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| ***Province*** | ***Législature*** | ***Session*** | ***Type de discours*** | ***Date du discours*** | ***Locuteur*** | ***Fonction du locuteur*** | ***Parti politique*** |
| Nouvelle-Écosse | 58e | 1re | Discours du Budget | 14 Octobre 1999 | Neil J. LeBlanc | Minister of Finance | Progressive Conservative Party of Nova Scotia |

**I. Introduction**

Thank you Mr. Speaker.

I'm honoured to rise today to present to this House and to Nova Scotians a budget that represents a critical new beginning for our province.

It represents the first tangible step of many on the road to turning the philosophy and goals of this government into practical policy and meaningful accomplishments.

Today we embark upon what the poet Robert Frost called "the road less traveled." That road is less traveled because it is a difficult one, but it is the one that leads us in the right direction.

It is the right direction because Nova Scotians expect government to meet its commitments in a sensitive and sensible way.

This government believes that the importance of today's budget goes beyond the numbers it contains. It is a rededication to the commitments we made to Nova Scotians.

One commitment was to present an honest accounting of the Province's finances so that Nova Scotians might easily understand the magnitude of the challenges that we all face. That commitment has been kept.

It is no longer possible for the bottom line to be coloured by politics. I know that every member of this House agrees that this is the proper course to follow.

The consolidated financial statements indicate an unaudited provincial deficit of $384 million for the last fiscal year. It is grim news that strengthens our resolve-but it's not beyond the ability of Nova Scotians to overcome that negative and create a positive future.

Government's role is to meet its commitment to provide high-quality essential services at a cost that taxpayers can afford. We must learn to live within our means.

Les citoyens de la Nouvelle-Ecosse ont la responsabilité de prendre part aux décisions, en tenant compte des services voulus et assurer que ces services seront offerts dans le futur. Ce n'est pas une responsabilité que les payeurs de taxes doivent au gouvernement, mais c'est plutôt une responsabilité que nous devons à nos enfants.

Translation: Nova Scotians have a responsibility to share in the decision-making and to reconcile expectations for services today with the duty to protect the opportunities of tomorrow. That's not a responsibility that taxpayers owe to government-it's a responsibility each of us owes to our children.

It's important that Nova Scotians know the starting point for the journey to a truly balanced budget. The Nova Scotia economy is growing at a strong rate. In the last 12 months the economy created 16,000 new jobs and the taxes that go with them.

The result of this impressive economic performance shouldn't be a deficit that is out of control, a deficit that will push the provincial debt past the $10 billion mark. But it is.

The hard-earned success of Nova Scotia taxpayers is being wasted on an excess of government.

That is the reason this government is dedicated to reducing its role in the lives of the public and in the economy. That is why this government believes it must choose a few critical tasks and do them very well.

We believe that less government offers more potential for individual Nova Scotians, families, and communities to prosper. Smaller government is not an end, but rather, the means to a secure future.

If there were no deficit, if our debt load were not so heavy, this government would have a little more time to work with, but the road we chose would be the same.

We believe that this budget sets a clear course that will lead Nova Scotians into a secure, self-reliant, and sustainable future.

**II. Economic Conditions**

Mr. Speaker, we are building on a strong economic base.

Nova Scotia's economy grew by more than 3.0 per cent annually over the past two years. Capital spending on the development of the Sable natural gas project is a key driving force behind the solid growth, but there is strength in other sectors as well.

In future, as Sable makes the transition from construction to production, we will see continued growth, but at a somewhat slower pace. Key sectors of our economy, including information technology, manufacturing for export, entertainment, and tourism will help maintain its momentum.

But we recognize that parts of our province face uncertainty and difficulty. The closure of Devco's Phalen mine will mean the loss of many jobs one year earlier than anticipated. It makes the challenge of building a sound new economy in Cape Breton that much more difficult.

This government will continue to press Ottawa for more transition funding. This government's commitment that no new tax dollars will be allocated to sustain Sysco will be kept. The plant must be sold or closed. This government's choice is to sell it, but if need be, we are prepared to see it closed.

This government also made a commitment to steel workers and their families that they would not be abandoned. That commitment will be kept if and when the time comes.

Next year this government will provide assistance for a multi-year plan to help Cape Breton begin the transition from an old-style industrial economy to a sustainable new economy.

Mr. Speaker, this government believes that it must be supportive of, but not an active participant in, the business community. Taxpayers should not, in general, own or operate businesses except under the most special circumstances.

Nova Scotia Resources Limited was a product of such special circumstances - the government's desire to provide incentives for new industry in Nova Scotia through the exploration and development of Sable offshore gas.

But, now the special circumstances are gone. Nova Scotia Resources Limited has served its purpose.

It will soon start to earn significant revenues, and we will look to maximize the value of its assets, including options for its sale.

**III. Fiscal 1998-99**

**Revenues**

Mr. Speaker, in 1998-99 a strong Nova Scotia economy meant increased revenues. More people working and more consumer spending translated into a 2.3 per cent increase in provincial own-source revenues.

A properly focused and efficient government should be able to pay its bills with this increasing rate of revenue, but unfortunately, the cost of program spending in Nova Scotia increased by 7.0 per cent over the same period.

During these good times this province fell behind.

**Program Spending**

Mr. Speaker, that growth in program spending is not sustainable. Unchecked it will ultimately mean the loss of even essential health and education services.

A proper accounting of Nova Scotia Resources Limited, Sysco, foreign exchange losses, regional health boards, and school boards resulted in a deficit forecast of $384 million for 1998-99.

Between 1993 and 1997 government made progress towards a truly balanced budget, but never realized that goal. A review of government expenditures and revenues, using Generally Accepted Accounting Principles, indicates that after fiscal 1996-97 the deficit began to soar.

**IV. Debt Challenge**

Mr. Speaker, this province is facing a debt challenge that is, by some measures, the worst in this country. More and more of Nova Scotians' tax dollars are being used to pay the interest on our debt.

Taxpayers continue to pay for the excesses of governments that tried to be all things to all people. Our children are being handed the bill for benefits they will never receive.

This province spends nearly $800 million each year to service its debt. That's 17 cents of every dollar we collect from hard-working Nova Scotians and more than any other province in this country.

This province's total Net Direct Debt compared to the size of its economy is also the highest in Canada.

This government will move to stabilize our debt by meeting its commitment to achieve balanced budgets. We will also meet our commitment to reduce our exposure to the turbulence of international currency movements. We will continue to reduce the amount of debt that is at risk when the value of the Canadian dollar changes.

Effective immediately, it is the policy of this government that all foreign currency debt coming due for a term exceeding one year will be refinanced in a manner that eliminates foreign currency exposure.

This refinancing will be done either directly in Canadian dollars or in a fully covered non-Canadian-dollar issue. That is to say, if it is prudent to borrow in other currencies, we will fully hedge the transaction to protect us if the Canadian dollar drops.

Under this new policy, given our current stock of debt and current market levels, we would expect the Province's exposure to foreign currency debt will fall below 40 per cent no later than March 31, 2004.

This objective will be reviewed annually with a view toward reaching our ultimate goal of 20 per cent or less foreign currency exposure.

**V. Fiscal Overview 1999-2000**

**Revenues**

Mr. Speaker, the past is just that, the past. This government is concerned with securing the future. It is important that we are open with Nova Scotians about the challenges before them.

Our growing economy means that our own-source revenues will grow. But there is no windfall from Ottawa this year, and so revenue from all federal sources, including Prior Years' Adjustments, is forecast to decline.

Overall, we estimate Nova Scotia's total revenues will increase by $72 million this year. Unfortunately, given the program expenditure commitments currently in place, this increase is not enough to allow this province to live within its means.

Again the successes of hard-working Nova Scotians cannot feed the continuing excesses of government.

**Program Spending and Debt Service Costs 1999-2000**

Mr. Speaker, finger-pointing will achieve nothing constructive. What this government will concentrate on are the facts and the realities that we all face.

These are the facts and realities that have been brought into focus by the use of Generally Accepted Accounting Principles. While the realities are not pleasant, they come as no surprise. This government will not use them as an excuse to renege on our commitment to balance the budget in the third year of our mandate.

La somme de 250 millions de dollars, en soins de sante, n'était pas inclue dans les dépenses du budget 1999-2000. La somme prévue de 100 millions de dollars, en pertes a Sysco et NSRL, n'était aussi pas inclue. Les épargnes non réalisées, en productivité, de 60 millions de dollars étaient inclues. Mais la somme de 35 millions de dollars, en revenu du fédéral qui ne fut pas reçue, était inclue.

Cette province n'était pas, n'est pas, et ne sera pas, en une position de surplus pendant l'année financière 1999-2000.

Translation: The June budget did not include $250 million in health care spending. It did not include an estimated $100 million in losses at Sysco and Nova Scotia Resources Limited. It did include $60 million in productivity savings that will not be achieved. And it included $35 million from the federal government that will not be realized.

This province was not, is not, and will not be in a surplus position for fiscal 1999-2000.

Other accounting and pension decisions were also not reflected in the previous budget.

More money was needed to cover Early Retirement Payments to the Teachers' Pension Plan. Millions had to be added to the budget of the Department of Economic Development to honour agreements with ACOA and to cover recommendations by the Auditor General.

These legitimate expenses add up to half a billion dollars.

This total did not include the cost of our initial commitments, which will be kept. Nor did it include the cost of the election itself, or the unforeseen need to provide money to assist communities to recover from the effects of natural disasters.

**Holding the Line**

Mr. Speaker, over the summer the Premier, then leader of the third party, was honest with the people of Nova Scotia. He told them there was little room to alter the existing budget with half the year gone, and the majority of costs fixed as salaries.

It is fair to say there were some initiatives, such as the increased funding to expand seats at the Nova Scotia Community Colleges, that all parties agreed with. The commitments have been kept on those items.

This government has been in office for less than 60 days, and the changes in this budget are subtle, but they do reflect our philosophy and goals, and present our initial efforts to meet our commitments.

This government committed to presenting the provincial finances in a complete and straightforward manner. It committed to reviewing all government programs and to cutting discretionary administrative spending. These commitments are being kept.

The result is that we have been able to find funding for the election, pay for our initial round of commitments, and hold the line on spending at the level that was forecast when we took office.

This was accomplished because we have already made difficult decisions. We started with new programs and initiatives where work had not begun. One of the first programs affected by this criteria was the Charitable Casino Community Enhancement Program.

There are some who would like to see more sweeping changes and drastic measures immediately, but this government promised Nova Scotians they would share in the responsibility of making decisions that effect them.

This government is extremely mindful of that commitment, and in the coming months it will be kept.

**Administrative Savings**

Mr. Speaker, all departments and agencies have had their budgets adjusted to reduce administrative costs. The immediate goal was to cut the administrative cost of government by 3.0 per cent for the balance of the year.

Restrictions on non-essential hiring, reductions in travel, equipment purchases and related measures remain in place as we consider decisions on permanent change.

**Meeting Our Commitments**

Mr. Speaker, our many commitments to Nova Scotians are clear.

This government made a commitment to assume the debts of hospitals and health boards, to provide funding for nurses and for medical technologies, and to fund bursaries for nurses and medical students.

Those commitments have been kept.

This government promised to support community volunteers by offering to provide firefighters complimentary licence plates, to help fund a secure treatment centre, to improve the Public Prosecution Service by implementing the Kaufman Report, and to create a separate Department of Tourism and Culture.

There is money in this budget to meet all those commitments.

But our most important budget commitment is still before us. Today we put in place the foundation to meet it. That commitment is to present Nova Scotians with a truly balanced budget.

That commitment is grounded in our belief that government must live within its means.

Taxpayers do it; government must do it as well.

Let there be no doubt, no misunderstanding: in the spring of 2002, this government will table a balanced budget. That is the commitment and it will be kept.

**Drought Relief and Flood Rebuilding**

Mr. Speaker, this government recognizes that one of the proper functions of government is to lend aid and comfort in situations where it is beyond the ability of individual Nova Scotians or communities to protect their interests.

The ongoing drought that has hurt our farmers is one of those circumstances. This government will fulfill its duty by accelerating funding for drought relief Six million dollars will immediately be brought forward, making a total of $10 million available this year to address the most immediate concerns of our agricultural community.

The third year of drought conditions in this province makes it imperative that a long-term strategy be developed. In the meantime, moving some of the assistance ahead one year should help farmers without affecting our overall fiscal objectives.

This government will also provide $2 million more in the transportation budget to help rebuild the infrastructure recently destroyed by flooding in northern Nova Scotia.

This is an urgent, unanticipated need, and we cannot do as much as we would like to, but we are doing what we can within our limited means.

**VI. General Fiscal Measures 1999-2000**

**Tax Credit Reviews**

Mr. Speaker, we are reviewing all our programs and services to ensure that they meet the following critical test: If the program did not exist, would we create it today? Is government the best option for providing the service? Is this program still meeting the goals and objectives originally established?

Programs that meet this test by providing an essential service at a sustainable cost will survive.

That review must include every segment of government, and so today I am announcing a similar review of our tax credit system.

Over the years we have developed many tax credits, tax expenditures, and rebates. We have tax rebates for fire trucks and new homes. We have tax credits for research and development and for buying a new piece of machinery.

My department is now working on a report that will show the costs and the benefits associated with each such measure. We will put them on the table for public comment. Tax credits that have become tax loopholes will be closed.

As a result of this review process, no new tax credit measures will go forward until we are able to report on the costs and benefits of the system we already have.

In order for this process to take place without disrupting an important part of our new economy I am announcing a one-year extension for the Film Development Tax Credit.

Mr. Speaker, as the Premier indicated earlier, it is our intention to discuss the operation of the Harmonized Sales Tax system with the federal government and the other participating provinces. Our objective is to gain more control over sales tax system decisions.

We are also concerned about our ability to control our own future when it comes to personal income taxes. My department is exploring the options, and we expect to release a discussion paper on the topic next year.

**VII. Looking Ahead**

**A Smaller Government**

Mr. Speaker, providing essential services, responding to acts of nature, and providing a climate for economic growth are legitimate roles for government.

Unfortunately there are many instances where government has used its power to impose itself where it does not belong.

A volunteer fire department trying to raise money runs into a red tape barrier on a liquor permit. A plant owner must pay a $600 inspection fee for an engineer to take a quick look at a winch. A local community that wants to renovate a church hall runs into onerous provincial building code requirements.

In each case a business, person, or community group is thwarted by government that fails to appreciate the value of self reliance. In each case we believe government acts without the support of the majority of Nova Scotians. That must stop.

In each case government grew bigger, taxes went higher, or the debt increased. This government believes that its presence in any field must offer taxpayers benefits that clearly outweigh the costs.

This government will meet its commitment to establish a Red Tape Commissioner. Nova Scotians must know that provincial rules and regulations are necessary, and that there is a fair and open process for those effected to make their views known, before the rules become law.

**The Government Plan**

Mr. Speaker, red tape is not the cause of our difficulties, it is merely symptomatic of government's inability to judge what is important to the people, and what is best left to the people.

Without a strong sense of what it should do for the people the tendency is for government to try to do everything, perhaps not very well, but everything nonetheless. That is an abdication of government's responsibility to set priorities.

This government committed to a complete review of programs and services and to share the responsibility for making decisions with Nova Scotians. We are moving to meet that commitment.

Next week we will release the details of these plans for review and consultation. In the next few months we will take the recommendations and make public the criteria we will use to make decisions. This government will then ask Nova Scotians to share their views on the appropriateness of the criteria.

**Budget 2000-2001**

When our next budget is submitted to this House, this government will issue four-year targets for the public sector, including our partners in the health care and education systems.

We will give them the responsibility to provide Nova Scotians with essential services at a cost within taxpayers' ability to pay, and to submit a four-year business plan showing how they will meet that challenge.

Mr. Speaker, the Premier was honest and open with Nova Scotians. He told them there would be a deficit this year and he told them there would be a deficit next year. He was right.

In fact Mr. Speaker, we have had a deficit for many years. The attempts to put spending outside the budget have made a mockery of the Expenditure Control Act. As a matter of fundamental honesty, Mr. Speaker, the government has no option but to suspend the Act.

It is important to note that the true intention of the Expenditure Control Act was to send a message that government must live within its means. Mr. Speaker, this government has always accepted and supported that message. That is why the spring budget will include new legislation on fiscal accountability and will set a firm deadline to eliminate the provincial deficit by the start of fiscal year 2002-2003.

**Commitments to Employees**

Mr. Speaker, this process is obviously going to have an impact on the public-sector employees of Nova Scotia.

I want to assure them that we have begun the process of collective bargaining in good faith. No doubt there will be times when the goals of the government and unions will be in conflict, but we will work towards genuine compromise. It is our intention to reach agreements that are fair to public-sector employees and affordable for taxpayers.

We all have a part to play in finding solutions for our province and we are all in this together.

New legislation on fiscal accountability in spring 2000

**VIII. Conclusion**

Mr. Speaker, the 20th century is almost behind us. If ever there was a time for each of us to reflect on what government should or should not do, this is it.

If ever there was a time for government to demonstrate its respect for Nova Scotians by keeping its commitments and by returning power to its citizens, this is it.

And, if ever there was a time to rededicate government to providing basic healthcare, to protecting and educating our children, and to creating the opportunities for individual success and personal development, that time is now.

This budget starts us down the road to that vision. I will return to this House in the spring, after seeking the advice and support of Nova Scotians, with a four-year plan to implement a shared vision for the secure future of this province.

Mr. Speaker, in another decade or so our children will reflect upon the choices we have made today. Perhaps they will look to Robert Frost's words in judging our decisions. He wrote, and I agree, taking the road less traveled "has made all the difference."

Thank you Mr. Speaker.