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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 | 54 | 1 | Discours du Budget/ Budget Speech | 19-04-1985 | John Gregory Kerr | Minister of Finance | PC |

**Nova Scotia: Budget speech, April 19, 1985.**

HON. GREG KERR: Thank you, Mr. Speaker. That enthusiasm is wonderful. Pursuant to notice of motion given by me on April 15, 1985, and Rule 62 of the Rules and Forms of Procedure of the House of Assembly, I have the honour, by command, to present a message from the Administrator of the Government of the Province of Nova Scotia, relating to the Estimates of sums required for the service of the province for the fiscal year ending March 31, 1986, which is:

The Administrator of the Government of the Province of Nova Scotia transmits Estimates of Sums required for the Public Service of the province, for the year ending March 31st, 1986, and in accordance with the provisions of the Constitution Acts, 1967 to 1982, he recommends them to the House of Assembly.

At this time, Mr. Speaker, I wish to table the message from the Administrator of the Government of the Province of Nova Scotia transmitting the Estimates for the consideration of the House, table the Estimate Books, table the Estimate Resolutions, deliver my Budget Speech, and move that the Estimates of sums required for the service of the province for the fiscal year ending March 31, 1986, being Supply to be granted to Her Majesty be referred to the Committee of the Whole on Supply.

Mr. Speaker, I am pleased to present the provincial budget for the 1985-86 fiscal year. It is a budget that recognizes the successful policies established by this government. It is a budget that takes note of the strong economic performance of Nova Scotia. It is a budget stressing that there must now be greater continuing emphasis on deficit reduction without abandoning our commitments to people. It is a budget that goes beyond the present fiscal year. It is a budget that calls for determination and resolve as we work together to build an even stronger Nova Scotia.

Before embarking on details, it is imperative that certain points be made that set the environment for the decisions inherent in this document. First, some years ago Nova Scotia found it necessary to incur deficits in order to protect its citizens from the worst effects of a worldwide recession. The government's commitment has been to maintain essential human services and to initiate policies and programs that would lead to the economic resurgence necessary for new long-term jobs in our economy.

That commitment has been honoured. During the worst of times, our economy stood up very well; better, in fact, than most other provinces. We assumed the lead in the overall economic recovery and today our economy continues to expand at a very gratifying rate. But we have had to pay a price, Mr. Speaker. Job initiatives, essential services and assistance to those in need cost a lot of money. The decision had to be made, and we made it.

Deficit financing was necessary and essential for the times. Considering the enormity of the task we faced, we have managed to control our fmancial requirements remarkably well. However, the challenge of the deficit remains and will be addressed throughout the budget.

First, let me briefly outline the economic climate in the province today, and highlight the financial environment within which the government is operating. This will emphasize why now is an opportune time to implement the measures I am presenting.

The economic performance displayed by Nova Scotia during 1984 was clearly outstanding - a definite sign that the economic policies of this government have been sound and positive. Mr. Speaker, for the second year in a row, 1984 saw Nova Scotia lead all provinces in terms of economic growth, with an impressive real gain in output of 6.7 per cent - a level of growth unequalled in this province in the past decade. (Applause)

The strength displayed by the Nova Scotia economy was fuelled by real gains achieved in almost every sector, the most notable being in the manufacturing, retail trade and service sectors. And Nova Scotia once again outpaced the national average on a number of economic fronts last year, including real growth in the economy, in employment and in personal income.

The prospects for 1985 are equally encouraging. Real domestic product is forecast to grow by 2.3 per cent, on a par with that predicted for all of Canada. Employment is expected to grow by a further 1.5 per cent in both Nova Scotia and Canada. Personal income per capita is expected to grow by 5.1 per cent, compared to 4.4 per cent for Canada as a whole. Real gains are expected in almost all sectors of the provincial economy this year, with notable advances anticipated in the wholesale and retail trade sector. This type of commendable performance is the catalyst for long-term job opportunities in the province.

Employment growth in recent years has exceeded national average trends. We have witnessed for the first time in recent history, net in-migration to Nova Scotia. Also, many of our citizens who had given up looking for jobs now feel that prospects are positive and are re-entering the labour market. These positive trends signal a confidence on the part of Nova Scotians and, indeed, of Canadians in the opportunities developing in our province.

Mr. Speaker, in my budget last year I presented a fiscal plan for 1984-85. At $192.3 million, the operating deficit is now forecast to be lower than last year's estimate. (Applause) Furthermore, total financial requirements are expected to be $70.5 million less than anticipated last year. (Applause) Forecasted revenues, including prior years' adjustments and expenditures for 1984-85, virtually matched last year's budget expectations. It is important to note that annual revenue growth exceeded expenditure growth by 1.8 percentage points.

(Applause)

Mr. Speaker, the past fiscal year was the first in which projects and programs were initiated under the Development Fund, pursuant to the Canada-Nova Scotia Offshore Agree ment, in order to help provide the services and infrastructure necessary to encourage offshore development. These positive signs reflect well on the government's budgeting and financial management policies, but we must recognize that the exceptional economic performance I outlined earlier is, in large part, due to the recent spending priorities of this government. We have incurred deficits during difficult times to maintain levels of human services and to encourage economic activity.

Having established the climate for strong economic growth and having seen that growth manifest itself, now is the time to put more effort into deficit reduction. Mr. Speaker, many do not understand why it is imperative that governments deal with their deficit situations. With the advent of high and continuing deficit levels, all governments have seen their fiscal manoeuverability restricted by the corresponding rise in debt service costs. As governments continue to borrow for their operations, these costs escalate and absorb an ever-increasing share of the revenue base. This restricts the ability of governments to fund services and to generate jobs. If left unchecked, the inevitable result is substantially higher taxes, dramatic reductions in service programs and substantial reductions in employment levels. We are not prepared to let this happen.

Government policies have resulted in solid, long-term employment prospects and have preserved the service requirements of our citizens. However, if we do not accelerate action now to eliminate the operating deficit, the measures required several years from today will be far more severe. Accordingly, this budget outlines the parameters for an equitable, orderly and significant reduction in the deficit.

Deficit reduction in 1985-86 has proven to be very difficult given the net loss of $32 million in equalization payments. For over 20 years, Mr. Speaker, Nova Scotia has always received a year over year increase in equalization payments. The present equalization formula put in place unilaterally by the Government of Canada in 1982 anticipated that every recipient province would receive an annual increase in equalization payments over the five year term of the fiscal arrangements. This did not happen.

For 1985-86, the federal government advised Nova Scotia that:

(1) for the first time in more than two decades there would be no increase in equalization; and

(2) more seriously, we would experience an actual decline of $52 million from last year.

Mr. Speaker, the combination of these factors meant that the actual decline in revenue available to the province to fund programs in 1985-86 was far greater than $52 million. While the present Government of Canada has provided additional assistance totalling $20 million, it cannot be denied that the shortfall in revenues we might otherwise have expected posed some extremely difficult problems during our budget deliberations.

Mr. Speaker, in spite of these difficulties, further improvements in both the operating deficit and total financial requirements are scheduled for 1985-86. The operating deficit for this fiscal year is estimated at $184.6 million, down by $7.7 million from the 1984-85 level. Total financial requirements are estimated at $480.7 million, a reduction of almost $8 million from last year's requirements.

We have reviewed departmental spending estimates very closely for the coming year. The growth rate in ordinary expenditures for 1985-86 is substantially less than that experienced last year. As well, revenue growth will once again outpace the rate of increase in expenditures and this is a necessary criterion for deficit reduction.

In addition, there is a $23.8 million decrease in capital expenditures, a deliberate approach which I will touch on later. This further illustrates our success in efficiently and effectively managing the government's finances under some particularly difficult circumstances.

Mr. Speaker, despite the complex challenges ahead, we remain committed to the preservation of essential service levels in this province. We will continue to devote approximately half of our expenditures to the maintenance of Nova Scotia's excellent health and education programs. In 1985-86, the investment in these two areas alone will exceed $1.5 billion. As an indicator of our ongoing commitment, since 1979-80, this government has devoted more than $8.5 billion to providing health and education services to Nova Scotians.

Last year, I pointed out how overall government spending in the province generated considerable economic activity. Another factor, the Offshore Development Fund, has added to this activity. Expenditures through this fund will approximate $100 million by the end of fiscal 1985-86, a further affirmation of this government's commitment to training, employment and development.

The implementation of our manpower and vocational training policies announced in the White Paper on Economic Development and highlighted in last year's budget is now underway. We have successfully completed our reorganization of the Education and Labour and Manpower Departments to provide for a greater coordination of training and manpower needs in the province. A Youth Initiatives Office has been established and a Youth Entrepreneurial Skills Program has been introduced.

We are continuing to devote substantial amounts of funding towards resource and industrial development in the province. As an example, we are initiating, in conjunction with the federal government, a comprehensive forest renewal program which will provide for 1,000 new jobs in the forest industry. It will also ensure that there will be long-term development potential in this important resource sector. There can be no doubt, the longterm policies and programs aimed at stimulating permanent and productive jobs in our economy are taking hold.

But economy is more than statistics, Mr. Speaker. It is people, and it is people who require and deserve services. Each year, the financial pressures related to those services become more and more pronounced. Nowhere is this more evident than in the field of health care delivery. Nova Scotia has one of the most generous and comprehensive health delivery systems in Canada. (Applause)

The annual costs required to maintain this excellent system exceed the revenues received each year for this purpose. For example, during the past four years health expenditures have exceeded federal and provincial health service revenues by more than $100 million annually.

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Since comprehensive federal and provincial sharing of these costs began, the deficiency has accumulated to more than $1 billion. Mr. Speaker, the gap must be narrowed. There are two choices, reduce the services or broaden the revenue base. Accordingly, we decided to take careful and appropriate steps to broaden the revenue base. At the same time, we must protect services such as the following:

Medical Services Insurance Hospitalization and hospital services Pharmacare for senior citizens

The children's dental plan

Dental screening and referral programs in our schools

Special dental surgery services in hospitals

The province-wide cancer chemotherapy program

The cystic fibrosis drug provision program

Home services by public health nurses

Optometric services

Subsidized ambulance services; and

Regular and special in-patient and out-patient mental health services.

This budget does that by changing certain exemptions under the existing Health Services Tax Act, through the introduction of one administrative limitation, and by adjusting only one tax rate, the tobacco tax as it applies to cigarettes alone. No new type of tax is being introduced.

Effective midnight tonight, the tax rate on cigarettes will be increased by four-tenths of one cent per cigarette, bringing the total provincial tax to 48 cents per pack of 20 cigarettes. (Applause)

With respect to the health services tax, the base will be broadened by removing certain exemptions, effective midnight tonight. The following will now be subject to tax:

individual articles of clothing costing in excess of $300, excepting essential items individual articles of footwear costing in excess of $150, excepting essential items the labour component of repair and maintenance charges for tangible personal property.

The threshold at and under which purchases are exempt from tax is also being reduced from 50 cents to 25 cents.

In addition to these exemption changes, commissions paid to vendors for collecting the health services tax will be limited to $1,000 per year commencing June 1, 1985. All of these changes to the health services tax are consistent with current practices in many other provinces.

Let me re-emphasize that these measures do not involve the introduction of any new type of tax. Furthermore, only the tax rate on cigarettes has been increased. There will be no increase in the individual income tax rate. There will be no increase in the corporate income tax rates. There will be no increase in the health services tax rate. There will be no increase in the gasoline and diesel oil tax rates. (Applause)

Mr. Speaker, earlier I referred to looking beyond this fiscal year as an essential element in the financial planning process of government and all Canadians. This budget takes a major step in this regard by outlining commitments to be implemented beyond 1985-86. These measures are fundamental to the government's deficit reduction plan and by announcing these major changes now, sufficient time will be afforded all of us to properly plan for the adjustments that will be required.

In accordance with this planning and in accordance with this government's stated intention of 1983, the power rate subsidy will continue until April 1, 1986, at which time it will be terminated. Rate stabilization through the reduction of Nova Scotia's dependence on imported oil for power generation has been achieved. The principle of security of supply has been largely accomplished through the increased use of Nova Scotia's own native fossil fuels.

Municipalities, school boards and other grant recipients have faced budgeting difficulties and delays in the past because their fiscal years do not coincide with the government's fiscal year. Accordingly, to ease this particular strain, the government will work with them to bring their fiscal years in line with ours. This necessary streamlining approach will allow for longer term and more realistic common planning within a tightened grant structure.

Earlier I referred to a reduction in the government's own capital expenditures. This trend must and will continue with a view to achieving a similar annual rate of reduction in years ahead. Capital grant expenditures, particularly for hospitals and schools, will be controlled through a system of scheduled annual allotments over a number of years. Applicants and recipients will know by the end of this year how they fit into a long-term timetable of maximum annually available funds. Government will meet this year with the affected parties for schedule implementation in the fiscal year 1986-87.

The Public Service wages represent a V((ry large part of the cost of government. All of us paid from the provincial Treasury will have to lower our expectations. As well, the whole range of grants the government provides places a great financial strain on the province. Recipients of these grants must also reduce their expectations and understand that future increases will be limited.

Finally, in order to assist in controlling the size of the Public Service, the government will proceed to design and put into place a voluntary retirement program with appropriate pension and associated benefits for those wishing to take advantage of it. (Applause) Well, Guy and the Premier appreciated it.

Mr. Speaker, I must now take very special note of the advice offered by Nova Scotians over the past year. I have heeded that advice in many, many instances and very much appreciate the spirit in which it has been put forward. I know, too, that this sentiment is shared by my colleagues.

The measures I have announced will require substantial adjustments by all of us. The keys to the success of the strategy I have just outlined are equity and stability. A fair analysis of the budget's intent will reveal that it does not target any specific group or sector. It does, however, call upon all of us to think before we initiate increased or new demands on the public purse and it most certainly does require a sense of fair-minded resolution from government itself. Together, we have strengthened the provincial economy. Our goal is to continue in this direction. Together, we will achieve it. Thank you very much. (Applause)