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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 | 4 | Discours du Budget/ Budget Speech | 29-03-1977 | Peter Murray Nicholson | Minister of Finance | LIB |

**Nova Scotia: Budget speech, March 29, 1977.**

HON. PETER NICHOLSON: Mr. Speaker, in the absence of the Lieutenant Governor I have the honour by Command to announce a message from His Honour, the Administrator of the Government of the Province of Nova Scotia, which is, and I quote: ''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 31, 1978, and in accordance with the provisions of the British North America Act of 1867, he recommends them to the House of Assembly." Signed, "Ian M. MacKeigan, Administrator".

Mr. Speaker, at this time I am not going to move that the House resolve itself into a Committee to consider the Supply to be granted to Her Majesty, but I do move, seconded by the Honourable Attorney General that the message from His Honour, the Administrator, relating to the Estimates of the sums required for the Supply be referred to the Committee of the Whole House on Supply and propose in accordance with the custom of this House to table the Estimates and copies of the resolution and to make certain remarks concerning the same.

Mr. Speaker, I trust that the Pages would now pass around to the members, the copies of the Estimates and the tables associated with them.

Mr. Speaker, pursuant to the Notice and the motion just made, it is now my duty to present to the House a report on the current financial status of this province and the expenditure expectations for 1977-78. At the outset I should make a few comments on the current state of the provincial economy, by way of background to the Estimates now placed before you.

As to the economy, a year ago there seemed to be a great deal of general uncertainty as to the pace and extent of any economic recovery that would be made in 1976. The cautionary note which I struck last year rang true, in that the economic expansion from which we expected to move from the recession state has really been much more fragile than expected and the recovery from the worst recession since World War II has been somewhat subdued.

Early in the year the rapid expansion in the United States seemed to buoy up the forces of recovery and it appeared to be gaining momentum.

However, most industrialized countries of the world tended to avoid expansionary, monetary and fiscal policies, for fear of touching off further rounds of spiralling inflation. This sapped, to some extent, the recovery, perhaps a little more than was anticipated. As a result, in the last half of 1976, growth and production had slowed and the unemployment rates in many industrialized nations started trending upwards again.

You might ask, sir, what effect this has had on our provincial economy? As I suggested last year, the province did move into a recovery phase during 1976. However, as I said then, while we did not come down as hard nor as long as some other jurisdictions, neither, unfortunately, have we recovered as quickly nor as well as we had hoped to do. Total production of goods and services in the province achieved an increase of roughly 4 per cent in 1976 in real terms - a performance slightly weaker than the national average.

A major influence on the pattern of our recovery has been expenditures on consumer goods which, in fact, have shown greater momentum here than in Canada as a whole. Our primary industries rebounded fairly well in most areas. A healthy performance in agricultural production meant real gains in income were achieved in most segments of that industry. Marked increases in both catches and prices for most species of fish resulted in substantial improvement in the fishing industry over its poorer performance of 1975. Even so, that industry is not at its full capacity, with the level of landings still well below those of the 1950's and 1960's, and that is a very stubborn problem, Mr. Speaker, even though the landed value and the cash income in the fishing industry is going up, the weight of landings is coming down.

Mining in the province is a bright spot, however, and has showed increased production in coal, gypsum and salt. The forest industry, however, did not show particular strength in 1976, with a major strike, soft international markets for paper products and a rather flat performance in the lumbering segment, all of which seriously retarded growth.

Our exports were reasonably good and statistics showed that we maintained our position in international trade in all the principal commodities except forest products; for the reasons I just gave, forest products did not trend upwards in 1976.

That rate of growth, however, began to moderate by the end of 1976, with a slowdown in the economic resurgence of our trading partners. The manufacturing sector exhibited some growth during the year, even though output will be well below the national average. The construction industry was strong during the past year and housing starts hit an all-time high in 1976. Non-residential construction has been buoyant, largely due to continuing investments by our public utilities.

One of the weak areas in the economy was in business investment, with capital investments in the manufacturing sector showing a decrease over 1975. The leading indicators are signalling weaknesses in the months ahead, resulting from sluggish profit performances and continuing excess capacity in the economy. Excess capacity - that relates to the levels of consumption. With the pace of the recovery being moderated late in the year, there has been no improvement in the labour market. In fact, as you well know, it worsened in certain parts of the province. The labour force increased roughly 2 per cent, which meant our unemployment rate rose to 9.6 per cent, over 7.8 per cent for 1975. The younger age groups have been hardest hit since they lack both the training and the on-the-job experience.

The Anti-Inflation Program has had an impact on the wage/price spiral, with a noticeable moderation in wage increases and a decline in the rate of inflation. While our inflation is still slightly higher than the country as a whole, it has dropped from 10.1 per cent in 1975 to 8.4 per cent in 1976. Food prices showed the smallest increases with housing and transportation being the major contributors to the increases we have experienced. As was anticipated earlier, 1976 was the year in which the province started on a long and difficult road to recovery. Two sectors of our economy exhibited modest growth, some stood still, while a few others, unfortunately, even fell behind. It is in this sort of an economic climate that we have to look ahead to the remainder of 1977. What is the outlook for that year? Events over which we, as a province, have virtually no control will be major factors in determining our course in 1977. The vitality of our economy depends largely upon Canada's situation which, of course, in turn is affected to a large extent by the performance in the United States and, to a lesser extent, in the other industrialized nations of the Western World.

The international situation will probably have important consequences for us. Our exports should show continued improvement with the US dollar likely to continue marginally stronger than the Canadian dollar. The turn around expected in the US economy should bode well for our fishing industry as well as our gypsum production. Manufacturing should also benefit from an anticipated upswing internationally, even though the growth rate will probably be less than last year. For the primary industries, we predict a varied performance. Agriculture should continue to show growth, while the mining industry will also be a source of strength. Fishing should benefit from the anticipated improvement in the United States markets. The forest industry should have a relatively stable year although no substantial growth is anticipated before 1978. Fortunately for us, some of our mills are working at or near their capacity.

It is difficult to become too optimistic about the capital investment for 1977. That is capital investment in the private sector. The pattern that developed in 1976, with businessmen reluctant to make new investments, is likely to carry over well into 1977. There are several reasons for this, Mr. Speaker. First, there is still a substantial proportion of our productive capacity lying idle. You all know of dramatic examples of that. One can think of our own steel plant, for example, which is only producing at one-half of its rate of capacity. Secondly, there are still uncertainties about profit levels and returns on investment, partly due to domestic difficulties, by domestic I mean Canada wide, as well as international influences. Thirdly, investors are becoming more attracted to other industrialized nations where the pace and strength of recovery appears to have gained more momentum. This is not a problem unique to Nova Scotia, but is one from which this whole country is presently suffering.

It is doubtful if we will see any major increase in the level of construction activity in 1977; the emphasis will shift from commercial projects to institutional and government projects with utilities being particularly significant. Later on in my remarks I will point out to you the massive capital program we have this year to try to fill in some of that gap. Even so, the housing stock should be improved by the expenditure of some, say, $5 million to provide for our re-entry into the Cooperative Housing Program, as well as to start up construction of some 900 approved senior citizens' housing units. (Applause)

One area that should show improvement is the tourist industry. There are no major events that I know of scheduled in North America for 1977 which would compete with our traffic, as had been in the past, and with the World Fishing Exhibition set here for Halifax late this summer, coupled with a revitalized and redirected tourist promotion. program, I believe we can see a resurgence of tourist traffic in the province this year. The minister tells me that the number of inquiries he has received in the first quarter of this year for exceeds those received for the same period last year.

The minister just tells me they have doubled, and that is the best news I have heard today, thus far.

The moderation of inflation and wage settlements experienced in 1976 should continue, hopefully, into 1977. I say this in face of the fact that we are coming up against some major wage negotiations in bur own sector this year, but we hope for a moderation of the rate of such settlements. The overall effect of all these factors is that we can expect an increase, perhaps, of only about 3.5 per cent in total production in the province in the year ahead, in real terms. That is when you take the inflation out of it. This is a more modest pace, perhaps, than 1976 by a half of one percentage point, but we are still slightly ahead of the country as a whole in this year's expectation. It may be, therefore, a whole year before we see or feel any real improvement in our unemployment situation and I am sorry to have to say that, but we have to face up to the facts of life as we see them.

A movement into de-control or a phasing out of controls relating to the Anti-Inflation Program during the year ahead will compound the difficulty in making predictions as to what shifts take place in our economy. I would like to talk about, for a few moments, the fmancial situation for the fiscal year that will end in a few days. The revenue estimated in our last budget has been exceeded by just under $21 million, as I will detail, and despite what the Leader of Opposition No.2 says, the variance is very small in terms of percentage difference. .

Equalization and income tax revenue guarantees paid to us by the federal government exceeded our original estimate by $15 million. Corporate income tax produced $3.8 million more than anticipated, and profits from the Nova Scotia Liquor Commission were $2.4 million ahead of expectations. In addition, revenues from investments and loans we have made, produced an additional $3.6 million in interest earnings during the year above estimate.

Conversely, however, there was a shortfall in personal income tax revenue to the extent of $3.4 million, and $1.3 million to be received from the Reciprocal Taxation Agreement, which did not materialize due to a delay in finalizing the arrangements. I should take a second to explain that. We have been trying for six years to strike an agreement with the Government of Canada relating to reciprocal taxation. As you know, now we get things from each other tax free, to put it in the simplest terms, but it appears to us that if we impose our taxes on the federal government for purchases they make here and if likewise, they impose theirs on us, that we would come out ahead of the game, so we have been having a hard time trying to sell that. We now, I believe, have it sold and I was hoping, as a matter of fact, I originally suggested to the Treasury Board that something ought to be put into the Estimates for it, but now it appears that there is going to be a delay until the end of the year before we will get into that particular system. I have assurance from the Minister of Finance of Canada that the mattcr will go forward.

So, we will benefit from that to the extent of maybe anywhere around $1.5 million. Towards the end of 1977 we hope to have the agreement concluded and the necessary statutory changes made.

There were, during the year, a number of lesser overages and shortfalls, which tended to cancel each other out. In addition to these net increases, we again - overages, not over ages - not old people - excesses, overage. In addition to these net increases, we again received payment late in the year of $10.5 million in prior years' adjustments, in respect of our tax-sharing arrangements with the federal government. Now that is what members opposite call "a windfall". I might say, Mr. Speaker, that this represents more than a 50 per cent reduction in these adjustment payments over those we have been experiencing in recent years. That was something I warned about last year, I think.

All in all, this brings our total revenue to $32 million over that which we estimated a year ago, or about 3.5 per cent of our total revenue package. This additional revenue enabled us to accommodate a number of expenditures which were not anticipated when last year's budget was tabled. Highways were able to take advantage of weather conditions and to extend their maintenance program, which also utilized workers who otherwise would have been unemployed. This cost an additional $2.2 million. Notwithstanding the generally good weather, snow and ice conditions during the winter months, coupled with the increasing cost of salt and employees' wages - no, it all came from Pugwash this year, I think - that required $2.2 million just to maintain the removal of ice and snow. Wage settlements for highway workers, in excess of estimates, accounted for another $500,000 in additional expenditures.

Health Services required an additional $7.9 million net to cover the settlement of fees paid to our doctors last year, together with increased costs of providing outpatient service to our people. There were also higher costs of drugs and prescription services to our senior citizens. This was further aggravated by a $4.9 million shortfall in recoveries for medical services, from the federal government, because of an unfavourable adjustment in the settlement of final claims for this year.

We were required, as well, to provide an additional $11.5 million in assistance to our municipalities, to cover the takeover of the 100 per cent of shareable education costs borne by residential taxpayers. (Applause) This amount was just to cover the first 3 months of the municipal units' calendar year, which obviously falls within the last 3 months of our fiscal year, 1976-77. I understand the municipalities are changing their fiscal year, ahead. We have got that in place, but for this year, there was a 3 month period when there was no money coming to them, so we had to put that up.

In addition, we have provided $2 million in extra funds for Sysco over that which we estimated. A further $5 million was provided to the Power Corporation to cover an arranged contribution towards their operating losses, as well as to provide amelioration for the long delay in obtaining rates as requested through the Board of Public Utilities. ..it other words, we were putting money up to enable the Commission to sell power to our people at something less than cost.

Working to offset some of these additional expenditures were savings in both debt charges and sinking fund instalments. By a careful management of our cash resources we were able to delay capital borrowing, and that was very important last year, and to obtain interest rates on borrowings at levels that were more favourable than we anticipated in the budget. That produced a saving of $6.3 million in debt charges.

A further saving of $4.4 million was effected by making a reduction of voluntary payments into our sinking funds, and unless anybody gets alarmed about that, these payments were payments that we were making in excess of any contractual obligation to put them into the funds. In other words, we were accelerating the retirement of debt above and beyond the commitment made to the trustee in favour of the bond holders.

Mter taking all of these various transactions into account, we were still able to write off an additional $1. 25 million to university debt and to provide the Supplementary Old Age Assistance Grants, which we have done in prior years, at a cost of $5.5 million. (Applause) Having accommodated all these additional expenditures and accounting for the various adjustments, we are anticipating a modest revenue surplus as of 31 March, 1977, two days time, of $232,000. (Applause) I just wish we had the kind of reserves we used to have.

However, for a moment, I would like to go back to the comments I made relating to prior years' adjustments. Last year I suggested that the favourable trend of these annual adjustments would not likely continue, and while it is true that again this year we have experienced a swing of the pendulum in our favour, I want it noted again that the plus adjustment we are receiving this year is less than 50 per cent of the amounts we have been receiving in either of the two preceeding years. That is a dangerous trend for us. In fact, it has all the earmarks of being the smallest plus adjustment we have been favoured with since 1970-71, at which time the adjustment was on the opposite side of the ledger.

Mr. Speaker, the point is that it may well be that the substantial decline in this adjustment is simply the beginning of a downward trend in such payments. This could worsen as future final settlements fully reflect the trough of the recent recessionary period, because there is a lag in the determination of these prior years' adjustments. As a final comment on the current years, Mr. Speaker, I should mention some of the results of the expenditure restraint program, sometimes affectionately called the R.O.P.E. Program, introduced in the fall of 1975. It is difficult precisely to measure the effects of that program since base data was not available for comparison, but there is one area in which we can say with certainty that that program had a salutary effect, and I think that the announcement I am going to make now will be one that will be applauded in the business community, who have been calling for restraint in government expenditure in the carrying out of their programs.

From the initiative of the program until the end of February, 1977, growth in the so-called permanent core of the civil service has been held to a minus 3.44 per cent. In other words, there are 330 fewer permanent civil servants and approved vacancies than there were as of 30 November, 1975. This surely is a remarkable achievement for any government today. In conjunction with that, a monitoring committee has been carefully screening requests for casual employees, certain travel requests and requests for major purchases of furniture, equipment, motor vehicles and the like. It simply goes to support our argument of a policy of fiscal responsibility, sometimes an unpopular role to play, but not without its long-term rewards.

Now, sir, I would like to turn to the expenditure expectations for the year ending 31 March, 1978. In facing the rigorous budget exercise this year, we were beset by all the usual problems of trying to allocate scarce and sometimes diminishing, as I pointed out, resources to all of the worthy demands for useful programs. In turning to the actual figures themselves, you will note that forecasted total expenditures exclusive of sinking funds for the current year, that is 1976-77, show about a 13.5 per cent increase over the actuals in 1975-76. The estimates now tabled before you for 1977-78 indicate an increase of only 12.5 per cent over the current year's forecast. In other words, the rate of escalation of expenditure is decreasing this year.

I would like to point out, Mr. Speaker, that it was not without some heart-rending restraint that we were able to hold to this level and still provide funding for new items mentioned in the Throne Speech, to which I shall refer more specifically later. While attempting to exercise stringent measures of restraint in nearly all areas, we have again recognized our primary resource departments as having high priority in terms of sustaining the basic economy of the province.

This resulted in very substantial increases in the Agriculture budget, the total for this year will now exceed $23.5 million in Agriculture, a really substantial program for that important segment of our economy. In Fisheries we have substantial increases in the amounts available and also in Mines and under GDA !.greements in both departments. In Lands and Forests there have been increases for th,eir current operations, together with an additional $2 million for a general development agreement subsidiary which is on the verge, we hope, of being successfully concluded. We think that Lands and Forests will have a substantial program this year. Before moving away from the primary sector, I would like to comment briefly on two particular segments thereof. The allowance of 26 per cent and 25 per cent increases in the budgets of Fisheries and Mines respectively reflect the priority which this government gives to these basic industries.

Similarly in the Mining industry, the department's programs are being directed towards the development of our mineral resources and general enhancement of that industry. Under the GDA subsidiary a valuation of our mineral resources is continuing and additional drilling operations are planned this year to evaluate our onshore coal resources; negotiations are underway to undertake a major drilling program in an effort to delineate the reserves of metallurgical and thermal coal in the Sydney area, and as well, offshore Cape Breton. I may say that we pulled the plug out to get that program going without waiting for all the assurances which we could legitimately expect to get. We have a $4 million to $5 million program planned and we have gone into that with" only $1 million in our pocket to start it with, I think, Mr. Minister of Mines. But, we think it is to the national advantage that this work be undertaken and we are hoping a beneficent and friendly government at Ottawa will come up with the difference. We will also have our Nova Scotia Research Foundation investigate coal liquefaction in a jointly funded project between the province and Canada.

One of the new programs in the Throne Speech that we should mention now? Energy, the high cost of generating electricity, conservation and alternative sources of energy. All of these are current, timely topics of concern and study.

You will find, as we get into a detailed review of these Estimates, that this government is very much concerned with all the facets of this problem. The staff of the Energy Council has been greatly strengthened and will coordinate government-wide programs aimed at energy conservation in those areas directly under our control. We will initiate programs for the development of background data on provincial energy supply and demand for future policy development. These data will serve as a research and information resource for other government departments and agencies.

As well, we are undertaking a major capital program of $17 million to make low interest loans available to homeowners, for insulating or up-grading the insulation in their homes and to those with electrically heated homes to convert them to other heating modes.

Mr. Speaker, this is a provincial program, $17 million!

We are very concerned, Mr. Speaker, about the high rates of unemployment in our province, particularly in certain areas where the rate seems excessively high. With a view to alleviating this strain to some degree, we are proposing substantial capital expenditure in Highways, Public Works and the like, which is intended to be as labour intensive as possible. Since the scarcity of jobs affects the younger age groups most severely, we have established a Job Corps Program at an estimated cost of $2 million. As outlined in the Throne Speech, this program is intended to provide work over the summer months, for directly sponsored government projects and direct employment in agriculture or forest industries.

I would think, Mr. Speaker, it would not be over-reaching to say that we could probably create as many as 2,000 jobs during the summer months, out of this program. In a continuing effort to stimulate the economy, we have provided for substantial increases in the funding of various programs under the General Development Agreement. We are presently trying very hard indeed to finalize the remaining departmental subsidiary agreements, even at the price of compromising some of our legitimate aspirations. We are hopeful that given reasonable cooperation from the Government of Canada these important subsidiary agreements will all be signed, sealed and delivered without further undue delay.

Mr. Speaker, in looking at the two largest spending departments of government - Health and Education - which between them eat up over half of our budget, it is interesting to note that on a percentage basis these budgets are increased 6.2 per cent and 6.5 per cent respectively, estimate over forecast. It just goes to show what can be done where there is a will to do it. Mind you, sir, it was not accomplished without some soul-searching and careful scrutiny of each and every program in both these departments and I want to compliment the ministers of those two large spending Departments of Health and Education for their unfailing support and for their realistic appraisal in their priorities.

A substantial increase in the budget of our Social Services Department appears on the record this year. This will not come as any surprise. Last year, I think I warned you as to the likely impact of the federal policies in relation to changes to be made in the UIC program. Well, those chickens have come home to roost. Unfortunately for us they are federal chickens but we are not only providing the roost, but the chicken coop as well, it seems to

be, because there is no doubt about it that a lot of our Social Services' burden of expenditure results from differing periods of qualification for the receipt of Unemployment

Insurance benefits.

Of course part of the increase of Social Services relates to the transfer of non-active treatment mental patients from the Department of Public Health for the purpose of obtaining federal cost-sharing in respect to those qualifying. The increased provisions for Municipal Affairs was necessary to complete the take-over of 100 per cent of the residential taxpayers shareable education costs and the increase in cost-sharing for municipal services.

The recommended provincial proportions, which have been accepted by the government, should ensure that no municipal unit will be worse off because of our action in providing relief to all residential taxpayers. (Applause)

You will note that there is a substantial increase in assistance to universities which will stand out. Without going into all that detail, I can just tell you that the increase is not as large as it looks to be. Certain of our institutions, such as Teachers' College, for example, were considered regional in nature and therefore are now included under this heading for regional funding purposes. Since that institution, and some others, were previously included in the Department of Education's budget, and are now included in Assistance to Universities, $4.5 million of the increase in this budget is accounted for by that change.

I could go on at length, Mr. Speaker, but I would leave the comments on the expenditure Estimates and all the detail of it, to my able colleagues who will explain their budgets and policies as we move into Supply motions.

Now, what about revenues? This is always the meaty part of any budget. The ordinary expenditures detailed in our Estimate Book now before you, along with the sinking fund instalments to provide for the orderly retirement of our long term debt, require $1,249 million in order to maintain a balanced budget on operating account for the year ahead. Mr. Speaker, that is quite a budget for a province of this size. I remember when I came into this House the total budget of the province was $65 million, and now it is $1,249 million, which gives you some idea of how things have been moving.

I suppose that might be so, too - "come seven, come eleven." We were determined, throughout our budgetary process, to accomplish two objectives. First, to maintain our responsible fiscal policy of keeping spending programs within the limits of our income, and I am talking about our current account. Secondly, to accomplish that without resorting to tax rate increases in areas which affect the necessities of life, or which are non-discretionary for the people of Nova Scotia. I am pleased to report that we have been successful in both these objectives. (Applause) In short, we are presenting a balanced budget, predicting a modest surplus of some $92,000 as appears in your book.

A review of the major revenues and recoveries will indicate some rather large changes in individual items. These result, and this is important, Mr. Speaker, for all members to understand what I am going to say for the next two or three minutes, these are important to understand because they have to do with all of the fiscal arrangements that have been negotiated in tough federal-provincial bargaining sessions over the whole of the past year. I think it is really appropriate to spend a few moments to describe these changes so that members of the House, as well as the public, will better understand the new arrangements embodied in the Act which is to be entitled, "Federal-Provincial Fiscal Arrangements and Established Programs Financing Act", and that will become law on the 1st of April, 1977 replacing the old Fiscal Arrangements Act.

Seven.

That is why I said, Mr. Speaker, "come seven, come eleven."

The provisions of this Act replace past arrangements for federal contribution to the Provincial Hospital, Medical, Extended Care and Post-Secondary Education Programs which were hitherto on a cost-shared basis.

Starting with the new fiscal year, the federal government's contributions to these national programs will be based on national average per capita costs as determined by the 1975-76 fiscal year. That will be called the "Base Year". One half of the payment to the provinces for these expenditures will be by a transfer of 9.143 new personnel income tax points, that is, transferred from the federal to the provincial, and the remainder will be by a cash payment which will be escalated in subsequent years by the rate of gross national expenditure. You will notice it is not gross national product. It is gross national expenditure. Those provinces now below national average costs will be averaged up over three years, and that includes us. Those above it will be levelled down over a five year period. These new arrangements are reflected in estimates for 1977-78 in the following ways.

1. Personnel income tax revenues in our book this year are higher, reflecting the transfer of the additional tax room to the provinces.
2. Our province's equalization 'estimate is also increased as a direct consequence of the newly transferred tax points which will be equalized to the national average.
3. A new revenue item entitled, "Established Programs Financing Arrangements", appears under the Department of Finance reflecting the cash portion of the federal contribution.
4. (4) Recoveries are correspondingly reduced for health care programs which pursuant to these new arrangements are no longer on a cost-shared basis, and members will please bear this in mind when you are looking at your estimate book because otherwise you will come up with what are distorted figures.

A word of explanation about this income tax business. Provincial personal income taxes are calculated as a per cent of basic federal tax, which is an amount resulting from the application of the federal tax rate against an individual's taxable income. Therefore, if the federal government reduces its rate to provide additional income tax room for the provinces, the provinces must adjust their rate by an amount to offset the decline in the basic federal tax; and secondly, the provinces must further adjust their rate to reflect the tax room transferred by the federal government representing part of their contribution to the Health and Education programs. Therefore, the rate of personal income tax for the Province of Nova Scotia will move to 52.5 per cent from 38.5 per cent, in order that the federal contribution through the transfer of tax points can be accomplished with no change in the total tax to the individual. (Applause) I can understand, Mr. Speaker, that this may seem confusing to many, but I want to emphasize again that this adjustment of the Nova Scotia tax rate is one that is designed so that the total tax on the individual will not increase as a result of these new financing arrangements, not unless, of course, he makes more money.

Well, if you can hold the line today, that is sometimes a victory, I think. Perhaps the honourable gentleman wants to increase income taxes, I do not know what he wants. Does he want to reduce them, and if so, what programs does he want to cut by the reduction? Perhaps, he will enlighten us to that when he gets a chance to get on his feet going into Supply someday. I will look forward to being enlightened.

I might also add, sir, that the decline of our revenue guarantee payments for the province reflects a certain degree of intransigence on the part of the federal government in allowing this important revenue item to end with the expiration of the present Fiscal Arrangements Act two days hence.

In the future we are insulated for only one year against income tax losses that will result from changes in the personal income tax introduced by the federal government. Do you get what I mean, Mr. Speaker? If the federal government gets tampering with the personal income tax base, we are only insulated against the losses that could result from that for a period of one year. Then the umbrella is off and whatever loss is ongoing you have to take from them down the line. So, we shall have to watch very closely what the taxing policies of the federal government are in respect of the tax base for individual income tax. So we have to have another set of eyes in the back of our heads.

It is clear, Mr. Speaker, that these new arrangements replace completely the 50 cent dollar for the new Health and Higher Education Programs. While the immediate result is not unfavourable, believe me it is not, but unless we can maintain costs and contain them to the new revenue levels, the result will inevitably be increased provincial taxation in some years to come. There is to be therefore no change in total personal or corporate income tax payable by Nova Scotians. (Applause) Some increases, however, are required in order to raise necessary revenues. Areas affected are those whose nature can be classified as discretionary purchases. One, tobacco tax will raise by l/lOth of one cent per cigarette, or equivalent, to generate an additional $2,250,000. This change is effective tomorrow.

Number two, tax on tobacco products in any form other than cigarettes will increase to 15 per cent from 10 per cent. This increase will be effective tomorrow. This is the first alteration to this kind of tax in several years and it is expected to generate an additional $1,350,000. It is tobacco in other forms than cigarettes or equivalent, and chewing tobacco and "makings".

Now, the hardest blow of all. Price increases will be made to the sale of wine and spirits by the Nova Scotia Liquor Commission effective April 1st. These changes will provide an additional $4 million to the province through the profits of the Commission. If honourable members are interested in what that means, I think it will mean that a pint of liquor, if anybody uses such a thing anymore, would go up, say, from 25 cents to 35 cents, a quart from around 50 cents to 75 cents, and a forty-ouncer from 75 cents to $1.00 more a bottle and with wine - we have so many varieties on it that I could not attempt to try to give you any prices on that, but it will be in keeping with the other. The price of beer remains unchanged.

In the next fiscal year we shall benefit from the first full year of revenue from the Atlantic Lottery. This has proven to be a most successful enterprise and is estimated to generate at least $7,500,000 of revenue for Nova Scotia in the coming year. There is no shortage of advice on how we should deal with our share of the lottery proceeds. But I have to tell those well-wishers, including the distinguished member for Dartmouth South, who have been kind enough to point out various interesting ways of disposing of these particular dollars, that the decision has been made. The dollars will go into the consolidated fund of the province. There are two reasons for this, Mr. Speaker. One is that of revenue sources for specific purposes has proven historically, to be an undesirable practice.

It restricts the freedom of future administrations to determine the right spending priorities. The second reason, Mr. Speaker, is one that I find even more cogent. If the revenues from Atlantic Lotto were diverted from the general pot to serve some specific purpose, we should need to replace them by increasing taxes. Now there may be honourable members who are in favour of doing this, and if so, I look forward to hearing them say so in due course. But, as far as I am concerned, and here I speak for every member of this government, the people of this province are taxed quite heavily enough already. (Applause)

We shall take every opportunity to avoid tax increases by using lottery revenues or any other legitimate revenue source that brings in income without burdening our taxpayers. (Applause)

We are doing that now. We have amusement taxes. (Laughter) In summary, Mr. Speaker, the coming year has some serious situations to be faced. Unemployment is at an unacceptably high level. To help alleviate this problem, we are presenting the largest capital spending budget in our history. (Applause)

It would have been last year, Mr. Speaker, and the amount of the forecast last year was $159 million.

The actual, for 1976-77, it was $159 million plus carry-overs. I better use net figures maybe, the actual in 1975-76 was $177 million and the total actual less recoveries net in the year ahead will be $197 million.

Our total program for the year ahead will be $225 million, including carry-overs. There were quite large carry-overs from this fiscal year we are just going out of, carried forwards of net $12,900,000, but it is still a very massive program which netted recoveries will cost us $197 million, including carry-overs. The recoveries would be those made under GDA of federal-provincial cost-shared arrangements on capital programs. The emphasis on the capital program is on the labour intensive works and on developmental expenditures which should lead to more long term jobs. I want to say here, Mr. Speaker, that we are taking a little different shunt and perhaps the main thrust of our job creation program is that we are trying to devise capital programs so that when the job creation part of it, the acceleration part of it is over, that you have got something left to look at. You have got a capital structure. You have got a highway. You have got a hospital, a school, or you have got infrastructure for a community, rather than a service that one could perform say under programs such as the LIP where you go about a community performing services that disappear the day after you stop the program. We are trying to put our job creation money into things that will have a lasting advantage for our province.

Now, sir, hand in glove with the fighting of the unemployment situation, we have inflation which still lurks in the shadows. It lurks in the shadows licking its wounds and with even the slightest encouragement I say to you, sir, that it will be back, more muscular than ever, to plague the needy, senior citizens and others on fixed income.

It is fashionable today to be on the "immediate scrap controls" bandwagon. Organized labour, parts of the business community and many economists and politicians are strongly in favour of killing A.LB. immediately. I too, sir, look forward to the day when such controls may be phased down and then abandoned, but we should not be so short sighted as to withdraw controls abruptly until there is some indication that discipline and price setting and wage demands do exist. Otherwise, we will be back to double digit inflation with its drastic impact on our competitive trading situation, which will lead to less production and fewer jobs for the future. So much for inflation.

Power costs are, as well, a real concern. Like inflation and unemployment, it has been brought on, to a large extent, by external forces over which Nova Scotia had no control. This government recently concluded agreements with Ottawa, due to the diligence and perseverence of the Premier, to bring $63 million. . . (Applause) The honourable gentleman from Cape Breton Centre, he can snicker and laugh but I will tell you that I was to Ottawa on a couple of occasions with the Premier, when he was trying to get the kind of a deal that we got out of them and they were nowhere within striking distance of what we were talking about. As a matter of fact, another sister province settled for a much lesser deal but the Premier hung in there until we got one that' was far superior to anything that they. . . (Applause) $63 million - think of it, to help finance insulation for our people and to reduce their heating costs. And, on top of that, we are piling another $17 million of our own money into long-term loans at low interest rates to enable people to do major jobs on their homes. (Applause) If that is not responding to the high cost of energy used for heating purposes, I do not know what we can use as a yardstick.

There will also be emphasis on moving from high cost oil generating plants to coal and less expensive generating facilities. This will take some time but it will result in moderating electrical costs in coming years.

What is the other major problem? It is that of the steel industry. Management and government are in the review and planning stage to determine the most favourable operating program for Sysco. In the interim, we are providing very substantial cash flows that are required to keep that production process going.

On the bright side, as I indicated earlier, are the favourable outlooks for agriculture and I think this government was right when four years ago it gave a renewed impetus to investment of public funds in agriculture, and the fishing industry, which are the backbone of our economy. (Applause) Mining has a very optimistic aura about it and the modest but steady growth in industry and commerce, which has not attracted headlines but which has been ongoing, are all strengths.

So, Mr. Speaker, we have more pluses than we have minuses and the largest pluses are the people of our province. They will, I am sure, provide the efficient work force, the stability, the entrepreneurial imagination and the self-discipline required to build a stronger economy next year, and for years to come. My hope for this kind of a future is based on my belief that most Nova Scotians have a large measure of common sense, that arises from a clear understanding of the most important and fundamental rules of any successful society.

In my humble opinion, these rules appear to me to be as follows - that for every right, these is a corresponding responsibility; for every worthwhile community task, there is a duty to perform it, and that the degree to which our individual and collective expectations shall be fulfilled is completely dependent upon and proportionate to the extent of our own efforts and forebearance. Surely, the greatest challenge to any government today is to help foster universal acceptance of these principles by precept and example. It is in that spirit that I present these Estimates to the House, through you, Mr. Speaker. Thank you. (Applause)