

Speech for Main Estimates 2002-2003
Department of Finance
Hon. Peter Mesheau
April 16, 2002

Mr. Chair, I am pleased to be here to take questions on the 2002-2003 Main Estimates programs for which I am directly responsible. These responsibilities include the Office of the Comptroller, the Department of Finance and the Service of the Public Debt. Within General Government, we are also responsible for the following votes: Legislated Pension Plans and Benefit Accruals and Subsidies, the Supplementary Funding Provision, and the Provision for Losses.

Mr. Chair, before we begin the consideration of the \$80.9 million in Main Estimates for the Department of Finance, I should perhaps remind the honourable members that our department was restructured last fall as a result of the creation of the new Office of Human Resources.

You will note that the statement of estimated expenditures reflects the transfer of the corporate human resources program components to the Office of Human Resources. The Minister responsible for the Office of Human Resources will be pleased to answer your questions on the Equal Employment Opportunity Training, the N.B. Public Service Internship Program and the Employee Benefit Plans. We continue to administer the Legislated Pension Plans and Benefit Accruals and Subsidies, which were previously included under the Employee Benefit Plans.

Having said that, I would like to speak briefly about some initiatives and challenges of the fiscal year that has just ended.

The Department of Finance has the overall responsibility for financial resource management. I can proudly say that this department has provided high quality service to other departments of government, taxpayers and New Brunswickers as a whole, while ensuring that the Province meets its fiscal targets.

I am pleased to report that our skilled employees have carried out their responsibilities in an expeditious and professional manner. Through the hard work and dedication of Finance staff, we were able to produce numerous publications to inform New Brunswickers about our fiscal and economic situation.

Among the documents, I wish to mention the Financial and Economic Update in November 2001, the 2002-2003 Capital Budget in December 2001, the 2002-2003 Budget speech on March 26th, 2002, along with the 2002-2003 Main Estimates and the 2002 report on The New Brunswick Economy.

Mr. Chair, the Department of Finance was committed to achieving balanced results for this fiscal year, and we worked diligently to provide a balanced budget. Through our Treasury Division, we are responsible for ensuring that the financial markets and the rating agencies are kept well informed about New Brunswick's fiscal and economic position. The past fiscal year and the current one are noteworthy in that the financial community is generally very supportive of direction we are taking here in New Brunswick. Recent reports from a number of the banks indicate that our plan is working.

Balanced budgets and balanced results mean positive credit ratings and increasing confidence from investors. New Brunswick continues to have the best credit rating in Eastern Canada, and the Department of Finance will continue to work hard towards improving that rating.

On March 19, 2002, the government announced a new operating model for the delivery of the New Brunswick video lottery program. The decision to have the Atlantic Lottery Corporation deliver our program reflects our commitment to manage smarter. The ALC can deliver the program more efficiently than the previous operators. This year, we can expect about \$20 million in additional revenue annually to invest in priorities of New Brunswickers, such as health care, education and other essential programs. While the ALC will deliver the program for the government, the Department of Finance continues to have the responsibility for lottery and gaming policy and the Department of Public Safety continues to be in charge of inspections and enforcement.

Another achievement was the production of a document entitled *Fiscal Imbalance and Equalization: A New Brunswick Perspective*. In this paper, New Brunswick set out its position on this important issue and made known its views to the House of Commons Standing Committee on Finance and the Standing Senate Committee on National Finance. We were encouraged on March 21st, 2002, when the Senate committee endorsed the major elements of New Brunswick's position. We appreciate the support of members opposite on this file, and we will continue to push the federal government for improvements to the Equalization program. It is the right thing to do, Mr. Chair.

I also want to make note of the Voluntary Early Retirement Window as it pertains to our own department. Fifteen employees from our department, who took advantage of the VERW, officially retired by March 28th, 2002. We will certainly miss these skilled individuals, but our department was prepared for this day. We concentrated our efforts on succession planning, recruitment and retention. In the last year, we trained and promoted middle managers, filling seven of the positions vacated through VERW by internal promotion. We also recruited externally to fill five positions. The domino effect of such promotions takes quite some time to play itself out, but two things seem clear: younger employees are being promoted and individuals are being hired from outside government to rejuvenate the civil service.

Mr. Chair, I would now like to emphasize some of the challenges our Province will be facing over the next year. The North American economic slowdown in 2000-2001 was amplified by the attacks of Sept. 11th, and New Brunswickers deserve to know how this has affected the finances of the province. Current indications are that the American and Canadian economies are rebounding at a quicker pace than expected even a month ago. This is very positive news for an export-oriented economy such as ours.

Despite the considerable economic challenges, we are now anticipating a budgetary surplus of \$37 million for 2001-2002 and projecting a surplus of \$21.3 million for 2002-2003.

Mr. Chair, we remain committed to fiscal responsibility. As a result of our first three budgets, the Province will reduce the net debt by an estimated \$230 million by the fiscal year ending March 31st, 2003. Counting interest earned, approximately \$97 million will remain in our Fiscal Stabilization Fund. This will allow us financial flexibility in the future if economic and fiscal conditions dictate.

In the capital budget, the government introduced the New Brunswick Road Improvement Fund to improve the transportation system. Our roads and highways will be safer and more efficient, thanks to the infusion of revenues from gasoline and diesel fuel taxes. Truckers and motorists will benefit from the construction, repairs and maintenance carried out with money from the fund. Road builders will be assured of greater predictability in planning their work. The fund will also be audited, and it will be accounted for separately as an individual line item in each year's provincial budget. People will be able to see where and how their tax dollars are being spent on road-related work.

Those who read the budget on March 26th know that it sets the foundation for prosperity, fostering greater economic growth while continuing to invest in the priorities that matter most to New Brunswickers: health care and education. In fact, 88 per cent of all increased ordinary account program spending will be made in these key priority areas. The government is proud of its focus on clear public priorities and its proven track record of compassion, Mr. Chair. It is my job to describe the big picture, and the appropriate ministers will be elaborating during presentation of their estimates.

Recently, the government also announced the creation of two funds to increase innovation capacity and research and development as drivers for productivity and growth. The State of the Province Address highlighted the creation of the New Brunswick Innovation Foundation with an initial fund of \$20 million to start us on our way. This fund will create a new strategic partnership between government, the private sector and universities, and is expected to leverage up to \$100 million in new R&D and innovation investments in NB. This investment will help to close the innovation gap between New Brunswick and the rest of Canada.

The second fund is a University Infrastructure Trust. A one-time investment of \$15 million has been made in order to provide infrastructure improvements in four eligible universities. This targeted funding will assist in ensuring excellence in the research and teaching capacity of our universities. The fund has been made available for infrastructure and equipment. Projects include laboratories for computers, science and language, as well as enhancements for libraries. The University of New Brunswick has access to up to \$5.4 million; Université de Moncton, \$3.12 million; Mount Allison University, \$959,000, and St. Thomas University, \$522,000. A third of the funding will be used for special teaching and research capacity building projects. This announcement was another important initiative of *Greater Opportunity: New Brunswick's Prosperity Plan*.

Mr. Speaker, our department will also play a key role helping to ensure that we meet a number of success targets of the 10-year prosperity plan. *Greater Opportunity* sets out four building blocks: investing in people; creating a competitive fiscal and business environment, embracing innovation, and building strategic infrastructure.

I have already referred to our role in some of these building blocks. In addition, the Department of Finance will continue to explore options to lower taxes. That's because lower taxes help people and businesses, as well as stimulate job creation.

As members know, specific tax reductions were announced in the recent budget. These changes will help create a more competitive business environment that will encourage private sector job creation and economic growth.

Including measures in this year's budget, the government has made and is making significant reductions from the taxation levels in place in June 1999. These measures include:

- a move from the highest general corporate income tax rate in Canada in 1999 at 17 per cent to the third-lowest in Canada as of January 1, 2003, at 13 per cent;
- maintaining the lowest small business corporate income tax rate in all of Canada by reducing it from 6 per cent in 1999 to 3 per cent as of January 1, 2003;
- doubling the small business threshold from \$200,000 in 1999 to \$400,000 as of January 1, 2003;

- the removal of approximately 40,000 low-income New Brunswickers from the tax rolls by the 2003 taxation year, and
- a reduction in personal income taxes by 10.7 per cent in just three years, one year earlier than the 10 per cent reduction promised by the end of the government's mandate.

Since our first budget, I am proud to say that the tax measures introduced by this government are saving New Brunswick taxpayers and businesses some \$287 million in cumulative personal and corporate income taxes.

Mr. Chair, municipal finances are also one of our responsibilities. Last year, we announced that the 103 municipalities would receive \$67 million through the unconditional grant program for the 2002 calendar year, the same level of funding as in 2001.

The Department of Finance has also been involved in the important work of Minister's Round Table on Local Governance. As a result of recommendations made by the round table, we are involved in two key initiatives. One task is to take part in a provincial-municipal working group examining funding arrangements. The other is to assist in reviewing the cost of provincially provided local services in unincorporated areas. We will work hard to make progress on these important issues during this fiscal year.

Mr. Chair, the department looks forward to meeting the challenges outlined and continuing our work on existing files. To this end, I will mention that some internal restructuring of the department was undertaken to improve its efficiency. However, our focus will continue to be improvements in services to taxpayers and businesses.

As well, we are aware that the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants may formally introduce new rules for fixed asset accounting for capital. We wish to be proactive and review the method and its possible implications. In addition, we have made progress in reducing red tape, having completed three of the five recommendations assigned to the finance department by the Red Tape Reduction Report. We expect to finalize the remaining two in a positive way during this fiscal year.

I can assure members here, and New Brunswickers alike, that the Department of Finance will meet all of the challenges it will face – those we have outlined and those that may crop up unexpectedly this year. The department will continue to carry out its many important responsibilities with professionalism, attention to detail and quality for which the Department of Finance and all of its employees are known. I would like to take this moment to thank the staff for their hard work and their ongoing dedication.

To conclude, our department will maintain the tough fiscal discipline we have exercised. At the same time, Mr. Chair, we will continue to invest in growth. We will also continue to improve the competitiveness of our taxation system. That is how we will achieve prosperity.

Mr. Chair, I will now take questions on the votes for which I am responsible. Thank you.