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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 | 51 | 3 | Discours du Budget/ Budget Speech | 19-03-1976 | Peter Murray Nicholson | Minister of Finance | LIB |

**Nova Scotia: Budget speech, March 19, 1976.**

HON. PETER NICHOLSON: I dare say that that salutation would be isolated, Mr. Speaker - probably won't be repeated at least until the end of my remarks.

Pursuant to notice that I gave on the previous day, I have the honour at my command to announce a message from His Honour the Lieutenant Governor, which is;

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, 1977, and in accordance with the provisions of the British North America Act of 1867, he recommends them to the House of Assembly. That message is signed, Clarence L. Gosse, Lieutenant Governor, Halifax, Nova Scotia, March, 1976.

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

By way of explanation for the procedure we're in now, I might observe that until such time as the Throne Speech has been concluded, we won't really be able to go into the Committee stage to consider those estimates. But, it seemed appropriate at this stage to table the estimates so that the members could have time to consider them and also to use this occasion as an opportunity for making a statement, a few brief remarks in connection with the estimates, which I now propose to table.

And further, Mr. Speaker, it would be appropriate now to table the resolutions on those estimates, which your Committees will eventually be considering when the appropriate time arrives. So, I'll table resolutions on estimates for the fiscal year ended 31 March, 1977.

Mr. Speaker, I suppose it would be appropriate to say something about these estimates and the Attorney General said he would be somewhat disappointed if I didn't say something about them, which I suppose is a fair comment.

It has been customary to start with a few remarks about the economy in the province, since the economic health and prospects of the province set the stage for all of our fiscal planning.

Last year at this time there was much uncertainty as to how badly the Nova Scotia economy was going to be affected by the recessionary forces then underway in the national and international economies. Accordingly, last year's budget was a cautious one. While Nova Scotia began to experience the effects of the recession by mid-year, by and large we didn't come down as hard nor as long as many the doomsayers had anticipated, but the year 1976-1977 is equally a year for caution. There is no doubt that a recovery is beginning, and I repeat that, Mr. Speaker, there is no doubt that a recovery is beginning. The question is, how strong is that recovery? When will it really start to take hold? I am as reluctant this year as I was last year to make confident predictions of boom, just as reluctant as I was last year to accept the views of the proponents of disaster. 1975 was a year of major adjustment in the Canadian economy, adjustment to spiralling prices, adjustment to a depressed world economy, adjustment to Canadians' expectations as consumers and our abilities as producers. It has not been an easy period, particularly after two years of strong economic growth.

The Canadian economy has shown no significant growth since the first three months of 1974, but our economy did not begin to suffer the consequences of that recession - and I speak of the provincial economy - until well into 1975. This is a reflection of the traditional lag, Mr. Speaker, in our provincial economic cycle and, more importantly, of the renewed strength of the Nova Scotia economy in the last few years.

Despite the overall decline in production in Canada as a whole, provincial production increased by the order of 2 per cent. In dollar tenns, before discounting for inflation, there was a rise of 12 per cent, down from the previous year's substantial 16 per cent. As I indicated, most of this growth came early in the year.

Our manufacturing sector bore the brunt of recession. Manufacturing shipments fell off from their extremely high rates of growth in 1974 and early 1975. Employment in this sector dropped sharply by mid-summer. Plants now continue to run well below capacity and profits remain depressed. Under these conditions, investment in new plants and equipment came to the bottom of its cycle, down considerably from the boom years of 1973 and early 1974.

For the most part, Nova Scotia's primary producers saw little improvement in the situation this past year. Fanners' income showed little change. Fish landings dropped in both volume and value. The Forestry sector showed a very mixed perfonnance; a one-third drop in lumber production offset by a strong demand for pulpwood in the first part of the year. Later in the year, as we all know, the pulpwood production took a severe fall in response to the pulp and paper mills' strikes.

The only really bright spot among our resource industries was coal mining which registered an impressive output gain of over 50 per cent. (Applause) Steel production was down sharply due to negative market demands.

Much of the employment losses elsewhere in the economy were offset by the services sector, however, which had stable, if not spectacular, gains. Retail sales held up well for the first part of the year until unemployment losses began to cut into consumer demand.

The strength in consumer spending stemmed from the success of wage earners in catching up to inflation. Wages rose IS per cent on the average. In terms of real purchasing power that meant a 5 per cent improvement, more than compensating for any previous year's losses. But increased unemployment, steadily moving up over the year, took a heavy toll on our economy.

On the year, unemployment averaged just over 8 per cent of the work force, more than one percentage point higher than the previous year. Little consolation can be found in the fact that our employment rate rose much less than in the rest of the Atlantic Provinces and in fact, less than Canada as a whole.

With all these recessionary forces at work, we would have expected inflation to ease up and for a while at mid-year it seemed to be slowing down. But, by the year-end we saw a renewed surge in consumer prices, coming mostly from the non-consumer items in the consumer's basket. It was another year of 10 per cent inflation, although here again, the 10 percent consumer price index which increased in Nova Scotia, compares favourably with the national increase of 11.3 per cent.

It appears that the worst of the recession is now over. All the economists and most of the business communities see signs of a recovery. But, it will not be a strong recovery and it will be a slow, and I believe, a somewhat erratic one. We expect to ride up behind the U.S. economy, just as we rode down behind it, and believe me, the United States' prospects look good right now. On that particular score, I can't for the life of me figure out what's keeping the Canadian dollar at the level it now is, in the premium position over the United States' dollar, even after discounting the effect of enormous borrowings that took place in the New York market over the past couple of months from Canadian sources.

So, this picture is really the pattern that I described last year. I think I described it as a saucer-type of situation, where, yo~ would have a brief decline, a pause, a flat space, and then an improving economic picture. Some early signs of this improvement can be seen in the pick-up in retail sales and, most recently, in housing starts. With the pulp mill strikes now over, I expect to see a return to solid production in the pulp and paper industry, and I think that will carry on for many, many months ahead and, perhaps years even. (Applause)

Surely, Mr. Speaker, if there was ever any lesson to be learned from the folly of proceeding on a national basis throughout a whole industry to carry out a series of strikes, it was illustrated and illuminated by what happened in the pulp and paper industry in this province and other provinces. (Applause)

Those strikes were the result of a power struggle between union leaders in Central Canada and they cost the workers in this province in that industry, losses that they can never recover for the rest of their working periods. It seems to me that even though those strikes had a terribly hard effect on our economy, that there was a lesson learned that won't quickly be forgotten, and I think, will lead to a measure of stability particularly in the pulp and paper industry in this province, that we haven't achieved for many, many years in the past.

Now, into the kind of pattern of recovery that I've just spoken about, there has been injected the federal Anti-Inflation Program. While the controls would seem to have a stabilizing influence on the nex t few years of recovery, much of this stability will only come as prices and wages are phased into the program over a period of time. In other words, I'm saying that this probably will tend to extend the lag somewhat and of course that, I think, will be much more preferable and desirable then to have unbridled inflation.

Now, what's the outlook for 1976? In the early stages of recovery, we suspect that the strength will come from a return to more normal levels of activity in housing and a steady increase in our exports which will, of course, be buttressed up by improved situations to the south of us, and among our traditional export customers. Housing construction appears to have taken a turn for the better in the last half of 1975 and we expect a continued recovery towards normal production over the course of 1976. After a slump in housing starts in 1974, starts in Nova Scotia rose to a level of 6,400 in 1975, still well below the boom levels of 1973, but withal a respectable performance, particularly in the face of a five per cent drop in Canada as a whole. And the high level of building permits for housing offers us hard evidence that this up-swing should hold through for most of 1976.

The recent expansion to federal assistance programs and an increased flow of mortgage funds from financial institutions gives me further grounds for optimism on this front.

The damping effects of the Federal Anti-Inflation Program upon domestic costs, coupled with the recovery in the economies of our trading partners should give a boost to our exports.

Now, supporting these developments will be a moderate strengthening of demand within the province, partly from the improvement in the real income position of consumers of the past year and partly from the housing-led demand for durables - whenever you build a house you've got to fill it with furniture and equipment, stoves, refrigerators, you name it. The big question mark here is the future effect of price contoIs upon the escalation of prices, compared with restraint on wage increases and how much real purchasing power will remain with the consumer.

The weakest point in the outlook for 1976 is investment and later on I'll be dealing with our capital program and we were sensitive to the prediction that in the private sector there would be a bad sag-off in capital investment in this year and we've taken some counter-balancing measures against that.

Businesses are running well below capacity limits and with the imposition of controls, many businessmen have adopted a wait and see attitude. After last year's stagnation in investment, we are looking to an increase in plant and equipment of about 6 to 8 per cent. But, by the end of 1976, as some of that surplus capacity gets reduced and as the administration of controls takes place, we can anticipate a much improved investment situation, In fact, according to the best surveys we've been able to get our hands on, 1977 looks to be a good year, with investment rising by roughly 15 per cent and much less of that representing construction cost increases.

1976 should be a better year for our primary producers, as the cost spiral eases and some modest gains are made in production. Taking all of these factors into account, the increase in the total provincial production should be of the order of 3.5 per cent to 4 per cent in real terms, which is a very substantial increase over what I just reported to you, of an adjusted figure of 2 per cent. This, of course, is a modest rise, in view of the current depressed level of economic activity, and is not as strong as is typical of previous periods of economic recovery. Nova Scotia, however, didn't come down as hard as other parts of the country in the past year but neither will we rebound quickly.

The weakness of the recovery means that reduced unemployment will be slow in coming. I repeat that - reduced unemployment will be slow in coming. It may be well into 1977 before unemployment is reduced and employment picks up. It'll pick up as better production and investment levels cause employers to start hiring. As a result, I expect unemployment to be slightly higher in 1976.

So again, Mr. Speaker, I strike a note of caution in the outlook for the present year. We've come through a massive period of readjustment, a brief recession - we are now on the road to recovery, albeit a rather long one. It's not a time for false confidence but neither is it a time for pessimism. We must ensure that we don't slide back into the morass of recession and accelerating inflation and that the economic gains that we make are set upon a solid foundation.

Now, sir, what about a few comments on the fiscal situation in the year we're now in, that's drawing to a close the end of this March? Revenues that we estimated in our last budget have been exceeded by $29 million, made up as follows;

Equalization and income tax revenue paid us by the federal government produced $19 million more than was anticipated.

Our provincial revenues from Health Services Tax, Gas Tax and miscellaneous revenues exceeded our estimates by $10.5 million and astute management of our cash flow, by the financial department officials, produced a surplus of $6.2 million in interest income.

On the other hand - there is no slush fund, Mr. Speaker. The honourable gentleman keeps - he refers to a slush fund and the honourable Leader of the Opposition refers to the hidden reserves, surpluses, which are figments of their active imagination, but there is no slush fund.

On the other hand our income taxes fell $3.5 million short of the estimate. Post-secondary education payments were $1 million under the estimate, and a downturn in the Liquor Commission sales caused a shortfall of $2.2 million in revenue from that source, and I suppose to some extent that might have been due to the strike, but not wholly.

In addition to these increases in our normal revenues, we received late in the year a payment of $32 million in respect of prior years' adjustments on our tax-sharing arrangements with the Federal Government.

The total increase in revenues over estimates therefore, was $61 million. It is fortunate, Mr. Speaker, that we had some additional revenues, because inflation and pay settlements with our employees pushed expenditures beyond the estimated levels also.

Education, for example, shows excess expenditures of $16.3 million, largely attributable to the recent pay settlements with our teachers.

Health services required an additional $8.4 million which went in higher pay to nurses and higher costs of drugs.

Highway expenditures are over the estimate by $3.8 million, for a variety of reasons, one of them being the increased cost of salting roads, and snow removal.

Tight administration, however, has held these and similar increases to a minimum, and as a result we were left with a disposable gross surplus of some $28.5 million, and this is the figure that always seems to be bothering the Leader of the Opposition, and if he would pay attention for a moment I am going to tell him what happened to that.

The first one is one that is dear to his heart. An equity investment of $15 million was made in Sysco (Applause) to relieve some of the immediate financial pressures on that organiza tion.

Number two, university debts to the province totalling $6 million were written off.

Number three, a fund was established to assist victims of the violent windstorm of February 2nd (Applause). Total.compensable damage is estimated to amount to $8.5 million, but the Federal cost-sharing arrangements covering such circumstances reduces the province's commitment to that to about $2.5 million.

Finally, it was possible this year to repeat the payment of special grants toour senior citizens. (Applause) Cost of that program was $5 million.

After these various transactions we are left with a net surplus for the year on current account of $30,700, which surely is very tight.

I must draw attention at this point, Mr. Speaker, to the matter of prior years' adjustments. Equalization payments are calculated on avery, very complicated formula, including factors that do not become finalized until long after the conclusion of the fiscal year to which they relate. It is the practice, therefore, of the Federal Government to make interim payments to us based on their best estimate of the amount for which we will qualify. When all the figures are in and the complete calculations can be performed, a final adjustment is made. For the last three years this adjustment has been substantially in our favour. There is no guarantee that it will continue to be favourable, and in fact there are hard indications to the contrary.

These final settlements lag some two to three years behind actuality, so that recent and current adjustments reflect the boom conditions of the early seventies. Next year's adjustment will reflect the beginning of the current recession, and there is, in my opinion, a great likelihood that it will result in a requirement that we refund an overpayment.

I make this point, Mr. Speaker, because an unbroken series of favourable adjustments may have given rise to the belief that when the delicate balance of provincial finances fall prey to the dragon of overexpenditure, that some gallant knight is going to come galloping over the hill to help us. I don't think that we can rely on this next year and we must avoid any involvement with overexpenditures. This, I think, is one of the most important (Applause) things that I can say in my remarks on the estimates, that we must avoid involving ourselves in overexpenditure and, therefore, we are setting up a specific monitoring procedure in the Department of Finance this year to insure that there will be the close control of expenditures. We want to insure, Mr. Speaker, that any tendency to exceed budgetary limits is identified early and nipped in the bud. In the past, in a situation where activity departments have exceeded their budgets before they knew they had done so and we have to do better in monitoring those situations and we undertake to do so.

Now, a final comment on this year's results, Mr. Speaker, is that ever since this administration took office, I have advocated a policy of fiscal responsibility. As a policy, it is not spectacular and it is not always popular. Even some of my colleagues have not always appreciated my insistence on plowing surpluses into reducing debt and to improving our fiscal position, but, Mr. Speaker, it pays and it pays off well. (Applause)

Recently, as a result of much hard work by the devoted Deputy Minister of Finance and his staff, the rating agencies which have a preponderant influence on the New York bond market were persuaded of our financial stability and fiscal management, sufficiently to advance Nova Scotia's credit rating one level up.

Not putting it back where it was, Mr. Speaker. The Leader of the Opposition hasn't got the faintest conception of what are the facts of the matter. (Applause) .

This is the first time in the history of this province that we have ever enjoyed the kind of a rating we have today. (Applause) What is an immediate effect of this? An immediate effect of this was that we were able, a couple of weeks ago, to float a $60 million bond issue in New York at an interest rate of 9.25 per cent at the same time that Quebec Hydro was paying 1O~ on the same market.

I could ask for no finer tribute than that to the activities of the Deputy Minister of Finance and his staff who have contributed in such great measure to the re-rating that we just achieved.

Now, Mr. Speaker, what about the matter at hand - the estimates for the year ahead? In approaching the budgetary process leading up to these estimates, and I may say that I have enjoyed the greatest support from the members of the Treasury Board staff and the colleagues of mine who served on that board in an exercise that started, I suppose, last June and continued forward until this morning.

The cost of providing services, Mr. Speaker, over the year has continued to escalate as a result of general inflationary increases, including others, the cost of oil, and more specifically because of substantial pay increases to key groups of public employees. Revenues and recoveries, on the other hand, have not kept pace and we are showing a disturbing tendency to flatten out in these areas. This tendency became apparent some time ago and was responsible for the Restraint of Public Expenditure program, affectionately known as "The Rope" which was introduced last fall. This program has been received with something less than enthusiasm by operating departments and agencies, but popular or not it has a noticeable deflationary effect on our expenditure patterns and it has established, more importantly, an impetus towards a restraint psychology which the budget now before this House is designed to maintain.

Now, the next thing I am going to say is perhaps the key to tile whole thing of where we are going with our estimates for the year ahead.

I think it would believe all of us to recognize in this that we in government are setting an example of restraint that I hope will be recognized as such.

Well, if the honourable gentlemen could contain themselves for a few minutes, they will get some hard figures that will change their views. The total expenditures, and this is exclusive of sinking fund instalments, the total expenditures forecast for the current fiscal year, that's this year, 1975-76, show an increase over last year, 1974-75, of 18.8 per cent. We spent 18.8 per cent more money this year than we did last year, it's just that simple.

The estimates now before you provide for increased expenditures of 11.2 per cent for fiscal year 1976-77, and after deducting recoveries, the figure drops to less than a 10 per cent increase in net expenditure. (Applause)

I repeat that, that the estimates before you represent a less than 10 per cent increase in net expenditure. Now, expenditure control of this order has its price. In addition to continuing tight restrictions on general spending practice, travel budgets in all departments, for example, have been held to this year's dollar level. It's been necessary to subject programs to close scrutiny, all in the interest of containing the public service within I per cent of its present size. To do that, new programs have been rejected almost without exception and program expansions have been severely trimmed. There are one or two exceptions to this stringent approach, Mr. Speaker. Perhaps I should deal with those first.

The agriculture and fishery resources are the foundation of our provincial economy and must be encouraged. (Applause) Accordingly, expenditures in the Department of Agriculture show an increase of $2.3 million over this year's forecast. Most of these funds will be channelled directly into the land and into capital assistance to farmers.

The Department of Fisheries has long been somewhat of a Cinderella department, with a budget disproportionately small in relation to the value of the fishery resource to our economy. We've been attempting for a prolonged period of time to negotiate a fishery subsidiary to the General Development Agreement. We've had no success. This has been a time-consuming and frustrating experience, particularly for my colleague, the Minister of Fisheries. In this instance, I don't think we can pin the blame on DREE. I rather think that the federal fisheries establishment has to take some responsibility. (Applause)

It always seems to show such a keen interest in preserving its own jurisdiction. That's a distracting exercise in that department, I believe. Our troubled fishing industry needs solid assistance and while we still want federal participation, we can't wait for it and we have to take certain steps on our own right now. (Applause)

That department's budget will increase by $2 million over this year's forecast of $650,000. (Applause) Surely, percentage-wise that is, by all odds, I suppose four or five times the escalation in any other department. The main emphasis of this increase in aid to the fisheries, is directed toward the development of resource facilities, together with industrial and market research and expansion, and an additional program of training for our fishermen.

There, Mr. Speaker, ends a very short list of expansionary financing in this year.

With a few minor exceptions, the rest of the expenditure estimates call for little but cutback and restraint. As always, the two largest areas of expenditure, accounting for more than 60 per cent of our total budget, are health and education. These expenditures represent basic, essential services to the people of our province. The people demand a high level of health care and a first class education for their children. These are reasonable and proper demands and it's the business of government to go as far as it can to meet them.

It must be appreciated, however, that were we to respond to every request to build or to staff hospitals and educational establishments, and to provide every sophisticated and expensive service desired, we would be on the way to creating a province of healthy, well-educated paupers.

That's not my intention, Mr. Speaker, and it's with all sincerity that I say that in my belief, the future financial stability and prosperity of this province is dependent on our success in containing the present rate of escalation in health and education expenditures. This doesn't mean the wholesale closing of hospital beds, or schools, it doesn't mean putting large numbers of employees out of work. What it does mean is using our resources as effectively as possible and deploying them so as to provide the optimum service to the public, rather than the most convenient service to the public.

It also means that employees in the health and education services, in return for recently received pay increases, that have substantially improved their economic situation, will be expected to cooperate on measures directed towards maintaining high and efficient standards of service, without adding to the burden on the provincial taxpayer. In other words, more work for more pay.

In health services, Mr. Speaker, we are looking to counteract the inevitable increase in costs by the following measures;

(1) The elimination or reduction of duplicated or under-utilized hospital services;

(2) A general program of restraint in hospital expenditures, already initiated by the Health Services and Insurance Commission, for expected savings of $2 million;

And, I should say right here, Mr. Speaker, that the department has communicated its plans in that direction to all of the administrators of our hospitals and we had an encouraging response from them and I believe that this kind of a response is going to set a mood and an environment of consciousness that's been lacking in the health delivery system up until very recently indeed.

We propose a group purchasing program for hospitals, with some significant economies. We propose a flexible moratorium on hospital construction, with likely savings in the year ahead of $5 million.

A flexible moratorium, Mr. Speaker, is one where just because you can come up with the 20 per cent that you have to put up to construct a hospital, doesn't mean that you're going to get it. It'll only be if it has a priority that's high enough to justify its construction. In other words, even if you could pay for half of it, it won't necessarily be built. The cost-sharing arrangements are such that the municipal unit involved, the hospital unit involved, has to put up 20 per cent of the construction costs.

(5) Transferring community health centres to general hospitals, where they'll be cost-shareable, we hope, with the federal government, for probable recoveries of $300,000;

(6) The children's dental program will be kept available to children aged 7 years or under, for the year ahead;

(7) One increase in expenditure, but a very well-justified one, results from inclusion in the Pharmacare Program of drugs for the treatment of Cystic Fibrosis, at a cost of $100,000.

The Commission on Alcohol and Drug Dependency shows a high percentage increase in expenditure. This is accounted for by the operation of existing regional programs for a full year and by a transfer of responsibility for the Nova Scotia Alcohol Treatment facilities to the Drug Dependency Commission. We hope that in that situation they would be eligible for federal cost-sharing.

What about education? In that department, expenditures for the fiscal year ahead are expected to increase by $28 'million over this year's forecast, which itself shows an increase of $42 million over last year's expenditures.

Mr. Speaker, an expenditure growth rate of $70 million in two years for one service cannot be sustained by a province the size of Nova Scotia. (Applause) This government has no intention of initiating any sudden drastic changes that would disrupt overnight the education system, but we are obliged to undertake a carefully considered program of expenditure restraint. I will leave it to my colleague, the Minister of Education, to explain his department's future policies, and I'm going to confine my comments to those measures that affect the estimates now before you, and I may say that the Minister of Education shares all of my views on this particular matter.

We have payments to the Teachers Pension Fund showing a sharp increase following the recent pay settlement. Grants to the School for the Blind and the Inter-Provincial School for the Deaf have also been raised.

On the other side of the ledger we have some restraints in student aid, teachers resource clearing house, libraries, audio-visual services, and teachers scholarships and summer school. We should produce some savings out of that in the order of maybe $2,125,000. In addition, the moratorium on school construction will be maintained for another year. Now, these numbers don't involve cutbacks, they involve a containment of an escalation in growth that's unacceptable.

Yes, it is. There are certainly situations that we have addressed ourselves to in the last three weeks that would indicate that, in Cape Breton in particular, I rather think it's Sydney, a couple of schools, Donkin, Morien, right around your constituency. (Laughter)

While it doesn't add to the total cost of education, the amount of $32,250,000, budgeted as special payments in the Department of Municipal Affairs represents the provincial assumption of 75 per cent of the residential taxpayer's share of education costs, and that 75 per cent takes it all because we've already taken one-quarter.

Well, if you've got a good tune to play it's all right to blow the bugle and beat the drum. Well, even though this doesn't add to the cost of education, it surely adds it on to the total of provincial expenditures which have to be financed.

We must all understand, Mr. Speaker, there is no such thing as a free lunch. Education in Nova Scotia has to be paid for by Nova Scotians. All any government can do is to spread that load as equitably as possible. By transferring the weight of education costs from the residential taxpayer to the general revenues of this province, we have sought to achieve just that. (Applause)

The estimate for assistance to universities shows an apparent substantial increase. I underline the word "apparent". I remind honourable members that the system of payment for grants to universities was changed last year, with the result that we were required last year to budget for less than a full year's grants. The real increase in grants budgeted for next year amounts to less than 10 per cent in terms of our university programs.

Now, that's going to involve our universities in a very severe restraint program for the year ahead, it's substantially under 10 per cent because when you take a look at our grants - our grants don't support the whole of the university program, tuition supports a portion of it. There is no indication at this point that tuition fees are going to be raised, although I heard some rumblings of it from the press a little while ago - I read some, rather. So, the 10 per cent increase in our grants resolves itself to something like a seven per cent, or seven and one-half per cent, increase in the available revenues to universities to carry out a program. This surely is about as restrained a position as I think anyone could safely take in connection with assistance to universities.

The honourable gentleman says, "Well, I don't know". But, at least for one year, he'd go that far with me. Continuing with services to the people, two programs have been transferred to the Department of Social Services. Mental patients not under active treatment, together with their appropriate facilities, have been moved from the Department of Public Health to the Social Services jurisdiction, where it's expected they will qualify for additional cost-sharing of about $1 million. The ambulance subsidy program has been transferred from the Department of Municipal Affairs to Social Services. Again, in the expectation of securing some federal cost-sharing under the Canada Assistance Plan.

Some change in expenditure patterns will be noted in the Department of Development. During the year, we learned that the ARDA program, which was responsible for $10 million of expenditures in the current year, would not be renewed. In fact, the ARDA budget was initially $12.3 million with projected recoveries of $5.3 million. But, when the program was arbitrarily terminated by DREE, we were informed that the recoveries would be limited to $3 million. We'd already mounted the programs and put them in place, so, that involved us in a loss of around $2 million I would think, or thereabouts.

To avoid a dramatic imbalance in the Development Department budget, it was necessary to terminate, or to drastically reduce, ongoing programs. Many of the ARDA programs are gone from this year's budget. Some of particular value are continued on a reduced scale with wholly-funded provincial money. Included among these is the Rural Industry Program, which has been of particular value in creating employment in rural areas of our province. Funding of $312,500 is proposed for this one purpose.

Honourable members should not be surprised to hear that ARDA continues in Ontario and in the West, but here it's replaced by the GDA subsidiary agreements, none of which has yet materialized in the activity fields of government such as fishery and the agriculture and forestry. Provision has been made in the estimates for funding the provincial share0f a umber of subsidiary agreements, in the hope, of course, that we'll get them. I hope that we're not financing a mirage, Mr. Speaker, but that the eminent and welcome visit of the Minister of DREE to this province, will be productive for us as well as .for him. (Applause)

So, those are my general comments on expenditure estimates. What about revenue? It's not as bad as you thought. The expenditure program. . .

I have outlined, Mr. Speaker, depends for its funding on a variety of sources, some of which are beyond our control. Major sources of funds, for example, are federal transfer payments, and federal cost-sharing in specific programs. In the year ahead, we're estimating $537 million or, 50 per cent of our total revenue is to come from these sources.

Now, the federal government, in common will all other levels of government, is feeling the effects of expenditures outpacing revenues. They've got their problems, God only knows! Honourable members may recall that a program of restraint in federal expenditures was announced recently, highlighted by the elimination of three programs, the OFY, the CYC and Information Canada.

But, you know, this didn't amount to too much. It is something like removing a couple of warts from the rear end of an elephant. It didn't inconvenience anybody very much, I don't think. The pain and suffering wasn't very great except for the elephant.

When I heard about these programs being eliminated, I thought to myself, well, there is more to come and it has a bigger shape to it and the serious thrusts are now appearing on the horizon and I don't think it bodes too well for us.

One major and rapidly mounting item in our expenditure, as I just said, is the Health Care. Of our projected Health expenditure next year of $288 million, $128 million is recoverable from the federal government in cost-sharing. Legislation is now in its final stages in Ottawa to set progressive limits on future federal participation in MSI costs and notice has been given to us to terminate and renegotiate the federal sharing in hospital costs.

The present fiscal arrangements which equalization, revenue guarantees and post-secondary education support - support of really very large cash flows in our direction, all these fiscal arrangements under the Fiscal Arrangements Act expire on March 31, 1977. Their renegotiation will require forceful representations together with skilled and perceptive bargaining on our part. Even so, I have no doubt we shall find ourselves in a position of reduced advantage in fiscal 1977-1978.

In addition to reducing direct transfers to this province, changes in federal policy will have significant adverse effects on our financial status. For example - and this is just one example - changes in the UIC program approved just in December will cost Nova Scotians over $20 million in increased premiums and reduced payments. Further amendments proposed for this spring will cost us a further $10 million. Not only is this a terrible drain on our Gross Provincial Product, but it is an inevitable cause of increased unemployment. Many of these unemployed workers who are cut off from UIC benefits will become a charge on the welfare system to the further detriment of our finances.

I refer now to the much discussed matter of oil prices, only to remind honourable members that the $2 per barrel increase now being so assiduously pushed by the. Ottawa-Alberta axis could cost Nova Scotians $70 million a year if approved in full.

I am not going into the electrical energy matter right now but we also know what a direct leverage that is going to have on that. Perhaps one of the only really bright little things today that I have to say is, in a little while I am going to be introducing an amendment to the Health Services Tax Act and in that there is a provision to remove all health services tax from equipment purchased by or for the electrical utilities that are retailing power in this province. (Applause) That is just but a small - well, it may be a token assistance, it is a small assistance, I won't say it is a token assistance. It is a demonstration of our intention to fight to the limit the effect that this province will suffer by the escalation in the cost of producing electrical energy. I don't want to get into that debate right now because I have arranged to have added to the agenda for the Ministers of Finance meeting in Ottawa on April 1 and 2, an item, "The Cost of Production of Electrical Energy". (Applause)

Other federal policy changes that are damaging to us include a $5 million reduction in freight subsidies to the Atlantic Provinces; removal of the $11 million subsidy on the movement of flour and grain through east coast ports and a 50 per cent reduction in the federal estimates for Devco.

The Devco budget was $60 million in 1974-75, $40 million in the current year and it dropped to $20 million for the forthcoming year, at a time when unemployment in Cape Breton has reached disastrous levels!

In short, Mr. Speaker, the cool breezes now blowing this way from Ottawa show every sign of turning into Arctic blasts.

Well, I think we should keep them there but we should get them to change their policies. (Applause) And, I'm quite sure that we'd be a lot more successful about that than would our friends opposite.

They got a lot of them to leave, though, Harry.

I make these observations, Mr. Speaker, not to spread gloom and despondency but to make it clear that there are some have-not provinces, including Nova Scotia, that are being rather cast into the unwilling role of shock troops in the war against inflation.

The strain that's being placed on our provincial finances this year is no isolated phenomenon, but indicates the beginning of a number of lean years in which we shall be obliged, increasingly, to rely on our own resources. In fact, Mr. Speaker, we are faced with a simple and unpalatable choice - you either accept a reduction in the number and level of public services, or you provide an increased level of funding from our own resources. In this budget we have provided for some of both. New or enlarged programs have been reduced to a minimum, well-established programs have been subjected to severe restraints and still it has proved necessary, in order to avoid a deficit on current account, to increase revenues from provincial sources.

The following tax changes are proposed;

(1) Corporate income tax will be increased from 10 per cent to 12 per cent, effective the first of January, 1976;

Now, just wait a minute now, Harry. This will provide an additional $5.4 million. This brings Nova Scotia into line with Quebec, Ontario and Saskatchewan, and one point below Manitoba and Newfoundland.

If the honourable gentleman from Kings South thinks this is going to promote a flight of capital, why did all the capital fly to Ontario, where they had a higher corporate tax rate than we did, for years?

(2) Effective tomorrow, the 20th of March, Health Services Tax will go up to 8 per cent from the present 7 per cent, for additional revenues of $18.5 million.

All existing exemptions, including those on food and clothing, will be maintained. All these exemptions will be maintained. (Applause) The new level of tax brings Nova Scotia level with Quebec, New Brunswick and Prince Edward Island and below that of Newfoundland by two whole percentage points.

I have categorized this tax in the past, Mr. Speaker, as a regressive tax and so it was at that time, when the necessities of life such as clothing, footwear and building materials were fully taxable. Since then, however, this administration has removed the tax entirely from sales of clothing and footwear and implemented a program of homeowners incentive grants, which reimburses a significant proportion of the tax on the materials and components of a new home.

I believe, therefore, that health services tax today is, in large measure, revived on discretionary purchases and is preferable to an additional levy on personal income tax which would leave the taxpayer no option but to pay. It should also be noted, Mr. Speaker, that health services tax next year, after the I percentage point increase, will fall short of supplying the cost of health services by $23.2 million. Nova Scotians place a high priority on health services and we believe that they prefer to support those services by a health services tax rather than by any other method. (Applause)

You know, there is a great misapprehension about what is the cost of health services delivery in this province and whether or not it is met out of the health services tax. Recently, at a public gathering, I was asked, from the floor, what we were doing with the excess money that we garnered out of the health tax after we paid the health costs. I had to try to set the record straight. I was so shocked at this misapprehension of what were the facts that I had considerable research done and I produced a table, a copy of which I am going to have distributed next week to each member of the House, but it shows that in this year, the year we are in now, there was a shortfall of $42,761,000. In other words, the cost of health services was $42 million more than the health services tax brought in. With the changes we are making in cost of delivery of services and the increased revenue from this I cent on the sales tax, it will drop next year, the shortfall, to $23,223,000. We would have had to put the sales tax up to where Newfoundland had it to cover the whole thing - 10 percent.

I just want to tell you, Mr. Speaker, that these are very significant figures and these figures demonstrate why this government had to move up I cent on the sales tax. We didn't have any deficiency prior to 1973. The tax paid for the service. Now, this is what happened in each year from 1973 on an accumulated basis.

1973, Harry, $5 million, Mr. Speaker. In 1974-1975 it jumped up to $29 million. In 1975-1976, $71.8 million. In 1976-1977, $95 million. These are accumulative figures and no government's treasury could stand that without some reciprocal arrangement in revenue. We don't think the people of Nova Scotia want to go into health tax premiums. We don't think that they want to finance this in any way other than what we are financing and proposing to finance health services now.

If the honourable the Leader of the Opposition has got some other way of financing health services than through a health services levy, I would like to know what it is.

He has magic money.

He is going to make natural gas out of coal, too! (Laughter)

Sorry, Mr. Speaker.

Number three - we are speaking about health matters - effective tomorrow, tobacco tax will rise by of 1 cent per cigarette or equivalent to generate an additional $1.85 million dollars. The mark up of Liquor Commission sales of beer will go up by 1 cent a bottle and that on wines or spirit by 3 per cent for additional revenues of $3% million. These changes become effective Monday morning, the 22nd of March and they are inclusive of health services tax increase.

I am pleased to say, Mr. Speaker, while it is very little relief, but perhaps it is given to those who can least afford to pay the tax, that there will be no increase on draft or keg beer that is supplied to the beverage rooms, taverns and similar outlets.

(5) Registration fees for passenger vehicles will increase 25 cents a hundredweight up to $1.25 for the year beginning January 1, 1977. Increased revenues from that are really, surprisingly, I wouldn't have thought it possible, $2,250,000, from that source. This doesn't apply to commercial vehicles or half-ton trucks, farm vehicles and that sort of thing. This applies to passenger vehicles.

(6) Effective April 1st next, the tax on long distance telephone calls will increase from 5 cents to 7 cents, and there will be a re-adjustment in fire insurance premiums and these little things will bring in revenues of $740,000.

In addition to these tax changes, we looked at a number of fees and charges that have remained at the same level for many, many years, and really, in a lot of these cases, we were providing these services at a loss, really an outright loss. So, we set about trying to adjust a few of these.

So that, the Registry Office fees for registration of land documents and deeds, will go up from $4 to $8, which isn't too bad. I suppose a person, the average person, only gets one or two deeds in his lifetime. . . I don't see anything in here about mortgages, perhaps they're not going up. Fees for personal property documents, which would be bills of sale, up from $2 to $5.

In the Department of Education, the fees for the courses in Fine Arts workshops will be doubled. The tuition at the Teachers' College will rise by $200, to bring it somewhere near what it's costing. . .it won't really be within striking distance, but it will bring it up a little bit here, and the residence fees will go up by $50 a year. The tuition at summer school will go up from $75 to $150. We think that with the new, generous salary scales, realistic salary scales that the teachers are getting, that they won't mind that summer school increase, because that's where they upgrade their license to make more money for themselves. (Laughter) They've been previously doing that at our expense.

Transfer fees for motor vehicle registrations will rise from $4 to $5. That was a basing item.

Resident big game license fees will increase from $7 to $10 and small game fees from $5 to $7. Fishing licenses, no change. Admission fees to provincial campgrounds go from $3 to $4 to cover our costs and also so as not unfairly to compete with the people in the private sector, who are providing these good services in aid of our tourist program.

Now, these, together with other minor adjustments, will bring in about $1.614 million. This time last year, Mr. Speaker, I was able to announce that there would be no new taxes and no increase in existing taxes. I observed then that it would be a bad time to raise taxes. It is still today a bad time to raise taxes. Come to think of it, I can't recall any time, when it was a good time to raise taxes. I propose these increases with reluctance.

But, if we're to continue to provide necessary and desirable services. . .

... for which our people have a legitimate expectation, then they are unavoidable.

These increases, Mr. Speaker, represent, in my opinion, just about the limit of taxation that the present economy and the people of Nova Scotia, will stand. We can look for little new help from the federal government. It follows that we must do the best we can with what we have and to modify our expectations to fit our available resources. This will be no new experience for Nova Scotians, and I am confident that those who are disappointed by our inability in this budget to province for all their objectives will understand and accept the financial realities that now hold us back.

The estimates I have just tabled show current account revenues and recoveries totalling $1,090,677 ,800 and expenditures of $ I ,051 ,495 ,000, plus sinking fund contributions of $39 million, leaving a net surplus of $121,200, - again, a very tight fit indeed.

This budget levels with the people of Nova Scotia. It shuns the short-run, easy way of mortgaging the future. With these fiscal proposals goes the pledge of this government to guard against waste, to practise restraint and to carefully husband our resources during this difficult year. The achievement of these goals, Mr. Speaker, will lead us to more productive and full years ahead. Thank you, Mr. Speaker. (Applause)