

2006-2007 CAPITAL BUDGET
Hon. Jeannot Volpé, Minister of Finance
December 20, 2005

Introduction

Mr. Speaker, it is my honor and privilege to stand in the House today to present to New Brunswickers the Capital Budget for 2006-2007. This capital budget is dedicated to our continuing work to build and preserve a prosperous and united New Brunswick by pursuing greater economic success combined with greater social progress for all people and all regions of the province.

This has been the purpose of our government from the day we were first elected in June 1999. This purpose reflects our dedication to building a stronger and more prosperous province, a New Brunswick where all people and all regions can share in that prosperity and enjoy a better quality of life.

Mr. Speaker, the initiatives contained in this Capital Budget build on our record of building and promoting economic success, building and preserving social progress and building and providing even more effective government for people, communities and the future of our province.

Mr. Speaker, over the last six years we have set new records in jobs, new records in investments in health and senior care, new records in investments in our schools and universities, and new records in road and highway construction.

The investments contained in this year's Capital Budget are the continuation of the platform we laid out in *Reaching Higher. Going Further*. They are new investments that support Greater Opportunity: New Brunswick's Prosperity Plan. They are the next investments in implementing our health plan, *Healthy Futures*, and in improving our education system through our Quality Learning Agenda.

Mr. Speaker, these new investments are helping us make progress in real, specific ways by creating more jobs, improving educational outcomes, recruiting more doctors and nurses, strengthening the province's finances, lowering taxes, and so much more.

And we won't stop there. We want and will do more.

But before I go into the details of the capital budget, I would like to provide New Brunswickers with a fiscal and economic update.

Financial Results 2004-2005

Mr. Speaker, the 2004-2005 audited financial statements reaffirmed our commitment to sound fiscal management and balanced budgets, with a surplus of \$242.2 million.

The audited statements also show that the province's net debt has been reduced by \$131.5 million in 2004-2005 for a cumulative reduction in net debt of \$212.9 million over the last five years.

The net debt-to-GDP ratio has decreased steadily over the same period. In fact, our net debt-to-GDP ratio has declined from 37.0 per cent in 1999-2000 to 29.3 percent for the year ended March 31, 2005, a reduction of 7.7 percentage points. Mr. Speaker, we expect this reduction to continue.

Our overall sound financial management has been recognized by the credit rating agencies, and we continue to have the best credit rating east of Ontario.

Moody's Investors Service, in its latest annual report on New Brunswick, points to the fiscal discipline and the long-term improvement of the debt ratio as the basis for confirming the Province's Aa3 credit rating with a stable outlook.

Moody's said and I quote: "The Province of New Brunswick's Aa3 debt rating is based on its prudent exercise of fiscal control over an extended period, as reflected in steady progress in reducing key debt ratios."

Earlier this summer, both Dominion Bond Rating Service and Standard & Poor's confirmed the Province's ratings at A (high) and AA- respectively. Let me quote you, Mr. Speaker, what DBRS had to say about us: "DBRS has confirmed the short-term and long-term ratings of the Province of New Brunswick. The confirmation reflects sound fiscal results and a prudent budget for 2005-06. As well, the Province's fiscal position remains supported by ongoing efforts to contain costs and a downward trend in the debt-to-GDP ratio."

It is always encouraging to see that outside independent sources, like credit rating agencies, recognize our efforts to improve our financial health and fiscal sustainability.

Economic and Fiscal Update 2005-2006

I would like to take this opportunity to provide an economic and fiscal update for 2005-2006.

The 2005-2006 Budget projected growth of 2.1 per cent for the New Brunswick economy in 2005. This was a prudent forecast - below the average of private sector forecasters. Domestic and external demand for many natural resource commodities was expected to soften, in part due to the anticipated impact of a stronger Canadian dollar.

Mr. Speaker, the New Brunswick economy remains on track with the budget projection of 2.1 per cent economic growth. Our forecast remains below the level of growth currently anticipated by the private sector. Increased personal consumption and stronger-than-anticipated residential investment have helped to offset weaknesses related to the manufacturing sector, which includes the pulp and paper industry.

Retail trade is showing its strongest performance since 1999. Non-residential construction, residential investment and government capital spending are all contributing to increased capital spending. This has served to mitigate the impact of job losses in the manufacturing sector, which is constraining employment growth and will temper personal income growth in 2005. Despite this, the province's unemployment rate is expected to remain below 10 per cent for the second consecutive year. Since June 1999, 28,300 net new jobs have been created.

Our economy continues to hold its own, reinforcing that our prosperity plan is indeed working. We are looking to build on our performance to date in order to make our province more competitive and more diversified.

Mr. Speaker, I am also pleased to announce that we are still on track for a balanced budget. The 2005-2006 Budget projected a surplus of \$98.9 million and a reduction in net debt of \$4 million.

We will continue to work towards delivering balanced budgets and that is why we recently introduced our new *Fiscal Responsibility and Balanced Budget Act*. This legislation will provide more transparency and accountability in government finances.

With this act, Mr. Speaker, New Brunswickers can be assured that the province's finances will continue to be managed wisely in the years to come.

Overall, revenues remain on target with budget. We are anticipating higher revenues from personal income taxes based on preliminary information in regards to the 2004 taxation year, which would have positive impacts on both prior-year adjustments and in-year payments. This will help offset possible negative adjustments in other revenue sources.

In regards to spending, Mr. Speaker, we are also on target overall when compared to budget. Spending pressures in a number of departments such as Health and Wellness, Public Safety, Business New Brunswick, Education, Natural Resources, Justice and the Energy Efficiency and Conservation Agency of New Brunswick are being offset by savings in General Government, Service of the Debt and capital spending. I am proud to say that we will be able to deliver on our government's ongoing commitment to invest more in health and senior care, in education, in jobs, and in highways and rural roads.

Capital Budget 2006-2007

Mr. Speaker, this Capital Budget contains a number of new and exciting initiatives. These initiatives will create new job opportunities in the major sectors of our economy in order to make these sectors stronger and more competitive.

Mr. Speaker, I am pleased to inform the House that the gross capital budget for 2006-2007 will be \$436.7 million, an increase of \$26.1 million, or 6.4 per cent, over 2005-06 revised spending.

This year's Capital Budget focuses on three clear objectives:

First, invest in priorities. Mr. Speaker, this capital budget continues Government's record of making significant investments in New Brunswickers' top priorities of health and education.

Second, invest in job creation. Mr. Speaker, this capital budget provides more capital investment for our highways and our rural roads.

And third, this capital budget reaffirms our commitment to sound fiscal management and balanced budgets.

As always with a Capital Budget, individual ministers will provide the departmental details.

Health care

Mr. Speaker, since 1999, our government has been focused on meeting the priorities of New Brunswickers. That is why we have worked hard to sustain and renew our province's health system to ensure stable and growing funding to support our health care services, to recruit and retain more doctors, nurses and other health professionals, and to involve communities in determining the future of their health system.

This government has a vision of a single, integrated provincial health care system that is patient-focused and community-based, providing health services in the official language of choice at a cost New Brunswickers can afford.

This is why, Mr. Speaker, I am pleased to announce today that we are making a \$90.8 million capital investment in health care for 2006-2007. Some investments include:

- \$13.7 million for capital equipment, which includes diagnostic and medical equipment funding.
- \$72.7 million for capital construction, including:
 - work on the new Upper Saint John River Valley hospital ;
 - work on a new Ambulatory Care, Laboratory and Emergency Department addition at The Moncton Hospital;
 - Completion of a surgical services addition at the Bathurst Regional Hospital;
 - work on the Dumont Hospital and the Saint John Regional Hospitals to accommodate the addition of PET/CT scanners; and
 - work on the Dumont Hospital to facilitate the training of New Brunswick students enrolled in the 4-year medical program at the Université de Sherbrooke.

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

A number of projects are well advanced and within a year or so New Brunswickers will see the completion of projects throughout the province such as Fredericton, Moncton, Saint John, Upper Saint John River Valley and Bathurst.

Education

Mr. Speaker, investing in education and children is really investing in our future prosperity. A quality education is essential for success in the global economy we live and work in today. That is why our government has worked to foster an education and training system for New Brunswick 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 and teaching assistants, better equipment, more school supplies and healthier schools.

I am pleased to announce that today's capital budget is the largest capital investment in New Brunswick's education system in almost 20 years. Spending on education will increase by \$10.0 million or 21 per cent to \$58 million – the highest level of capital investment per student ever.

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

The Minister of Education will have more details, but the \$58.0 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, with the \$3.5 million investment in 2006-2007, our government will have invested \$14 million in improvements to our Community College network since 2000-2001.

Municipal Infrastructure

Mr. Speaker, building strategic infrastructure is one of the building block of Greater Opportunity Prosperity Plan. Under this building block, we are making strategic infrastructure choices to ensure we make smart investments that strengthen our competitiveness, enhance public health and safety, and improve quality of life for New Brunswickers.

Mr. Speaker, communities are the heart of our province and the heart of our democratic society. We believe that strong communities and strong regions are central to our Prosperity Plan.

Choosing and investing in the right kind of infrastructure for communities is central to making New Brunswick more competitive. This year's Capital Budget continues our commitment to build stronger, healthier and more competitive communities.

Mr. Speaker, we will invest \$16.7 million in 2006-2007, a \$2.9 million or 21 per cent increase over 2005-2006 revised spending.

Capital investments include:

- \$11.8 million under the Canada - New Brunswick Municipal Rural Infrastructure Fund which will provide funding to improve municipal infrastructure, with a focus on ensuring safe drinking water and more effective waste management systems;
- \$3.6 million under the Provincial Gas Tax Transfer Top-Up Fund which will provide funding for infrastructure improvements in municipalities and unincorporated areas across the Province;
- \$400,000 under the Clean Water Control Grant program to help defray costs related to water and wastewater projects; and
- \$930,000 for Local Service Districts for the purchase of emergency equipment and the maintenance of fire halls and recreation facilities.

Safety and Security

Mr. Speaker, we believe that government has a role in building strategic infrastructure to improve our ability to provide important public services essential to our quality of life. By investing in strategic infrastructure, we are better able to provide New Brunswickers with the front line programs and services they need and want.

That is why we are making investments of \$20.5 million in 2006-2007 a \$5.4 million or 36 per cent increase over 2005-2006 revised spending:

- \$12 million as part of a multi-year investment to replace courthouses in Moncton and Saint John;
- \$4.8 million for capital repairs and upgrades to government-owned buildings
- \$1.6 million to rehabilitate concrete dams in the Musquash watershed
- \$1.2 million investment in tourism assets
- \$0.5 million as an initial investment to begin planning for the replacement of the Moncton Detention Centre; and
- \$0.4 million for the upgrading and maintenance of aboiteaux to help prevent flooding of farmlands and highways.

Transportation Infrastructure

Mr. Speaker, nowhere in Canada is the transportation infrastructure more important than right here in New Brunswick. New Brunswick's strategic geographic position, as an east-west gateway to and from Atlantic Canada and a north-south trade corridor to and from the United States, makes strategic infrastructure critical to our competitiveness.

As Canada's most export-dependent province, our economy depends upon strategic transportation infrastructure to get goods, services and people to market.

This is why Mr. Speaker, the capital budget for the Department of Transportation is \$242.8 million, a 4.5 per cent increase over 2005-2006 revised spending. Of this, \$235.8 million is provided for roads and highways.

In addition to the \$235.8 million, Mr. Speaker, there will be at least a further \$250 million in additional road construction activity in 2006-2007 for the Route 2 developer-built portion of the Trans Canada Highway.

Mr. Speaker, I am pleased to announce that 2006-2007 will see the highest level of road construction in New Brunswick history.

Rural roads represent over 85 per cent of the 18,000 kilometres of highways in New Brunswick. They are a vital component of the province's transportation infrastructure and they ensure the continued development and sustainability of our rural regions. I am proud to announce today that our \$235.8 million capital investment in transportation infrastructure will include \$42.0 million for the second year of our three-year, \$125 million Rural Road Initiative.

Other investments in transportation infrastructure will include:

- \$107.6 million to upgrade and rehabilitate our existing network of highways, bridges and ferries, including \$21.0 million for Routes 11 and 17
- \$47.7 million for the Trans Canada Highway
- \$4.6 million to continue work on urban bypasses
- \$33.9 million to improve border crossings at St. Stephen and Woodstock

Mr. Speaker, these investments in our transportation infrastructure are essential as we continue to build a safer and more efficient transportation network, one that will benefit all New Brunswickers.

Conclusion

Mr. Speaker, these new investments contained in this year's Capital Budget are the continuation of the implementation of *Reaching Higher. Going Further*. They are new investments as we continue to meet the goals and objectives of Greater Opportunity. They are the next steps in implementing our health plan, *Healthy Futures*, and in improving our education system through our Quality Learning Agenda.

These new investments will help us to achieve our objective as a government, which is to build and preserve a prosperous and united New Brunswick by pursuing greater economic success combined with greater social progress for all people and all regions of the province.

And, Mr. Speaker, this Capital budget keeps New Brunswick moving forward, building new opportunity and new prosperity for people and, communities in all regions of the province. It invests not just in today, but for the future.

Thank you, Mr. Speaker.