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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** |
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**Nova Scotia: Budget speech, March 1, 1975.**

HON. PETER M. NICHOLSON: Mr. Speaker, I take it that the Estimate books have been distributed, or are being. In any event there are some general remarks I shall be making first, so I trust the messengers will get the books around without delay.

The Estimate books that will be presented to you today, Mr. Speaker, represent the accumulated work of the officers of the Treasury Board and Cabinet Ministers, who serve on the board, and the staff of the Treasury Board, consuming some five or six months of intensive inquiry into the expenditure objectives of the different departments.

I want to say, first of all, I personally, as Minister of Finance, and as Chairman of the Treasury Board, owe a great debt of gratitude to the members of the Treasury Board staff, and while I hesitate to name any of them, I would think that Mr. Johnson, Secretary of the Board, and Mr. Wile, his assistant, have certainly turned in exemplary jobs. I wouldn't want to, by mentioning them by name, downgrade the way that other members of the staff have contributed to the exercise, the results of which you will see before you today.

I want also to say how gratified I was, both personally and as Chairman of the Board, with the support given to me by my colleagues and the cabinet, who served on that board. I may say that this year, perhaps more than any other year, they took a larger part in the program which led to the publication of the Estimates. I certainly want publicly to thank them for the support and encouragement they gave to me.

Now this year, sir, more than ever before, it is important to consider the budget in terms of our present economic situation, so I propose to spend a little time dealing with that.

We have just completed in 1974, another solid year of economic progress. While many of the improvements in 1974 were not as sharp or as pronounced as in the previous year, 1973, I think we all recognize that 1973's high rates of expansion would be very difficult to sustain.

The continued strength of our provincial economy in the year just past, especially in the area of creating new jobs, only serves to reinforce the patterns of the preceding two years. Much of our economic growth in these last three years has been based on a steadily growing provincial market, buffering us from the recessionary forces at play in the national and international markets.

The Gross Provincial Product, that is the total value of all goods and services produced, rose by over 16 per cent in 1974 to a total of $3.8 billion dollars. This rate of growth was slightly more than one per cent behind the rate of growth for this nation as a whole. As I pointed out in last year's speech, most of this difference simply reflects the boom in the grain farmers' incomes out West which pushed up the Canadian GNP, and at the same time raised costs for our farmers and depressing their incomes as well. But even discounting that factor, the Nova Scotia economy continued to keep pace with the Canadian economy, as it did in 1973. The one per cent in the difference being more than made up by that aberration which occurs from time to time out West depending upon the weather, and grain prices internationally.

The prime reason for our keeping up that kine' of pace is the record increase in employment in the province in 1974, a 6.2 per cent increase compared to the overall growth in the Canadian employment of 3.8 per cent. This even surpasses 1973's 6 per cent growth in employment. In terms of jobs, that 6.2 per cent meant 18,000 new jobs created for Nova Scotians in 1974. The employment gains were fairly well spread over the economy, with somewhat stronger gains in the service sectors. However, geographically they weren't spread so well, Halifax accounted for more than half of the increase, Amherst and Truro also took substantial increases,' as well as industrial Pictou County and the Bridgewater area, but places like Yarmouth and Sydney received a less than proportionate share of the overall increase in employment.

Despite this booming employment growth, the provincial unemployment rate moved down only slightly over the year, from 1973's average of 6.8 per cent to 6.7 per cent in 1974. Now there are two reasons for this. First, the greater employment opportunities drew people into the active labour force who ordinarily wouldn't go into it, so that there were additions to employment that were offset by a higher proportion of our population seeking work. The second reason is that for the second year in a row, we had a substantial net in-migration of people to this province, over 2,000, many of them Nova Scotians who had returned to find good jobs here.

This increased employment was complemented by wage and salary gains which exceeded those elsewhere in the country and narrowed down gaps in our income to a slight degree. Our average weekly earnings went up to $151, a rise of over 11 per cent, compared to the less than 11 per cent rise for the rest of Canada. Greater than average increases came in the manufacturing, construction, transportation and utilities sectors, with the service sectors registering the lowest gains.

However, many Nova Scotians saw their increased earnings eaten up by inflation. I hardly need to remind you, your Honour, of the accelerating pace of consumer prices during this past year. The increase in the Halifax Consumer Price Index was about one per cent lower than the equivalent Canadian rate. But this offers cold comfort in view of the continued escalation of food prices and the doubling of the rate of increase in housing costs over 1973. Over all, the price index rose by 10 per cent on the year.

Nova Scotia's manufacturing sector experienced one of its best years in some time, despite problems with materials shortages early in 1974. Manufacturing shipments should have reached $1.4 billion by year-end, a more than 30 per cent increase over the previous year. Manufacturing employment rose by 7 per cent and average weekly wages 13 per cent. The average weekly wage has increased by 13 per cent, Mr. Speaker. More important in the long term, the concentration of this sector in the areas of food and beverages and forest products continued. to diminish - the result of attracting a more diversified range of manufacturers to the province, many of which sell to our own provincial and Maritime market.

No small part of the manufacturing performance is attributable to the province's export sector. Last year our exports rose by 38 per cent - a huge increase and one far exceeding the trend of Canadian exports. On closer examination, however, the real increase in our exports - the volume increase net of price changes - is much smaller.

Over the same period, Canadian exports actually declined in real terms, that is, in terms of deflated dollars, because of the deepening recession in the United States and regional stagnation of European economies. Because of the types of commodities we export, we held our own notably in the pulp and paper and associated industries and in transportation equipment. Fish was off marginally and oil down substantially.

At home, retail sales grew by an impressive 17Y2 per cent, Mr. Speaker, again well above the comparable Canadian growth of 15Y2 per cent in 1974. The driving force behind this growth was the impressive employment and pay gains which I mentioned earlier on. Even when price increases are taken out, the remaining real rise of nearly 7 percent indicates a stable and growing Nova Scotia market, one which has reached the point where manufacturing and wholesale distribution facilities are attracted here to serve this country and this market.

One sector which has not shared in these gains is that of housing. While the level of construction was maintained through much of the year by projects underway, new housing starts dropped from about 7,000 in 1973 to a level of 6,000 last year.

The housing slump affected the whole chain of the building industry, right back to the woods. Lumber production fell by about 10 per cent, but some of the slack in rural areas was picked up by the strong demand for pulpwood. The pulp and paper industry's good year led to a 17 per cent rise in the production of pulpwood.

I don't detect, for example, that there is any shrinkage of funds in the mortgage market. I know of one mortgage company in this area that has invested $100 million in mortgages while it did business here. "That gives you some idea of the scope of the private sector in this field.

Now, the housing slump didn't affect our gypsum production, most of which is sold in the United States market. Our salt production remains steady. We had some encouraging news in the mining sector from Ungan, the new Devco mine, which is a success by any measurements one could fashion. We did have a record year of mineral exploration.

Other primary producers had no such offsetting gains. Gross farm cash receipts rose by only 9 or 10 per cent, as farm prices for many products dropped off, but the spiralling cost of farm inputs showed no signs of easing, this left net farm incomes down by 9 per cent during the year. Aggregate agricultural output remained at roughly the same levels as 1973, with' cattle and hog raisers suffering declines, and dairy farmers a slight decline.

The lower beef prices also hurt another of our primary sectors, as fish prices fell in response to consumers, here and abroad, substituting cheaper red meats. Nonetheless, the value of fish landings were off only marginally from 1973, reflecting for the most part a drop in catches.

Another anchor of our rural economy is tourism. It was a mixed year for that. We had a drop in the visitors to the province, with the loss of American tourists not quite offset by the small increase in Canadian visitors. An important thing here, Mr. Speaker, is that I am told that the guest days spent in Nova Scotia's hotels, motels and cabins were up, and that implies that the visitors we did get stayed longer, a trend that we hope will continue. Moreover a lot more Nova Scotians vacationed in their own province this year, than going elsewhere.

Nova Scotia entered into 1974 on the crest of a massive boom in investment, Mr. Speaker, with spending on new plants and equipment in 1973 being 30 per cent ahead of the preceding year. At last report, we are told that investment intentions for Nova Scotia indicated a lower increase, or only about 12 per cent, in c[,pital outlays for 1974. And this is not surprising. Investment is, by nature, uneven and if you take the 1973 increase which was an exceptional one by any standard, and you add it onto the 1974 and divide it by 2, you will get an increase average of 21 per cent, which is well above the rest of Canada. The strongest element in investment was trade, finance and commercial services, responding to the continuing boom in consumer demands. New shopping centres, office buildings all offer clear evidence of this. Weaker in 1974 were manufacturing and housing, both falling off from the exceptionally high construction rates of 1973.

While a bit of perspective may help, it still remains true that we rely upon investment as a stimulus to the economy, particularly in the short term, and the short term outlook is not good.

It is impossible, Mr. Speaker, for Nova Scotia, as one small economy, to remain for long isolated from world-wide and national economic trends. The United States has been in a state of worsening recession since this time last year, and by mid-summer, most European nations and Japan, as well, were in a recession, and Ontario started its slide into recession in the early Fall of 1974, suffering from its great dependence upon American markets.

If anything, the time it has taken for the Nova Scotia economy to feel the first real impact of these recessionary trends is an indication of the underlying autonomy and strength of our province's economy. But the signs started to show in the last two months. The significant growth we experienced in employment peaked out in September, at nearly 8 per cent over September, 1973. That is employment growth, not unemployment. The fall-off in employment growth was steady, but not substantial until the months of January and February. By January, there was no employment increase over January of 1974. Employment actually dropped in December and January and the unemployment rate rose to 7.3 per cent from November's 6.9 per cent.

Further indications of the slide came in the form of a tailing off in retail sales and new car sales in the last months of the year, and exports weakened noticeably in the last quarter.

If we, in this province, act sensibly and without any panic, well, we'll certainly feel a recession, but it could be brief. The pattern that most see for economic activity in 1975, is a continued decline in the first three months of this year, with the recovery beginning in the third quarter and gaining a substantial momentum by the last quarter of 1975 or the first quarter of 1976. In other words, the type of recession is a saucer-shaped thing, rather than a deep valley, there is a small decline, a flattening out period and then a rising up and most of the business and economic analysts and experts are predicting just that kind of a visual pattern for the situation ahead of us.

The critical question for this government is to pinpoint what sections of our economy will bring about this recovery - the strong and the weak points for 1975.

Now, first of all, our troubled housing sector, which has implications for everyone, construction trades people and those who depend upon that industry for their livelihood. sawmill operators, woods workers, surely a matter of great concern. The federal government has publicly committed itself to maintaining housing starts at a nationwide level of 210,000 starts in 1975, which implies about 5,400 new starts in Nova Scotia for this year, which would be down from last year's 6,000. It will be mid-summer, we think, before we see any significant improvements in that situation. But I don't want to second guess what might happen in housing because there are some new programs that are shaping up and we don't know what impact that they are going to have on the number of housing starts this year. I personally believe that the starts are going to be greater than what they are predicting for us.

The investment picture should improve slightly generally from 1974. Preliminary surveys indicate an investment growth of about 13 per cent in dollar terms for the year, just above the average rate of investment for the last ten years and not substantially below the overall Canadian rate, which will probably be about 16 to 18 per cent. Much of this new investment will occur late in the year as a number of projects come on stream, and the strength should carry over into 1976. Investment intentions for 1976 appear to be extremely strong, perhaps as good a year for investment as 1973, when the province experienced an increase of 30 per cent.

Nonetheless, the 1975 outlook for the real increase in investment is only about 2 per cent, that's corrected in dollar terms. This means that investment will be more of a stabilizing force in the economy than one of stimulation.

Exports in the last year brought the province a great gain of nominal income, but the increase in real terms, in terms of physical export volumes, was not sufficient to make our export sector a great stimulus to our economy. Our exports will likely continue their deteriorating course of late 1974, as American and European economies show few signs of staving off further recessions. Prime sources of weakness will be in the softening of forest product markets, little improvement for fish and a continuing decline in petroleum exports.

This international situation has important consequences for the province's manufacturers. The buoyant demands and high prices for our exports which were a boon to many firms in our manufacturing sector in the early part of the year, have sagged. Secondly, the shock waves from the Ontario recession have also reached those among our manufacturers who supply central Canadian markets. Reports of lay-offs indicate that as you read the newspapers daily. Many manufacturers who purchase goods from Nova Scotia over-ordered in advance to ensure a continued supply in periods of shortage. Now, many of these same buyers are cutting back or cancelling orders until their inventories have been reduced. This is a major source of weakened demand in the industrial sectors.

Those who best weathered the last year were firms who sell to our own provincial and regional markets - in 1974, an exceptionally strong market compared to most. A practical example is the comparative prosperity of small fish plants serving the local and regional markets as compared with the slump affecting large export-oriented fish plants. This occurred in spite of the disproportionate amount of aid given to the latter.

While we talk a lot about investment, Mr. Speaker, we frequently forget that the most important and most stable element of our economy is the personal consumption expenditure. This has been particularly true in the recent sharp, short boom we have experienced. Since the low point of 1971, consumption has regularly acted as a stimulus to our over-all economic growth, growing faster than the economy as a whole and accounting for three-quarters of the over-all growth in total economic activity in the last three years. It is this growth in consumption which creates a sizeable enough local market to encourage new manufacturing, trade and service facilities and jobs, which, in turn, creates corporate profits and encourages investment generally and, yes, which even contributes a good portion of government tax revenue by direct and indirect means. But consumption is a function of two things; one, increased disposable incomes and, two, increased employment.

Our fishermen face a year pretty ,much like the last one - with some improvements in both prices and demand over 1974, particularly very late in the year as meat prices firm up in the United States.

The farming community is in much the same situation Farm cash receipts are anticipated to rise by 6 or 7 per cent compared with 9¥2 per cent growth in 1974. Farmers can look forward to some easing in the prices of their inputs, but not sufficient to hold off a further loss in net incomes.

The mining picture does look considerably brighter, with Devco's coal output likely to be up by one million tons this year.

The fact remains, however, that most of our resource-based producers cannot look forward to a year of appreciable gains in income. This does not bode well for our province's rural areas and the towns and villages which depend upon them for their prosperity.

As far as industrial workers are concerned, most barely stayed ahead of the cost of living last year, as was typically the case for wage earners in the rest of the country.

For many of those without unions, the increases in the provincial minimum wage have helped to ease the burdens of inflation.

For those who belong to unions, 1975 will be an important year. Nearly two-thirds of them will be negotiating new collective agreements in the course of that year, many of them in critical sectors of our economy, such as pulp and paper, railways, communications and electronics.

Well, they are always in negotiations because there are so many of them and so many groups, you know, Mr. Speaker, that is a patent fact. I don't know why the honourable gentleman would wonder about that.

The extent to which these people can re-establish their real incomes is vital to the future growth of our economy as is the ability of management and labour to reach agreements.

The second driving force behind increases in income and consumption is employment. The massive increases in employment in 1974 were probably the single most important factor in raising the level of retail sales in our economy, in view of the fact that the increase in real incomes was low.

The outlook for employment in 1975 is not really bright at this point. We can expect an increase in employment of just over one per cent, down from the substantial gains of last year, but more or less the rate of growth we came down to by December to January. The reason employment growth will slacken so severely is a matter of timing. Employers lay off employees a couple of months after the turn-down in production has occurred and rehire only after demand has returned to a level sufficient to reduce inventories and raise the utilization of production capacity. The pattern for this year indicates no substantial pick-up in activity until the last few months of 1975 and early in 1976. Looking ahead, therefore, our employment gains in 1976 may well be substantial.

In the meantime, however,' people continue to enter the labour force, although at a much reduced rate in view of the more limited jobs that will become available. As a result, the unemployment rate we think, will creep up over the year, peaking in mid-summer and dropping in the last months of 1975, and the early part of next year, as the upswing takes place. Mind you, Mr. Speaker, this is all predicted upon the published views of the most respected economists and analysists in this country, they may prove to be wrong and I will say something about that in a moment or two.

For the full year unemployment is expected to average just under 8 per cent. A similar increase in unemployment rates is forecast for Canada, as a whole. Depending upon the strength and timing of this swing in activity, the unemployment rate may be higher or lower.

All the various parts of the economy I have discussed, play their role in the overall rate of growth of our economy in real terms. I think we can reasonably expect to continue' to keep pace with the national economy, as we have in recent years. This means a real growth rate of GPP for 1975 of one to two per cent, with the possibility of Nova Scotia outperforming the Canadian economy.

By the end of the year I expect the rate of inflation to drop somewhat, perhaps to 10 per cent average. The rate should hit its peak in the next month or two, then fall slowly over the summer, and sharply by autumn.

It is predicted that food prices will continue to rise at a rate well above that of consumer prices generally. But I look forward to some easing at the end of this year, depending upon how good a harvest, for example, we will have in the Fall. The supply situation for grain and feed has implications for a whole range of agricultural products - meat, eggs, poultry, dairy products.

To summarize my assessment of the Nova Scotia economy, we should reach the bottom of the present recession curve within the next month or two, and maintain that level through the summer and early Fall, and start to climb out slowly towards the end of 1975.

Now, Mr. Speaker, I turn from the economy to the province's finances.

The financial results forecast for the current fiscal year, are a source of some satisfaction. The estimates for the year produced a small surplus, and that is what we expect it to achieve. I should, however, draw attention to some changes in the component figures that make up the totals for revenues and expenditures.

Now, as is customary, our people in Ottawa gave us their projections of equalization payments and federally collected taxes, and these were somewhat off the mark, and that is understandable, because the amounts that are off the mark are a very, very small percentage of the total amounts.

Individual Income Tax produced $2 million more than the estimate, and Corporation Income Tax, a significant $6.3 million in excess revenue. Succession duties will provide $2 million over last year's estimates. That's the tail end of a tax that I think I've told this House before, I thought we should have been in a position to continue to impose, but however, it's gone now, but that tax exceeded the expectations and the closest prediction of anyone in our department.

I thought so, however, Mr. Speaker, I don't want to beat old straw, but honourable members will know the reason why we had to get out of that, we were in a very exposed position, and we couldn't remain in that kind of situation.

It was not confiscatory, because there were ways that could have been devised to keep it from being confiscatory.

We expect to receive $3 million in Income Tax Revenue Guarantee. This amount was not included in our estimates earlier this year since our eligibility to receive that was in dispute at that time but I am glad to say that that has been resolved and we have been assured that we will be receiving it.

On the other hand, equalization payments will be coming in at $7 million less than estimated and post-secondary education at $1 million less.

Turning to provincially collected revenues, estimates have provided for, proved to be more accurate, with gas tax producing $1 million less than estimated and Liquor Commission profits $800,000 more.

Our interest on investments has produced $8.3 million more than was anticipated and this, of course, was due to a very fluent cash position in the early part of the year, together with high short term rates and, also by some excellent work by officials of the Department of Finance in extracting the maximum use from even temporary cash surpluses, all with the cooperation and help of the banks and the investment houses in this province.

Now, finally, sir, we received $8.8 million from Ottawa in Prior Years Adjustments and these are adjustments I've often spoke about in this House before where you're usually years down the line before you get all the final figures on federally collected taxes.

Now, the net result of all that was that there were $24 million increases in the revenue over the estimates.

On the expenditure side we encountered some over and under expenditures. Operations of our hospitals cost $8 million more than estimated. Student aid required an additional $1.6 million. Increased costs led to inescapable overspending in Highways and Public Works amounting to $3 million and assistance to municipal sewage disposal projects called for $2.2 million extra. In Municipal Affairs, payment of one third of the municipal share of education costs for the first quarter of 1975 required $5.25 million which was not budgeted. And university grants called for $4.5 million over the estimate. I just would like to point out to members what I said about municipal share in education costs for the first quarter of 1975, required $5.25 million. Now, that's a piece of the first hunk of the share for operating costs of the municipalities in running their education programs and in order to better make that fit the program, we're taking the first quarter of that out of the 1974-5 revenues, albeit unbudgeted, so that in the year ahead we'll only have to be asking for something like shortly over $15 million for this purpose.

Now on the other hand, -money budgeted for the provincial share of subsidiary agreements in the General Development Agreement remained unspent to the tune of $4.5 million, because we were not successful in persuading DREE to sign all the necessary subsidiary agreements. This situation, we expect will change in the near future.

The cost of the energy subsidy, by energy I meant the light, heating, fuels and the gasoline and diesel, which remained in force till December '74 proved to be $3.8 million less than anticipated, and here, once again, it is very difficult to assess exactly what that would come in as. A careful management of all our financial resources enabled us to postpone borrowing, again up until just yesterday, really, for a saving of $4 million in debt charges.

When one takes all these variations into account, you're left with a projected surplus of $12 million. Now, what did we do with the $12 million? We took two actions to strengthen our financial position, which is likely to be under strain, Mr. Speaker, next year.

Expenditures voted as capital amounting to $3 million were transferred to current account because these were items which could legitimately be put in one slot or the other. A further $3.5 million of university capital debt owing to the province was written off.

Finally, we were able to repeat the supplementary old age assistance grants, which were made in two previous years, at a cost of $5.2 million. (Applause) I have to point out, Mr. Speaker, that while this last grant is one we are happy to make, it was not budgeted for, and had we not encountered a forecast surplus, it would not have been made. We wouldn't have the money to do it with. No provision has been made in this budget I am presenting to you now for repeating the payment next year, and while I do hope that our situation will enable us to do it, I do doubt very much that the financial situation of the government will permit such discretionary payments to be made in the year ahead.

Now, Mr. Speaker, I turn to the Estimates for the year ended 31 March '76. The appraisal of our economic situation which I have just given you with more detail than usual, because immediate economic prospects of this province must influence to a large extent our financial planning for the coming year.

We are faced with continuing inflation and a consequent increase in the cost of providing government services. At the same time, the recession is restricting employment and incomes in our province and reducing provincial revenues.

With these facts in mind we have made two major policy decisions concerning the budget for this year.

First, there will be no increase in existing provincial tax levels and no new taxes. (Applause) The people of Nova Scotia are suffering enough from the continuing increase in the cost of living without having their Government add to the burden.

Secondly, the current budget, that is those expenditures necessary to fund our ongoing operations, must not exceed projected current revenues. At a time when we are all being called upon to exercise restraint in the face of inflation, for this government to bring in a deficit budget would have been irresponsible and dangerous to our credit ratings.

The current budget for the forthcoming year, then, was developed under the constraints of no increases in taxes and 'no deficits. The only means available to us to meet these requirements was to hold down expenditures to a minimum and this we have done. So hard decisions had to be made, Mr. Speaker, and some disappointment will certainly be caused.

As far as requests for new programs are concerned, or major upgrading of existing programs, the Treasury Board in most cases had to regretfully say, "No". To those who supported these requests be they government departments or citizens groups, I can only say that our denial does not reflect any lack of appreciation of the value of the proposed programs, but simply the lack of resources to implement them at this time. A major consideration in the funding of the continuation of existing programs is providing for appropriate pay increases for our public servants, and believe me, this is a very important matter. (Applause) Several major employee groups are either bargaining with the government already or are scheduled to do so during the estimate year. These employees have seen the cost of living climb sharply since their last settlement and they've heard the pundits predict the continuance of that climb though at a slower rate. They will be seeking a reinstatement of real income and some assurances against increased costs to come.

Now these are reasonable expectations, Mr. Speaker, and we have, in this budget, made reasonable provisions to meet them. We intend to bargain with our employees in good faith and we hope to reach settlements that are satisfactory to them and within the capability of the taxpayers of this province to meet. (Applause) I would point out in this regard, Mr. Speaker, this is a matter of prime importance that the per capita personal income in Nova Scotia is 79 per cent of the Canadian average and 71 per cent of the Ontario average. It's obvious to me and I hope to those who bargain on behalf of our employees, that as long as this gap maintains the Nova Scotia taxpayer can not always afford to pay his public servants the Ontario rates or the federal rates. (Applause) Subject to this proviso, we shall do our best to fulfil our responsibilities as the largest employer in this province. We shall try to reach fair, responsible and amicable settlements with our employees.

Now at a time of financial restraint, Mr. Speaker, it's more than ever incumbent on the government to ensure that the taxpayers dollar is spent wisely, efficiently and productively. To this end, we're going to require all departments and agencies of government to review their operations in detail to determine where economies can be achieved and in addition, we shall be conducting studies of specific activities with a view to developing more effective organization, better staff use and improved delivery systems for all government services, and this is a massive job, Mr. Speaker, I may say.

I believe that these measures are necessary if we are to live within our means in the years ahead.

In the past few years, the excess of revenue over estimates has enabled us to accommodate some over-spending of approved budgets. I don't anticipate such excesses in the next fiscal year and I serve notice herewith that departments and agencies are expected to hold their expenditure within the estimates approved by this House. Those who fail to do so can expect to come under severe and critical scrutiny.

Our estimated expenditures for 1975-76, Mr. Speaker, are shown in considerable detail in the estimate book before you. At this time I intend only to draw attention to some of the highlights briefly contained therein.

The Nova Scotia economy relies heavily on our resource industries and we are paying particular attention to apartments that represent that sector. Estimates for agriculture show a marked increase over last year, largely as a result of providing dairy production subsidy of $1.5 million, an increase in fertilizer subsidy of $1 million, and a cost of school milk program for a full year at $1.4 million. There are also amounts budgeted in the Department of Development for a proposed GDA subsidiary agreement totalling $5 million for agriculture.

In fisheries, while the ordinary account of the department shows a small decrease, we are in fact making a major input into strengthening staffing the technical capacity of that department to better serve the industry in the time of difficulty. This input takes the form of a $2 million GDA subsidiary now under negotiation, which will be directed toward modernization and revitalization of our fisheries.

In Lands and Forests, $4 million has been provided, again budgeted under GDA for a forestry subsidiary agreement.

In Mines, $1.8 million, which is already signed.

The next group of departments on which I comment is primarily concerned with the overall development of our economy. Now, the Department of Development itself shows little increase in its operating budget from the current year, but major increases in both current and capital amounts budgeted under the General Development Agreement. In other words, while there's a very small increase in there, what we'd call our ordinary budget, under the GDA they're showing a more massive participation.

General Development Agreement. It's an agreement between the government of Canada and the provinces that supplant the old DREE program and under that GDA the provinces can enter into what are called subsidiary agreements that relate to specific developmental opportunities within certain departments. It's not a program that's intensely regional, as DREE was. It's a general agreement and we think it's perhaps much to our advantage, at least for us anyway, member for Kings South - an area that wasn't included in the old DREE agreement.

As I've explained on previous occasions, all our negotiations with DREE are channelled through the Development Department and all funds assigned to DREE agreements, including ARDA, are included in that department budget. The total estimate for the next year on current account is $8.3 million under ARDA and $13.4 million under GDA. On capital account the corresponding figures are $4 million and $23.3 million which surely in total is a massive program.

I point out, though, Mr. Speaker, that of the total current and capital expenditures under this head of some total $45 million we estimate recoveries from DREE of $28.5 million. The balance is the investment of the province in those developmental opportunities.

An essential part in our economic development is played by the Department of the Environment, not only in ensuring that progress is not at the expense of our quality of life, but in providing and operating water supply and pollution control facilities. Current expenditures have been held down for the coming year but capital works show an increase of $1.7 million.

Now, in the Department of Highways, ordinary expenditures show just a modest increase from last year but projected capital expenditures are up by $10 million to $57 million, which is supplemented by $11.6 million budgeted under a GDA project agreement. The highway construction industry is labour intensive, Mr. Speaker, and uses largely local materials and creates employment throughout our province. It seemed to us timely to maintain a high level of activity in this industry in the coming year. (Applause)

Finally, I will comment, Mr. Speaker, on proposed expenditures in the field of social development and services to people. The ordinary expenditures of the Department of Education show an increase in the Estimate of $18 million, while recoveries will drop by some $3.6 million. The major increase in expenditure is $14.5 million up in School Grants and this is in addition to the payment of $15,750,000 to municipalities in respect of their share of education costs, which is budgeted under Municipal Affairs. And that is the figure that I referred to a while back when I told about an excess of $5 million being taken out of the 1974-5 funds.

Now that payment of twenty odd million is a stage in the implementation of this government's commitment to take over eventually the entire shareable operating costs of education from municipalities. (Applause). And I want to emphasize the entire sharable operating costs so there'll be no mistake about what we're attempting to do.

I heard a question, Mr. Speaker, when will that be completed. The commitment of government is that the take-over would require us three years to

achieve but I may say that there are several committees still wrestling with the myriad of problems that are involved in this transition and with luck it might be sooner than three years, it could be two years. (Applause).

Now, insofar as the Graham Report is concerned, everybody asks about the Graham Report and of course that Report is still under study by a Select Committee of the Legislature and also by a Cabinet Committee which I may say has met many, many hours in the last few weeks. We've not received the advice of these Committees on the recommendations of the Report which relate to the location, size and type of school buildings, for example.

And until a policy decision is reached on these matters and until the financial integration of what we're hoping to do is resolved, it seems advisable to us to postpone temporarily investment in school construction. We're therefore proposing deferment for one year of capital school construction projects which involve substantial renovations, extensions, additions or new buildings. This temporary moratorium wiI1, of course, be applied with discretion. There may be urgent situations requiring immediate action, such as recently, I think, the roof fell in on one of the school buildings and that had to be repaired. There may be projects that have reached an advanced stage where all the plans have been approved and have been put out for tender. Or stages that from which municipal school boards could not retract.

Shelburne School, yes. Any such situation will be considered on its individual merits, Mr. Speaker, and I have no doubt that the municipal authorities will find my colleague, the Minister of Education, as reasonable as ever.

Assistance to universities shows an apparent drop of over $5 million. This is a matter of some importance. This reduction is illusory in the sense that it applies to this Estimate year only. With the creation of the Maritime Provinces Higher Education Commission it is desirable for all maritime universities to be funded on the same basis. We are therefore changing from the previous system of transferring funds to our universities twice yearly to a system of monthly payments. Since Nova Scotia Universities have already been funded up to the end of academic year June 30, 1975, their monthly payments will not begin until July 1. The net effect of that is that in the Estimate year here, we shall only be required to make nine monthly payments.

Obviously, in succeeding years, we shall have to revert to 12 payments, so the reduction in annual cost is for one year only. It's illusory to the extent that it's a mechanical exercise that causes it. Now, if the rate of expenditure represented by the estimate figure were applied to the full year, the budgetary effect would be $72 million for assistance to universities, instead of $67 million.

Now, under the Department of Public Health, I draw the attention of members of the transfer of funding for the Pathology Institute to the budget of the V.G. Hospital. These two institutions are in the process of amalgamation, with, we hope, an increase in administrative efficiency. Payments to hospitals and doctors by the Hospital Services and Insurance Commission will increase this year by $33 million.

Estimates for the Department of Social Services show increases of $7 million for provincial assistance payments and $2.7 million for municipal assistance. These are significant levels of increase, but I doubt if they will result in any unwarranted prosperity for those who depend on social assistance. I will again draw attention to the absence of any provision for the continuation of supplementary Old Age Assistance. Since these payments were first made, with no intention at the time of converting them into a continuing program, other measures have been taken to assist our senior citizens, notably the Pharmacare Program, and a continuing program of building low cost senior citizens' housing.

Now, Mr. Speaker, that concludes my comments on the Estimates for '75-'76. My remarks, mercifully, are drawing to a close. I say "mercifully" for you, sir, not for myself, but I'd like to just sum up a few things.

If I can anticipate what my friends across the way might be saying in a few minutes, it would be that this is a cautious budget. It is, if you wish, a wait-and-see budget. It proposes restraints in current expenditures and it maintains the prevailing level of capital investment. It has been suggested that with the provincial economy in a state of recession, now is the time to cast caution to the winds and embark on a massive program of provincial expenditure. I disagree with that.

The present economic recession has had only a moderate effect so far on the people of Nova Scotia. There are areas of high unemployment, and we hope that development initiatives now in progress and process will alleviate these, but the general level of unemployment throughout the province has not reached the critical stage.

Although the consensus of economic forecasters is that we can look for improvement towards the end of '75, they have been wrong in the past and if they are wrong again, and the recession deepened, we would be faced with heavy unemployment in Nova Scotia and hardship throughout the province. If this were to happen, it would be the responsibility of this government to adopt whatever measures seemed best to meet that situation. One such measure might be to initiate a heavy spending program, by means of additional appropriations, to create employment and to inject money into the economy. If this were to become necessary, and I pray it will not, we would do it.

But I must emphasize, Mr. Speaker, that we can only do this once. The financial muscle of this province is such that we can only muster up one Sunday punch. If we throw it all away, we will be paying for it for years to come, and if we throw it too soon, we will have nothing left if a real crisis comes. In my judgment, now is not the time.

For this reason the budget I have presented is short on spectacular expenditures and long on conservation of our financial resources. It is our financial plan for the coming fiscal year. Like any other plan, it may have to be amended in light of changed circumstances. We shall be watching those circumstances continually and carefully, and if the time comes when the interests of Nova Scotians so demand', we shall not hesitate to change our plans.

Unless and until that times comes, Mr. Speaker, the Estimates before the House represent the plans and the intention of this government for the next fiscal year. Thank you. (Applause)