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| Nouvelle-Écosse | 57e | 1re | Discours du Budget | 4 Juin 1998 | Donald R. Downe | Minister of Finance | Nova Scotia's Liberal Party |

**I. INTRODUCTION**

Mr. Speaker, I rise today to deliver a budget that is firmly focused on the future of Nova Scotia. A little more than two months ago, I believe the people of our province delivered a clear message. I believe they said they want a government that listens to their priorities. A province where young Nova Scotians are able to reach their full potential, where families in need will be supported, where people of all ages have access to good health care, no matter where they live. I also believe Nova Scotians want a government that sets the climate for economic opportunities to grow.

Nova Scotians have realistic expectations. They know governments can't do everything. But they do expect the government to set a clear direction for the future. They expect their taxes will pay for critical public services such as education and health care. They do not expect us to mortgage their children's future.

On that last point, Mr. Speaker, I believe the public has raised their expectations for financial performance. Balancing the budget-making sure we do not spend more than we have-is no longer a goal; it is the minimum requirement and the beginning. After the budget is balanced, governments make choices. If there is money available, how is it to be allocated? Should priorities be changed? Which areas should get the benefit of economic growth? Today, as I outline our plans for the future, our answers to those questions will become crystal-clear.

We intend to make our first commitment to our children. By paying attention to their education, we enhance their sense of curiosity, their self-esteem, their potential. No other investment can provide as many benefits to our society.

We intend to provide a secure health care system. One that combines new technology with human compassion. A system that has well-equipped hospitals and well-trained nurses, doctors, and technicians across the province.

We intend to redirect resources to families so that children get a good start in life. We intend to bolster families in need and reach out to families in crisis. We will begin to get at the root of child poverty.

We want Nova Scotians to know we are prepared to deal with their priorities on the economy. For five years we worked on a plan to restore fiscal balance to Nova Scotia. This plan helped us remove one of the biggest barriers to our future growth. But, now that we have cleared the way, it is time to build. Our long-range goal is to change the economic climate of this province. We will help build more self-reliant communities. We will cut the red tape that stifles business initiative. We will target economic development spending. We will seek advice on a new economic strategy. We will build our second plan from the bottom up.

Over the course of my remarks today, I will outline the details of these and other measures that will help secure the present and lead to a much better future. But, I also want to be very clear. The commitments to the future of our children and to the health care of our people are very strong. In fact, they are so strong, that we are holding the line in almost every other area of the budget. Many areas of government services are making new efforts, taking new initiatives. But, in most cases the money is redirected from their existing programs.

Mr. Speaker, the demands among the various interests in our province are many. These demands are important. But, it is impossible to meet them all. So, we have made a choice. We have chosen the future. We have chosen to support education for our children and health care for us all; for this decision, we make no apology.

Some people accuse governments of lacking long-term vision. They believe politicians won't take a risk if the result can't be seen before the next election. If this belief is true, then it certainly would be a natural inclination for a minority government such as ours. But, we are not falling into that trap. Instead, Mr. Speaker, we are taking a risk. We are looking forward because it is the right thing to do.

Mr. Speaker, before I go into the details of our new fiscal and economic plan, I want to share with the honourable members some information about a remark­able economic recovery in Nova Scotia.

**II. ECONOMIC CLIMATE**

Last year when my colleague Bill Gillis stood before you, he was able to report that there were 4,000 additional people working in Nova Scotia compared to the previous year. Today, I am able to report that job growth has surged ahead. Between April of 1997 and April of 1998, nearly 20,000 more people were working.

The employment growth is a direct result of increased economic activity in the private sector. Sometimes the reason is obvious. Who could ignore a $750-million construction project to build a new magazine paper mill for Stora? More than a thousand people worked on the project last year.

How did that come about? It happened because Stora believed in Nova Scotia. It believed in Nova Scotians. It saw the barriers to investment coming down. It saw a government that was prepared to tackle the tough financial decisions. It knew we were not putting the problems off to a future day.

Getting to this point, Mr. Speaker, has not been easy. People and businesses have gone through hard times. Layoffs were common a few years ago. Plants were dosing. Getting the jobs back has not been easy. Too many Nova Scotians are still without a job. But the signs are improving. Our diversified economy is responding. The evidence is in places like Trenton where the railcar works now has 1,300 people working. This is the highest employment level in 15 years.

Other factors are at work here, too. Interest rates are low. The tax system supports investment. Money for new ideas can be borrowed at a reasonable cost. Businesses have lower costs because of tax reforms. We predicted the changes would help create jobs and they have. These jobs often come in ones and twos, and most people hardly notice.

How do we know this? We know because applications for our new small business tax exemption program have increased by 26 per cent so far this year. Takeout sales in Nova Scotia restaurants grew by nearly 10 per cent in 1997. Automobile sales grew by 21.5 per cent. Department store sales rose by 24 per cent between April of 1997 and April of 1998. Employment in the services to business sector grew by 17 per cent.

In total, all this activity lead to economic growth of 2.0 per cent in 1997. That's more than double the rate of growth in 1996. This year, the good news contin­ues. Employment growth is strong. For the first time, more than 400,000 Nova Scotians are working. People are spending. As a result, we have prepared our budget based upon the expectation of 3.7 per cent RDP growth for 1998. That will be the biggest jump in 13 years.

A substantial part of this increase will obviously come from the Sable Gas project. For every person hired at the Halifax Shipyard or the M and M fabrication facilities in Dartmouth and Pictou, for every worker that signs on at the pipe­wrapping facility in Sheet Harbour or works at the Goldboro gas treatment plant, the economic growth is real.

Halifax and nearby communities already see these results. The increase in jobs here is a major reason why we are breaking employment records. We have set the proper course. The benefits are beginning to materialize. But, the economic wave still isn't strong enough in the rest of this province.

All honourable members know that policies for rural communities need to be different. What will flourish in Halifax may not succeed in Yarmouth. The needs of businesses in Glace Bay are quite different from the needs of businesses in Burnside. We need to pay close attention to what people outside Halifax have to say, and we will. They will develop the plan, not us.

Before I describe the process to build this new plan, I want to report progress on the result of our first plan. Our plan to achieve fiscal stability.

**III. PROGRESS ON FISCAL AND FINANCIAL MANAGEMENT 1997-98**

Mr. Speaker, I am proud to stand in this house to announce that Nova Scotia has achieved its second consecutive balanced budget. In this, I am building on the foundation set by my predecessors, Bernie Boudreau and Bill Gillis. This hallmark of financial integrity should be noted. It is the first time in modern history that we have achieved a back-to-back surplus.

Mr. Speaker, this remarkable achievement comes at a time when we have also made increased commitments to services and people. In 1997-98, an additional $133 million was added to the health care system beyond the original estimate. That money went toward treating more Nova Scotians, bringing doctors home, providing more home care, and offering new telehealth services with trained technicians. All of this gives Nova Scotians good quality health care as they need it.

1997-98 also saw us face an important challenge and responsibility in wage negotiations with our employees. Overall, we have achieved reasonable wage settlements. For this I want to thank the unions: the NSGEU, CUPE, the nurses' union, and all the others. I want to thank our employees. I want to thank everyone who recognized the need to have fair and balanced wage settlements. For employees and taxpayers, the negotiations have been a job well done.

Mr. Speaker, at the end of fiscal 1997-98, we also made some necessary, and prudent, provisions for potential future problems.

For example, we made an allowance in the amount of $49.8 million for potential uncollectible receivables within the health care system. The amounts have come up in a number of program areas, including regional health boards and non-designated organizations such as the QEII hospital. This provision reflects the very real pressures in the health care system.

Now, Mr. Speaker, the question is this: How were we able to make these kinds of commitments to people needing health care and to our employees and still keep a balanced budget? The answer in part is that our economy grew. More sales and more jobs mean an increase in revenues. The increase in our provincial revenues amounted to $77 million more than our original budget estimate.

Elsewhere in Canada, growth was also strong. This means equalization payments rose by nearly $45 million. In addition, the economy of Nova Scotia and Canada grew a bit faster in 1995 and 1996 than we had originally thought. That has resulted in additional revenues for these prior years' adjustments in the amount of $75.9 million.

Finally, continued low interest rates and good financial management helped reduce debt-servicing costs by $56 million compared to the original budget estimate.

Mr. Speaker, all this adds up to a forecast surplus for 1997-98 of $37.4 million.

Under the provisions of the Expenditure Control Act, we are required to use this money for tax cuts or debt reduction. Today, I am pleased to announce, we have decided to do both. There will be an estimated $10-million rebate of HST for electrical consumers and a forecast $27.4-million payment against the debt.

The sales tax relief will come in the form of a 5 per cent rebate on all electricity purchased between November 1,1997 and March 31,1998 by residential consumers. Our government said we would reduce taxes when we could do so without affecting critical social programs, and so we have.

We intend to work toward continuing this rebate in the future. The revenues to pay for this would come from a federal tax ruling. The province's share of these savings would be channeled toward a continuing partial HST rebate for residential electrical consumers. But the ruling has not been made. Again, we are being prudent in promising to deliver only when we know we can do so.

Mr. Speaker, the timetable and direction of future tax cuts and relief need to be laid out for businesses and consumers. We wish to pay particular attention to tax reductions and relief for those on low and fixed incomes.

Mr. Speaker, before I leave this review of the surplus, I note that we have retained two partially completed, unleased P3 schools on our books as an asset. This matter is being discussed at some length by members of this assembly and within government itself. I feel the depth of frustration in the voices of those who say we should build the schools and find the money later. I understand that strength of conviction. Nevertheless, ignoring costs or the means to pay is not the answer.

Public-private partnerships are one way to build schools. The leasing feature allows us to meet the need for the school without adding to the Province's net direct debt. There may be other ways to do that, but they must meet the same objectives. Our government believes we will find solutions before we finally close the books on 1997-98.

**Debt Management**

Mr. Speaker, I am pleased to report that this is the second consecutive year in which we have reduced our net direct debt. The reason is mainly due to a combination of budget surpluses and the strong performance of our pension funds. Despite losses at the Sydney Steel Corporation and temporary losses at Nova Scotia Resources Limited, the net direct debt of our Province is forecast to decline by $219.8 million after accounting for the HST rebate. On a budgetary basis, and on wider public-sector basis, we are going in the right direction!

One of the best measures of our financial performance is how our debt stands in relation to the size of our economy. As of March 31, 1998, the net direct debt as a percentage of G D P stood at 39.3 per cent. That is far less than three years ago when the ratio was 43.7 per cent. A major reason for the change is the performance of our pension funds.

Three years ago, the unfunded liabilities in the Nova Scotia Teacher's Pension Plan and the Nova Scotia

Public Service Superannuation Plan amounted to nearly one billion dollars. Today, the Teacher's Pension Plan has a small-unfunded liability and the Superannuation Plan has a significant surplus.

With respect to the Public Service Superannuation Fund, the surplus was so large that, under federal and provincial rules, further contributions would not be allowed.

Accordingly, we have taken a number of steps to deal with this issue in a fair and equitable fashion.

First, for 1998-99, contributions by the employees and the employers in this plan will be suspended. This measure reduces the surplus in the plan by an estimated $57 million.

Second, we will introduce legislation to increase pensions for those who are now receiving a spousal pension. Pensions will also increase for those who retired many years ago when inflation was high. Our measures with respect to spousal pensions are similar to what has become common practice in the pension industry.

Third, at a time when people are retiring earlier, we are protecting the interests of all by making our assumption more realistic. This will further reduce the surplus by $65 million.

Once the previously announced pension contribution holiday for 1997-98 is included at $57 million, these measures will reduce the pension plan surplus by $247 million. As a result, we expect an actuarial evaluation will show that the plan is still 108 per cent funded after all of these measures.

The government's share of the pension plan savings has been used to enhance our commitment to education and health care. The surplus has come largely through investment gains. We believe it is only right that we reinvest these gains in the education of children and the care of our people.

Like any prudent investor, we cannot count on all this money to be available every year. Some savings are likely. Good pension management will keep the taxpayers' costs down. Nevertheless, we will face a challenge in the years to come. We are already starting work on measures to address future needs.

**IV. PROGRESS ON SOCIAL RESPONSIBILITY**

**Strengthening Our Children's Future**

Mr. Speaker, Nova Scotians believe that our future starts with our children. We want them to get off on the right foot, from the first day they start school. They deserve the best education possible, so they can make the most of out of life at work, at home, and in the community. Therefore, in fiscal 1998-99 we are making a very significant commitment to our children. The Province is making a direct additional contribution of $52 million to public education spending. In addition, the school boards have requested a refinancing of their obligations concerning the teachers' early retirement programs. This measure, plus additional funding in other program areas of the department, has put a further $30 million into the classrooms for fiscal 1998-99. In total, this means an extra $82 million for the public school system in Nova Scotia.

What does it mean to parents and children and teachers? It means new and updated school programs in both French and English, with professional development, more textbooks, technology, and other classroom supports.

It means more relevant choices in high school and support for students with special needs. Above all, it means smaller class sizes, more teachers, and teachers' aides.

It means additional funds for the increases in teachers' salaries.

This commitment to the education of our children is also matched by a commitment to lifelong learning for all Nova Scotians. We are providing an extra $1.2 million for people who need help with literacy and students who need assistance.

Students graduating from our community colleges are getting jobs in record numbers. We will strengthen this system with an extra $2 million this year.

We're adding $5.5 million over 1997-98 funding levels to our universities this year. That money builds to a $23-million increase in university assistance by fiscal year 2000-01. That money will help stabilize tuition fees and provide more young people with a great foundation for future success.

Mr. Speaker, we say our priority is education, and this budget is the proof.

**Building a Secure Health System**

Mr. Speaker, our government is also committed to meeting the growing needs of our people for health care. A little more than three months ago the Premier promised to add $80 million to the health care budget. Today we deliver on that commitment.

Mr. Speaker, this extra money addresses very real needs for many Nova Scotians. It will make a difference. For example, people who have remitting and relapsing multiple sclerosis now have new hope. The budget today means we can start providing treatment with forms of interferon such as Betaseron to people with multiple sclerosis who can be helped by this therapy.

Additional health spending increases funding for people in nursing homes and homes for special care. This 18 per cent increase in funding adds up to a budget of $133.2 million in 1998-99. It pays for extra staff to provide additional care and other improvements begun last year. It helps to cover increased operating costs and salary increases and to address other health and safety issues.

Planning is beginning for an additional 170 long-term care beds to look after Nova Scotians who are no longer able to care for themselves. They will be located where the need is greatest, especially in Industrial Cape Breton. The beds are expected to be in place during fiscal 1999-2000.

Also helping Nova Scotians is our home care program. This program means 18,000 people a year get care where they want it most, in their own homes. The budget for Home Care Nova Scotia has been increased by $8.3 million compared to the forcasted spending for 1997-98.

Construction begins this month on new health care facilities in Cheticamp and Neils Harbour, as well as the redevelopment of the regional hospital in Yarmouth. Planning is now under way for a new regional hospital in Amherst.

In addition, $9 million has been budgeted to pay for the increased number of doctors that have been recruited to come to Nova Scotia, additional services for patients, and an increase in physician fee levels.

It's important that, while increasing health care spending and the services available to Nova Scotians, we maintain a watchful eye on the sustainability of our system. We can't fall into the trap of only a few years ago when the province was borrowing money to pay for its day-to-day operations.

That's why we're asking health boards across the province to present three-year business plans to ensure that the same fiscal responsibility we've shown with the Province's books will be reflected by those institutions that care for Nova Scotians. These business plans will ensure that any deficits incurred during that time will be recovered by the end of the three-year period.

Mr. Speaker, the extra funding for education and health has put real constraints on what we can do elsewhere. In other government services, we have asked departments to look carefully at what they do, and find ways to meet new needs within their own budgets. The Department of Community Services is a good example of how this has been done.

**Caring for Families and Children**

In this department, we have a budget that is only a few million dollars higher than the forecast for 1997-98. But, underneath that number is the fact that the dollars are being put to better use.

In partnership with the federal government, we are launching a long-term strategy to improve opportunities for low-income children in Nova Scotia. The National Child Benefit program is intended to reduce child poverty, while providing extra support for parents.

The National Child Benefit program will come into effect in July 1998. Federal, provincial, and territorial governments agreed to the following components:

• the federal government will increase the Canada Child Tax Benefit, targeted specifically to low-income families, with the National Child Benefit Supplement

• provinces will decrease social assistance payments for families with children, up to, but not exceeding, the amount of the National Child Benefit Supplement

• provinces will reinvest the provincial social assistance funds freed up under this approach into benefits and services for low-income families with children

In Nova Scotia, this reinvestment fund is estimated to be worth $14.6 million annually. This money will go directly to programs and services for Nova Scotian families and children.

Nova Scotia will direct $13 million from this fund annually toward a new Nova Scotia Child Benefit program, which will provide extra money for families in the lowest income brackets. This will be available whether people are working or not.

We will also allocate $2.2 million for a range of Healthy Child Development Initiatives to help overburdened families in many circumstances. We will build on partnerships with existing public and private agencies to offer community-based prevention programs and more support for early intervention programs and child care.

These Healthy Child Development Initiatives will be developed in consultation with our stakeholders. They appreciate, as we do, that investing in young children can prevent problems and give children a solid grounding for future success.

We will allocate a total of $2.5 million this year toward developing new placement and treatment options for children and youth in care. With new services available in four regions, Nova Scotian children and youth will be able to receive appropriate treatment as close to home as possible. This was the main priority of the report on placement options, "Too Good to Lose."

This government is also increasing support for parents of children with special needs through the In-Home Support Program. It covers support services such as respite care and specialized equipment.

On April 1 of this year, the Province assumed responsibility for the administration of social assistance programs across Nova Scotia. Up to $10 million more will be available for better services or direct payments to those most in need. The cost of this will be offset by programs and services designed to help people find employment where possible.

Mr. Speaker, our government takes its social responsibilities very seriously. They are the bedrock of why the government exists. We have examined the many demands in this area. We have exercised leadership. We have chosen to meet the health care needs of our people. We have chosen to enhance the future of our children. We believe that these are the choices most Nova Scotians would also make.

Quite frankly, though, some people would have us do more. We are committed to meeting legitimate needs, but, in many cases, we do not have the money right now. A growing economy will provide part of the solution, but it will not be enough. We need to find ways to spend the taxpayers' dollars more wisely. I will have more to say on this shortly.

**V. PROGRESS ON OUR ECONOMIC FUTURE**

Mr. Speaker, if I may, I now want to turn to the issue of economic development. For too long, too many Nova Scotians have lived with the belief that we are a have-not province. I say this belief is wrong. I say we have the capacity, the capability, and the opportunity to become masters of our own fate, able to rely on our own people, skills, and resources.

Mr. Speaker, for the past five years we had a fiscal plan. The plan has set a proper fiscal climate for economic growth. Now it is time to build on that plan. Now it is time to build a climate of self-reliance. We want ideas to encourage economic prosperity. We want these ideas to come from our successful businesses, our entrepreneurs, our young people alive with ideas, and our communities, who know best their strengths and weaknesses. As a result we are developing a new economic strategy to achieve these goals.

Mr. Speaker, I want to acknowledge we are not starting from the beginning. Over the past number of months the Provincial Labour Market Development Secretariat has consulted widely on a key issue related to this strategy: How can we develop the pool of labour that the market needs to achieve the economic development we all want? These groups included businesses, economic development organizations, organized labour, and the unemployed. The secretariat also sought the opinion of equity groups, training providers, educators, as well as community-based organizations and volunteers.

The consultations showed that the labour market provides the link between economic and social development. Therefore, we believe it is important that our new economic strategy be developed with the full understanding of the consequences for the labour market; the potential social impact; and future public costs that may result from those decisions.

As we move forward, I want to remind all members of this House that we already have a very important institution for consultations on these issues.

In 1963 Robert L. Stanfield recognized the need for widespread consultation and advice. His solution was Voluntary Planning. Their track record over the past 35 years has been remarkable. The Departments of Economic Development and Tourism and Finance will now work together to help create a new Economic Advisory Council working closely with the Voluntary Planning struc­ture. The Council will consult widely and build on work already done.

To get this process off the ground properly, we have already talked about this with the leaders of the two official parties in this house. We are looking for individuals who have a background in economic development, are innovative thinkers, and have excellent track records in making things happen.

The Council will be given the task of examining the barriers and opportunities to economic development in Nova Scotia. They will be asked to examine our tax system and ways to use it to promote growth. Given the revenue demands to pay for public services, they will ask if there is a fair balance between consumers, businesses, and other organizations. What measures can the government take to encourage individual self-reliance? Community self-reliance? What role should government departments play in creating a better economic climate? How can we enhance our education and training efforts? What can we do to help more businesses succeed outside Metro Halifax?

We know the strategies for development are not the same. We know the kind of business that thrives in Sydney may not be the same as the kind that can prosper in Louisbourg, Inverness, Springhill, Digby, or Shelburne. We expect good advice on what needs to be done differently.

Mr. Speaker, consultation works. Ideas emerge when people talk. As an example of this, we are now working with the health care sector to explore what we can do with the vast amount of public dollars devoted to this part of our economy. Nova Scotia already receives nearly two-thirds of the private-sector medical research in our region. We believe we can build on this.

These ideas promise solid benefits for Nova Scotians, but they are not enough. We need to make sure we do not smother our economic recovery in a new round of red tape. As a farmer and a small business owner, I am personally committed to the idea that government action to reduce the cost of doing business is more meaningful than government handouts.

Accordingly, we will soon table a second Bill on Licences, Permits and Approvals. We hope to have co-operation from all parties in passing this legislation later this year. We know we have the support of the small business community, because they have been actively involved from the beginning. One of the leaders in this effort has been the Canadian Federation of Independent Business. Accordingly, the Minister for Business and Consumer Services and I have asked the Executive Director, Atlantic Canada, for this organization, Peter O'Brien, to join our implementation team to make sure we move forward.

We are also committed to improving service through a number of key initiatives. These initiatives include accepting debit card payment at our Access Nova Scotia service centres; introducing a standard application form to reduce paper work; and running a pilot project to deliver tender documents to bidders electronically. We are also developing an electronic one-stop business registry in partnership with the Workers' Compensation Board and Revenue Canada.

Finally, Mr. Speaker, our Equity Tax Credit provides investors with a real incentive to take risks in new Nova Scotia businesses. Now we need to connect the investors with the entrepreneurs.

We think the development of widespread computer communication links opens up the opportunity for creating low-cost investment marketplaces. Over the next 12 months, we will consult with business, investment dealers, the Department of Economic Development and Tourism, and the Securities Commission to develop the most appropriate means of matching energetic entrepreneurs with seasoned investors.

Mr. Speaker, when it comes to natural resources, government action is sometimes the most effective way to help solve a common problem. Our action against the tussock moth is an example. Another is our investment in the future growth of our forests through silviculture. I am pleased to announce that with federal co-operation, we are able to put $3 million to work in this area.

Mr. Speaker, we know where we want to be. We want to be able to stand on our own. We want to build on the strengths of our people. We are clearing away the barriers. Our new plan will build the economic opportunities based on ideas developed in our community. It is the best way to go. It is the only way to go.

**VI. PROGRESS ON FISCAL RESPONSIBILITY 1998-99**

Mr. Speaker, I now want to look at the fiscal climate for 1998-99 and beyond. In this budget, we have taken the best of all possible fiscal steps. The budget is balanced. The surplus for 1998-99 is estimated to be $1.5 million. The budget delivers on legislated tax cut commitments. On April first, the temporary transitional tax on motor vehicles and heavy equipment was cut in half, as legislated, from 2 per cent to 1 per cent.

In addition, the tax cuts set in place over the past two years continue to work their way through our economy. 1998 will see the full benefits from the first provincial income tax cut in the history of our province. The provincial rate is now set at 57.5 per cent of federal taxes. This is the lowest in Atlantic Canada.

Our improved Low Income Tax Reduction Program started delivering a few months ago. Thousands of Nova Scotians on low incomes have recently filed income tax returns that include the benefits of this program. Most have seen the benefit by reduced taxes or increased refunds. Those refunds include $300 per adult and $165 per child for individuals and families at the lower end of the income scale.

Mr. Speaker, I am proud of the way our income tax system works. The benefits may not be widely understood, but our system is already very fair compared to many other provinces.

Our business tax system is getting more effective in creating jobs. The Manufacturing and Processing Tax Credit is attracting interest and encouraging more investment. Our approach to taxes is paying off. We intend to remain competitive. Accordingly, we are announcing a modest increase in the Tax Credit for Television and Film Production in Nova Scotia. This measure allows producers to lower their labour costs when they use Nova Scotian workers. The rate will move from 30 per cent to 32.5 per cent.

Mr. Speaker, I believe the tax system should reinforce other critical areas of the Nova Scotia economy. For a modest sum of money, we have been able to do just that. Effective April 1, 1998, we are reinstating the Farm Land Tax Exemption for our farmers. This measure is a critical commitment to our farming community and helps us all by keeping food costs low. Municipalities will be fully compensated for the impact this measure has on their tax base.

This budget contains a number of measures that protect and enhance the fiscal climate for municipalities. This is largely due to the decision to begin absorbing social service transfer costs and other measures to equalize municipal finances.

We also intend to extend our Nova Scotia Home Ownership Savings Plan for one more year. We would intend to consult with the housing industry on the effectiveness of this measure and examine possible alternatives.

Mr. Speaker, in the future, we offer the following list of priorities for further tax reductions:

First, we wish to consider the issue of effective delivery for our low-income tax assistance programs. It is critical that the tax relief be targeted in the most efficient and effective way possible. It has been suggested we could do more to get the tax credits into the hands of low-income Nova Scotians faster and more regularly. To this end, we will be looking at how we can streamline and improve the delivery of our tax credits and our Direct Assistance Program. We will con­sult with, and take advice from, representatives of groups that represent those who benefit from these programs.

Our second priority is for continuing HST relief on electricity. The financing for this measure may be some time away, but it remains our second choice for direct, widespread tax reduction.

Our third priority is for a second round of general income tax cuts, when the fiscal climate allows.

This priority list is a natural outcome of our recent round of tax changes involving income and sales taxes. We believe this is the correct set of priorities, but we are open to other suggestions from our Economic Advisory Council.

Mr. Speaker, I now want to turn to the challenges in the years ahead. At this time I would like to table a critical companion document to our budget, Government by Design. This document includes the business plans of the government departments and our overall four-year fiscal plan. It allows us to anticipate challenges and make plans to meet them. Over the next few months, we will be rising to the challenges.

First and foremost, we need to make more progress with the federal government. Part of the reason why we find it a challenge to make ends meet right now is because the federal government has withdrawn so much money from traditional cost-sharing relationships. However, Ottawa has now put its financial house in order and, like Nova Scotia, is running a balanced budget.

Later this month, provincial finance ministers from across Canada will be meeting with the federal government on this matter. We are united in our demand that the federal government put money back into the health care system. What point is there in asking the provinces to fund a national drug program if communities do not have doctors to write the prescriptions?

I am optimistic that the federal government will listen to our arguments. We have begun to make some progress. For instance, in the area of economic development we have been able to refocus our priorities and take advantage of federal programs.

One such example is the Information Economy Initiative. This three-year program will put thousands of computers into the hands of school children, university students, and people in our rural communities. The $62.1-million cost is being shared by the two governments.

Mr. Speaker, we believe the federal government must remain involved in helping to build a national transportation infrastructure. Accordingly, we are seeking a 10-year highway improvement agreement to help renew our road system. We will continue to insist the federal government recognize its responsibilities in upgrading the Halifax International Airport and the Port of Halifax.

Mr. Speaker, we will renew efforts to establish fiscal fairness when it comes to designing the Equalization Formula. This agreement is being rewritten now, and a new formula is scheduled to be in place next year. We will vigorously pursue our provincial interests.

We intend to continue our efforts to have Statistics Canada count our people accurately. We have nearly 8,000 students in our province who use our health care system, our education system, and all the other public amenities, but are counted elsewhere. This discrepancy costs us an estimated $25 million a year, and fairness demands that the formula be changed.

Another formula that needs to be changed is the one that phases in the fiscal impact of increased offshore gas revenues. We have a proposal in with the federal government to amend this agreement so that it meets the intent of the original agreement.

Mr. Speaker, these efforts to improve the federal fiscal system only reflect a desire that Nova Scotia be treated fairly.

A few moments ago I outlined the steps we are taking to build economic growth. We think this strategy will payoff in the long run.

In the short run, we need to implement a program of continuous improvement in our government operations. During the planning for this budget last year, the government discovered a fair amount of creativity and flexibility in the system. We will put together a team of senior deputy ministers to build on this discovery. They will seek ways to free up money in the system. They will identify solu­tions that range between 1 and 3 per cent of total government program budget.

We already have examples of savings. For instance, this year we are renegotiating the contract for mainframe computer services. This contract was one of the first instances of a public-private partnership in Nova Scotia. We are able to build on that decision, extend the contract, and lower the cost at an annual saving to the taxpayers of approximately $800,000.

In another example, we are in the process of negotiating a substantial reduction in our telecommunications costs. Every government department will have significant savings. We have redirected this money to areas of need in health and education. This is another excellent example of getting good value for taxpayers' dollars.

We also have a group in my department that is taking a different look at many government services. This Strategic Research group is looking at issues that cut across a number of departments and agencies. Many of these issues have long-term implications. They will provide advice to cabinet on options for future service improvements as well as ways to redirect money to meet new needs.

Mr. Speaker, these initiatives are really no different than the ones a prudent family takes when it draws up its annual budget. The family asks questions like: "Can we afford a new car? Is this the year to paint the house? Are there new children, new needs?" Families look at what they are doing, how they are spending and ask, "Do we have our priorities right?" Our government is doing the same thing.

**VII. PROGRESS ON GOVERNMENT AND FINANCIAL ACCOUNTABILITY**

Mr. Speaker, a little while ago I referred to a budgetary surplus of $37.4 million, less the distribution of surplus to taxpayers. I talked about a financial snapshot whereby the net direct debt of the Province was reduced by $219.8 million after the distribution of surplus. In most respects, those are the consistent and well-understood signposts of our return to financial health. People use these signposts to judge our performance.

In a strict sense though, there are better signposts. In a strict sense, generally accepted accounting principles call for a broader examination of government responsibilities. Members of this House have spoken about the need to in dude the Regional Health Boards. But, there are other aspects of government responsibility that might be induded too. The Halifax-Dartmouth Bridge Commission is one. If we are to tell taxpayers what assets we hold on their behalf, and what liabilities we have incurred to meet their needs, we need to know where to draw the line.

We also want to modernize other elements of our accounting policy in a careful, controlled fashion. We want to review adjustments that need to be made so we fully record revenues when they are due, rather than when they are received. This was highlighted to us as the Province benefited from additional cash transfers in fiscal 1997-98. These transfers were the result of adjustments to the instalment schedules implemented by the federal government.

Mr. Speaker, along with our budget today, I am tabling a document entitled Improving Financial Accountability: A Blueprint for Success. It outlines a process and a three-year timetable for bringing Nova Scotia into the forefront of financial disclosure and accountability in Canada.

We are asking for significant input, consideration, and advice. Among those who are being asked to comment are the Public Accounts Committee of this House and the Auditor General of Nova Scotia.

**VIII. CONCLUSION**

Mr. Speaker, I want to end this budget address on a personal note. I am a liberal. That means I want a government that offers care to those who are sick and protection for those in need. I want a government that shows compassion and concern. I want a government that looks to the future and invests in children, families, and communities.

As a liberal I also believe the government must help unlock the chains that hold us back. I believe the government must help us find the path to develop our own plan, our own dreams, our own futures. The key to our prosperity lies within ourselves. Our search for that key is guided by our teachers, our friends, our families, our communities. The government cannot hand us the key, but it too must support our search. This budget is intended to help do that.