

Hon. Graham Steele, Minister of Finance
Speech to Halifax Chamber of Commerce
Monday, September 14, 2009

Check Against Delivery

Thank you and good afternoon.

Please believe me when I say that it's wonderful to be here.

As Opposition Finance Critic for seven years prior to the 2009 election, I attended this Chamber of Commerce pre-budget lunch every year, and every year I imagined what it would be like to be up here delivering the speech.

And now I am up here delivering the speech.

I was very honoured when the Premier asked me if I would assume the role of Finance Minister.

I understand the significant duties and responsibilities associated with this office.

I know that the actions and words of a Finance Minister can affect business and consumer confidence, and investment decisions, and even move financial markets.

And I have learned quickly over the last few months that people pay a lot more attention to what I say as Finance Minister than what I ever said as an Opposition finance critic.

That's why I've had to cut all the jokes from my speech.

The most common question I get on the street nowadays is "How's it going?" And the answer is — "great."

I've been in opposition and I've been in government – and government is better.

The biggest difference is the depth and range of information and analysis that I have available to me as I go about my work. And I also have the privilege of working with some great people.

Our Caucus is composed of 31 capable, experienced, community-minded people.

We also have a very focused Cabinet – led by a smart, feet-on-the-ground Premier.

I have worked closely with Darrell Dexter for more than 11 years, and he and I share the same philosophy when it comes to the province's finances – including how important it is for us to live within our means.

I am also supported by a group of experienced and knowledgeable civil servants in the Department of Finance, at the Treasury Board and Executive Council Office, and in all the other agencies for which I am responsible.

I have also had the benefit in recent weeks of speaking with a number of former Nova Scotia Finance Ministers, and they have graciously provided me with valuable insight into this role and its challenges.

And I have already had the opportunity to meet or speak with most of the other provincial Finance Ministers, and the federal Finance Minister – all of whom show a genuine desire for us to work together for the greater good of Canada.

In short, being the Finance Minister in this new government is interesting, challenging and energizing. Some people have said to me that a global recession is not the best time to become Finance Minister, but I respectfully disagree. I have a front-row seat as we meet the challenges ahead. There's nowhere else I'd rather be.

On Thursday of this week, the Legislature will resume with a Speech from the Throne, which will lay out this government's vision for the next few years.

The following week, I will deliver my first budget as Finance Minister, to cover the current fiscal year, which is already half over.

As you know, in the midst of the financial crisis in the spring, the previous government was the last in the country to bring down a budget, on May 4th. The election was called the same night.

Nova Scotia is now the only province without a budget for the current fiscal year. British Columbia has even had the opportunity to deliver a full budget – twice.

And this late in the fiscal year – when Departments have already spent half of their operating budgets – it's too late, and creates too much uncertainty, to try to create a genuinely new budget.

So, let me re-affirm what I have said before – the budget to be presented next week will be substantially the same as the budget introduced by the previous government on May 4th.

Among other things, that means that we will proceed with almost all of the infrastructure funding commitments made by the previous government for this fiscal year. We understand, as you do, that a measured dose of stimulus is required to help us get through hard economic times.

As we promised, we have made good use of every single dollar of federal infrastructure funding available.

In fact, just yesterday the Minister of Transportation and Infrastructure Renewal announced nearly \$100 million in needed infrastructure projects stretching from one end of the province to the other.

At the same time, we have found savings in the May 4th budget to implement our campaign commitments. In other words, keeping our promises will have no net impact on the bottom line. And we will keep our promises.

Our new home construction rebate program, for example, is now well under way. It has been favourably received by all concerned, and is meeting its objectives of encouraging buyers to buy, and builders to build.

And last week we confirmed that we will be taking provincial sales tax off home electricity.

Although the substance of next week's budget will be the same as the May 4th budget, this budget will present a more accurate picture than the previous government was able, or willing, to present.

Let me mention some of the ways that the coming budget will be more accurate than the May 4th budget.

Our revenues are now forecast to be significantly lower than estimated in May, to the tune of about \$125 million, due in part to a further significant decline in revenue from natural gas royalties.

We have also identified the need for additional resources to provide an adequate response to H1N1, which is of course a major public health priority.

Our budget will also properly reflect the cost of some expenses that were unrealistically low in the May 4th budget.

The largest single change from the May 4th budget is that we are including a provision for the previous government's Memorandum of Understanding with the universities.

As you may recall, our predecessors decided to shift most of this year's university funding to the previous year – a confusing decision that was no fault of the universities. That left two years' funding in last year's budget, and very little in this year's.

We want to restore the practice of providing one year's funding for universities in each provincial budget.

Therefore the remaining \$341 million will be included in the budget this year to meet the province's obligations for university funding under the MOU.

This will satisfy the previous government's financial commitment to the universities until the spring of 2011. At that point, government can return to clear, accountable annual grants for university operations.

Putting all of these things together, the coming budget will show a truer picture of the province's finances than was presented on May 4th.

Unfortunately, it's not a pretty picture.

Poor fiscal planning over the last few years has led us to the current situation. The previous government put us on an unsustainable financial path.

That is why the budget I will present next week will show a deficit in the range of \$590 million for this fiscal year.

None of us should be happy – and I certainly am not happy – about recognizing a deficit that size. But that is the financial legacy that the previous government left for us.

Let me put this deficit figure in context. In 1999-2000, which was John Hamm's first fiscal year as Premier, the deficit reached \$797 million. That government was able to return to balanced budgets because of steady and substantial increases in revenue – a luxury that I do not have.

According to the Deloitte review released last month, if there are no changes to the way government does business, within three years Nova Scotia can expect an annual deficit of \$1.3 billion, and a provincial debt of \$16.7 billion.

This was not – and is not – a sustainable fiscal path for the Province of Nova Scotia.

Premier Dexter has said it best about the previous government, at the outset of the election campaign:

“They dug themselves a hole.....

And they said the way we're going to get out of the hole is to keep digging.”

Ladies and gentlemen, the digging stops now.

The government – your government – cannot continue like this.

That is why we are developing a robust plan to tackle the financial challenges facing Nova Scotia.

The details of our plan will be laid out starting in next week's budget, and through the coming months up to and including the first budget that we consider to be truly our own – in the spring of 2010.

Development of our plan is well under way. For example, one of the first things our government did after coming into office was to follow through with our commitment to undertake an independent review of the province's finances.

The Deloitte report, to which I've already referred, documents the province's unsustainable financial path. A second phase report, which deals largely with more technical issues, is expected in late October.

We are also seeking additional advice from experts with a broad outside perspective. The Premier's economic advisory panel, with four leading Atlantic Canadian economists and economic development experts, has been hard at work in recent weeks.

We've very pleased to have people of the calibre of Donald Savoie, Elizabeth Beale, Lars Osberg and Tim O'Neill working with us. We expect to receive their first report around the end of October.

Let me close by making one thing very clear.

Despite the challenges before us, we have not given up on our goal to balance next year's budget. We have said before, and we will say again, that the government must live within its means.

This year's deficit number is a pretty clear indication that it will be a very, very steep climb out of the hole dug for us by the previous government.

But we will go into the next budget process – which will begin almost immediately after next week’s budget is passed – with a balanced budget as our operating principle.

We do that for the simple reason that fiscal discipline – climbing out of deficit and debt – allows us to own our future.

And we will be counting on all Nova Scotians – we will be counting on you – to work with us as we return this province to a sustainable financial path, and from there to the social and economic prosperity that we’re all working towards.

Thank you very much.