citizens. These high priorities are economic development, health care and education. We must advance in these areas despite a diminished commitment to them by the Federal Government.

Our attempts to achieve our fiscal goals through sound fiscal management have been interfered with by transfer cuts in the recent Federal Budget. Because of the very real need to sustain funding, particularly for our health care and post-secondary education systems, we have, Mr. Speaker, been left with no choice but to recover the shortfall through our own revenue sources.

#### REVENUE MEASURES:

This Government does not take

lightly a decision to raise taxes. In choosing the revenue measures for this Budget, we deliberately avoided regressive measures which would inflict an additional burden on those least able to pay.

Mr. Speaker, because the Federal Government chose in its recent budgets to cut transfers for health and post-secondary education by over \$20 million commencing April 1, I am announcing today our intention to implement on August 1 a new tax, to be called the Health and Post-Secondary Education Tax. This will apply at a general rate of 1.5 per cent to employer payrolls in excess of \$300,000 each calendar year. For primary producers and secondary processors in the three renewable resource industries of fisheries, forestry and agriculture, the rate will be 0 per cent. This measure is expected to generate \$15 million during 1990-91 and \$25 million in 1991-92.

The balance of the EPF shortfall will be recouped from two revenue sources. An additional \$5 million in fees and licences will be generated by various measures spread across several departments. Our Corporation Capital Tax, which applies to banks, trust and loan companies, will have a rate increase of one percentage point from 2 per cent to 3 per cent, for a \$1.7 million revenue gain.

This Government recognizes the impact the taxation system has on our economy. To ensure that the taxation system is enhancing rather than inhibiting our long term economic development strategy based on diversification and small business, the Department of

Finance will complete four taxation studies this year. First, our review of the implications of the proposed GST on Provincial consumption taxes, announced in my last year's Budget, is continuing. Emphasis is being placed on assessing whether broadening the Retail Sales Tax base to incorporate some goods and services presently excluded, while lowering the tax rate to maintain a constant revenue yield, would give the Province a fairer and simpler tax. Secondly, the school tax review already underway will be completed. For the interim, it must be stated clearly that the existing school tax system will be retained for at least another year. Thirdly, we will be scrutinizing, with a view to possible rationalization, many fees and licences which are annoyances to the businesses and people of the Province, rather than important tax revenues. Fourthly, the mining tax review begun last year will be concluded.

#### ECONOMIC DEVELOPMENT INITIATIVES

Mr. Speaker, this Government will pursue with vigour its sound and rational approach to economic development. The current fisheries crisis threatens to disrupt the social structure of our rural regions and encumber the substantial investments already made throughout the Province by individuals, businesses and Government in homes, equipment and infrastructure. This Government is determined to see that these investments of hard work and faith in our Province will bring rewards to those who persevere to secure a brighter economic future. A strategy which emphasizes long term, permanent economic development and diversification

will be one of the principle initiatives of this Government.

Mr. Speaker, this Government has moved to establish an Economic Recovery Commission as the focus of its effort to implement this strategy. Funding of \$2.1 million has been provided for the Commission in this Budget compared with \$900,000 spent in the shorter period last year.

As a result of considerable consultation between the Minister and senior officials of the Department of Development, and the Commission, Government has decided to combine the Newfoundland and Labrador Development Corporation and parts of the Department of Development into a new Crown corporation with a mandate to deliver all local development and business programs and services to assist new and existing business enterprises. There will be five regional offices - St. John's, Clarenville, Gander, Corner Brook and Goose Bay, with field offices reporting to them in each region. This structure will provide one-stop access to Government with a minimum of red tape, for small and medium-sized enterprises requiring assistance and services. It is the intention of Government to allow a substantial amount of decision making to be made at the regional level, in line with an election commitment. The new corporation will report directly to the Minister of Development. Mr. Speaker, to cover the additional cost of this corporation an amount of \$1 million has been approved bringing its total budget to \$13.9 million this year.

Mr. Speaker, in keeping with our focus on long term development this Government recognizes the

importance to our economy of technological change. I am pleased to announce that financial support has been provided by the Province in the amount of \$300,000 for the continued work of the Newfoundland and Labrador Science and Technology Advisory Council. More details of our Government's policy in this area, indicating the role and activities of the Council, will be released shortly.

Government looks forward to pursuing on a priority basis new federal-provincial agreements in several areas including tourism and cultural-historical development, forestry and minerals.

#### Tourism

Mr. Speaker, I would like to highlight tourism for its potential positive impact on the economy in rural and urban regions both in the short term and in the long term.

This Government has been successful in negotiating a Comprehensive Labrador Subsidiary Agreement with the Government of Canada. The tourism component of this agreement will see \$800,000 in new money, cost-shared with the Federal Government, go to various tourism related projects in that region. Funding is also provided to cover the cost of producing a new tourism marketing video which will reinforce our efforts to portray the Province as a distinct and attractive tourist destination. Grants for festivals and special events will also be increased.

This Government sees the Province not only as a seasonal summer destination but also as an all-season tourist alternative. During the past year this

Government provided over \$1 million for Marble Mountain. I am pleased to report today that we have budgeted considerably more funding for the Marble Mountain Development Corporation this year. With this additional investment, we get closer to generating the private sector interest needed to develop this area into an all season tourist resort. The benefits to the local economy and to the Provincial treasury will be substantial.

At a time when budgetary funds are scarce, I am pleased to indicate that we are maintaining our tourism marketing budget at an all time high.

#### Trade and Investment

Mr. Speaker, this Government will not ignore the significant opportunities that exist beyond our shores. Particularly do we see the Pacific Rim as a source of investment, a market for our products, and a wealth of business acumen and technical know-how. To enhance our promotional efforts in these nations we are providing \$450,000 for an Asian initiative to raise the level of awareness for investment opportunities in this Province. We hope to identify potential joint venture and strategic partnerships as well as new products we can export to these markets. We believe this initiative offers great potential for the growth of trade and investment. Hon. Members should know that hundreds of millions of new investment dollars are entering Canada each year under the Business Immigration Program. Newfoundland and Labrador will be pursuing these dollars under this Asian initiative.

#### Forestry and Agriculture

Mr. Speaker, the base of a diversified Newfoundland economy will continue to be the resource sectors.

Funds are provided to continue our forestry programs in anticipation of a renewed Forest Resources Development Agreement with the Government of Canada. The current Agreement expires on March 31, but we are confident that a new Agreement will be concluded shortly. A \$12.8 million Forest Workers Training Agreement was signed recently with the Federal Government. This unique arrangement will see over \$3 million spent annually over the next four years to train over 300 young men and women in many aspects of forest work, especially silviculture.

Funding is provided to complete the work of the Agri-Foods Task Force. This Government believes that we have not yet reached our potential in agricultural production. The report of the Task Force should assist Government in implementing a long term development strategy.

#### Mining

Geoscientific surveys carried out by the Department of Mines and Energy have played a major role in the increase in mineral exploration in the Province. Last year, when the continuation of federal cost sharing was in doubt, we increased funding to maintain this important activity. Government will continue these surveys this year, although the level of activity will be reduced in keeping with our current program of fiscal restraint. We anticipate that the new Mineral Development Agreement, now in the final stages of negotiations with

the Federal Government, will provide additional funding for these surveys.

#### Fishery

Mr. Speaker, the state of the fishery is of deep concern to the entire Province. I will not try to minimize this concern. At least some segments of the fishery, some plants and some communities are facing very lean and unsettled times. This troubles me and the other Members of this Hon. House, not only because we have the responsibilities of Government, but also because we have family and friends in these communities, and because we share the strong attachment our people have to their home and to their Province.

But there will be a fishery next year. Plants will open and people will be employed. The same is true for the year after that, and for as many years to come as any of us can realistically foresee. This Government will continue to support and encourage that fishery, and remains resolutely committed to the fishing industry's being one of the cornerstones of our economy.

In this regard, funding is approved to operate four new Marine Service Centres. Funding to the Fisheries Loan Board for incentives and assistance will be maintained. Cost-shared spending under the Canada/Newfoundland Inshore Fisheries Development Subsidiary Agreement will increase by 25 per cent to \$3.7 million.

The fisheries component of the Labrador Subsidiary Agreement will provide \$7 million of support to the industry over a five year period. Current and capital

expenditures of \$1.5 million have been earmarked for this fiscal year. Details of the fisheries component of the Agreement will be announced in the near future. Government is confident that this initiative will have extremely positive implications for the Coastal Labrador Fishery.

For the first time, Mr. Speaker, provision has been made in the Budget to facilitate the distribution of surplus fish landings during the glut season, and to distribute fish to processing plants in Labrador. An amount of \$300,000 has been allotted.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
While we are determined to maintain our financial support for the industry, the shortage of fish stocks and consequent reduction in quotas will require an additional response.

This Government already has acted by implementing the Adjustment Program for Fish Plant Workers which will provide \$9 million to ensure that workers in the processing plants in Trepassey, Grand Bank and Gaultois will have an adequate notice of termination.

The magnitude of the supply crisis for some communities, however, goes beyond what the Province of Newfoundland can be expected to bear alone. Nor should we have to bear this alone because the supply crisis is not of our making. The jurisdiction and responsibility to manage the stock lies with the Federal Government. They have to accept the reality that their quota reductions have led to dire consequences that threaten the

very existence of entire communities in this Province and throughout Atlantic Canada. It is not the fishermen, plant workers or fish companies who control the state of the stocks, yet it is they who suffer from the mismanagement of the resource. The responsibility of the Federal Government to act is clear. One-industry communities cannot be expected in the short time given to absorb the shock of drastic quota reductions.

Last week's Throne Speech clearly outlined this Government's position with respect to the supply problem in the fishery. We have already indicated to the Government of Canada that the Province is prepared, within its financial capability, to share the cost of a comprehensive fisheries revitalization and economic diversification program. A broadly based economic response program must be implemented to address the social and economic consequences of the stock rebuilding process. This Government will continue to press for federal action.

#### HEALTH CARE INITIATIVES:

Mr. Speaker, this Budget reflects Government's continued commitment to the health care system. The budgetary allocation to health will increase by \$74 million, a growth rate of 10 per cent over the 1989-90 fiscal year.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
In the recent Throne Speech, the Government outlined its concern about the considerable pressure that has been exerted on the health system in recent years and

indicated that planning is now underway to develop a framework for a comprehensive new community Health Care Program.

Government is concerned about beds being closed in medical facilities throughout the Province, due to insufficient funding. Mr. Speaker, in this Budget, we have made funding available to these institutions to enable them to open eighty-eight of those beds.

This year, additional funding will be provided to the General Hospital to enhance critical care services, with particular emphasis on cardiac surgery. I am pleased to announce that the General Hospital will receive funding to open fifteen additional beds, including four beds in the newly redeveloped critical care area. A total of forty additional beds are being opened at hospitals in Gander, Grand Falls and Corner Brook.

Government also recognizes the pressures on the Province's nursing homes, particularly in view of the changing demographics of our society. To assist in meeting the ever increasing demand for chronic care in nursing homes, funding will be provided to enable the Agnes Pratt Home to open thirteen additional beds. Also, funding will be provided to open twenty additional beds at the Dr. Hugh Twomey Health Centre in Botwood.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
Mr. Speaker, Government continues its commitment to increase the number of nursing positions in the health care system. In my last Budget, I announced the

establishment of a minimum of forty-five new nursing and resident care positions in the health system. I am pleased to announce today that another thirty-three nursing positions will be approved for the health system by October 1. As well, effective April 1 funding will be provided for thirty-two additional residential care staff for the Province's nursing homes. All of these nursing and other positions are in addition to those required to open the eighty-eight beds referred to previously.

Additional funding is provided to assist in integrating children with disabilities into the regular school system and to met their special health care needs.

This year, in cooperation with Health and Welfare Canada, the Department of Health will commence a five-year initiative to address cardiovascular disease through public education and prevention. Also, funding will be provided to expand our initiatives in public education with respect to AIDS prevention.

The Government recognizes the importance of the services provided by the Newfoundland Cancer Treatment and Research Foundation. I am very pleased to announce a joint venture with the Cancer Foundation under which Government will provide \$5.4 million of the projected \$6.9 million cost of new facilities, adjacent to the Health Sciences Center.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
In 1990-91, \$1.9 million of the Government's commitment would be

provided to enable this project to get underway.

As a further step in rationalizing health care services on the Burin Peninsula, I am pleased to announce that funds are being provided for the planning of a new community health centre for Grand Bank and for a new 40 bed nursing home in St. Lawrence.

Planning funds will be provided for the redevelopment of James Paton Memorial Hospital in Gander, for the redevelopment of Brookfield Hospital, for new community health centres and long term care facilities at Burgeo and Port Saunders, and for the redevelopment of the Interfaith Senior Citizens Home in Corner Brook. The Government will also be taking preliminary steps to assess the manner in which the need for nursing home facilities in the Port aux Basques area can best be addressed. Also, funding is allocated for the completion of the Roddickton Community Health Centre.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, in total \$22.8 million will be allocated in this Budget to support capital improvements in the health care system.

#### EDUCATION INITIATIVES

Mr. Speaker, education is a key component of this Government's long term economic strategy. We are committed to improving the quality and accessibility of educational opportunities throughout the Province. The measures announced today will enhance the efficiency and equity

of our education programs.

Funding has been provided to increase the per pupil operating grants to school boards by 4 per cent. The School Tax Equalization Grant will be maintained at \$10 million this year, up from \$4.5 million in 1988. The budget for building and equipping schools will be \$27 million, including \$1 million for making school buildings more accessible to people with disabilities. As well, there will be a \$200,000 increase in scholarship funding for secondary school students.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Mr. Speaker, I am pleased to announce that we are making an additional \$1.7 million available for student aid, which represents an 11 per cent increase in funding over last year.

Government's recent White Paper on post-secondary education presents proposals to improve greatly the equality, excellence and efficiency of the post-secondary education system in this Province. Consistent with the high priority placed on education, capital funding is provided for the planning of both the Central Newfoundland Campus and the expansion of the Grenfell College in Corner Brook.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

The \$10 million capital budget for Memorial University includes provision for an extension to the Arts and Administration Building, improvements to the Schools of Pharmacy and Nursing, as well as



for the construction of a facility for small animal care.

Funding of \$1.7 million is allocated to commence the construction of an \$8 million extension to the Fisher Institute in Corner Brook.

SOME HON. MEMBERS:

Hear, hear!

DR. KITCHEN:

Planning funds have been provided for a Centre for Engineering Technology in St. John's. The capital budget for the Marine Institute will exceed \$10 million. These include funds for the establishment of a Simulator Training Centre and an Offshore Survival Centre, both to be financed primarily from the Offshore Development Fund. Mr. Speaker, I am pleased to announce that this year Education's total capital budget will be \$60 million.

The Department of Education will work with the education community to develop and implement specific measures to improve efficiency and cost-effectiveness.

Mr. Speaker, the Department of Education has launched a major initiative to prepare high school students to meet the modern challenges of mathematics, science and technology, by using savings achieved this past year to purchase computers and other instructional materials. This \$2 million initiative, \$1.5 million of which was for computers, will result in a significant improvement in the quality of high school education in the Province.

**OTHER INITIATIVES**

**Government Pension Plans**

Mr. Speaker, in the 1989 Budget Speech, I expressed Government's concern with the financial condition of the four pension plans covering public servants, teachers, uniformed services personnel and MHAs. Because of this concern, Government appointed a Commission of Enquiry On Pensions to review the plans. The final Report of the Commission should be ready for Government's consideration in the very near future. I am confident that this Report will be an essential ingredient in Government's formulation of appropriate measures to resolve the financial difficulties being experienced by the pension plans.

With the financial position of Government's pension plans in mind, Government has decided to make an immediate special payment of \$21 million into the Pension Fund in 1989-90. This payment, made during a time when the Province's economy is feeling the effects of problems in the fishery and a general slowdown in other areas, should give a clear indication to all employees of Government's commitment to doing its share towards putting the pension plans on a sound financial basis.

SOME HON. MEMBERS:

Hear, hear!

Mr. Speaker, in view of the fact that the Commission of Enquiry Report is not yet available, Government has decided to defer for the time being any decision regarding increases to pensioners. This subject will be addressed in the near future after reference to the Commission's Report and in the context of possible indexation of Government's pension plans.

## Social Services

Mr. Speaker, Government views with alarm the dramatically increasing incidence of child abuse referrals in this Province. Child abuse is not a new phenomenon and neither is it unique to this Province. A large segment of our society now appears ready to report openly and to discuss this complex and unacceptable problem. Accordingly, I am pleased to announce that funding has been provided in the Budget for 50 new front-line positions in child welfare services.

Government is committed to improving the quality and quantity of services to those who need assistance of various kinds. To this end, I am pleased to announce that allowances paid to social assistance recipients will increase by four per cent, effective May 1. Allowances for foster parents will also increase by four per cent while the clothing allowance for foster children will increase by 20 per cent.

### SOME HON. MEMBERS:

Hear, hear!

### DR. KITCHEN:

Mr. Speaker, \$8.3 million has been provided to accelerate construction of the new young offenders facility at Whitbourne.

Mr. Speaker, one of the great success stories of this Province is the outstanding community service provided by an organization called the HUB, which provides jobs, recreation, and personal services to physically disabled persons. We are aware of the extremely crowded conditions under which they presently operate. I am, therefore, very

proud to announce that to assist them to provide additional opportunities to those among us who are physically disabled, this Government is enabling the HUB to extend their building by providing a capital grant of \$1 million.

### SOME HON. MEMBERS:

Hear, hear!

### DR. KITCHEN:

The Department of Social Services is one of the most decentralized departments in Government with 53 offices located throughout the Province. We have approved the development of a major computer system to facilitate and further enhance the delivery of social services and programs to all regions of the Province.

## Justice

Mr. Speaker, both the Royal Newfoundland Constabulary and the Royal Canadian Mounted Police are faced with increased workloads, including cases involving child abuse. Government is committing sufficient funds for the deployment of up to five per cent more police officers across the Province. This will be accomplished through the hiring of additional officers and the more effective re-deployment of existing officers now performing civilian work. This measure, combined with the allocation of additional resources for front-line social work positions, represents a major step in the prevention of the abuse of children, and will provide additional resources to assist the police forces in all areas of their work.

## Employment Initiatives

Mr. Speaker, Government will

continue to provide several programs to help women, students, older workers and youth take advantage of job opportunities. We will adhere to the objective of creating meaningful, long term employment for all of our labour force.

The Graduate Employment Program to help post-secondary education graduates obtain job related experience will continue. The Provincial Government will participate in the joint Federal-Provincial Program for Older Worker Adjustment.

Provincial funding will continue for the Canada-Newfoundland Employment Strategy Program, with major emphasis being placed on enabling people in the 16 to 24 age group to make the transition from school to work. Funding is provided through this program for the ongoing development of a Provincial Career and Labour Market Resource Centre. A computer network will ensure that career and labour market information is easily accessible in all areas of the Province.

#### Women's Issues

This Government is firmly committed to improving the economic and social well-being of women. The Budget is providing \$6.3 million to support pay equity in the health sector. Operating funding of \$100,000 is provided for a new transition house in Gander. Eligibility criteria have been modified to enable more single-parent families to obtain subsidized day care. Changes in the student aid program will provide for single parents and married students additional funding estimated to reach \$500,000. There is more money for

programs to assist women obtain employment, including \$500,000 for the Women in Successful Employment Program, a program of flexible learning, counselling and other self-development assistance. There will be a continued funding of \$300,000 for the Newfoundland and Labrador Advisory Council on the Status of Women and for the Interagency Committee on Violence Against Women. These and other initiatives, Mr. Speaker, demonstrate this Government's continued commitment to women's issues.

#### Transportation

Mr. Speaker, this Government will continue its efforts to improve the Province's road system through an extensive construction program. We have provided \$80.5 million for further road upgrading, primarily of the Trans Canada Highway, under the ERDA agreement and the Newfoundland Transportation Initiative. Expenditures under the Provincial Road and Bridge Program will total \$30 million this coming year. Under the Comprehensive Labrador Subsidiary Agreement, we are providing \$3 million for the Charles River Bridge at Lodge Bay Labrador.

This Government is providing improved ferry services to the island communities of the Province. We are entering the second year of a three-year plan to reduce marine services rates to equivalent road transportation costs. Construction will begin on a new ferry with ice breaking capabilities for the Fogo Island service. The vessel will be built at the Marystown Shipyard at a cost of \$24 million, \$4 million of which will be spent this coming year. Also, \$12.5 million is

allocated for the operation of the Provincial ferry system.

### **Municipal Capital Program**

Mr. Speaker, Government will support the expenditure of \$55 million this year on water, sewer and paving projects in communities throughout the Province. Details have already been announced to facilitate early tendering and construction.

### **Crown Corporations**

Government has approved a capital budget of \$98.7 million for the Newfoundland and Labrador Housing Corporation. These funds will be used to deliver over 300 new social housing units throughout the Province, and to upgrade approximately 2000 homes through the RRAP program.

Newfoundland and Labrador Hydro expects to spend \$97 million on capital projects to improve electrical generation and transmission facilities.

### **CONCLUSION**

Mr. Speaker, this Budget has been prepared within an environment of adversity. The fishery is beset with serious problems. The economy is slowing in other areas, though it is not without its bright spots. The Federal Government's high interest rate policy is restraining business in parts of the country, like Newfoundland, where restraint is not needed. The recent Federal Budget has reduced EPF transfers for health and post-secondary education services, at a time when the need for those services is great. And, we will feel the impact of the GST in this Budget year, an impact which we know will

be considerable in many different ways.

Despite this difficult environment, the Government has taken important initiatives towards achieving its objectives in economic development, health care and education. We have shown our sincere commitment to solving the problems of our pension plans by making a sizeable special payment into the Pension Fund. We have restrained Government's operating expenditures both by general cuts across departments and by specific measures to eliminate wasteful and unproductive expenditures. And where we have raised additional revenues, we have done so without regressive tax measures.

### **SOME HON. MEMBERS:**

Hear, hear!

### **DR. KITCHEN:**

In summary, Mr. Speaker, the fiscal and economic plan contained in this Budget is based upon a prudent and realistic assessment of what we can achieve over the coming year. We are refocusing both the substance and the delivery mechanisms of Government's programs to meet the needs of the people of this Province.

Mr. Speaker, a major transformation of the Province's economy cannot be achieved overnight. This Budget clearly demonstrates, however, that the groundwork has been set for creating a stronger economy and a meaningful and productive lifestyle for Newfoundlanders and Labradorians in all regions of the Province.

Thank you, Mr. Speaker.

SOME HON. MEMBERS:  
Hear, hear!

DR. KITCHEN:  
Mr. Speaker, I move that the debate be adjourned until tomorrow, Tuesday, March 20.

On motion, debate adjourned until tomorrow, Tuesday, March 20.

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

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

MR. SPEAKER:  
All rise.

The following message is from Government House, dated March 15th, addressed to the hon. the Minister of Finance.

"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 1991, in the aggregate of Two Billion, Seven Hundred and Seventy-Two Million, Three Hundred and Thirty-Seven Thousand Three Hundred Dollars (\$2,772,337,300) and in accordance with the provisions of The Constitution Act of 1867, I recommend these estimates to the House of Assembly.

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

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

Order, please!

The hon. the Minister of Finance.

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

On motion, that the House resolve itself into Committee of Supply to consider the Message from His Honour the Lieutenant-Governor, together with the Estimates, Mr. Speaker left the Chair.

Committee of Supply

MR. CHAIRMAN (Snow):  
Order, please!

The hon. the President of Treasury Board.

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

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

MR. SPEAKER:  
The hon. the Member for Trinity Bay de Verde.

MR. L. SNOW:  
Mr. Speaker, the Committee of Supply has considered the matters to it referred, has made some progress and asks leave to sit again.

On motion, report received and adopted, Committee ordered to sit again on tomorrow.

Notices of Motion

DR. KITCHEN:

Mr. Speaker.

MR. SPEAKER:

The hon. the Minister of Finance.

DR. KITCHEN:

Mr. Speaker, I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions relating to the imposition of a tax on employers for the purpose of funding health care and post-secondary education.

I give notice that I will on tomorrow move that this House resolve itself into Committee of the Whole to consider certain resolutions relating to the Financial Corporations Capital Tax Act.

I give notice that I will on tomorrow ask leave to introduce a Bill entitled, "An Act To Amend The Mineral Holdings Impost Act."

MR. BAKER:

Mr. Speaker.

MR. SPEAKER:

The hon. the Government House Leader.

MR. BAKER:

Thank you, Mr. Speaker.

Before adjourning I would like to advise hon. Members, because the House is not sitting on Monday, that the Private Member's resolution for debate Wednesday will be the resolution put forward by the Member for Bellevue (Mr. Barrett) on Women's Issues.

Now, Mr. Speaker, I move that the remaining Orders of the Day do stand deferred and that this House on its rising do adjourn until tomorrow, Tuesday, at 2:00 p.m.

and that this House do now adjourn.

MR. SIMMS:

Mr. Speaker.

MR. SPEAKER:

The Opposition House Leader.

MR. SIMMS:

I was going to ask the Government House Leader if he was going to do what is traditionally done, I guess, on Budget Day. Are you going to move the Estimates Committees?

MR. BAKER:

(Inaudible).

MR. SIMMS:

You are going to wait until Tuesday?  
Tuesday?

MR. BAKER:

Yes.

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