

Capital Budget 2005-2006
Hon. Jeannot Volpé, Minister of Finance
Thursday, December 16, 2004

Introduction

Mr. Speaker, it is my honour and privilege to stand in the House today to present the Capital Budget for 2005-06 that will make New Brunswick stronger for all. In addition to the capital budget, I will take the opportunity to provide a fiscal and economic update.

Last year as we prepared our budget, I stated that we were at a financial crossroad. One road led to annual deficits and increased debt. The other led to continued balanced budgets, fiscal responsibility and public investment in what matters most to New Brunswickers.

I am glad to say we took the latter. Our objective remains to have balanced budgets over the course of our mandate. Because of our fiscal responsibility, we are in a better position to make key strategic investments for people, for communities and families throughout the Province of New Brunswick.

With today's capital budget, we continue to implement a Greater Opportunity: New Brunswick's Prosperity Plan, building strategic infrastructure and creating a competitive fiscal and business environment. We will maintain what we have and build what we need. We are strengthening our competitiveness, enhancing public health and safety, and improving the quality of life of New Brunswickers.

Our objective as a government is to create economic success with social progress. We want to build a prosperous province, caring, innovative, smart, strong, proud, confident and determined.

As always with a capital budget, individual ministers will provide the departmental details.

This capital budget marks the continuation of the implementation of the government's platform entitled *New Brunswick: Reaching Higher. Going Further*, designed to bring greater prosperity to all New Brunswickers.

Before I go into the details of the capital budget, I would like to provide my colleagues with a fiscal and economic update.

2003-2004

Mr. Speaker, since taking office, our priorities have remained clear: better health and senior care; quality education; job creation; helping those who need help the most; strong, vibrant communities; a cleaner environment; lower taxes; and balanced budgets.

The 2003-2004 Public Accounts show that the province's net debt has been reduced by \$109.2 million over the last four years.

Over the same period, we have achieved a cumulative surplus for balanced budget purposes of \$247.2 million according to the provisions of the *Balanced Budget Act*. This marks the first time that a New Brunswick government has met the criteria under the *Balanced Budget Act* over a designated four-year period.

The Auditor General confirms in his latest report that the government is on the right track in terms of fiscal management. He stated the following:

"In general, the indicators for the last ten years show that the Province of New Brunswick's financial condition has improved in sustainability, flexibility and vulnerability, with some deviations from this trend showing in 1999 and 2000. For the most part the indicators affected by these deviations showed more positive results in the past four years."

The Auditor General also noted that our Net Debt to GDP ratio has decreased over the same period. In fact, our net debt-to-GDP ratio has declined from 36.4 per cent in 1999-2000 to 30.5 per cent for the year ended March 31, 2004, a reduction of 5.9 percentage points. Mr. Speaker, we expect that to continue.

The Auditor General also confirms that the cost of servicing the public debt decreased in 2004 from 2003 by \$78.0 million. Mr. Speaker, the cost of servicing the public debt now represents 10.6 per cent of total revenues, the lowest level in the past ten years.

Our overall sound financial management has been recognized by the credit rating agencies. Dominion Bond Rating Service and Moody's have upgraded our rating this year while Standard and Poor's rated our outlook as stable.

Mr. Speaker, New Brunswick now has the best credit rating east of Ontario.

2004-2005

Mr. Speaker, leading up to the 2004-2005 budget, the government faced the possibility of large and growing deficits.

At that time, we stated we would continue with strong, prudent financial management and fiscal discipline. We remain committed to fiscal responsibility and to living within our means.

And, by managing the public purse responsibly, we will continue our focus on the priorities that matter the most to people while providing stronger value for taxpayers.

To this end, we made some very tough decisions as part of the budget process to address the problem.

By making the tough decisions, Mr. Speaker, we were able to project a surplus with a modest decrease in net debt for 2004-2005. Our "Living Within Our Means, Focusing on Our Priorities" theme of the 2004-2005 budget is proof of our resolve to be fiscally responsible and prudent while making it clear that the top priorities of New Brunswickers are the top priorities of government.

In a recent report, the Atlantic Province's Economic Council (APEC) forecasted New Brunswick will have the strongest economic growth in Atlantic Canada this year and next.

New Brunswick is leading the country in job growth this year. Our labour force is also growing faster than the national average, while average wage rates are growing at nearly twice the national average.

Despite the effects of the stronger Canadian dollar and rising commodity prices, most manufacturing and exporting industries have posted solid gains in 2004. On the whole, growth in the New Brunswick economy is on track with the budget estimate of 2.8 percent for 2004.

In regards to our financial situation, I am pleased to inform the House that we are on track to record a surplus and once again reduce our net debt in 2004-2005. Revenues are projected to be above budget, offsetting additional spending pressures.

On January 6, 2005 I will be tabling supplementary estimates for the 2004-05 year to obtain authority for additional investments.

2005-2006

Mr. Speaker, in preparing our 2005-2006 budget, we have one clear plan: live within our means and focus on priorities.

The two go hand in hand. Unless we live within our means, we will not have the money to invest in the priorities that matter most to people.

We have set clear objectives to guide our decisions, and we will focus on them in making our decisions. They include:

Objective One — invest in priorities. Mr. Speaker, spending on the priorities of health and senior care and education will rise to record levels once again.

Objective Two — invest in job creation. Mr. Speaker, key investments in the Prosperity Plan will be made.

Objective Three — no tax increases. Mr. Speaker, there will be no new taxes and no tax increases.

Objective Four — stronger value for taxpayers. Mr. Speaker, savings and efficiencies will continue to be realized. These savings are going to be redirected to front-line health care and other services.

Objective Five — balance the budget.

Mr. Speaker, as stated in the Speech from the Throne, our 2005-2006 budget will be balanced.

Capital Budget 2005-06

I will now turn to the highlights of the 2005-06 Capital Estimates.

As I have indicated, we have made choices and set priorities. With this capital budget we will maintain what we have and build what we need. We are strengthening our competitiveness, enhancing public health and safety, and improving the quality of life of New Brunswickers.

Mr. Speaker, I am pleased to inform the House that the gross capital budget for 2005-2006 will be \$423.8 million, an increase of \$51.2 million or 13.7 per cent from the 2004-05 revised budget.

I would like to elaborate on some of the important initiatives in this capital budget.

Health care

Mr. Speaker, our government's vision is of a single, integrated, sustainable provincial health care system that is patient-focused and community-based. Its goal is to provide the right health care services in the right way at the right time by the right provider at a cost taxpayers can afford.

Earlier this year, the government put in place ***Healthy Futures***, a four-year provincial health plan to secure New Brunswick's health care system and make it sustainable well into the future. This plan provides for meaningful, enduring change to our health care system that will sustain and improve it not just for today, but for tomorrow as well.

That is why we are making a \$95.7 million capital investment in health care for 2005-2006. This investment represents an increase of \$38.3 million or a 66.6 per cent increase over the 2004-05 revised budget. Some investments include:

- \$35.5 million for capital equipment, which includes diagnostic and medical equipment funding.
- \$55.8 million for capital construction, including:
 - work on a new hospital in Waterville;
 - work on an Emergency and Ambulatory Care Centre and Laboratory at the Moncton Hospital;
 - the completion of the Stan Cassidy Rehabilitation Centre in Fredericton;
 - a surgical services addition at the Bathurst Regional Hospital;
 - the completion of four pilot Community Health Centres; and
 - the completion of a new addiction centre at the Campbellton Regional Hospital.

A further \$4.4 million is included for various capital improvements and renovations to the existing health care infrastructure.

Mr. Speaker, the funding for a number of these projects reflects negative one year of a multi-year government commitment. It is clear that health care continues to be a top priority for this government.

Education

Mr. Speaker a quality education system is essential for future growth and prosperity.

Our government has a vision of an education and training system that promotes a culture of excellence and high achievement exemplified by innovation and lifelong learning.

That is why, since 1999, we have invested record amounts in education, resulting in more teachers, better equipment, more school supplies and healthier schools.

We will invest more in schools including the continuation of our second four-year \$100 million commitment to the Healthy Schools Program.

We will make a \$48 million capital investment into our K to 12 schools in 2005-2006. Mr. Speaker, this represents a two million or a 4.3 per cent increase from 2004-2005.

The Minister of Education will have more details, but the \$48 million provides for strategic investments in new schools and funding for the repair and rehabilitation of existing schools. Funding will address health and safety issues and will improve the quality of the learning environment for students and teachers.

Mr. Speaker, we will also make further investments in our community colleges. This budget contains \$3.5 million for renovations and improvements to the community college network. This is a substantial increase over the two million that has been invested in each capital budget since 2001-2002.

Municipal Infrastructure

Mr. Speaker, we are committed to working with all municipalities, to provide stronger, safer communities and a quality of life New Brunswickers want and deserve. With today's capital budget we have placed a strategic focus on infrastructure for municipalities and rural communities. Capital investments include:

- \$11.1 million under the Canada – New Brunswick Infrastructure Program and the newly created Canada – New Brunswick Municipal Rural Infrastructure Fund with a focus on improving “green municipal infrastructure,” to ensure safe drinking water and more effective waste management systems
- \$500,000 under the Clean Water Control Grant program to help defray costs related to water and wastewater projects
- \$656,000 for Local Service Districts for the purchase of emergency equipment and the maintenance of fire halls and recreation facilities.

Safety and Security

Mr. Speaker, ensuring the safety and security of the public also includes public buildings and other public infrastructure.

That is why we are making the following investments in 2005-2006:

- \$10.5 million as an initial investment to replace courthouses in Moncton and Saint John
- \$ 5.0 million for capital repairs and upgrades to government buildings
- \$1.9 million to rehabilitate concrete dams in the Musquash watershed
- \$1.1 million investment in tourism assets
- \$400,000 for the upgrading and maintenance of aboiteaux to help prevent flooding of farmlands and highways.

Transportation Infrastructure

Continued investment in our strategic infrastructure is key to our competitiveness.

Mr. Speaker, the capital budget for the Department of Transportation is \$242.1 million. Of this, \$235.1 million is provided for roads and highways.

In addition to the \$235.1 million, Mr. Speaker, there will be at least a further \$100 million in additional road construction activity for the Route 2 developer portion of the Trans Canada Highway. This represents a minimum 42.7 per cent increase in road construction activity over the current year.

Our \$235.1 million capital investment in transportation infrastructure will include:

- \$41.0 million for the new three year, \$125 million Rural Road Initiative which represents more than a 20 per cent increase over the current year spending level
- \$105.9 million to upgrade and rehabilitate our existing network of highways, bridges and ferries, including \$21.3 million for Routes 11 and 17
- \$ 63.4 million for the Trans Canada Highway
- \$12.1 million to begin work on urban bypasses
- \$12.7 million to improve border crossings at St. Stephen and Woodstock

Conclusion

Mr. Speaker, we have been working diligently since 1999 to establish fiscal stability and live within our means in order to get the fundamentals right for socio-economic development and growth. Our government has been pursuing a vision of greater economic success combined with greater social progress for all New Brunswickers.

The capital investments that I have outlined today show that the government has made clear choices and set priorities. We have targeted our financial resources, while being careful and fiscally responsible.

Mr. Speaker, this capital budget provides strong value for taxpayers and will make New Brunswick stronger for all.

Thank you, Mr. Speaker.