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| **Province** | **Législature/Legislature** | **Session** | **Type de discours/ Type of speech** | **Date du discours/ Date** | **Locuteur/Speaker** | **Fonction du locuteur/ Function** | **Parti politique/ Political party** |
| Nouvelle-Écosse / Nova-Scotia | 50 | 4 | Discours du Budget/ Budget Speech | 23-02-1973 | Peter Murray Nicholson | Minister of Finance | LIB |

**Nova Scotia: Budget speech, February 23, 1973.**

HON. P. NICHOLSON: I hoped it would be a happy budget, but I did not think it would be that hilarious, Mr. Speaker.

Mr. Speaker, I have the honour by command, to announce the message from His Honour the Lieutenant Governor.

The Lieutenant Governor of the Province of Nova Scotia transmits estimates of sums required for the public service of the province for the year ending 31 March, 1974, and in accordance with the provisions of the British North America Act of 1867, he recommends the estimates to the House of Assembly. Signed Victor deB. Oland, Lieutenant Governor, Halifax, Nova Scotia, 23rd February, 1973.

Mr. Speaker, I move, seconded by the honourable Attorney General, (Hon. L.L. Pace) that the House resolve itself into a Committee to consider Supply to be granted to Her Majesty, and that the message from His Honour, the Lieutenant Governor, relating to estimates of the sums required for that supply be referred to the Committee of the Whole House on Supply.

Well, Mr. Speaker, having just tabled the Estimate Books, I trust that the Pages will pass around the copies which have been provided, together with the supplementary charts and tables which accompany the budget.

MR. SPEAKER: Perhaps, we might just wait for a moment or two until the various estimate books get passed around.

Well, Mr. Speaker, I trust that the members now have copies of the Estimate Books in their hands, and hopefully, the supplementary tables. If they have not, then perhaps I should wait just a few more moments.

I may say, Mr. Speaker, there is a flyer in the front of the book which is not being distributed to anyone but the members and yourself. It speaks for itself.

You haven't got one!

Well, Mr. Speaker, the format in the book follows the pattern of last year, and we have also produced supplementary tables which will give a quick and ready reference for members, to the material relating to the revenue and expenditure. These are in much the same shape as they were inaugurated last year, there are some bar charts and some pie charts, which perhaps will be useful 10 members in following the estimates.

Well, Sir, this time last year I frankly did not take much pleasure in bringing the news to the House that I had to bring. At that time the economic weather was somewhat overcast, and the most favourable comment I could make then was that we seemed to have reached the bottom of the cycle, and that we could reasonably expect some recovery in the year ahead. So happy I am, Sir, to tell you and the House, through you, that my note of modest optimism at that time, has turned out to be well justified. (Applause)

Our economic climate features an encouraging number of bright intervals that occurred during the past year. Preliminary data indicates that with one exception, the Province of Nova Scotia recorded the highest rate of economic growth in 1972, since the early 50's. (Applause)

Gross provincial product, which in 1971 increased 7.4 per cent, grew in 1972 at a rate in excess of II per cent This, Sir, surpassed the overall Canadian performance of 10.5 per cent. (Applause)

In terms of constant dollars and corrected figures, the real growth rate is 7.3 percent in 1972, or 1.6 per cent above the national average rate of 5.7 per cent. Personal and disposable income and corporate profits, established new records over the past year at growth rates of 12.5 per cent and 17.4 per cen t respectively, exceeding those of all but one province in Canada.

This growth in the economy was broadly based with nearly all sectors recording substantial increases.

This growth in the economy was broadly based with nearly all sectors recording substantial increases. The strongest sectors in the economy were in the areas of manufacturing shipments and business investments which grew at a 13 per cent and 16.6 percent rate respectively over the previous year.

It should be noted, Sir, that a large measure of heightened construction activity is directly attributable to the improved labour-management relations in the building trade and the aggressive industrial promotion activity of the provincial government through its Department of Development. (Applause)

While new capital expenditures on housing continue to maintain record levels established in 1971, the significant growth for this area was curtailed somewhat through a diversion of capital funds to employment creating capital construction projects other than housing.

Consumer spending also remained strong with an 11.5 per cent increase in retail sales. This acceleration in consumer spending appears to be closely related to the high levels of housing. As expenditure, it appears on furniture and fixtures and appliances which represented a very significant amount of this increase. Also responsible in part for the growth in retail sales, was the significant increase in the unemployment insurance benefits resulting from higher benefit payments and shorter eligibility periods. In 1971, of course, the sale of new passenger cars was a major factor and that was repeated for this year.

Now, particularly encouraging, were the advances recorded in the agriculture and forestry sectors of the economy.

From a sharp decline in 1971, accrued net income of farm operators increased by a healthy 29.4 per cent. (Applause) This resulted from both production increases and improved prices.

Preliminary estimates also indicate that lumber production during 1972, increased by as much as 30 per cent and did much to offset the recent losses experienced by this industry. These gains were largely attributable to the number of housing starts recently experienced and the improved marketing conditions abroad.

Now, stimulated by the strong upswing in the national economy, the number of tourists visiting the province during 1972 increased by 8.8 per cent, a marked improvement over the 1971 increase of 5 per cent. I may say, Sir, that this increase of 8.8 per cent is the object of envy in many other jurisdictions. (Applause) I want to pay tribute to the former Minister of Highways or Minister of Tourism, rather, now the Provincial Secretary, and to the present Minister of Tourism for their untiring efforts in this connection.

During 1972, general prices started to climb and the rate was an uncomfortable 3.7 per cent. This was largely accounted for by the 6.9 per cent increase in food prices. However, in 1972, while we were enjoying a period of strong economic expansion, we maintained the lowest provincial rate of price inflation - a full 1.1 per cent below the national rate of 4.8 per cent. (Applause) There is nothing shameful about that, Mr. Speaker.

Sir, the outlook for 1973 is good. Further improvements in the Canadian, United States and overseas economics should provide a strong demand for Nova Scotia products, which we think will result in a 10 per cent increase in the gross provincial product. All sectors of the economy should continue to benefit from the improved economic climate with the largest gains being recorded in those areas with excess productive capacity such as the forestry industry. These advances should also provide for the continued growth of manufacturing shipments during the coming year.

I feel reference should be made to the consequences to the Nova Scotia economy of the recent devaluation of the American dollar and the upward revaluation of the German and other European and Japanese currencies. Now, the federal authorities and leading financial institutions maintain that the Canadian dollar will stabilize itself closely at par with

the American dollar after a period of some fluctuation and adjustment. This realignment of world currencies will have a favourable effect upon Nova Scotia's competitive position in international markets. The reduced price of Canadian exports should lead to increased sales of Nova Scotian products to offshore countries, and it should lead to a desirable diversification of our markets as well. The effectively devalued Canadian dollar will also improve the competitive edge for American markets for Nova Scotia goods. Moreover, the higher prices for Canadian imports should have the effect of creating more of a domestic market for what we produce. However, implicit in all these economic stimuli, Sir, are strong inflationary pressures and these could lead to difficulties unless they are closely controlled.

Now, I would like to refer briefly to other specific sectors of the economy. With the opening of the Lingan Mine last year and significant production improvements in the other Devco mines, the mining industry should show large output increases in 1973. Anticipated improvement in coal prices should serve to further improve the prospects of the mining sector.

Further maturing of our cyclical expansion during 1973 from its early phases will surely lead to a relative decline in the growth of consumer spending on such items as furniture and appliances when it is related to the levelling off of new housing starts in 1971 and early '72.

I think, by far the greatest stimulus to our economy in 1973 will be in the area of non residential construction. We expect that the final figures will show a continuation of the 1972 record levels. Most notable here are the rejuvenation and rebuilding of the Sydney Steel Corporation works, the oil refinery and the common-user dock in the Mulgrave area, further offshore oil and gas explorations and the construction of equipment necessary for them, and the expansion of the Michelin plants in Granton and Bridgewater, just to name.

The most encouraging outlook for 1973 is the prospect of a significant reduction in the Nova Scotia unemployment rate which has been plaguing our economy since early 1972. (Applause) This, we believe, was caused primarily by the anti-inflationary policies and reduction in world trade during that period. Unemployment difficulties of the province have further been compounded by increasing numbers who are entering our labour market.

These high levels of unemployment were maintained into the first half of 1972 during the early stages of the recently experienced economic recovery. This apparent paradox is not unusual during cyclical upswings and can be explained in part by the large stocks of business inventories accumulated during the preceeding year and a half. With business confidence not fully restored, industry preferred to deplete the stocks of inventories and materials and to incur productivity gains with an existing labour force rather than to add on additional employees. It was only in the last five to six months of 1972 that the combined influence of declining inventories, restored business confidence and expanding markets caused businesses to begin actively to recruit employees in an endeavour to substantially increase output.

To illustrate this point, Sir, the number of employed people in Nova Scotia during

the last five months of 1972 increased by an average of 18,600 over the first five months of

This also represented an average employment increase or 7,800 additional jobs created over the last five months ill 1971. However, all these new jobs were not filled by unemployed people. The expanding economic activity and opportunities here attracted an

average of 12,000 additional people into the labour force during the last five months of 1972 as compared with the first five months of that year. In spite of these large increases in the labour force, the average number of unemployed people in Nova Scotia during the last five months of 1972 fell by 6,000 people as compared with the first five months of 1972. And for another comparison, it represented a 1,400 decline over the last five months of 1971

So, 1 think it is fair to say that while there is still significant unemployment in this province and we are still affected badly by the seasonality of the unemployment, that the road ahead does look somewhat better, that even with an expanded labour force we can look to fewer people on the unemployment rolls.

Now, the gains in unemployment should be augmented by the enormously large investment activity that we anticipate. in the year ahead. A continued expansion of the labour force, of course, will tend to dampen the decrease in the unemployment rate. The more people you have entering into the force, the more difficult it is to maintain reductions in the number of people who are unemployed unless the rate of your increase in job opportunities exceeds by a significant extent the number of people who are entering -- new people who are entering the force.

Notwithstanding the recent gains in employment, the province and its municipalities, with the assistance of the Government of Canada, are engaged in a special labour intensive capital development program to further improve the unemployment situation here. This capital program will be distributed throughout the province and timed to coincide with high winter unemployment periods. It is anticipated that this program will generate in excess of $40 million in expenditures and provide many jobs over the next two and a half years.

The marked and gratifying upturn in our economic situation in 1972 has contributed to an increase in our revenues over the levels projected in our '72-'73 estimates. I think it only proper that I should explain to honourable members at this time the nature of these increases - and I am talking now about the year we are in now, the '72-'73 year- and the uses to which those increases have been put. A general statement comparing major estimated revenues and expenditures with the corresponding forecasts for the current year appears in the supporting material which accompanies the Estimate Book.

From this statement, you will see that some $ 12 million of additional revenues comes from federal-provincial tax sharing arrangements. The major portion of this increase resulted from revised estimates of equalization payments which increased this revenue source by $ I 1 million from $104 million, in other words it went up to $115 million in the current year, the equalization payments.

Personal and corporate tax revenues also exceeded initial federal estimates by a little over a million dollars.

These unanticipated additional payments were, as I have already said, Mr. Speaker, the direct result of an improvement in our economic situation which couldn't have been reasonably predicted at the time the original federal revenue projections were provided to.

This same upturn in our economic climate has resulted in provincially collected revenues exceeding our best estimates. Two of the best indicators of general prosperity as reflected in individual spending power are the returns from sales tax and the gasoline tax. We are forecasting that in the current year these will exceed the best estimates by $5.3 million and $1.9 million respectively. (Applause)

There are several reasons for this encouraging situation, and one of them is not a happy reason. There is no doubt in my mind, Sir, that the unemployment insurance scheme has done much to improve the situation of those in our labour force who are, through no fault of their own, without work, particularly those workers who are dependent on seasonal employment. Under this scheme as it is, they are better able to survive the lean periods and their enormous increase in spending power is reflected, to some extent at least, in these taxes to which I refer and the revenues generated from them.

In the main, however, this increase in tax revenues must be attributed to the overall increase in economic activity and the resultant increase in employment and spending power. Since it came into office, this Liberal government has directed a concentrated effort toward economic development and the creation of employment in our province. The results of that effort, Mr. Speaker, are beginning to show, they are beginning to show in the figures the honourable members have before them. I say beginning because the improvement reflected, reflects only a start, albeit an encouraging start, and it is a long process that will require continued effort, ingenuity and dedication to bring prosperity and full employment to all regions of this province. (Applause)

Provincial revenues during 1972-73 were also unexpectedly augmented by a federal payment of $9.8 million relating to prior year's adjustments in the revenues, including the federal-provincial tax sharing arrangements. And I may say that some of the components of these figures go back as far as 1966. The breakdown on them shows that the largest adjustment was in the '70-'71 year, $5.0 million. The smallest adjustment was relating to estate taxes in '66 of $22,000, so you will see the range of adjustments that we have to contend with in connection with tax sharing.

Now, this item of $9.8 million reflects the final revisions or adjustments in payments to the provinces due to difference between actual revenues, revenue bases and populations and the estimates of these values used in calculating the initial payments. This year the adjustment is again in the province's favour, but there is no guarantee, Sir, that this situation holds good in the future for any particular year. Next year we could be faced with a request for a refund of an overpayment because of a set of circumstances that might happen that were beyond our ability to control. I talked this morning to one of my colleagues in another province of Canada who told me that they were faced with a request for a payback of $6.5 million to the federal government, and there are members here in this House today who can recall situations where the Province of Nova Scotia had to pay back some money to Ottawa by reason of overpayments on calculations of the equalization grants. The figures were nothing like the figures I'm dealing with here now but I'm just glad that they are in our favour, Mr. Speaker.

In deciding to deal with a surplus generated in this way, a number of possibilities presented themselves. The' estimates for the current year had put reasonably tight restraints on departmental spending. I think all honourable members will remember last year when I presented my estimates that some of the departments were concerned about the restraints that were imposed upon them and no doubt, rightly so. We could have justified some relaxation of these restraints in terms of additional staffing and additional programs. It is important to note that much of this revenue I am talking about now is nonrecurring, and it would therefore be unwise, and I think imprudent, even, to use it for purposes that would establish continuing liabilities.

Given, then, a requirement that most of these funds must be used for purposes other than permanent expansion of ongoing programs, it would not have been difficult for any administration to come up with some politically attractive schemes involving special expenditures. I have stated, however, many times, Mr. Speaker, that this government is committed and dedicated to a policy of sound fiscal management, with a particular commitment to holding debts to a minimum. In dealing with an unexpected surplus, we have to be consistent with that policy. We have, therefore, taken the following action in the current fiscal year ending March 31, 1973.

First, A short-term bond issue which matured last December was not fully provided for by the sinking fund. There was a deficiency of $7.139 million and that money was provided from current revenues rather than from further borrowings and refunding.

Secondly, our universities have been in some financial difficulty in recent times because of falling enrolments. When I was the Minister of Education, I was waited upon many times by the university heads who had one common complaint and that was, that the burden of debt charges was crippling the university and it was so eating into the available funds for the management of their operations that they felt they were not justifying properly the role and the existence that they thought they should be fulfilling.

We recognized that there was a great rate of debt charges but we just didn't have the funds to help alleviate that situation. So, for this year we are setting aside $5 million from current revenues for special grants to universities for capital purposes and for debt retirement. (Applause)

And so for this year we are setting aside $5 million from current revenues, for special grants to universities for capital purposes and for debt retirement. (Applause)

We are using $576,000 to write off the cost of main roads in the Sackville Housing Project. We are adding $200,000 in the amount available for hospital construction programs.

Fourthly, there have been many calls for assistance from Municipal Governments with financial problems. It is our hope that the Graham Royal Commission will propose some long term solutions to their difficulties, but we realize that there is need for short term assistance in the meantime. We have accordingly increased the amount budgeted for special assistance to municipalities by ~. in this current year - by $2.17 million. (Applause)

We have increased the amount available for highway maintenance by $4 million. (Applause) Honourable members for both sides of this House have persistently called on our Minister of Highways for more attention to road maintenance, particularly on secondary roads. The intention of this government has been to take tangible note of these requests, and the improved financial position we are in enables us to substantially upgrade this situation.

In summary, Mr. Speaker, we have benefited in the current fiscal year from additional revenues which really could not have been accurately anticipated. We have endeavoured once we got it to use it wisely in ways that will be of benefit to our province, not only now, but for years to come.

As a result of these transfers I have just spoken of, the forecast for the 1972-73 fiscal year shows a current account surplus of $35,350, which is a pretty tight fit. (Applause)

Now, Sir, let us take a look at the year ahead, the '73 -- '74 year.

I can't hear what the Leader of the C.C.F. - N.D.P. Party is saying. (Laughter)

Well, Mr. Woodsworth was a great man.

In arriving at the expenditure estimates for the '73 - '74 year, we have been obliged to budget with some familiar constraints. Some of our major obligations, notably in the field of health delivery and education, continue to escalate in cost that is beyond anything that we can predict as being foreseeable increases in revenue. It has been necessary to exercise continued restraint in all controllable expenditures and to deny numerous requests from departments for enhanced or additional programs. Many of these programs, Sir, we would be happy to see go forward if our resources permitted.

Now, as in previous years I shall try. and confine my remarks to the expenditures that are new or unusual or otherwise deserving of some comment or explanation. In the department of the Attorney General there is a substantial increase of $350,000 in provision for Legal Aid, which is offset by projected recoveries from Canada under the recently concluded agreement. Other significant increases in this department are for penal reform and probation and to step up probation services. Increases for Provincial Magistrates Courts in respect to new services in Western Nova Scotia, and also increases in the cost of the services for the Royal Canadian Mounted Police.

In the Development Department, an apparent sharp increase. Now, this is the result of transferring to the administration of this department existing expenditures on the special areas program and under Arda. These are made as a part of a general strategy of concentrating our overall development policy in one department, and this accounts for $5.5 million of the apparent increase.

For the next fiscal year, the government proposed an expanded Arda program which is presently negotiating with the Federal Government, and this is an important program to us, Mr. Speaker. Arda began in 1961 and is a joint Federal Provincial Program aimed at improving rural development opportunities. It is designed to expand employment potential and increase levels of income and standards of living in the rural areas. In the fiscal year just ended I am pleased to report that $7.7 million was spent in the rural areas of the province through Arda programs, and these related to forestry, agriculture, rural adjustments, tourism and recreation.