|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **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 | 3 | Discours du Budget/ Budget Speech | 10-04-1987 | John Gregory Kerr | Minister of Finance | PC |

**Nova Scotia: Budget speech, 1987.**

HON. GREG KERR: Thank you very much. Mr. Speaker, pursuant to notice of motion given by me on April 2, 1987, and Rule 62 of the Rules and Forms of Procedure of the House of Assembly, I have the honour, by command, to present a message from 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, 1988, 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, 1988, and in accordance with the provisions of the Constitution Acts, 1867 to 1982, he recommends them to the House of Assembly.

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, 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, 1988, being Supply to be granted to Her Majesty be referred to the Committee of the Whole House dn Supply.

Mr. Speaker, I am pleased to present to the Legislature and the people of Nova Scotia, the government's 1987-88 budgetary plan.

Once again, development of the fiscal framework has been a difficult and challenging task.

We remain firmly committed to upholding the level and quality of essential services provided our citizens. We must acknowledge, however, the substantial impact of rising debt servicing costs on the revenue available to the province for the delivery of these programs and services.

Mr. Speaker, the objective of this budget is twofold The budget is designed to ensure the government fulfils its responsibilities in meeting the needs of Nova Scotians. It also moves forward in our commitment to bring about a gradual but steady decline in the operating deficit. The difficulties in meeting both of these goals while continuing to provide a stable fiscal policy environment have been enormous.

The need for strong, sound management initiatives is of paramount importance. In this time of increasing demands on limited government resources it is critical that we ensure the wide range of programs and services provided for and funded by the government are delivered in the most cost-effective and efficient manner possible. This not only involves a commitment by the government to examine and enhance the efficiency of its own operations but also requires a similar commitment by those involved in the actual delivery of essential services. To ensure that Nova Scotians continue to receive the highest quality of services, we must work together.

I will expand upon existing and new initiatives planned in this regard later in my Address, and I would now like to briefly outline the economic environment that has prevailed in Nova Scotia over the past year and to present the outlook that forms the basis for our fiscal projections.

Mr. Speaker, Nova Scotia's diversified economic base has continued to provide the strength necessary for this province to successfully overcome external influences that could have drastic and devastating effects on our economy. The traditional resource sectors continue to take the lead role in providing strength and stability to the Nova Scotia economy. Solid performance in our traditional resource sectors has provided for an overall real growth rate of 2 per cent for this province in 1986.

Nova Scotia's fishing industry performed exceptionally well last year. The total value of fish landings in the province increased 28 per cent during 1986, resulting in total real output gains for this sector of 17.6 per cent over 1985 levels.

Mr. Speaker, activity in the construction industry was phenomenal during 1986, posting one of the highest levels of housing starts ever recorded in anyone year. Total housing starts reached an incredible 7,571 units in 1986, a level which surpasses even the outstanding performance achieved during 1985. This is the second consecutive year housing starts have far exceeded original expectations. This healthy performance in residential construction activity has generated an estimated 8,800 year-round jobs for Nova Scotians. (Applause)

The government has taken a very active role in responding to the housing needs of Nova Scotians. W~ have contributed both directly and indirectly to approximately 25 per cent of the housing starts achieved this past year. All of the housing initiatives announced in the 1986-87 budget have been fu~filled. (Applause)

Mr. Speaker, we delivered over 1,500 units of social housing in the first of a five year initiative. We provided 3,000 housing grants for seniors and disabled Nova Scotians. We participated in the delivery of 250 family and emergency housing units. We called construction tenders on a further 286 family, senior citizen and special care low rental units. We made available approximately 350 residential building lots and several land areas to meet the growing demands for lots by builders and individuals. These and other initiatives of the government have helped to provide adequate and affordable housing for Nova Scotians.

Real growth of 4 per cent has been achieved in forestry production during 1986. Initiatives resulting from our government's forest policy, as well as implementation of the Forest Renewal Agreement with the federal government have provided for improved management and productivity and increased job opportunities in this important sector of our economy. Modernization of Nova Scotia's pulp and paper mills has greatly increased industry output levels and will place Nova Scotia companies in a stronger and more competitive position in the market place.

Once again agriculture continued to be a fundamentally important sector of our economy and to make a positive contribution to Nova Scotia's economic environment. 7,000 Nova Scotians earn their livelihood from this traditional resource industry. During the past year, farm cash receipts increased 4.2 per cent.

Mr. Speaker, the total value of Nova Scotia's merchandise exports experienced strong growth in 1986. At an estimated $1.9 billion, this represents a remarkable 26.6 per cent increase over the previous year. This growth has been supported by strong demand in the United States, higher prices for fish products and favourable foreign exchange rates.

There were 7,000 more Nova Scotians working in 1986 than in 1985. This represents a 2.1 per cent increase in employment levels. (Applause)

Solid real growth is once again forecast to continue in Nova Scotia's economy throughout 1987. Increases in fish prices and the establishment of new markets will continue to provide for a strong performance in the province's fishing industry. The expectation of lower interest rates combined with continuing strong demand for affordable housing should result in another very active year for residential construction.

Mr. Speaker, 1987 holds great promise for the Nova Scotia tourism industry. In February of this year, the province took pride in the success of the Canada Winter Games in Cape Breton. Once again, the province will host the International Gathering of the Clans as part of its multi-year promotional theme "Nova Scotia Festival". This event will run for a full six weeks and is expected to attract over 140,000 people. This activity within our basic resource industries will once again enhance economic output within the province and generate long-term employment opportunities for Nova Scotians.

Mr. Speaker, the Government of Nova Scotia made a difficult but very firm commitment to the people of this province many years ago. We remained strong in our conviction that the high quality of essential services would not be eroded as a result of recessionary pressures. It is our belief that as a responsible government, we cannot stress enough the need to preserve these services and also achieve a gradual reduction in deficit levels through the application of sound management, patience and perseverance.

I am pleased to announce today the operating deficit for 1986-87 is $31.5 million below the original estimate, and $50.1 million below the actual deficit for 1985-86. (Applause)

Total financial requirements for the 1986-87 year are forecast at $471.6 million, which is $58.4 million below the original estimate for the year and $39.2 million below the 198586 levels. (Applause)

Total ordinary revenues have come in on target. As well, total ordinary and capital expenditures of the government were $49.6 million less than estimated. (Applause)

We take pride as a government in knowing that the sound management policies we have followed have been effective. The figure I have just released shows that we are moving

towards our goal of reducing and 'ultimately eliminating the deficit. (Applause)

Mr. Speaker, this stable and realistic approach to fiscal policy must remain a primary objective of our government. While the financial challenges that continually confront us change from time to time, Nova Scotians can rest assured this government will continue to strive for a steady decline in the deficit. We will encourage the growth of a strong and diversified private sector to promote long-term expansion of our economy and increasing employment opportunities for Nova Scotians. We will provide quality essential services to the citizens of this province.

These challenges have never been easy. As in past years, we are facing escalating costs in essential services as well as increasing demands on the government for new and expanded programs. Compounding these pressures has been the erosion of critical financial support from the federal government over the past decade. While the Government of Canada can espouse some success in dealing with its deficit problem, it has, in many cases, merely shifted the financial burden to provincial governments. This trend has placed a considerable strain on provincial resources but we have met these challenges knowing that the citizens of Nova Scotia do not want vital services jeopardized.

Mr. Speaker, in spite of the difficulties facing government, we are determined to continue the positive trend reflected in 1986-87. I am announcing today that the government is implementing a three year fiscal plan for deficit reduction. (Applause) The 1987-88 fiscal year provides for a reduction in the net operating deficit to $185.3 million. This is $16.2 million lower than the forecasted deficit for last year and $47.7 million below the 1986-87 estimate. (Applause)

In following through on our commitment to long-term planning, the government will endeavour to reduce the net operating .deficit to $150 million in 1988-89 and to $120 million in 1989-90. The goal will be to reduce net financing requirements to $440 million in 1988-89 and down to $415 million by 1989-90. (Applause)

Mr. Speaker, three year fiscal planning will be an ongoing part of the budget process, with the ultimate goal of eliminating the deficit by providing continued sound fiscal management. To meet these fiscal targets the government is initiating a process that combines multi-year budgeting with the strategic planning started last year. These internal systems will enable government to properly plan for program changes that may be necessary in order to conform with the fiscal targets. They will also assist government in allocating resources in accordance with government policies and priorities.

In last year's budget I identified the need for government to examine the programs it provides and to review the methods of delivering the wide range of services to the people of Nova Scotia. Where government, with limited resources, is continually being called upon to satisfy the increasing demands for programs and services, such a review is crucial.

Mr. Speaker, the government has initiated the most extensive self-examination ever undertaken of its nearly 1,100 programs and services. This review is the best way to ensure that the fundamental needs of citizens are being adequately met in the most efficient and cost-effective manner possible. It is a critical element of our deficit reduction strategy and a key component in honouring our promise to provide a broad range of services to our citizens.

The Strategic Planning Process was started in the fall of 1986 to provide the government with the appropriate tools necessary to plan for future programs and policies in this province. This planning process has provided critical insight into:

emerging trends, key issues and changing needs in today's society;

the roles and objectives of government departments in meeting the existing needs

of Nova Scotians; and

the strengths and weaknesses of existing government programs and operations.

Mr. Speaker, this information will permit the establishment of program priorities on the basis of need, value and afford ability . The Strategic Planning Process will also identify areas where changes in delivery mechanisms are required to provide services in a more cost-effective and efficient manner. The government is dedicated to the continuance of the Strategic Planning Process as an ongoing instrument of sound management and as an integral part of the multi-year budgeting system.

Mr. Speaker, let me assure the people of this province that the move towards increased cost effectiveness and efficiency will not jeopardize the integrity of service currently provided Nova Scotians. As we have repeatedly stated, the government remains firmly convinced that the excellent standards of essential services, which many in this province have worked so long and hard to attain, should not be put at risk during times of fiscal restraint. (Applause)

Our commitment to quality health care, high standards of education and meeting the social needs of Nova Scotians will continue. Expenditures in these areas will account for almost 60 per cent of total government allocations during this fiscal year.

Mr. Speaker, over $875 million alone is directed towards the preservation of high standards of education in this province. Education grants to school boards and municipalities for the delivery of elementary and secondary education total $537.4 million this fiscal year. Support for technical and vocational education of $69.9 million will help to ensure our young people are given every opportunity to obtain the skills necessary to keep abreast of today's rapidly changing technology.

Assistance to universities for 1987-88 totals $189.6 million. This strong support for the university sector will help to ensure that excellent standards of higher education will continue in this province giving our young people the competitive edge as they enter the market place. (Applause)

In our efforts to respond to the social needs of Nova Scotians our 1987-88 fiscal plan has provided $243.3 million in public assistance support to the people of this province. This support includes $132.5 million for family benefits, $95.4 million to assist municipalities in the delivery of social services, with a further $15.3 million for senior citizen financial assistance.

Mr. Speaker, this year we will spend approximately $1 billion to provide health care to Nova Scotians. This includes payments of $191.5 million to physicians for the delivery of insured medical services, funding for hospitals of $585.8 million, $55.3 million on Pharmacare for senior citizens and $12.2 million for children's dental care.

It must be recognized that preservation of these service levels has not been achieved without cost to the taxpayer. Health services tax revenues combined with federal cash transfers for health care have not kept pace with expenditures. The excess of these expenditures over specified health revenues has accumulated to more than $1.4 billion.

Given the significance of these allocations, the continuing escalation of health service costs relative to available revenues, and the increased utilization of these services, it has become increasingly important to pursue cost effectiveness in our health care delivery system.

Mr. Speaker, during recent months, led by my colleague the Chairman of the Board, the Management Board has undertaken a review of the budget process with respect to health care expenditures. It has become evident that factors influencing both the utilization and the costs of these services go far beyond budgetary control practices.

Such factors include:

advancing technology; .

costs of medical supplies and services increasing at a rate greater than inflation; the number of physicians practising within the health delivery system; patient expectations and demands; and

physician utilization of medical services.

These are but a few of the many components that affect the costs of the health delivery system. After careful consideration, it is the government's decision that a public review of these costs should be undertaken. Accordingly, Mr. Speaker, the government will establish a Royal Commission to assess the costs of the health delivery system in Nova Scotia. The Royal Commission will provide for broad public input, thereby assuring a comprehensive and independent review. (Applause)

Transfer payments from the federal government represent a significant portion of revenues available to Nova Scotia. During the past decade, a gradual but steady erosion in federal financial support to this province has occurred. The facts speak for themselves.

Mr. Speaker, in recent years federal transfers have been steadily declining as a percentage of provincial revenues. In 1977-78, transfers from the Government of Canada accounted for more than 50 per cent of all our revenues. In 1987-88, they are expected to account for less than 40 per cent. Federal transfers as a percentage of provincial expenditures have fallen from 47 per cent in 1977-78 to 34 per cent in 1987-88.

It is clearly evident that traditional federal support for a broad range of programs and services, including important economic and resource development initiatives, has been declining. This has placed considerable pressure on the province to assume a greater portion of program costs. As a prime example, in 1986-87 the federal government severely reduced funding for manpower training courses. This measure has put considerable pressure on the province to absorb the costs associated with the staff and facilities for these programs. There are many similar examples across government. It is clear that while the federal government can claim credit for reducing its deficit, the provincial government has borne a considerable burden in this regard. This declining federal support has meant an ever-increasing reliance on our own source revenues and has made our deficit reduction that much more difficult.

Mr. Speaker, given the relentless cost pressures from the health care delivery system and our repeated commitment to protect this vital system, it is imperative that the health services tax base be expanded. Effective midnight tonight, the following exemptions will be changed:

the exemption level for clothing will be reduced to $100 per item; the exemption level for footwear will be reduced to $50 per pair; and the exemption for energy conservation items will be removed.

The new exemption levels for clothing and footwear will still ensure that Nova Scotians will not pay tax on most basic clothing and footwear. Nova Scotia was one of the few provinces that provided sales tax exemptions for major energy conservation items and is one of the last to remove this exemption.

Only one tax rate will be raised, the tobacco tax rate on cigarettes. Effective midnight tonight, the tax rate on cigarettes will increase 1 cent per cigarette. (Applause)

I am pleased to announce thatthere will be no new forms of tax introduced. (Applause) There will be no changes in:

the individual income tax rate; the corporate income tax rate;

the health services tax rate; and

the gasoline and diesel fuel tax rates.

Mr. Speaker, in last year's budget I announced the government's intention to proceed with implementation of a Stock Savings Plan effective in the 1987 taxation year. Implementation of such a plan will provide for greater equity investment opportunities for Nova Scotians, increased financial stability for Nova Scotia companies, and expanded long-term job opportunities for the people of this province.

I am very pleased today to announce that we are on course and proceeding with this initiative. Over the past year a committee of public and private sector representatives reviewed various options and made recommendations to government on the design of such a plan for Nova Scotia. After careful consideration of this report we feel we now have an appropriate plan for our province.

I am pleased to outline the following details of the Nova Scotia Stock Savings Plan which will be available to investors in both eligible public and eligible private companies in this province:

For investments in eligible common shares of Nova Scotia companies with assets and gross revenues of less than $5 million, the tax credit will be equivalent to 30 per cent of the investment up to a maximum tax credit of $3,000 per person against Nova Scotia individual income tax. (Applause)

For all other companies, the credit will be 20 per cent of the investment, provided the gross revenues and assets of the company are between $5 million and $25 million. 25 per cent of the wages of an eligible corporation must be paid in Nova Scotia. The investor must be a resident of Nova Scotia and hold the investment for at least 3 years and can carry forward any unused tax credit for up to 7 years. The plan will be effective for the taxation years 1987 through to 1992. Legislation will soon be introduced to implement the plan.

Mr. Speaker, this program highlights our commitment to a strong and vibrant private sector. (Applause) Nova Scotians will be encouraged to invest in their home province and in doing so will playa major role in securing their economic future and long-term employment prospects. This initiative, coupled with the small business corporate income tax holiday announced last year, the research and development tax credit and the small business tax rate indicate the governmenes commitment to encourage the growth of a strong and diversified private sector. (Applause)

The measures just mentioned will go a long way towards encouraging job development in the private sector. Mr. Speaker, a major priority of this government is to provide increased job opportunities for Nova Scotians. The 1987-88 budget provides for an increase in gross capital expenditures of $50.4 million over the 1986-87 forecast which will generate thousands of new jobs. (Applause) This large increase in capital spending will not only create tremendous job activity but will also enhance infrastructure throughout the province.

Such initiatives include:

An additional $14 million for the construction and paving of highways through out the province;

A $12.5 million increase for hospital construction and renovations;

An additional $6.8 million in assistance to municipalities mainly for sewer and water projects;

A $5.6 million increase in expenditures under the Forest Management and Renewal Agreements;

$3.5 million in additional money to the Fisheries Loan Board; and

$1. 7 million under the Sydney Tar Ponds Clean-up Projects. (Applause)

The provincial government also sustains over 60,000 direct and indirect jobs through its ordinary department expenditures and its Crown agencies.

The governments 1987-88 budget is a clear indication of our continued commitment to a sound management plan that will lead to a reduction in, and the eventual elimination of, the province's operating deficit. The fiscal plan, the multi-year budgeting and Strategic Planning Process outlined here today will serve as a blueprint for the control and allocation of public funds in the most effective and efficient manner, ensuring the best value for the taxpayers' dollars. The people of Nova Scotia want a sound management approach to deficit reduction and program efficiency. This budgetary plan meets those objectives.

Over the past year we have consulted regularly with public interest groups and organizations that have expressed a desire to participate in the budgetary process. We will continue this dialogue to ensure that the highly valued private sector contributions form an integral part of our budget deliberations.

Mr. Speaker, I would like to emphasize that in the coming year we will initiate a three year fiscal plan aimed at consistent and gradual deficit reduction. We will Address the escalating cost of health care in Nova Scotia. We will continue our extensive review of the 1,100 programs and services funded by government. We will maintain our commitment to

job creation initiatives.

The budget addresses all of these points and at the same time will ensure continued protection of essential services for Nova Scotians. Thank you. (Applause)

Thank you, Mr. Speaker. I want to say that it is an honour to speak on this motion to refer the Estimates to the Committee of the Whole House on Supply.

As all honourable members know, we are discussing the estimates for the 1987-88 fiscal year. It also means that we look at the forecast for the year ended March 31, 1987 and the actual figures for the 1985-86 year.

As all honourable members would know, the Estimate Book and the Budget Speech has been in my hands only for a short time, and as a result, I plan to speak for a little while today and then adjourn the debate until next Thursday.

At this time, I want to talk about some of the information of which we were certain before the budget was tabled. It is important to review carefully the financial base on which the budget rests. With this background, one can better understand the budget itself.

To begin with, I want to talk about the net direct debt. As of March 31, 1978, the net debt of the province was approximately $500 million. It had taken since Confederation, as all honourable members would know, more than 110 years, for this unsecured debt to reach that level.

As of March 31, 1986, according to the Public Accounts, the net debt was $3.235 billion, and based on the projected deficit for the 1986-87 fiscal year, the net debt further escalated to at least $3.6 billion as of March 31,1987.

This means, Mr. Speaker, that the net direct debt will have undergone more than a seven-fold increase since John Buchanan came to power eight and one-half years ago. It's nothing that he should be proud of.