

Prince Edward Island

2003 Budget

Fiscal Responsibility in the New Millennium

**Presented to
The Members of the Legislative Assembly of Prince Edward Island**

by

Honourable Patricia J. Mella

**Provincial Treasurer
and
Chair of Treasury Board**

April 10, 2003

The full text of the Budget Address, Estimates of Revenue and Expenditure and supporting schedules for 2003-2004 and previous years are available from the Province of Prince Edward Island's website:

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PRINCE EDWARD ISLAND 2003 BUDGET

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THE BUDGET ADDRESS

Fiscal Responsibility in the New Millennium

Madam Speaker, Members of the Legislative Assembly,

We have prepared this Budget while the world is dominated by the events taking place in the Middle East. The progress of the Iraq War is adding immensely to the global uncertainties that make economic forecasting and budgeting difficult.

Madam Speaker, these are very turbulent times, and I am pleased to report that Prince Edward Island has been able to achieve significant progress notwithstanding the global situation.

The Province has come through the events of the past three years in very good shape, when one considers all that has happened. In 2000 the Province had to deal with the problem of the potato embargo by the United States from the isolated case of potato wart. This was followed by the drought in 2001 which devastated our potato crop. At the same time financial markets in North America were hammered by the collapse of the technology sector and the accounting scandals. Toward the close of 2001, we witnessed the terrorist attacks in the United States and the devastation arising from the collapse of the New York World Trade Center towers, whose images still haunt us all. And now it is the situation in Iraq, whose final outcome has yet to be determined.

Madam Speaker, these are not ordinary times.



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It may be recalled that a year ago the Province anticipated a difficult budget year in 2002, primarily due to a predicted sharp drop in our federal support. In fact Equalization, our largest single revenue source, performed far worse than had been forecast. Notwithstanding the severity of the financial position we faced last year, I can announce that the Province's fiscal performance exceeded our expectations.

The legacy of responsible fiscal management is clearly paying off for Prince Edward Island and we are able to weather the economic and fiscal volatility that characterize the start of the new Millennium. Only a few years ago a downturn in federal support of the scale that occurred in 2002 would have triggered panic in this province.

Madam Speaker, this Government found no reason to resort to the kind of extreme measures followed by the previous administrations when such adversity strikes. The Province is now well placed to take advantage of the opportunities that the new economic age brings and it is this economic vitality that underlies the resilience of the Province.

Our financial position for 2002-2003 is better than we had budgeted a year ago and our economic performance in 2002 was much stronger than any had expected.

Madam Speaker, the Budget for 2003-2004 is, as we had promised, a consolidated budget. This budget also contains new money for improved programs, targeted tax reductions and a bottom line basically in balance.

Accountability is a cornerstone of good government. It is important to note that the books of this Province show an accurate and complete description of expenditures and revenues.

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Madam Speaker, it is evident that the trusteeship of the Province's economy and finances by this administration is one of the keys to the Province's success. It is my privilege to be part of the team that has been able to ensure that our strategy of being fiscally and economically responsible has paid off.

I would like to take this opportunity to thank all my colleagues who have participated in the making of this Budget.

Public Input

Madam Speaker, I noted a year ago that many aspects of our Provincial Budget are subject to the policies and complexities of federal programming. Prior to this Budget I decided that we would extend our public consultations and take the opportunity to explain more fully the environment within which we must operate as a Canadian province. We therefore held public meetings in various locations within the Province to both explain our financial situation and hear the views of Islanders.

We were very pleased with the response of the public to these meetings. In addition, we invited groups or individuals to talk to us in private if they so chose.

These meetings were very useful to us in shaping this Budget.

I am always encouraged by the interest shown by Islanders in the finances of the Province. We, the elected officials, are essentially the managers of the Province. It is the people of the Province who are essentially its owners and we must not forget this. I believe Islanders expect us to be fiscally responsible in all that we do. It is the taxpayers' dollars that are at stake and it is incumbent on us to use these hard earned dollars to foster the development of this province, economically and socially, and with respect to the environment.

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I would like to thank all those who offered their advice and who took the time to come to the various venues to discuss the Budget. I encourage all Islanders to participate in this undertaking in the coming years.

Economic and Fiscal Performance

Madam Speaker, it may be recalled that a year ago the Provincial Budget was titled “A Balanced Response to Difficult Times”. At that time we were aware that the United States economy had suffered a major slowdown in 2001 and that growth of the Canadian economy had been weak. At that time the Bank of Canada and the Federal Government were expecting a modest economic recovery in 2002, becoming progressively stronger through the year. The outlook was for Canadian growth of only 1.5% in 2002. But the uncertainties surrounding the Afghanistan situation, the prevailing pessimism in financial markets and the lack of business confidence globally made any prediction highly risky.

It may also be recalled that the monetary authorities responded to this weakness by lowering interest rates to extremely low levels. By November 2001 the United States Federal Funds rate was at 1.75%, where it remained until November 2002, when it was further lowered to 1.25%.

The United States economy expanded by only 2.4% in 2002. By contrast, the Canadian economy experienced a massive expansion in the first half of 2002, largely in response to the interest rate cuts. Overall, the Canadian economy grew by 3.4% in 2002 according to initial estimates by Statistics Canada, but growth in the fourth quarter slowed to 1.6%.

“... the prevailing pessimism in financial markets and the lack of business confidence globally made any prediction highly risky.”

Madam Speaker, I am pleased to be able to announce that this Province's economic growth effectively matched that of Canada in 2002, at 3.3%. This was substantially better than had been expected at Budget time a year ago and is reflected in much improved revenue performance from our own source revenues. It reflects the resilience of the Island economy.

Madam Speaker, 2002 was a year for the record books.

Employment in 2002 measured 67,100 persons, an all-time high for the Province.

The value of manufactured goods produced on Prince Edward Island valued \$1.3 billion, another all-time high.

The value of farm cash receipts was approximately \$370 million, an all-time record.

Tourists spent a record \$353 million on Prince Edward Island in 2002.

International exports of Island products amounted to \$679 million, which was another record.

Housing starts jumped by 15% in 2002, the largest increase in 13 years.

Retail sales measured a record \$1.3 billion, stimulated by an 8.7% increase in new motor vehicle sales.

Finally, lobster landings were valued at \$105 million, another all-time record.

Madam Speaker, the evidence is there for all to see. The Prince Edward Island economy is strong and has done very well despite the uncertainties that beset the world economy.

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One can find more details on the economy in Budget Paper A in this address, which further documents this record breaking year.

This strong economic performance resulted in tax revenues performing well. Provincial sales tax revenues were up by \$6.9 million, an increase of 4.3% from the previous year. Personal income tax revenues exceeded projections by \$8 million. In total, own source revenues were \$16.7 million above budget.

Madam Speaker, while this is good news for the provincial finances in 2002, Equalization was a serious problem.

Equalization, our largest revenue, was budgeted to be \$255 million in 2002-2003, down by \$27 million from the previous year. It was largely because of this expected fall in revenue that we introduced the Workforce Adjustment Program, reduced programming in some areas and implemented significant reductions in the capital budget. These measures were undertaken to reduce current costs and contain costs for the future. The Workforce Adjustment Program was successful in meeting its target and resulted in departments working more closely and cooperatively.

However, Equalization for 2002-2003 was under budget by \$16 million which was \$43 million less than the previous year and at its lowest level since 1997-1998.

One can therefore understand the importance that our own economic performance played in sustaining the Provincial Government's finances in 2002-2003.

Under these circumstances, Madam Speaker, I am pleased to announce that in 2002-2003, with full consolidation of our accounts, the Province ran a deficit of only \$8 million. This compares to the original Budget deficit under full consolidation of \$12.7 million.

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“... in 2002-2003, with full consolidation of our accounts, the Province ran a deficit of only \$8 million.”

Further, the Operating Fund Surplus before expenditures on capital achieved a surplus of \$10.9 million. The overall result, after consolidating government entities, indicates that for all practical purposes we effectively balanced the 2002-2003 Budget.

Interest charges on the debt were reduced from \$107 million in 2001-2002 to \$101 million in 2002-2003. I might remind my colleagues that by comparison, interest charges on the debt were a staggering \$120 million in 1995-96.

Madam Speaker, included in this Address is a full description of the accounting and budgetary policy changes, in Budget Paper C.

Fiscal Issues

Madam Speaker, it is evident that the Equalization program remains a serious problem for the Province. It is easily our largest revenue source, it is very volatile, and it is very difficult to predict. Frankly, it makes Budgeting on Prince Edward Island a nightmare.

I must emphasize that this Government, including the Premier, myself and my staff have invested a great deal of our energies in pressing the Federal Government at all levels to strengthen and improve the program so that it meets its constitutional commitment. This year is crucial because the present formula that determines the entitlements expires March 31, 2004. This year provides our last opportunity to advocate changes to improve its operation for the coming five years. But it must be borne in mind that the final say on whether these are acted upon remains with the federal Minister of Finance. We can submit proposals to the Finance Minister and his staff but cannot force him to accept them.

“Madam Speaker, it is evident that the Equalization program remains a serious problem for the Province.”

Madam Speaker, I am pleased to say that we have achieved some success already. The ceiling that was imposed on Equalization in 1982 will be permanently removed. This was announced by the Prime Minister on February 5, 2003 at the time of the First Ministers' Health discussions. In 2001, I had made personal interventions to the House of Commons Finance Committee and the Senate Finance Committee concerning the need to eliminate this ceiling. It appears that these submissions produced the desired result and we appreciate this change.

Serious discussions are now underway between federal and provincial officials on changing the program to make it more predictable and more stable. Professionals in this area now acknowledge that the data requirements of the present formula are such that it has become effectively unpredictable. I know that my own officials are deeply involved in these discussions and we wish them success in producing a formula that is both predictable and stable for 2004-2005 and the future.

Madam Speaker, we are also advocating that the formula be strengthened by raising the bar to a national, ten-province standard, and by improving revenue coverage.

A return to the ten-province standard, which existed prior to 1982, would cause a significant enhancement in provincial entitlements. This would raise our revenue by some \$25 million per year. It is our view that this is needed to reduce the growing disparities that are developing between poorer and richer provinces.

Madam Speaker, discussions concerning health care dominated federal provincial meetings this winter. The First Ministers met February 4 and 5 this year and produced the so called "Health Accord". Its terms were essentially dictated to Premiers by the Prime Minister and are nationally regarded as inadequate. Prince Edward Island does not acknowledge that an agreement was actually reached, regarding it as more of an arrangement.

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The federal commitment is substantially less than that recommended by the Romanow Report.

Under the Health arrangement, the Federal Government will provide an additional \$4.3 billion to provinces in the next five years as support for the Canada Health and Social Transfer. Thus, the overall CHST contribution to Prince Edward Island is now budgeted at \$104.7 million, compared to approximately \$94 million last year.

Madam Speaker, in addition to the CHST supplement, the Health arrangement includes \$1 billion for Health Reform in 2003-2004, and \$500 million for Diagnostic and Medical Equipment. These transfers are conditional on provinces applying them to specific program areas to enhance health services. They total \$6.6 million for Prince Edward Island in 2003-2004.

Details of the Health transfers and Equalization can be found in Budget paper B in this address.

Economic and Fiscal Outlook

Madam Speaker, the prevailing economic situation plays a critical part in the development of the Budget. Inflation rates impact on all our costs of doing business, interest rates impact our borrowing costs, the performance of the national economy effects Equalization revenues, and our local economy directly impacts on how well our taxes perform.

It is our perspective that the Canadian economy is likely to grow at a substantially slower pace in 2003 than occurred in 2002. The Bank of Canada has been increasing interest rates for some time and the Governor has recently indicated that this might well continue. Furthermore, increasing inflation has become a factor, pushing up costs, largely in reaction to the sharp increase in energy costs that we are enduring. After several years of stable prices, the Consumer Price Index increased by 4.3% in the last

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three months. The War in Iraq adds uncertainty to the global economic outlook.

Madam Speaker, in view of these uncertainties in the economy, I am sure this House would agree that it would be prudent to err on the side of caution in developing this Budget.

We estimate that the provincial economy will continue to grow in 2003, but at a reduced rate of 2%, compared to the 3.3% in 2002. Personal incomes will expand in 2003 in the order of 3.6% whereas in 2002 they increased by an estimated 5%. We foresee that our industrial performance will be broadly based. I might add, Madam Speaker, that while we have built prudence into the forecast, we could still be surprised by a possible serious deterioration in the global situation in the coming year. Naturally, there is also the prospect of a quick resolution to the Middle East conflict and much improved economic conditions generally.

Madam Speaker, the 2003-2004 Budget provides for a surplus on the Operating Account before capital of \$10.3 million. After changes in accounting and budgetary policy, the total Consolidated Balance is expected to show a deficit of \$11.4 million which compares to the \$12.7 million budget deficit in 2002-2003. In light of overall operating expenditures of some \$1 billion, this by any measure is effectively a balanced situation.

Revenues in 2003-2004 are significantly impacted by an anticipated recovery in the Equalization entitlements and improved federal transfers for Health Care. However, Equalization revenue, at \$270 million is still expected to be below that experienced in recent years.

The increase in the Canada Health and Social Transfer in 2003-2004 is \$11 million, as described.

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Madam Speaker, we have built a contingency into the federal transfers for the likely impact of the population revisions that are anticipated later in 2003, as a result of the 2001 Census. These contingencies amount to \$17.5 million.

Own source revenues are expected to increase, but at a slower pace than in 2002-2003, reflecting the slower pace of economic expansion.

Program spending is budgeted at \$911.8 million in 2003-2004, compared to \$870.7 million in the forecast for 2002-2003, an increase of 4.7%. Health and Social Services will receive 45% of the total program expenditures.

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Revenue Measures

Madam Speaker, our government is committed to sustaining provincial services to Islanders and at the same time addressing specific needs, by providing targeted tax relief.

First, we will assist the disabled by providing an increase to the disability credit for income tax purposes from \$4,400 to \$5,400, commencing in the tax year 2003. This will provide financial assistance to some 3,000 taxpayers and their families on Prince Edward Island.

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Second, the Province's teachers will be able to receive consideration for expenses incurred in purchasing specified school supplies with their own money. A provincial tax credit will be calculated on allowable expenditures of \$500 in any given year. This will also be effective in the 2003 tax year, once suitable administrative arrangements have been developed.

Third, the Provincial portion of property tax on non commercial facilities owned and operated by the Royal Canadian Legions across Prince Edward Island, will be eliminated in 2003.

Also, the non-commercial provincial property tax will be removed in 2003 for the 43 ports across Prince Edward Island.

Finally, the purchase of liquid asphalt by Municipalities will be exempt from provincial sales tax once legislation is changed in this session of the Legislature.

Madam Speaker, the Province of Prince Edward Island continues to be concerned over the level of smoking that is prevalent today, especially among its young. We passed legislation in the Fall session that bans smoking from public places.

Our neighbours in Nova Scotia, Newfoundland and New Brunswick presently levy provincial taxes on cigarettes and tobacco products that are considerably higher than those on Prince Edward Island. In keeping with our efforts to lower smoking on the Island I will be raising the provincial Health Tax on Tobacco by \$7 per carton of 200 cigarettes, effective at midnight tonight. Taxes on other tobacco products will be raised proportionately.

“...I will be raising the provincial Health Tax on Tobacco by \$7 per carton of 200 cigarettes, effective at midnight tonight.”

Initiatives in 2003-2004

Madam Speaker, in addition to these tax changes, we will be implementing a number of new initiatives which reflect the priorities of our government.

Health Care

The Department of Health and Social Services has a Budget of \$412.1 million in the coming year and will receive \$20 million of the \$52 million increase in overall level of Program spending scheduled for 2003-2004. Health care is clearly our largest expenditure priority. This budget contains \$6.2 million in new health and social service initiatives including \$1.7 million for medical and long term health care equipment and early childhood development initiatives of \$400,000.

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Madam Speaker we are pleased to announce again this year an increase of 3% to financial rates, effective April 1, 2003, for Social Assistance recipients.

A new Seniors Home Repair Program will receive \$200,000 to assist low income seniors with essential repair costs. Moreover, we will provide funding for the PEI Senior Citizens Federation to hire a full-time coordinator to assist more than 45 seniors clubs across Prince Edward Island.

Madam Speaker, the Prince County Hospital is now nearing completion and will be ready to go into operation later this year. Included in this Budget is \$6.5 million for the completion of the facility and \$2.5 million for the start up and operational costs.

The Magnetic Resonance Imaging service will become available at the QEH this summer, along with an enhancement to the Cancer Treatment Centre to include a Linear Accelerator. The overall capital cost of these services is \$12 million, including \$800,000 for capital equipment and \$2.8 million for operational costs in this budget.

The additional ten-bed unit at the Community Hospital in O'Leary is well underway and will also be completed this year.

Madam Speaker, the most important resource in Health and Social Services is its staff. There are now over 3,800 full time equivalent positions on the Island. Over \$239 million, or 58% of expenditures in health are allocated to employee and physician costs, up 8.6% from 2002-2003.

We are grateful, Madam Speaker, to the men and women who continue to provide first class health care to Islanders.

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“The Magnetic Resonance Imaging service will become available at the QEH this summer...”

Education

Madam Speaker, the future of Prince Edward Island is intrinsically tied to education. We cannot progress without an educated and informed population, and a proficient and productive work force. Information released in the recent Census demonstrated major gains in educational attainment over the past decade. On Prince Edward Island the working population with greater than high school education increased by 32% from 1991 to 2001.

The November Speech from the Throne stated that it was time for the spotlight to shine on learning. The education budget has increased \$16.2 million and this is the single largest education budget increase in the Province's history.

Our post-secondary institutions, the University of Prince Edward Island and Holland College, will each receive an additional \$1 million in 2003-2004. The extra money allocated to UPEI is meant to address the financial pressures the university faces with respect to tuition increases and so forth. Of the \$1 million increase to this year's Holland College budget, \$120,000 will be earmarked for enhancement to the college's resources in the areas of trades training. The Province's contribution to the Atlantic Veterinary College will increase this year by \$500,000.

Our community-based publicly-funded kindergarten now serves 1,605 children, comprising 98% of the eligible population. This budget provides additional funding directed to kindergartens to increase the wages of certified instructors.

Government has approved in principle a new model for the allocation of teaching staff to Island schools. This model, developed in consultation with the public and our education partners, will be phased in over a six-year period and will result in more teachers for Island classrooms. Island students are our future and therefore Government continues to invest in measures

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that will improve the learning outcomes for our students.

To enable Island students to acquire a solid foundation to succeed in the emerging economy, we are committing \$1.2 million over three years for the implementation of a new science curriculum at all grade levels in Island schools.

The Province will also invest an additional \$150,000 in support of English and French early literacy programs.

Our Government recognizes the importance of higher education and the commitment of those young Islanders who are improving themselves and their communities. To that end, I am pleased to announce that we are raising the student loan limit from \$9,300 to \$11,200, an increase of 20%. In addition, we are increasing the student in-study income from the present exemption of \$600 to \$1,700.

L'an dernier, nous avons officiellement ouvert le nouveau centre scolaire et communautaire francophone pour Summerside-Miscouche (École-sur-Mer et Centre Belle-Alliance). We officially opened the new Francophone School and community centre (École sur-Mer and Le Centre Belle-Alliance) in Summerside-Miscouche last year. Additions and renovations were completed at Parkdale Elementary School, Miscouche Consolidated School, and Kinkora Regional High School, worth \$7 million in total. We invested \$1.8 million in major repair work at 28 Island schools.

Madam Speaker, I am pleased to announce that Phase II of the promised capital construction at Bluefield High School and Summerside Intermediate School will begin in this fiscal year. These projects will cost more than \$6 million in this fiscal year and will fulfill a longstanding commitment Government has made to these school communities.

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Our largest expense in Education is to provide for the salaries of the Island's 2,333 full-time teaching and other staff. In 2003-2004 an additional \$7.3 million of the Education budget is allocated to salary increases. An essential component of education is our teachers to whom we owe a debt of gratitude and our sincere thanks.

Economic Development

Madam Speaker, it would be impossible for me to detail all the initiatives by this Government in economic development. I would emphasize that the economic success of Prince Edward Island is something we should all be very proud of and it is something we have, perhaps, been slow to acknowledge.

All the indicators concerning our progress are positive, our living standard is rising and our economic self sufficiency is increasing.

Honeywell Inc., an international engineering and aerospace company, is expanding its Slemon Park Facility. The Food Technology Centre will be completing a 5,000 square foot expansion. In keeping with our Government's commitment to alternate sources of energy, the North Cape Wind Farm is being used as a test bed for new, larger windmills. Food Technology Centre scientists are working with the PEI Energy Corporation on alternative energy projects, such as using ethanol from barley to add to gasoline, and reduce emissions.

The Atlantic Technology Centre is now open and the Province is supporting three rural technology centres across the Province. The ATC is a first class facility in the high-tech world of computers, information technology and media production. Master Packaging is expanding its Borden-Carleton plant and will be employing 70 more Islanders. Helipro Airframe is completing renovations for its Slemon Park facility and MDS Prad is establishing a new plant on Prince Edward Island to treat compressor blades of gas turbine engines. All these new

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developments are creating jobs and wealth on Prince Edward Island.

The Development and Technology Department will be spending an additional \$500,000 in Community Development.

Madam Speaker, we were pleased to hear in the Federal Budget that a new National Research Council facility would be developed here, something we have supported for many years. Government has committed \$500,000 to a new crown corporation for research and innovation to work with the new NRC facility, UPEI and others to create a bio-tech cluster of industries to add to the economy of Prince Edward Island.

The shell fishing industry has developed into a major sector on the Island. In the Budget, additional resources are committed to help the industry manage invasive species such as clubbed tunicate and oyster thief. Madam Speaker, as you are aware, our drinking water is of paramount importance to the people of our province. This Budget will continue to strengthen the Drinking Water Strategy to emphasize the importance we place on this vital resource. An additional \$343,500 is provided for work on groundwater and surface water management.

The farming sector continues to be the mainstay of the provincial economy. The export of agricultural products in both raw and processed form dominates the Island's international earnings. We are committing \$500,000 in 2003-2004 to the Future Farmer Program which provides interest relief on loans to new farmers purchasing or developing a farm unit. The National Green Cover Program will be supplemented in 2003-2004 by the provision of \$250,000 toward the conversion of sensitive lands to alternative sustainable production called agroforestry.

“Government has committed \$500,000 to a new crown corporation for research and innovation...”

“An additional \$343,500 is provided for work on groundwater and surface water management.”

Madam Speaker, as well, we are committing \$442,500 to the Forest Environment Program. This encompasses a number of programs by engaging Islanders in tree planting and other activities to promote the environmental benefits of forests.

Tourism has enjoyed unparalleled expansion since the opening of the Confederation Bridge. In the 2003-2004 Budget the Province is committing \$17.6 million to Tourism PEI. The department intends to undertake several new marketing initiatives in the coming year. A new Internet tool will be developed to allow visitors to plan personalized vacation itineraries called “*Explore PEI*”. In addition, \$1.4 million is being committed to upgrading several Provincial Parks and Visitor Information Centres.

Community Development

Madam Speaker, additional funds will be provided to support improvements in the delivery of family law services and access to justice for families involved in the family law system.

Madam Speaker, Team PEI returned from the Canada Winter Games this year after achieving the best showing ever. Our team brought back eight medals from Bathurst-Campbellton. In addition they were honored with the Jack Pelech Award for best sportsmanship, and Amanda Bulman received the prestigious President’s Pin for assisting an injured cross country skier. Madam Speaker, on behalf of Government, I want to congratulate all who participated in the Games.

The marvelous showing of the Suzanne Gaudet rink at the recent Scott Tournament of Hearts also testifies to our young Islanders’ achievements across Canada. We are very proud of you all.

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In 2003-2004 the Department of Community and Cultural Affairs will receive \$475,000 in New Initiative money for a Sports Strategy Implementation program. Funding is also provided to enable the PEI Special Olympics to host the Canadian Special Olympic Games in February 2004. Planning will also begin on the 2009 Canada Summer Games.

Madam Speaker, additional funding was provided in the recent federal Budget for Strategic Infrastructure. The Province recently announced the support of sewage treatment and water distribution in Charlottetown, Summerside and Stratford under this program. This involves a provincial contribution of \$15 million over five years. The Budget also includes \$2.5 million for the Strategic Infrastructure Program.

Madam Speaker, during the past year the Province was active in supporting its communities. Under the Canada PEI Infrastructure program some \$5,468,000 was disbursed to municipalities, on a cost shared basis with the Federal Government. We increased provincial support for municipalities under the local government equalization program. We assisted the PEI Sports Hall of Fame and the Confederation Centre of the Arts building renovations. We also contributed \$2.5 million to the new Aquatic-Rink facility in the City of Charlottetown.

Madam Speaker, the Province made some drastic cuts to its capital budget in 2002-2003, in some measure to help pay for the Prince County Hospital. Unforeseen delays in construction of that project did permit some financial savings and the highway budget was consequently restored to some degree. Highway projects included improved access to the Queen Elizabeth Hospital and upgrades to several sections of Routes 2 and 4.

During the past year the Province extended the Waste Watch program province wide, making Prince Edward Island the national leader in sustainable waste management practice.

“...Department of Community and Cultural Affairs will receive \$475,000 in New Initiative money for a Sports Strategy Implementation program.”

“The Budget also includes \$2.5 million for the Strategic Infrastructure Program.”

I am pleased to report that in 2003-2004 Transportation and Public Works capital spending is being restored. Compared to last year's budget we are committing an increase of \$12 million to capital. This will include the reconstruction of the Pinette Bridge.

Madam Speaker, I have highlighted some of the many measures being taken by Government in the service of Islanders. Details of the budgetary allotments will be provided by the Ministers of their specific portfolios.

Conclusion

The focus of this Budget Address has been the need for fiscal responsibility in the turbulent times that we are now in. The economy is performing well; our revenues reflect growth and it is most important that we continue with sensible responsible management. As in previous years we have taken a prudent approach in this Budget while maintaining public services and selectively investing in priority needs.

We know that our dependence on federal transfers is declining over time and this is in part because of the relative improvement in our economic self sufficiency. But federal transfers remain important to the Province. We look forward to improvements in this area in the coming year.

Madam Speaker, as Government we consider this budget undertaking as a responsibility and a privilege. We have been entrusted with the management of our finances, now in excess of \$1 billion in support of the economic and social improvement of the Province. We feel this budget presents a level of prudence that is appropriate to our times and at the same time maintains our commitment to positive growth at a sustainable pace. We continue to be optimistic about our future, to partner with Islanders and their communities, and to build on the progress already achieved.

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"We have been entrusted with the management of our finances, now in excess of \$1 billion in support of the economic and social improvement of the Province."

I should like to offer my gratitude to the staff of the Provincial Treasury Department for their help and support in assisting me in the financial management of the Province.

Thank you