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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 | 2 | Discours du Budget/ Budget Speech | 18-04-1986 | John Gregory Kerr | Minister of Finance | PC |

**Nova Scotia: Budget speech, April 18, 1986.**

HON. GREG KERR: Thank you very much. Mr. Speaker, pursuant to notice of motion given by me on April 15, 1986, and the Rules and Forms of Procedure of the House of Assembly, I have the honour, by command, to present a message from His Honour, the Lieutenant Governor 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, 1987, 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 March 31, 1987, and Mr. Speaker, at this time, I wish to table the message from His Honour the Lieutenant Governor transmitting the Estimates for the consideration of this House. I wish to 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, 1987, being Supply to be granted to Her Majesty be referred to the Committee of the Whole on Supply.

Mr. Speaker, it is my privilege to present to the members of this Legislature and to the people of Nova Scotia the 1986-87 budget for the province.

Developing the fiscal plan I am about to set before you was a challenging task. On the one hand, the government had to respond to the continuing demand of Nova Scotians for high quality public services and programs. On the other hand, the government has been faced with the ever-increasing pressure on the def"tcit and all the ensuing problems that entails.

Even with this latter consideration in mind, the government is maintaining its commitment to the essential services and programs so important to the well-being, peace of mind and personal development of all our citizens. It is a commitment, I am sure, that is shared by all members of this Legislative Assembly.

Thank you. I would be remiss in my duty if I did not remind Nova Scotians that this commitment is very, very expensive. People continue to demand new and expanded services. It is important to realize, however, that the government is the instrument used to deliver these programs and services but it is ultimately the taxpayer who pays for them. Government has the responsibility to tailor its programs to meet the needs and requirements of its people and to ensure that its programs are delivered in an eff"tcient and cost-effective manner. I am pleased to say that this government has faced and met its responsibilities to the people of Nova Scotia.

This government will stand by the principals of protection in health … I would like to continue the debates. This government will stand by those principles of protection in health, of personal development through education and of social safeguards for all Nova Scotians. As a sensitive government, we will honour these principles.

Now, before setting out the details of this year's budget strategy, I would like to take a few moments to highlight the positive economic trends that prevailed in Nova Scotia during the past year and are expected to continue in the year to come. It is this steadily improving economic environment that must provide the necessary support for the future development of our fiscal base.

The Nova Scotia economy, for the third consecutive year, enjoyed a healthy rate of growth in its total level of economic output during 1985. Overall, real output gains of 3.6 per cent were achieved during the year, comprised of strong increases in most sectors. By far the most notable strides made throughout the past year occurred in Nova Scotia's construction sector. Real growth of 16.1 per cent was achieved in overall construction output during 1985, a rate of increase almost twice that experienced during the previous year. (Applause) Mr. Speaker, housing starts alone posted a phenomenal gain of 50.6 per cent over the previous year, a level far surpassing that for Canada as a whole. (Applause)

Significant gains were also made in many of Nova Scotia's primary resource sectors, the most notable of which occurred in the forestry and fishing industries. Output in the forestry sector increased by 7 per. cent in 1985, employing thousands of Nova Scotians. Measures to ensure that the future prospects of this important industry remain bright have been addressed in the recently released Forestry Policy Paper, and through the implementation of the Forest Renewal Agreement with the federal government.

These initiatives will provide for the improved productivity and management of Nova Scotia's woodlands; an aggressive new marketing program for the province's forestry products and the creation of new jobs for Nova Scotians within this sector.

The fishing sector rebounded significantly in 1985, posting a healthy 8 per cent growth in output. A total value of fish and shellfish landings in 1985 increased by an impressive 22 per cent over the previous year. (Applause)

Mr. Speaker, agriculture is a fundamental part of the economic foundation of this province and this government recognizes its contribution to our economy. Figures recently released by Agriculture Canada report that our province was the only one in Canada to show an improvement in realized net farm income in 1985 as compared to 1984. (Applause)

The wholesale and retail trade sectors recorded their third consecutive year of strong growth. The total value of Nova Scotia exports grew by a further 10.5 per cent in 1985, an excellent performance following the exceptional rate of growth demonstrated in the preceding year.

Personal incomes of Nova Scotians gathered strength in the past year as well, with a growth of 7 per cent over 1984 levels. Further increases in personal income are again expected for Nova Scotians in 1986.

Nova Scotia can look forward to a continuation of this sound economic performance throughout 1986. Real gains in the province's Gross Domestic Product are expected to reach 3.3 per cent. Employment levels will increase by an estimated 1.5 per cent over 1985. Despite an increasing labour force, the unemployment rate is expected to show a modest decline.

Construction is once again expected to be the leading growth sector in the Nova Scotia economy. In 1986 activity is expected to remain strong, providing the impetus for a real increase of 9 per cent in overall construction output for the year.

Real gains are also forecast for all primary industries and service sectors throughout Nova Scotia in 1986.

Mr. Speaker, a strengthening and diverse economic base will offer more opportunities for Nova Scotians in the coming years and will have a positive impact on the unemployment situation.

Fiscal 1985-86: Mr. Speaker, the cornerstone of the government's fiscal policy over the past few years has been our determination to provide and maintain high quality essential services for our citizens without the imposition of excessively high levels of taxation. We have chosen to support these services while recognizing the implications of deficit financing. There is always the problem of balancing the needs and demands of our citizens against the limitations of the financial resources of our province.

Early in 1985-86, it became evident that the unemployment problem in the province was causing increasing concern. We took immediate action to ease this situation by devoting substantial additional funds towards direct job creation programs over and above what had originally been planned for last year. This responsive action resulted in the creation of a further 5,300 jobs throughout all regions the province. (Applause)

Mr. Speaker, increased health costs forced the government to expend additional funds during the fiscal year. We chose to do this rather than suddenly reduce the quality or level of care our citizens have come to expect. There was a cost to honour such commitments. For the fiscal year ending March 31, 1986, the deficit of the province is now expected to total $245.3 million. In order to reduce that deficit level, it would have been necessary to cut services to our people. Such action would have been disruptive and contrary to our commitment to Nova Scotians. If further taxes had been considered they would have worsened the unemployment situation that we were striving so hard to alleviate.

Only a stable approach to the development of fiscal policy rather than disruptive changes midway through the year can provide the proper climate for planning by both investors and citizens of this province. (Applause)

Mr. Speaker, the fiscal framework for 1986-87 has several objectives:

(1) to promote employment in the province through policies that will build upon the strengths of our existing economic base and strengthen the climate in Nova Scotia for expanded levels of private investment.

(2) to ensure that the broad range of necessary public services is maintained.

(3) to avoid general tax increases.

(4) to initiate measures that will lead to a steady but realistic decline in the deficit over time.

Mr. Speaker, to achieve these objectives will be a major challenge. Interest rates remain high relative to inflation rates, and contribute to rising debt service expenditures. Costs of delivery in essential service areas also continue to rise.

Mr. Speaker, the government has been faced with additional expenditures totalling $2.4 million associated with the takeover of adult correctional facilities to ease the financial burden on municipalities. We have had to incur additional costs of $7 million, imposed upon us by the federal government as a result of the Young Offenders Act.

As well, the government has had to absorb a reduction in the rate of growth of transfer payments from the federal government for health care and post-secondary education, two of the programs that we are striving so hard to protect.

In 1986-87 alone, the federal reduction in the rate of growth in transfer payments means that Nova Scotia will receive $11 million less than was established under the 1982 arrangements.

We will experience a significant decline in gasoline and diesel fuel tax revenues so that consumers can receive the full benefit of falling world energy prices. (Applause) This commitment alone has meant a decline of $1 I million in a major revenue source of the province. In spite of these obstacles, we have managed to develop a framework that meets our objectives.

For 1986-87, the deficit is expected to be $232.9 million while total financial requirements are estimated to be $529.9 million.

I must emphasize that the deficit and financial requirements could have been $31.4 million lower had we not had to incur the revenue declines and increased expenditure commitments I have just outlined.

Furthermore, had we chosen to raise the Health Services Tax rate by I per cent, we would have lowered the deficit by an additional $40 million to $50 million. We chose not to do this. (Applause)

Mr. Speaker, this government has consistently recognized that the only way to achieve viable, long-term employment opportunities is by encouraging private investment. This was the thrust of the province's White Paper on Economic Development entitled "Building Competitiveness".

One of the major commitments of the White Paper was the formation of a task force charged with examining all taxes paid in Nova Scotia to determine their effect on the province's investment climate. The task force conducted an extensive review of the province's tax system throughout 1984 and 1985. They received submissions from a wide range of businesses, individuals and. organizations throughout the province, and commissioned detailed studies on the more complicated issues of major concern to them. They have completed their extensive study and submitted their final report to me earlier this month. I am pleased to say that the government plans to act immediately upon a number of recommendations of the task force.

Mr. Speaker, during the recent recession, many businesses failed because of a lack of equity to weather this very difficult time. Often, new businesses suffer in their initial years due to a deficiency in shareholders' equity. As well, existing businesses often cannot provide the necessary revitalization of equipment or plant expansion because of inadequate financing.

In order to overcome this shortage of capital for Nova Scotia companies, the task force has recommended the creation of a Nova Scotia Stock Savings Plan which would provide a tax credit to individuals purchasing shares in Nova Scotia companies, both private and public. I am pleased to announce that the government has accepted the concept of such a plan and will be forming an implementation group comprised of officials from government and the private sector to design this investment vehicle. (Applause.) Mr. Speaker, the target date for the implementation of this plan is the 1987 taxation year, subject to the approval of the federal government which would administer the plan under the terms of the Tax Collection Agreement. This plan will encourage Nova Scotians to invest in Nova Scotia.

(Applause.)

Mr. Speaker, small business has been recognized as one of the major creators of new employment opportunities. The task force received many submissions requesting support for this sector through the corporate income tax system. It was a recommendation of the task force that the most significant corporate income tax assistance to economic growth in Nova Scotia would be to provide an income tax holiday for new small businesses.

As a government, we agree with this recommendation and today I am pleased to announce a provincial corporate income tax holiday for the first two taxation years of newly incorporated small businesses. (Applause.) This measure applies to companies incorporated after April 18, 1986 and not simply new corporations created by virtue of a name change or a change in ownership.

Mr. Speaker, municipal taxation was the most frequent topic presented to the task force by various businesses and organizations. This level of taxation has a significant impact on businesses being attracted to our province and on businesses currently in place. The task force has made several recommendations on municipal taxation. These recommendations are significant and can only be implemented by a joint provincial-municipal effort. We are prepared to commence a consultative process with the municipalities on these matters through the Provincial-Municipal Fact Finding Committee.

Government provides many assistance programs to business. There is a tendency for government programs to be perpetuated past their period of usefulness. This point was recognized by the task force during their deliberations. As a result, the task force has recommended that a process be established whereby each government business assistance program is reviewed at least every five years to determine if the program has met its objective and if the program will be required over the next five years. This recommendation has merit and is one that we will be considering in a general review of all government programs.

In fact, we have already taken a significant step to improve efficiency in providing assistance to business by the introduction of an Act to create the Nova Scotia Business Capital Corporation, which will consolidate a number of existing loan agencies.

In summary, such measures should ensure that Nova Scotia remains one of the most attractive places to invest in this country. We remain firmly committed to the creation of a stable and predictable policy environment so essential for long-term investment planning. Investors can rest assured that this government will continue to recognize the importance of private investment to the long-term expansion of our economic base and, ultimately, more jobs for Nova Scotians.

The task force has made one recommendation with respect to the introduction of a new tax in Nova Scotia. I will expand upon this recommendation in more detail later.

Mr. Speaker, the province's health, education and social service systems will continue to deliver high quality services to the people of Nova Scotia. Once again, more than 60 per cent of the government's total operating expenditures will be committed to these three areas, amounting to $1.9 billion in 1986-87. These expenditures represent a full range of services that the government provides for Nova Scotians.

In the health care field the services covered include:

$503.2 million for general hospital services, $177.1 million for physicians' medical services, $44.9 million for Pharmacare for seniors,

$42.6 million for psychiatric services, and $11.5 million for the children's dental program.

In education, expenditures include:

$503.4 million in education grants to school boards and municipalities for elementary and secondary education,

$176.6 million in assistance to universities,

$51.3 million for training programs,

$10 million for student aid bursaries, and

$7.4 million toward costs of students attending special education institutions.

Social services provided for in this budget include:

$126.1 million for family benefits,

$88.1 million in assistance for municipal social services, $24.2 million for family and children's services,

$15.2 million in assistance to senior citizens, and $13.4 million for rehabilitation and community services.

Spending in these areas amounts to $2,142 for every Nova Scotian.

Mr. Speaker, not only do these expenditures provide vital services for Nova Scotians but, equally important, they provide directly and indirectly thousands of jobs in the education, social service and health fields. For example, we have:

11,000 teachers

5,000 nurses

1,500 doctors and in excess of 30,000 other professionals and support staff associated with these fields and the institutions they serve.

These programs represent the foundation of the government's expenditure program.

They also provide security for Nova Scotians without the threat of overwhelming medical bills and burdensome family education costs. Furthermore, they ensure that the social needs of our citizens are met. These services are highly utilized by Nova Scotians each year. For instance, nearly 88 per cent of Nova Scotians entitled to provincially insured physician services used the system last year. In the Pharmacare Program alone, more than 90 per cent of our senior citizens' entitled to use the program, do so.

Our ongoing commitment to the delivery of these important services is evidenced by the recent announcement of major hospital and school construction programs. This will ensure that the health and education needs of many areas of the province are improved.

The construction plans put in place will:

maximize the Nova Scotia content of supplies and services for these projects and thereby stimulate local businesses.

create and maintain thousands of jobs for the Nova Scotia construction industry and related support services.

stabilize long-term maintenance and operating costs of these facilities.

Mr. Speaker, the government is also sensitive to the demands of Nova Scotians for adequate and affordable housing. It also recognizes the importance of expanded housing activity to create employment in the construction and related sectors. Some of the major activities that will be supported by the Department of Housing and the Nova Scotia Housing Development Corporation during 1986-87 include:

Construction starts on approximately 1,500 units of social housing which will provide accommodation for our senior citizens, students, disabled persons, low income families and single parents. (Applause)

Provision of approximately 3,000 housing grants and low interest loans for seniors and physically disabled Nova Scotians.

The servicing of approximately 500 additional residential lots in Halifax metro area to meet the continuing strong demand for lots by builders and individuals.

The continuation of our commitment to subsidization of approximately 10,000 previously constructed public housing units and 1,300 previously constructed rural and native housing units throughout the province.

The continued provision of a wide variety of mortgage programs and housing development services throughout the province.

The government's strong commitment to this important sector of our provincial economy ensures that adequate and affordable housing is available to Nova Scotians. It will continue to mean thousands of jobs throughout the province.

Mr. Speaker, effective June 1, 1986, the government will introduce a corporation capital tax on chartered banks and trust and loan companies operating in the province. A rate of 1.5 per cent will be applied to the paid-up capital of these institutions. I should point out that this is consistent with one of the recommendations of the Task Force on Investment and Taxation and is similar to the practices in most other provinces.

As well, effective midnight tonight, the tax rate on cigarettes will be increased by 1.1 cents per cigarette. This will mean that Nova Scotia's tax rate on cigarettes will still be below that of a number of other provinces.

However, there will be no increase in the individual income tax rate. (Applause) Mr. Speaker, there will be no increase in the corporate income tax rates. (Applause) Perhaps more importantly, there will be no increase in the health services tax rate. (Applause)

I would like to point out again that Nova Scotians will realize significant savings in fuel costs as a result of the province's commitment to reduce its gasoline and diesel fuel taxes in accordance with falling oil prices. (Applause) This $11 million reduction in a major revenue source of the province will represent a tremendous financial benefit to Nova Scotia families and businesses.

Furthermore, Mr. Speaker, I would like to emphasize that home heating fuel remains exempt from any form of provincial taxation. (Applause) We recognize the necessity and importance of this item to households across the province.

Mr. Speaker, the government has exercised severe restraint when preparing this year's budget, and the results of our measures have been significant. If expenditures had been allowed to increase in 1986-87 based on historical trends, the deficit would have been $378.9 million. As a matter of fact, at the beginning of the budget process, original depart mental requests would have resulted in an even higher deficit level. As a result of this intensive and ongoing process the deficit will total $232.9 million. This has resulted in a 1986-87 deficit that is $146 million lower than it might otherwise have been. (Applause)

Mr. Speaker, this government has already confirmed its commitment to services, and we will continue to offer programs that respond to the economic circumstances and needs of the people. However, restraining and controlling the growth of government expenditures must be a primary goal.

We cannot continue to fund services that no longer meet their original objectives, satisfy their clientele or that overlap the services of other levels of government. Rather, we must concentrate on finding ways to meet existing needs and demands, and effectively reallocate scarce fiscal resources. Only then will we be able to make significant strides towards reducing the deficit.

For these reasons the government plans to accelerate the review of general government operations in this province. This process will clearly identify redundant and outdated programs. It will also ensure that the remaining programs and services provided by the government are delivered in the most efficient and cost-effective manner possible. The results of this review will mean change in the traditional budget process.

Presently, problems arise from the fact that once the normal budgetary cycle begins in the fall, there is often insufficient time to comprehensively analyze funded programs. Because of these constraints the implementation of major changes in the next year's budget is made more difficult.

As well, many agencies that deliver the wide range of government services have indicated that they need to know the government's priorities over a longer period of time so that they can plan their programs more efficiently and effectively.

Next year's budget process will begin immediately. This will ensure that the departments, agencies, commissions and boards will have ample time to respond to government priorities in relation to our fiscal resources.

By formally expanding our budget planning horizon, we will be better able to establish realistic targets for reducing the deficit and provide for more coordinated, long-term planning. A new multi-year fiscal planning process is the ultimate goal.

Mr. Speaker, in conclusion, this budget represents a balanced and sensitive approach to the very difficult challenges that face the government today. It upholds our commitment to provide high quality public services for our citizens. It fosters job creation and economic growth by taking immediate action on many of the recommendations of the Task Force on Investment and Taxation. As I indicated, no major tax increases in the general taxing field.

The government will carefully assess the demand for services and, within existing resources, we will continue to meet the needs of people. This will require that all of us, both within government and the general public, accept the fact that many programs may have outlived their usefulness and that new and innovative ways must be found to deliver services more effectively.

And, Mr. Speaker, as we face the challenges outlined in this budget, I want to assure Nova Scotians that we will protect the way of life we have worked so hard to attain in this province. Thank you very much. (Applause)