



Better Outcomes. Better Services.

A More Efficient Public Sector.

A Stronger Economic Foundation.

**Sustaining Our Momentum.**

**2019 Pre-Budget  
Consultations**



Since 2015, our government has taken significant action to address years of financial mismanagement by the previous administration and built a solid foundation for economic growth.

We have reduced the annual deficit from over \$2 billion in 2015-16, and we are projecting the deficit at less than \$600 million in 2018-19. We have reduced the size of the public service and have stabilized spending after a 10-year period when provincial spending increased by over 50 per cent.

We have worked closely with industry to attract more than \$16 billion in investment that will advance projects in the mining and oil and gas sectors. We have also collaborated with industry partners in agriculture, aquaculture, advanced technology and the tourism sectors, which is creating meaningful employment opportunities and an environment for success.

Despite an unprecedented financial situation inherited from the previous administration, under the leadership of Premier Ball, we have set ambitious goals to improve access to services and create a stronger economy.

Today, we are better positioned to capitalize on the exciting opportunities that exist in our province. I encourage all Newfoundlanders and Labradorians to contribute to the discussion on how we can sustain the momentum that has been created.

## About Pre-Budget Consultations

Each year, the provincial budget sets out government's priorities for the coming year. The budget sets anticipated spending, expected revenues and provides an update on the provincial economy.

At the beginning of the budget process, the Department of Finance engages with people and organizations throughout Newfoundland and Labrador to help identify government spending priorities, and how to strike a balance between the province's financial situation and the need to deliver programs and services.

## What We Have Done

Through The Way Forward, we are advancing a balanced approach that has stabilized government spending, advanced improvements to education and health care while contributing to economic development.

Our plan is working and has been supported by credit agencies. In collaboration with residents and industry we can sustain that momentum.

## Working with priority industries

Through The Way Forward, government has committed to support the private sector by fostering the growth of high-potential industries and promoting economic diversification.

## Oil and Gas

The oil and gas industry is a significant contributor to the provincial economy – it currently employs more than 6,400 people in the province and fuels activity for small and medium-sized businesses. With approximately 15 per cent of provincial revenue coming from the industry, it is important that government work with industry to position Newfoundland and Labrador as the globally-preferred location for investment. We are doing that with Advance 2030 – The Way Forward on Oil and Gas.

### What We've Accomplished So Far:

- An agreement with Husky Energy to develop the West White Rose project in May 2017 has resulted in employment of approximately 1,700 jobs to date, largely in Argentia and Marystown.
- A framework agreement with Equinor to advance the Bay du Nord project, signed in July 2018, marked the province's first step into deepwater production. The project will generate more than \$14 billion in economic activity and 11,000 person years of employment over the life of the project, with 2,000 person years of employment during the pre-development and development phases.
- In November 2018, \$1.39 billion in bids for exploration licenses was received as a result of the most recent calls for bids in the Eastern Newfoundland Region and Jeanne d'Arc Regions.
- There are 85 exploration wells registered with the province, and our oil industry is growing with seven new companies doing business in our offshore.

### Mining

The mining industry is a major economic contributor in Newfoundland and Labrador with more than 5,000 people employed in the sector. In 2018, the sector was marked by expansion and development that will further position Newfoundland and Labrador as a leader in Canada and the world for investment. Our plan for that, Mining the Future 2030 – The Way Forward on Mineral Development, is underway.

### What We've Accomplished So Far:

- Vale's expansion of the Voisey's Bay underground mine will create 16,000 person years of direct and indirect employment during the five-year construction period, peaking at 4,800 in 2020. Once operational, the underground mine and Long Harbour processing plant will contribute 1,700 jobs.
- The Iron Ore Company of Canada's opening of the Moss Pit (Wabush 3), a new open pit that will help ramp up the annual production capacity and extend the life of operations. The mine will help sustain employment for more than 1,800 full-time employees.
- Tacora Resources' restart of the Scully Mine in Wabush will bring approximately 260 new positions to Labrador West.
- Canada Fluorspar (NL) Inc. has begun to ship fluorspar from its mine in St. Lawrence. There are approximately 275 people working at the site, which includes 230 base employees, as well as temporary and seasonal workers.
- Mineral exploration activity continues to rebound with \$48.3 million private sector dollars invested in 2018, up from \$41.5 million in 2017 and \$25.3 million in 2016.

### Aquaculture

Supporting the growth of the aquaculture industry will help meet the growing global demand for seafood that the wild fishery cannot provide by itself. We partnered with industry to develop The Way Forward on Aquaculture, and are aiming to be the best of the best – a world leader in aquaculture safety, security and production.

### What We've Accomplished So Far:

- The Provincial Government's partnership with Grieg NL is positioning Newfoundland and Labrador as a leader in Canada's aquaculture industry. Government's repayable loan helped leverage another \$220 million and will create 830 jobs through construction and into operations, as well as another 380 in related sectors.
- In The Way Forward, government committed to supporting industry by doubling salmonid aquaculture production, and the Grieg project will make certain we achieve that ambitious goal.

## **Agriculture**

While Newfoundland and Labrador has not been historically thought of as an agricultural leader, local farmers grow products that are world-class. The market for specialty products such as berries, bees and honey, saltwater lamb and organic products, combined with government's commitment to supporting this important sector through The Way Forward on Agriculture, is fostering an industry with a bright future.

### **What We've Accomplished So Far:**

- Establishing the Canadian Agricultural Partnership, a \$3 billion five-year investment to help Canada's agricultural sector innovate, grow and prosper. The partnership will provide \$37 million in strategic initiatives for agriculture and agrifoods programming in Newfoundland and Labrador.
- Giving new entrants the tools and support they need to enter and build a strong foundation in the agriculture industry. This year we have invested into 46 new entrants in the agriculture and agrifoods sector.
- Total area of land available to farmers in the province is approximately 50,000 hectares. This includes six additional "Agricultural Areas of Interest" made available to commercial farmers, part-time commercial farmers, or new farmers in the Gander area, Roberts Arm, South Brook, Cormack and Crabbes River, totaling approximately 5,800 hectares.

## **Technology**

Technology firms develop and deliver innovative applications and solutions that help support many other sectors such as telecommunications, education, health care, mining, oil and gas, aquaculture, energy, fisheries, agriculture and forestry. This sector holds considerable potential for the provincial economy. Government has partnered with industry to develop The Way Forward on Technology to realize that potential.

### **What We've Accomplished So Far:**

- A \$2.25 million forgivable loan to support PAL Aerospace's force multiplier project, which will help create approximately 150 person years of employment.
- A \$750,000 investment in Quorum Information Systems to develop a customer-facing tool that allows for a full auto purchasing process online. The investment supports the creation of a minimum of 24 new full-time jobs and approximately 87 combined person years of employment.
- A four-year partnership with Bluedrop Performance Learning to implement SkillsPass NL, a technology solution that improves access to training and skills development. This project will create up to 50 jobs in Newfoundland and Labrador.
- Provided support for the establishment of a 500-person in-bound contact centre in St. John's. Over the next five years, it is expected that S&P Data will generate up to \$131 million in economic activity.

## **Tourism and Entertainment**

Tourism a key driver of business and economic activity in rural and urban areas of the province. The tourism sector is home to exciting business opportunities that supports 2,600 businesses, nearly 20,000 jobs and generates almost \$1.13 billion in spending. Vision 2020 is being realized to achieve our goals of increasing visitation and spending.

### **What We've Accomplished So Far:**

- Launched a new NewfoundlandLabrador.com website designed to enhance the visitor online experience. The redesigned site includes more images, videos, articles and interactive planning tools.
- In June 2017, government announced continued funding for the province's four Destination Management Organizations. These organizations engage with tourism operators and stakeholders in their respective regions, and provide market readiness, destination development and marketing support to their members and partners.

- The film and television industry is a generator of well-paid skilled jobs and attracts new investment. 2017-18 production activity exceeded \$50 million, up from approximately \$40 million the year before, and resulted in approximately 640 full-time equivalent positions.

## Forestry

Our province has rich forest resources. Government, in collaboration with the recently formed Newfoundland and Labrador Forest Industry Association and other stakeholders, is working to finalize a plan for diversifying the province's forestry sector. Growth targets include achieving a 20 per cent increase in timber allocations and harvest levels, over the previous five-year period, by 2020.

### What We've Accomplished So Far:

- Elimination of American tariffs on Corner Brook Pulp and Paper helps secure a viable future for the 5,000 people that work in the forestry.
- Two five-year commercial cutting permits to Timberlands International will support the operation of a \$19.7 million-wood pellet plant to be constructed in Hawke's Bay. The project is expected to create at least 25 full-time positions associated with plant operations, and 30-50 positions in harvesting and trucking.
- In 2017, operators harvested over 460,000 cubic metres of forest on Crown Land, compared to just under 410,000 cubic metres in 2016, representing an increased harvest of 12.7 per cent.
- A new, strengthened mandate for research and innovation in both forestry and agriculture through the Centre for Agriculture and Forestry Development. Approximately seven million seedlings were produced at the facility in 2018.

## Community Services

While the fiscal situation has required a focus on reducing spending, government has maintained a commitment to service delivery.

### Health care

As a government, we have been diligent in keeping health care spending steady while improving access. We are carefully changing how our health care system operates, including a shift in focus from treatment to preventative care; providing care in the home and community where possible and appropriate; and strengthening primary health care and mental health and addictions services.

### What We've Accomplished So Far:

- Kept the budget for health care relatively steady at approximately \$3 billion despite increasing cost pressures like inflation, new drug therapies, additional long-term care beds, and replacing and repairing aging infrastructure.
- Investments in new and improved health care infrastructure to ensure we are meeting the province's health needs, including:
  - Two new 60-bed long-term care homes in Gander and Grand Falls-Windsor;
  - A new 145-bed long-term care home and 164-bed hospital in Corner Brook;
  - The opening of 28 long-term care beds and new ambulatory care space in Carbonear;
  - 20-bed expansion of the protective care unit in Botwood; and
  - A new 94-bed adult state-of-the-art mental health and addictions facility in St. John's, a six-bed mental health unit in Happy Valley-Goose Bay, and a series of community-based mental health and addictions services across the province.
- One year into the implementation of Towards Recovery: The Mental Health and Addictions Action Plan for Newfoundland and Labrador, there has been a 68 per cent reduction in the number of people waiting for counselling services across the province.
- Expanding primary health care teams across the province, with teams having success in communities including Bonavista, Botwood, Grand Bank, Gander, Happy Valley-Goose Bay, and Corner Brook.

## Education and Early Childhood Development

Our government is taking significant steps to bring transformative change to early childhood development and the province's education system through the implementation of the Education Action Plan, which was developed as a result of the Premier's Task Force on Improving Educational Outcomes. This is resulting in a more inclusive learning environment that is more responsive to students' strengths and needs.

### What We Have Accomplished So Far:

- Creation of 54 teaching and learning assistant positions, which will increase to 200 over the next three years.
- Creation of 21.5 new reading specialists, which will increase to 104 over next three years.
- Creation of 13 additional teacher-librarians, which will increase to 39 over three years.
- Improved access and affordability of child-care for children.
- Increased allocation of 13.5 learning resource teachers.
- Six permanent K-6 mathematics program specialists with qualifications in mathematics, mathematics education, and where possible, qualifications in primary/elementary education.
- Five permanent program specialists with expertise in reading instruction to provide leadership and curriculum support to the school-based reading specialists.

## Economic Stimulus

While we continue to exercise responsible fiscal management, we are investing in areas that support economic activity and stronger communities.

### Infrastructure

Investments in infrastructure are stimulating economic activity and creating jobs during construction and over the long-term will improve service delivery and make communities more attractive for business development.

### What We've Accomplished So Far:

- Government's five-year infrastructure plan, rolled out in 2017 and valued at \$3 billion, is supporting construction and upgrades for new and existing schools, healthcare facilities, post-secondary institutions, roads and bridges, justice facilities, affordable housing and municipal infrastructure. The plan is generating an average of \$540 million in economic activity and an average of 5,300 person years of employment per year.

### Immigration

With Canada's most rapidly-aging population and lowest birthrate, it is projected that by 2025, the province will experience a 10 per cent decline in its working-age population. Improving the attractiveness of Newfoundland and Labrador to potential immigrants through the Immigration Action Plan is key to addressing future labour market needs and contributing to the social and cultural vibrancy of the province.

### What We've Accomplished So Far:

- Increase of 25 per cent in the number of individuals who have been supported toward permanent residency since 2017.
- Introduced an online application system for Newfoundland and Labrador Provincial Nominee Program applicants, and have released a new, more accessible immigration website.
- Over 3,900 newcomers have availed of provincially-funded settlement and integration services, which provide initial orientation and other supports to newcomers.

### Supporting Small Business

Small business is the engine that drives the provincial economy. Small businesses employ almost 40 per cent of the workforce in the province. Our government is partnering with industry and making direct investments in business to create a positive environment for economic activity.

## What We've Accomplished So Far:

- The Ocean “Supercluster”, a network of businesses and researchers tasked with generating new technologies and income for the Atlantic region, is expected to add 3,000 jobs and \$14 billion to the Canadian economy over the next decade.
- In Budget 2018, government increased the exemption threshold for the provincial payroll tax from \$1.2 million to \$1.3 million. With this change, a further 50 companies will be exempted under the new threshold, and the remaining 1,200 companies will pay up to \$2,000 less in tax.
- Introduced policy changes to support the province’s fast-growing craft beverage industry, including increasing the discounts to markups that craft beverage facilities remit to government on the production of beer, spirits, cider and non-grape wine. Government has also committed to continued work with craft beverage producers on an industry-wide review to continue growth in the sector.

## Balanced Approach to Fiscal Management

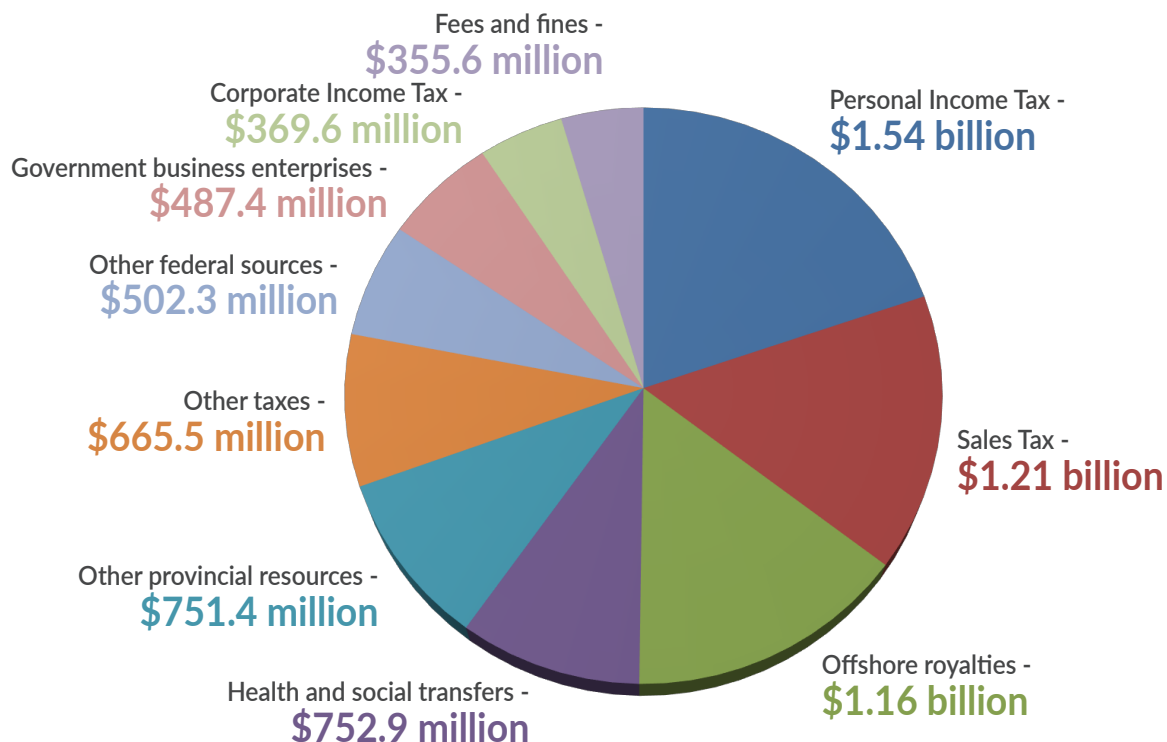
Government’s balanced approach to fiscal management focuses on reducing spending within government while advancing programs and services to citizens. The Way Forward is government’s integrated economic, social and fiscal plan.

### Revenue

Revenue projections for 2018-19 were \$7.8 billion. Government raises revenue through numerous different avenues. Just over half of revenues come from taxes and fees. As the Independent Tax Review Committee stated in their recent report, “taxation in our province is reasonably comparable to many other parts of Canada”.

Government has worked to diversify our economy, and the provincial budget is less reliant on oil. While oil reliance in 2010-11 was 30 per cent, it is 14.9 per cent today. By reducing our reliance on oil we are minimizing the impact of the highly volatile commodity.

### Where Does the Money Come From?



Source: Mid-year fiscal update, 2018-19 fiscal year.

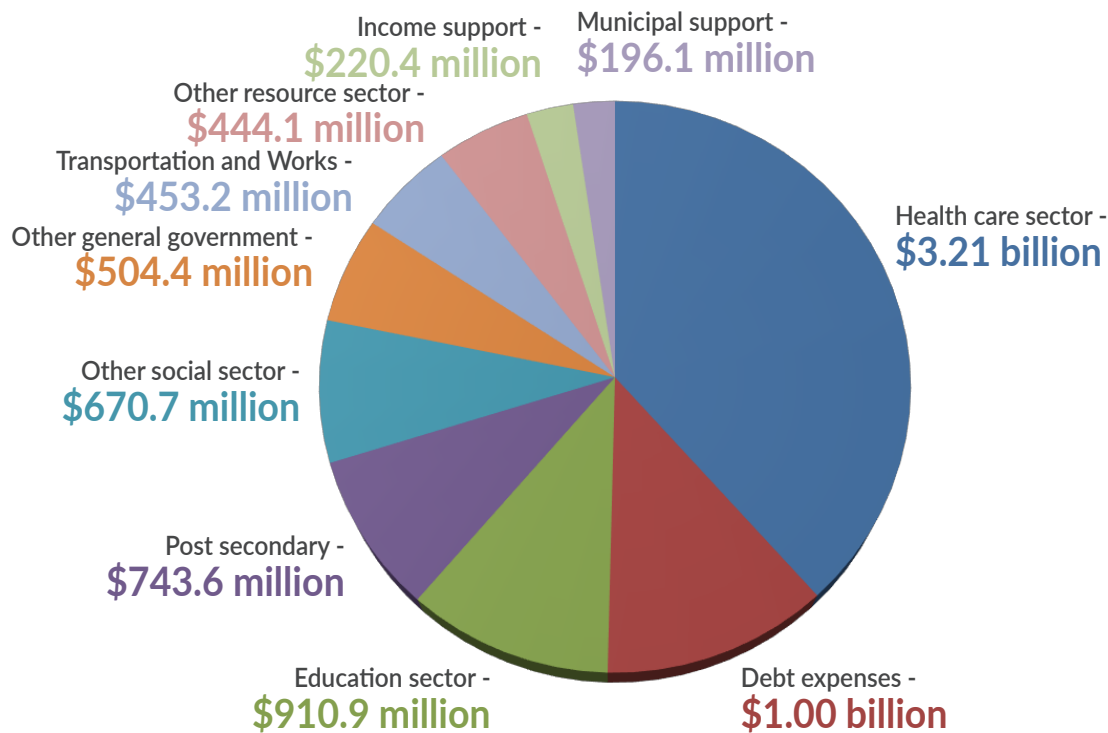
## Spending

Government has held spending in check in 2018-19 compared with the year prior, with \$8.35 billion in expenses estimated.

This is a considerable accomplishment when you consider the increase in costs to deliver health care, the increased cost to products used by government and general inflation.

To return to surplus government has and will continue to practice sound fiscal management and identify opportunities to deliver services in the most efficient manner possible.

## Where Does the Money Go?



Source: Mid-year fiscal update, 2018-19 fiscal year.

## What We Are Doing

Newfoundland and Labrador is a place of contrasts: rich resources and inventive people, but also persistent demographic and employment challenges.

In the coming years, we will see the results of our efforts to attract national and international companies and their wealth of assets, knowledge and experience, while introducing new programs and projects to achieve better outcomes from spending and improve services for the people of Newfoundland and Labrador.

## The Way Forward

The Way Forward is a government-wide approach to improving outcomes and growing the economy in a manner that unlocks the inherent potential of collaboration.

To achieve the vision of a prosperous future for Newfoundland and Labrador, our actions for 2018-19 and beyond will continue to rest on four areas of focus:



- **A Stronger Economic Foundation:** We are committed to supporting the private sector by continuing to foster the growth of high-potential industries and promoting economic diversification.
- **A More Efficient Public Sector:** To ensure our government's continued ability to spend revenue on vital services like health care, education and transportation infrastructure, we are leading a number of initiatives aimed at lowering costs and increasing efficiency in program delivery.
- **Better Services:** Service delivery has changed considerably in recent years due to technological advancements and citizens that expect services that are designed and delivered with their needs in mind.
- **Better Outcomes:** Our government is working to ensure a better quality of life and better outcomes for everyone who, now or in the future, calls Newfoundland and Labrador home.

Details on progress on current initiatives under The Way Forward are available online at [gov.nl.ca/thewayforward](http://gov.nl.ca/thewayforward).

## Advance 2030

Through Advance 2030: The Way Forward on Oil and Gas, government is working with oil and gas partners to promote the development, competitiveness and sustainability of the industry in this province. We have set a number of long-term targets, including the direct employment of at least 7,500 people in operations and the drilling of over 100 new exploration wells by 2030.

## Mining 2030

Mining the Future 2030 is government's plan for developing the mining industry with the goal of strategically positioning Newfoundland and Labrador as a globally competitive, top tier jurisdiction for mineral exploration and development. We have set a number of long-term targets, including five new mines, sustainable direct employment of more than 6,200 people in operations and \$4 billion in annual mineral shipments by 2030.

## Digital Government

The Provincial Government is committed to improving the accessibility to government programs and services through its five-year Digital Government initiative. Having better online platforms will improve the overall experience that residents and businesses have when interacting with government and ensure that services are available in a timelier manner.

## Agriculture

Government has committed to increase the province's food self-sufficiency to at least 20 per cent by 2022, and is working with industry partners as part of The Way Forward on Agriculture to achieve this goal. Efforts to promote the province as a world class destination for berries, bees, saltwater lamb and organic products will result in an additional 500 person years of employment in the agriculture sector.

## Technology

Technology presents significant employment and business growth opportunities for our province. Through The Way Forward on Technology, government and technology stakeholders have committed to increasing business activity and private sector jobs in Newfoundland and Labrador. We have tremendous growth potential in areas such as clean technology, information and communications, advanced manufacturing, aerospace and defence, oceans technology and health care innovation.

## Tourism

Government's 2017-20 Provincial Tourism Product Development Plan is a road map for maximizing tourism growth in Newfoundland and Labrador. The Development Plan provides an outline for creating a strong business environment for private tourism investment. This plan also focuses on using public resources in product development areas to provide the greatest return on investment through increased visitation and spending.

## Feedback Form

With a solid foundation for economic growth and job creation now in place, and with the fiscal situation steadily improving, government’s focus in Budget 2019 must shift to sustaining our momentum while continuing to diversify and identify new opportunities to position our province as a leader on numerous fronts.

Your feedback will help inform government as it moves forward in identifying priority areas for continued growth.

1. Government has focused on improving the conditions for economic development in industries such as oil and gas, mining, aquaculture, agriculture and forestry as well as sectors such as community, technology and tourism. We also recognize there are small-yet economically important industries with significant room to grow like the craft beverage industry. **What other industries/sectors with growth potential should government focus its efforts upon?**

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2. As part of a balanced approach, government often has to prioritize initiatives that will have the most positive impact. Often this leads to de-prioritization of other initiatives to maintain budget spending. **Please identify what you believe government should do to create conditions for economic growth? (select top 3 – in no particular order)**

- Provide tax cuts and invest in certain businesses to stimulate growth and jobs;
- Reduce “red tape” and lessen regulations where possible;
- Put a focus on increasing immigration;
- Offer incentives for those who want to train or retrain to enter important workforces for this province;
- Offer incentives for post-secondary institutions to develop programs that focus on high-priority sectors for the province;
- Other: \_\_\_\_\_

3. As part of government's balanced approach to fiscal management, we have focused on reducing the deficit while also maintaining services that are important to the people of Newfoundland and Labrador. This requires ongoing decisions about how services are delivered and how money is allocated. **For each of the following, please indicate whether you believe spending should be increased, maintained at current levels or reduced. Please keep in mind that an increase in spending in one area may result in reduced spending in another area or an increase in taxes or borrowing to cover the added cost.**

- Healthcare

Increase       Maintain       Reduce

- Education Sector (K-12 and Post-Secondary)

Increase       Maintain       Reduce

- Transportation and Works

Increase       Maintain       Reduce

- Municipal Support

Increase       Maintain       Reduce

- Other General Sector – Departments of: Finance; Service NL and Executive Council; and Pensions

Increase       Maintain       Reduce

- Other Social Sector – Department of Children, Seniors and Social Development; Department of Justice and Public Safety; and NL Housing

Increase       Maintain       Reduce

- Resource Sector – Departments of: Fisheries and Land Resources; Natural Resources; and Tourism, Culture, Industry and Innovation

Increase       Maintain       Reduce

4. **As a citizen of the province, the most important things that government can do in Budget 2019 to improve my life are (select top 3 – in no particular order):**

Maintain spending on services I rely on;

Reduce spending/the net debt;

Reduce my current financial burden (reduce taxes and fees);

Support me as I train/retrain for a new career;

Make investments in programs to encourage job creation;

Make investments in infrastructure;

Continue to support high-growth industries;

Other: \_\_\_\_\_

