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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 | 55 | 1 | Discours du Budget/ Budget Speech | 05-05-1989 | John Gregory Kerr | Minister of Finance | PC |

**Nova Scotia: Budget speech, May 5, 1989.**

HON. GREG KERR: Thank you. Mr. Speaker, pursuant to notice of motion givel1 by me on April 28, 1989, and Rule 62 of the Rules and Forms of Procedure of th~ 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 the sums required for the service of the province for the fiscal year ending March 31, 1990, which is:

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, 1990, being Supply to be granted to Her Majesty be referred to the Committee of the Whole House on Supply.

Mr. Speaker, before I begin I would just like to compliment my colleague, the Chairman of the Management Board and the Management Board staff and Department of Government Services people and the printers and staff in the Department of Finance. It has been an interesting year preparing the budget. It is always a challenge but I think, as all members would realize, there has been a little additional pressure that the staff have been subjected to because of a fair degree of speculation over the last number of days. I want to commend them for their high degree of professionalism. (Applause)

Mr. Speaker, it is once again my honour to present to the House of Assembly and the people of Nova Scotia our government's fiscal plan for 1989-90.

We are in the last year of an exciting decade of economic and social progress. The past 10 years have presented tremendous challenges for government, business and for the people of Nova Scotia. The economic circumstances during this period have demanded a fiscal policy environment that has been responsive to changing pressures yet sensitive to emerging social needs of our community.

It has been the government's task to develop the policies and programs necessary to build upon the rich economic and human resource potential of this province. In doing so, we will remain steadfast in our social and fiscal policy commitments to Nova Scotians. Significant strides have been achieved throughout the past decade. Government policies and programs have responded to the needs and ideas of Nova Scotia industry. We have directed our initiatives towards the development of a strong and resourceful private sector which, I am pleased to say, has expanded into world markets.

All sectors of Nova Scotia's diverse economy have experienced significant real growth over this past decade, providing thousands of new job opportunities for the people of this province.

Our educational system has been greatly enhanced to equip Nova Scotians of all ages with the knowledge and skills necessary to meet the rapidly changing demands of society.

An extensive range of social programs has evolved to meet the changing needs of Nova Scotia's families, seniors and the disabled.

Nova Scotia's health care delivery system has been preserved and, in many instances, expanded to ensure the continued provision of high quality programs and services.

A comprehensive environmental enhancement program has been set in place to protect Nova Scotia's valuable environmental assets.

A strategic planning process adopted throughout government has enabled the planning and delivery of public sector programs on the basis of need, value and affordability.

A three-year fiscal planning process has been successfully implemented, resulting in substantial declines in the province's net operating requirements.

Mr. Speaker, throughout this past decade the combined pressures of limited financial resources and the growing demand for public sector programs and services has required difficult decisions by all levels of government. Through sound fiscal management the government has effectively brought about a gradual but steady decline in the operating deficit without disrupting essential services.

As we prepare ourselves for a new decade of opportunities and challenges, we will continue with confidence to build upon the economic and social progress achieved hroughout the 1980's.

In 1986-87 the government made a commitment to reduce the operating deficit.

We are as firmly committed to this objective today as we were four years ago. Through the effective delivery of cost-efficient programs and services, we will continue to achieve fiscal restraint without forsaking economic opportunities or social needs of Nova Scotians. We are confident that the government policies and programs that are inherent in this year's fiscal plan will greatly assist Nova Scotians as we move towards the 21st Century.

Before outlining the government's fiscal plan for 1989-90, I would like to take a few moments to comment on the excellent achievements made throughout Nova Scotia's economy during the past year and the outlook for 1989.

Mr. Speaker, Nova Scotia's broad economic base once again enabled our province to enjoy solid real output growth during the past year. An overall increase of 3.2 per cent in real domestic product during 1988 was generated by gains in nearly every goods and service producing industry. I am pleased to announce, that as a result of this healthy level of economic activity, Nova Scotia recorded the second highest rate of employment growth in Canada. (Applause)

During this 12 month period, the annual average number of persons employed grew to 366,000, a substantial increase of 16,000 over 1987 employment levels. Consequently, the unemployment rate in Nova Scotia dropped for the third consecutive year in 1988 to 10.2 per cent. This was the lowest unemployment rate experienced since 1981. This impressive decline in the unemployment rate was enjoyed throughout all regions of Nova Scotia.

Per capita personal income from all sources increased 6 per cent during the year. The annual rate of inflation, as measured by the Consumer Price Index for Halifax, was only 3.7 per cent. This compares favourably to a national average rate of 4.1 per cent and represents the third consecutive year in which our rate of inflation has been below that recorded for the rest of Canada.

The overall growth in Nova Scotia's economy last year represented an encouraging mix of output gains from both the traditional industries and the expanding potential of our growing service sector. The mining industry turned in an excellent performance in 1988. The production of saleable coal rose 33 per cent to 4.5 million metric tons. Export coal sales more than doubled to 1.2 million metric tons. Domestic sales were enhanced with the continued conversion from imported oil to locally produced high energy coal.

Tin production at the East Kemptville mine exceeded all expectations in 1988 with an increase in production levels of 11 per cent. Higher tin prices and metal recoveries in concentrate all contributed to this strong performance. Gypsum and aggregates also achieved higher production levels in response to the increased demand for construction materials both locally and in the United States. Enhanced activity in each of these industries contributed to an exceptional real growth rate in the mining sector of 15.8 per cent last year.

Non-residential construction activity exhibited continued strength throughout 1988 as capital and repair expenditures reached an estimated $1.4 billion. Residential construction remained high with housing starts totalling 5,478 units. The construction sector registered an overall real increase of 3 per cent.

Mr. Speaker, the forestry sector experienced another year of steady real growth in 1988. Sawmill production increased 17 per cent. The value of pulp and paper production increased 11.2 per cent to an estimated $657 million. Proper forest management programs continue to be of paramount importance to this industry. Intensified silviculture efforts are regenerating wood-fibre supplies.

In the agricultural sector, bumper harvests of apples and blueberries highlighted 1988. The apple crop last year was the largest in the province since 1946. Farm cash receipts from poultry and egg production increased 14 per cent to $60.9 million. Increased demand for poultry is expected to continue to stimulate production in this

sector.

Fishing continues to be a major industry in Nova Scotia with a processed value of nearly $1 billion. Market constraints, however, affected the fishing sector throughout 1988. After three years of phenomenal increases, the value of fish landings moderated somewhat from the peak performance of 1987 due to resource availability, weakened fish prices and the higher Canadian dollar exchange rate. Despite these recent developments, however, the value of fish landings continued to be well above pre-1987 levels.

Steady real growth was achieved in Nova Scotia's manufacturing sector last year with 2,000 more people employed than one year earlier. The future of the manufacturing sector continues to look promising as 1989 will represent the first full year of production of three large high technology manufacturing plants.

Capital investment in machinery and equipment has also been exceptionally strong in recent years. An increase of 18.8 per cent was experienced in 1988, reflecting to a large extent plant modernization in several industries.

Nova Scotia's service sector, which accounts for more than two-thirds of the economy's total employment, displayed an impressive performance in 1988. An increase of 11,000 jobs in service industries pushed the total employment in this sector to approximately 265,000 persons.

Shipping activity can only be described as phenomenal during 1988. Traffic through the Port of Halifax set another record with the handling of 16.2 metric tons. Container shipments through the port increased 27 per cent over 1987 levels. Halifax has indeed been recognized worldwide for its strategic location along the eastern seaboard of North America. It is a regular destination of 35 container lines, a number of which have commenced operating through this port over the past two years.

. Mr. Speaker, large employment gains were experienced in both business and accommodation and food services. Major contributing factors have been the growth of convention business and the buoyant tourist trade enjoyed throughout the province. Spending by tourists in Nova Scotia contributed an estimated $760 million to the economy during the past year. Approximately 22,500 Nova Scotians are directly employed in travel-related jobs.

We are expecting another year of solid growth for Nova Scotia's economy in 1989. The service sector will continue to be a strong contributor to real economic Irowth this year. .

Container traffic through Halifax during the first three months of this year has shown an impressive 14 per cent increase over the same period for 1988. The port is expecting another record-breaking performance in 1989.

Nova Scotia has been recognized as one. of the top five group tour destinations throughout Canada and the United States for 1989. Promotion of Nova Scotia as the Festival Province of Canada and the industry's ability to give good value for the vacation dollar will result in another excellent year for tourism.

Our primary resource sectors are expected to continue to maintain real growth as well. Encouraging expansion is anticipated within our forestry industry as a result of the recent modernization of pulp and paper plants located in the province. Construction industry activity is expected to remain strong in 1989 as indicated by the increase in the value of building permits during the second half of 1988. We are confident that Nova Scotia's diverse economic base will ensure continued gains in both employment and income levels.

Mr. Speaker, a strong economic environment has been characteristic of the Nova Scotia economy during the post-recession years of the past decade. During this period, the government has aggressively tackled the deficit problem. When we were confident that the economy had stabilized, we undertook measures to substantially reduce the operating deficit. In 1987-88, we formally introduced a three year fiscal plan that would see the operating deficit gradually and steadily reduced.

In the budgeting process of last year the success in our deficit reduction strategy became quite evident. We surpassed our goals and lowered our deficit targets. In last year's budget we were estimating a deficit of $1l7.9 million for 1988-89. I am pleased to report the deficit has been further reduced by $47.8 million and is now forecast to be $70.1 million. (Applause)

Mr. Speaker, during the past fiscal year, total revenues increased substantially over original estimates. A large portion of this increase stemmed from greater than anticipated provincial income tax revenues, indicative of Nova Scotia's healthy economy.. Greater demands, however, were placed on the delivery of a number of programs and services for Nova Scotians. More funding was required in areas such as medical services, agricultural assistance and the sharing of municipal social service costs.

Additional funding of $10 million was provided to the Nova Scotia Research Foundation to establish the Nova Scotia First Fund. This initiative was undertaken to encourage the further development of high technology industries in the province and the adaptation of new technologies in existing industries.

Despite these necessary increased expenditures more than half of the additional revenues was applied to deficit reduction. Not only has the deficit level been reduced far more rapidly than originally anticipated, but this decrease has been achieved without disrupting economic progress throughout the province or the delivery of quality social programs to Nova Scotians. Furthermore, total financial requirements for 1988-89 are forecast to be $25 million less than the estimate of one year ago.

We have reacted to the many pressures that have affected all governments in recent years, in a responsible and forthright manner. We are now witnessing the sound fiscal management policies adopted by our government. The budgetary plan for 198990 continues to reflect this government's strong sense of fiscal responsibility.

The deficit target for 1989-90 was $85 million. I am very pleased to report that the deficit is now estimated at $48.4 million, $36.6 million lower than the target established one year ago. (Applause)

Mr. Speaker, in less than five years the annual operating deficit has been reduced by more than $200 million. This very important achievement has been accomplished in a responsible and effective manner without disrupting the services and programs provided to Nova Scotians.

As a result of this success, I am very pleased to announce that we are once again able to revise our three year fiscal plan for deficit reduction. Mr. Speaker, next year our government will balance the operating budget. (Prolonged Applause)

This is indeed an important beginning to the decade before us. Through continued restraint and more efficient and effective management of our programs and services, the level of ordinary spending by the province must be limited to the revenues available to us. Through the fiscal planning process that has been introduced across government, Nova Scotians can be assured that they will continue to receive maximum value for their tax dollar.

Mr. Speaker, the fiscal plan must not stop with balancing the operating budget. In the up-coming years the government will concentrate its efforts on reducing borrowing requirements. It is only when governments are able to stop the growth in the total debt that they can effectively begin to reduce the substantial costs associated with servicing the debt. Every dollar applied to debt servicing is one less dollar available for the delivery of public programs and services. Over the next few years our plan is to move towards borrowing for capital requirements alone. We also intend to reduce those requirements below their current levels.

Our government is convinced that Nova Scotians understand the importance of this task and will support our efforts. We remain confident that the continuation of sound management policies will ensure a gradual and steady reduction of borrowing requirements. In establishing the 1989-90 expenditure plan, the government has had to consider very carefully the spending commitments of past years and the evolving pressures that we now face. As Nova Scotians are aware, the fiscal resources available are not limitless.

The strategic planning process initiated in 1986 will enable us to identify those programs that have become redundant and outdated. In making way for the programs and services necessary to meet the needs of Nova Scotians both today and in the future, we cannot continue to support those that no longer meet their original objectives.

The government will, however, be proceeding with its planning strategy in a realistic and orderly fashion within the fiscal plan that we have established. We will ensure that the programs and services that are fundamental to the quality of life of Nova Scotians are preserved and enhanced.

Mr. Speaker, an integral part of Nova Scotia's economic well-being rests in our ability to participate in and adapt to the rapidly advancing society in which we live. This requires the creation of a training and educational network that will enable Nova Scotians to realize their career aspirations while meeting the ever-changing requirements of the labour market. The government places great emphasis on preparing Nova Scotians of all ages to meet these challenges. Over $984 million will be allocated for the provision of educational opportunities this year. We have directed $594.8 million to grants for school boards and municipalities for the delivery of elementary and secondary education for young Nova Scotians.

As well, the government is carefully reviewing and is moving to implement recommendations of the Advisory Committee on Public School Programs that will strengthen future curriculum requirements in Nova Scotia's Senior High School Program. This will effectively broaden and enrich the compulsory courses required. In doing so, high school students will be better prepared to take advantage of future opportunities in both the educational and business environments.

The government also believes strongly in the tremendous advantages afforded Nova Scotians through the community college system. By its nature the community college system is flexible in its approach to program delivery. It is integrated in its program offerings with other institutions. It is responsive to the labour market needs of the community and it is equipped to reflect the technological advancements of the work place. This new concept for Nova Scotia's educational system will provide training for those entering the work place as well as retraining and upgrading programs. The benefits of the community college system are far-reaching and long-lasting.

Additional support for post-secondary education in Nova Scotia will be provided through assistance to universities. During 1989-90, funding for universities will total $215 million.

To ensure that expanded educational training opportunities are available to all Nova Scotians, the government has also provided for the establishment of College de I' Acadie. This innovative approach to post-secondary education will provide French language instruction to francophone Nova Scotians, which will greatly assist them in acquiring the knowledge and skills necessary to succeed in their chosen fields.

Mr. Speaker, the government continues to recognize the importance of delivering quality health care to Nova Scotians. Protection of the fundamental components of the health care system, which have become so essential to the lives of the people of this province, will not be compromised. As we strive to fulfil this commitment, we must come to grips with what has become an area of national concern, the staggering costs of providing health care to Canadians. In Nova Scotia alone, we will be allocating over $1 billion for the delivery of health care programs and services in 1989-90. In the Budget Address of 1985-86, I indicated an accumulated deficiency of health care revenues to related expenditures slightly in excess of $1 billion. By the end of 1989-90, it is projected to be $1.8 billion.

Given the increasing pressure this enormous cost has placed on the limited resources' available, the government must seriously assess ways to effectively control costs without compromising the quality of health care in Nova Scotia. The Royal Commission on Health Care was established in 1987-88. The mandate of the commission is to make recommendations to government on how we might best achieve cost-efficiencies in the delivery of health care programs and services. The Royal Commission has undertaken an extensive review and analysis of the costs involved in delivering health care in this province. Commission members have listened to the concerns and opinions of hundreds of Nova Scotians. The government is eagerly awaiting their recommendations, which are expected later this year.

During these years of rapid change and development our government has endeavoured to remain sensitive and responsive to the evolving social needs of Nova Scotians. Through our Department of Community Services we will be providing over $410 million in 1989-90 towards the delivery of a wide range of programs and services designed to help those who are less fortunate than others. This is a substantial increase of 13.3 per cent over last year.

Provincial support for the cost of maintaining persons in need in homes for special care throughout Nova Scotia will increase to 66.67 per cent of the actual municipal cost. The total provincial commitment towards this program will reach $62.6 million in 1989-90, an increase of 30.1 per cent over last year's level.

1989-90 represents the first full year of operation of the coordinated Home Care Program in this province. The government's commitment to the combined community services and health care components of this program will total $14.8 million, more than double last year's allocation.

Funding for the provision of children's services, such as foster home care and transition and safe homes will grow from $19.5 million last year to $25.4 million in 1989-90, an increase of 30.6 per cent. The provision of additional staff to children's aid societies and child welfare services throughout the past year reflects our continuing commitment to strengthen the services available for Nova Scotia families and children.

The quality of life must be protected and enhanced for all Nova Scotians regardless of their economic or social circumstances. The government will continue throughout the upcoming decade to meet the basic needs of Nova Scotians.

Providing Nova Scotians with adequate and affordable housing is also a fundamental component in meeting the social needs of Nova Scotians. Through our Department of Housing, we have continued to foster an environment in which our private sector, the communities and government are able to work together to respond to the housing needs of the people of this province.

During this fiscal year, the government will continue to address the need for affordable housing within Nova Scotia. More than 1,200 new housing units will be constructed during 1989-90 as a result of our government-sponsored programs. A further 3,200 units are expected to qualify for assistance under the government's repair and renovation programs. Over 75 per cent of these units will qualify for support under the Senior Citizens Assistance Program. Subsidies will continue for over 10,700 public housing units, 1,300 rural and native housing units and the 326 rent supplement units that were previously constructed throughout the province.

Mr. Speaker, I am pleased to announce that we are proceeding with an exciting new initiative, the Nova Scotia Home Ownership Savings Plan. (Applause) In: our continuing commitment to provide affordable housing for Nova Scotians, the introduction of such a plan will extend tax assistance to low and middle income families saving for the purchase of their first home. The plan will come into effect January I, 1990.

The savings plan will complement the existing Department of Housing Second Mortgage Program, which has successfully provided assistance to hundreds of first time home buyers in this province who are saving for the down payment necessary to construct or purchase a home. These potential home buyers will now receive a tax credit towards their personal income tax liability from savings invested in the Nova Scotia Home Ownership Savings Plan. We are seeking the agreement of the federal government to administer this savings plan pursuant to the Income Tax Collection Agreement. I will be releasing further details on the Nova Scotia Home Ownership Savings Plan upon introduction of the necessary legislation.

Mr. Speaker, protection and enhancement of our natural environment is a vitally important aspect of life in Nova Scotia. The combined effort of government, industry and the people of Nova Scotia is essential if the Quality of our environment is to be preserved for the future. In last year's budgetary plan we embarked upon a comprehensive environmental enhancement program designed to improve the Quality of air, water and land in this province. This year we will continue to build upon these initiatives.

We have established a Youth Conservation Corps Program to expand upon a highly successful environmental clean-up program conducted by the Department of the Environment last summer. This program will provide young Nova Scotians the opportunity to participate in the preservation and enhancement of the environment. The government is also strengthening environmental legislation to ensure adequate protection of our natural resources. Seven bills have been introduced in this session to address a wide range of environmental-related concerns, including litter abatement, recycling and an Act to protect the ozone layer.

As well, Mr. Speaker, we will advance in the implementation of the recommendations of the Minister's Task Force on Hazardous Waste Management. In addition to establishing a section in the Department of the Environment to deal exclusively with this very important issue, we have approved regulations dealing with petroleum storage, asbestos waste, waste oil and the storage of PCBs.

Studies are underway to determine the degree of river water pollution in the province and to identify the most effective ways to address the problem. This will assist in determining municipal waste water facility treatment needs throughout Nova Scotia.

The Halifax Harbour Clean-up Program is moving forward. This cooperative effort by the three levels of government will provide for the construction of a regional Halifax-Dartmouth area waste treatment system, which will greatly enhance the Quality of water within the harbour.

The Nova Scotia Power Corporation Pollution Abatement Program will be instituted this year to assist the province in meeting its obligations under the Canada-Nova Scotia Acid R~in Reduction Agreement. The enhancement of environmental programs, services and legislation represents a substantial investment in the Quality of life in this province, one that this government is confident will benefit Nova Scotians for generations to come. (Applause)

Mr. Speaker, the government has consistently promoted a stable and equitable tax system. This year there are a number of initiatives that will be taken to ensure continued fairness in that system.

We will be creating a separate Tobacco Tax Act similar to the practice followed by all other provinces. At present, tax on tobacco and tobacco products is collected under the Health Services Tax Act. The administration and control of the tax on this product will be strengthened under a separate Statute.

The rates to be established under the new Tobacco Tax Act, effective midnight tonight are:

cigarettes unchanged at 4.5 cents per cigarette;

finecut tobacco increased to 3.5 cents per gram;

pre-proportioned tobacco sticks set at 4 cents per gram;

other tobacco products unchanged at 50 per cent of the selling price.

Mr. Speaker, effective midnight tonight, health services tax will be applicable to retail sales of all tobacco products. To improve compliance, regulations will be introduced under the new Tobacco Tax Act that will require by September I, 1989, the marking by manufacturers of all tobacco products to be sold in Nova Scotia.

Other changes under the Health Services Tax Act include:

the exemption of generators used in the logging industry where power is not available from a public utility;

the refund of health services tax paid on computers purchased by students in full-time attendance at universities or community colleges and by persons who are visually or hearing impaired or bedridden, to a maximum of $300 per person.

As well, regulations will be passed to exempt from health services tax, equipment used to generate electricity for emergency use in a mine.

Mr. Speaker, to improve the appeal procedures under the Health Services Tax Act, the new Tobacco Tax Act and the Gasoline and Diesel Oil Tax Act, an independent Tax Review Board will be created. This board will accelerate the process for both taxpayers and government.

We remain concerned about the implications of a federal goods and services tax for the administration of our health services tax. The operation of two sales tax systems could be both complex and confusing to consumers and businesses alike. The possible short-term impacts on inflation and economic growth as well as increased costs of many essential goods and services are also of particular concern. We will continue to pursue these issues with the federal Minister of Finance and other provinces.

There will be an increase in the insurance premium tax rates from 2 per cent to 3 per cent on gross life insurance premiums and from 3 per cent to 4 per cent on gross general insurance premiums written by companies effective July I, 1989. As well, there will be a number of adjustments to a variety of fees and licenses to reflect increased costs of administration.

Consistent with our aim of providing a stable and equitable tax environment, tax rates in the province have not increased in more than five years for:

individual income tax; corporate income tax; health services tax; and gasoline and diesel oil taxes.

Once again, these rates of tax in Nova Scotia will not increase this year. (AppIa use)

Mr. Speaker, over the past decade the policies and priorities of this government have resulted in significant fiscal, economic and social progress in Nova Scotia. The operating deficit has been substantially reduced. While meeting this fiscal objective our government not only preserved our essential public services but in many cases enhanced them. A consistent and balanced approach to fiscal management and policy implementation has been the foundation of our success.

We will continue to follow this steady course of action into the 1990's to ensure that a balanced operating budget is maintained. Elimination of the deficit will also permit us to focus our efforts on substantially reducing borrowing requirements. This will be achieved while continuing to provide for future economic opportunities and important social programs for the people of this province.

Sound fiscal management of provincial programs and resources, coupled with a sensitive consideration for the needs of Nova Scotians, will ensure that we are prepared to meet the challenges in the years ahead. Thank you very much. (Prolonged Applause)

Mr. Speaker, 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 1989-90 fiscal year, the year we are in, and we are looking at the forecast for the year ended March 31, 1989 and the actual figures for 1987-88.

The Estimates Book has been in our hands for only a short time, and as a result, I plan to speak for a little while and then adjourn the debate until next week. I will have a chance over the weekend and the first part of the week to look more carefully, in conjunction and in co-operation with my colleagues, at some of the ramifications of the budget that has been presented today. Not only the speech, but the Estimates Book because you have to get into the fine print.