

Capital Estimates 2019-2020

Hon. Ernie L. Steeves

Minister of Finance

Province of New Brunswick

Mr. Speaker, in the speech from the throne, the Lieutenant-Governor outlined five priority areas our government would focus on during the current legislative session. Today, I am pleased to rise in the House to table the 2019-2020 Capital Estimates, which reflect these priorities with an emphasis on putting New Brunswick on the path towards establishing balanced sustainability for the province's finances.

Over the last decade, a large contributor to our fiscal situation was a level of capital spending by successive governments that is simply not sustainable. While this spending helped stabilize a weak economy coming out of a worldwide financial crisis, we have failed to curtail our infrastructure spending as the economy started to improve. This has been a large factor in the near doubling of our net debt.

Credit rating agencies and the financial community are increasingly voicing their concerns regarding the growth of net debt in New Brunswick. With net debt projected to surpass \$14 billion this year, the average New Brunswick household's share of net debt has surpassed \$40,000.

Left unchecked, continued growth in net debt will lead to rising debt servicing costs. This could be further exacerbated should New Brunswick face higher borrowing costs resulting from a downgrade in our credit rating. Coupled with a rising interest rate environment, the possibility exists that borrowing costs may take up an even larger share of the provincial budget.

Under these circumstances, it is our collective responsibility to act quickly to restore balance to our finances and to halt the growth in net debt.

In a recent commentary in the *Telegraph-Journal*, Donald Savoie highlighted the importance of working together and embracing fiscal discipline. He notes that facing these challenges transcends partisan politics, reminding us that Jean Chrétien, Roy Romanow, and Frank McKenna were all champions of fiscal discipline. Mr. Savoie also pointed out that they all knew that essential public services and good government are tied to fiscal stability.

With these considerations in mind, the 2019-2020 Capital Estimates are a step on the way towards achieving fiscal sustainability for our province. Heading into this year's budget process, departments were asked to prioritize their projects by considering what must be done, what could be deferred and what could be cancelled. During these deliberations, emphasis was put on focusing on priorities, recognizing needs over wants, achieving value for money, and delivering a capital budget the people of New Brunswick can afford.

I commend my Cabinet colleagues and officials in their respective departments for their efforts in support of this process.

Total capital spending for the upcoming fiscal year is projected to be \$600.6 million. Managing capital spending to this level is an important first step towards achieving sustainability in our finances. With the 2019-2020 Capital Estimates we are creating the conditions to not only slow the growth of net debt, but also to start reducing it.

Further details will be provided by my cabinet colleagues when they present their departmental estimates.

Building a world-class education system

Mr. Speaker, New Brunswickers expect that their children will attend a school that is safe and healthy. By effectively maintaining our educational assets, our teachers and educational support staff are better able to focus on working with our children to achieve educational outcomes in an environment that nurtures their talent and develops the skills needed to compete on a global basis.

The investments being made in our educational assets are focused on completing the construction of new schools, continuing mid-life upgrades, and ongoing maintenance at our schools. These investments were arrived at by taking an asset management approach with our schools. They are aligned with the current and future needs of our educational system and provide our students with benefits both today and well into the future. These investments also provide the added benefits of extending the useful lives of our schools and providing longer-term savings for our province.

Mr. Speaker, our government will invest a total of \$60.2 million in our K-12 infrastructure.

Making public health care accessible and dependable

Mr. Speaker, with an aging population, the demands on our health care system continue to rise. This makes it increasingly important to continue the important investments in projects currently underway if we are to maintain a quality and accessible health care system for New Brunswickers. Families expect no less. In 2019-2020 our government will invest \$123.8 million in our health care infrastructure.

Of this total, \$91.8 million will be for the continuation of renovations, additions and other improvements around the province, and the remaining \$32.0 million will be for capital improvements and equipment.

Energizing the private sector

Mr. Speaker, 10 years ago for every \$1 of capital expenditures made by the public sector, the private sector invested \$2.27. Today this has changed to a dollar of private capital expenditures for every dollar of public capital expenditures. Over the longer-term this cannot continue if we are to put our economy on a sustainable growth path.

One way we can energize the private sector is by demonstrating strong fiscal discipline and setting clear expectations of the role of government when it comes to public capital investment around the province.

A well-maintained system of roads and bridges also plays a critical role in the efficient functioning of our economy. However, adding to our transportation network simply increases the competition for money to maintain our portfolio of public infrastructure. Today's capital budget provides funding for transportation projects that are underway. However, the primary focus will be on maintaining the existing network of roads and bridges.

Mr. Speaker, today's capital budget will see \$321.1 million invested in our transportation assets around the province.

Recognizing the important role tourism plays in supporting economic activity in New Brunswick, an additional \$12.9 million will be invested to help maintain our physical and cultural infrastructure.

Multi-year capital plan

Mr. Speaker, today's budget establishes a sustainable financial path forward when it comes to effectively managing our public infrastructure. However, to truly achieve fiscal sustainability, we must take a longer-term view when considering our priorities. Included with today's capital budget is a multi-year capital plan that shows a path forward to a level of capital investment we can afford as a province.

By making these decisions today and outlining a plan that shows continued fiscal discipline, we are being transparent in identifying the necessary steps required to reduce our net debt and mitigate the risk of increased debt servicing costs during a period of rising interest rates.

This approach relies on applying asset management principles to our public infrastructure. In doing so, we will be focused on the ongoing maintenance of our existing capital stock. By effectively maintaining what we have, we will be better positioned to avoid higher repair and maintenance costs in the future.

This is why, for the first time, we are releasing a five-year capital plan that clearly shows to New Brunswickers, the private sector, and the financial community that government will continue to act in a financially responsible manner.

Conclusion

Mr. Speaker, over the last decade, successive governments have invested significantly in our public infrastructure. While this helped support the economy when it was struggling, it did not lead to long-term sustainable economic growth. By its very nature, a boost in infrastructure spending provides a temporary lift in economic activity and should be done strategically to provide support during an

economic downturn. However, this comes at a price that is often paid by future generations.

We have seen our net debt nearly double in 10 years, and our spending on capital infrastructure is a large contributor to this increase. If we continue to borrow to the extent we have over the last decade, interest costs will take an ever-increasing share of our budget. Our government would rather see these dollars spent on the delivery of front-line services rather than making interest payments to investors who do not live in New Brunswick.

By acting now and exercising fiscal discipline, we can avoid this outcome. In fact, the plan I have outlined today will help put New Brunswick on a path of sustainable finances and is an important step towards reducing net debt in the province sooner rather than later.

Future generations are counting on us.

Thank you, Mr. Speaker.

MULTI-YEAR INFRASTRUCTURE PLAN

Thousands

\$

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
	Budget	Plan	Plan	Plan	Plan
Department					
Agriculture, Aquaculture and Fisheries.....	1,000	1,000	700	600	600
Education and Early Childhood Development.....	60,242	57,784	55,308	57,700	58,000
Energy and Resource Development.....	6,575	6,275	850	850	850
Environment and Local Government.....	1,000	1,000	1,000	1,000	1,000
Health.....	123,760	115,431	101,449	111,287	111,000
Legislative Assembly.....	50	50	50	50	50
Post-Secondary Education, Training and Labour.....	6,100	6,100	6,100	6,100	6,100
Public Safety.....	375	-	-	-	-
Regional Development Corporation.....	47,800	40,000	42,500	38,500	30,000
Service New Brunswick.....	7,614	1,920	-	-	-
Social Development.....	12,000	12,000	12,000	15,000	15,000
Tourism, Heritage and Culture.....	12,945	10,625	12,000	4,600	4,000
Transportation and Infrastructure.....	321,135	347,780	366,908	363,080	370,000
Total - Capital Expenditures.....	600,596	599,965	598,865	598,767	596,600

