

Provinces finances worse than expected

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Finance Minister Tom Marshall says Newfoundland and Labrador's financial picture is worse than forecasted in the spring.

Marshall is now estimating a deficit of approximately \$726 million for the current fiscal year.

The forecast in the April 24 budget was estimated around \$258 million.

Marshall said Thursday the province's economy is good overall, but the global economy remains a problem — oil and mineral royalties are down because of low global demand.

"There is a lower demand for commodities in the world market — that includes the price of oil and that includes minerals," Marshall said.

Offshore royalties are down \$436 million lower than anticipated, and mining royalties are down \$113 million from the projected number.

This drop, he said, affects the amount of corporate tax the province collects.

"Because the prices are lower, their incomes are lower ... therefore corporate taxes are \$47.1 million less than we had anticipated," he said.

There was also a message to public sector unions that are currently in negotiations.

Marshall said unions should be aware that in times of falling revenues, the government must exercise restraint.

"When revenues are lower, then we're going to have to review the size of the civil service," he said. "We will have to streamline it and we will have to right size it."

He said the pension plans of those in the civil service as they are presently are not sustainable.

According to Marshall, it is time to pull back on infrastructure spending because the economy itself is strong enough for government to reduce spending.

He also said there will be cuts in the next budget.

Marshall went on to defend the Muskrat Falls project, calling it a self-financing project that will not add to the debt.

However, the provincial government will borrow to pay for at least part of the Muskrat Falls equity investment. Marshall said dividends will cover this.

The province's net debt projection has increased from \$8.5 billion to \$8.9 billion as a result of the increased deficit.

Cash reserves are down to \$1.4 billion from \$2 billion, and the province will likely have to start borrowing next year.

Provincial NDP leader responds

NDP Leader Lorraine Michael said she does not believe the government has conducted long-term fiscal planning.

"We have a deficit now of three-quarters of a billion dollars," Michaels said. "[This] shows the irresponsibility on the part of this government."

She went on to say the government's original projection for the cost of oil was unrealistic to begin with.

Michaels said the numbers released now are closer to the projections her party originally estimated.

"I feel very concerned about our future," she said. "I cannot see how the minister can say the answer is in Muskrat Falls."