



## **MEDIA RELEASE**

*For immediate release*

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# **Public Accounts results support restraint message: Board**

The 2009-10 Public Accounts information released by the Government of Newfoundland and Labrador yesterday provide more financial details in the lead-up to Budget 2011-12, and confirm that the province should not move forward with increased spending.

“We need to pay down our debt, plain and simple,” said Board Chair Jo Mark Zurel. “We heard loud and clear at yesterday’s Business Outlook session that we are facing a future of lower oil production and higher demands, in particular on the health system due to demographics. We need to get our balance sheet in better condition today so we will be able to afford the services tomorrow. This is not only an important issue but an urgent one.”

While a number of positive economic indicators suggest a bright future, challenges lie ahead, including anticipated increases in interest rates, parity with the U.S. dollar and unpredictable prices of commodities, which the provincial treasury heavily relies on. Spending control is the only means to guarantee that the financial future of the province is secure.

“There are reasons to be cautious and to take relatively small corrective actions now,” said Mr. Zurel. “Even the Bank of Canada is worried about debt, whether it’s the debt of government or the debt of individuals. Of course, the debt of government is the debt of individuals; we all share the burden. By adding to the burden, we are setting ourselves up for tough decisions in the future.”

The Board is concerned with the pressures being placed on the province’s financial resources while there is still a substantial public debt. While there has been a windfall in provincial finances in recent years, it is important to remember that billions of dollars were created in debt during economically poor times. The Board is concerned with the expectation for increased spending while there is still a significant public debt.

“We saw what the federal government did in creating consecutive surpluses; that helped this country immensely during the past few years of downturn,” said Mr. Zurel. “We had made the choices and sacrifices in good times to ensure that we could weather bad times. We have the ability, provincially, to make those choices now. Government’s careful management of resources

right now can ensure that programs and services are sustainable and that residents of the province can benefit from them for years to come.”

The province’s debt now stands at \$8.2 billion, approximately \$16,000 for every resident of Newfoundland and Labrador. “Going from a \$750 million projected deficit to a \$32.6 million deficit is still a financial problem,” said Mr. Zurel. “That loss is still being added to a big debt and accumulating more interest every day we carry it. Instead of adding approximately \$1,500 to the debt for every person in this province, this year’s deficit is adding \$65. But it’s still adding up and we have to pay for it at some point.”

“Getting to surplus and then using those surpluses for debt payment is good public policy for everyone because less debt today means more flexibility for future programs and services,” said Mr. Zurel. “It’s good financial practice and it allows government to do things it wants to do for its constituents, rather than use income to pay interest. But it all starts with spending, and expenses are the only thing governments can control 100 per cent.”

The St. John’s Board of Trade is a non-partisan, business advocacy organization that is the principal voice of business for over 800 members and their 30,000+ employees in the St. John’s area. Its mission is to improve the local business climate, enhancing its members’ ability to do business through advocacy and member services.

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