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Mr. Speaker:

This is my second opportunity to place before the House a report on the financial affairs of the Province for a fiscal year closing, and proposals tor a new fiscal year ahead. I am pleased to be able to report continued economic progress.

I said in my last Budget Statement given before this House last July, that the economy of the Province presented a most optimistic picture. In the interim, we experienced a difficult harvest, but the adverse effects while serious were eased by prompt assistance from government, and a more favourable turn in the weather. Progress continued in the Manitoba economy as a whole, however. Even in the short space of time between July and March, new records were established for sales and for production in many lines. I will review these developments in some detail in order to provide the background against which we have planned our financial programme for the fiscal year beginning on April 1st next.

THE ECONOMY TODAY

The buoyancy evident throughout most of our economy during 1959 has carried forward into 1960 with increased strength. Favourable projections for 1959 have been borne out. The 1959 Gross National Product approximated $34.6 billion as compared to over $32.5 billion in 1958. During the last quarter of 1959, the G.N.P. was recorded at a yearly rate of $35.0 billion. This confirms that Canada has continued to move away from recession conditions of two years ago. The Canadian economy and our own provincial economy moved forward despite credit restrictions and financial restraints in other fields, and in spite of the constant threat to the now of production of materials from the U.S. largely due to the steel strike there.

The fundamental strength of Manitoba's economy has been clearly established. There has been higher employment, higher personal income, increased production and sales, expanded savings - improvement in nearly every sector - all during the period of uncertainty in the capital markets and the trading channels.

In Manitoba, the weather did not treat our agriculture kindly. The inevitable effect on farm income will be reflected to some extent in retail sales and other economic activity. Even so, our economic community has proven fundamentally sound.

Capital investment increased in 1959. Indeed, the volume of investment created difficulties for public authorities entering the capital markets during the past eighteen months. Although investment in the public sector consequently was hampered, capital investment in new-equipment, construction and machinery for all sectors totalled $489 million in 1959. This was an increase of some $80 million over 1958 - a rise of 20 per cent. Total capital expenditures, including repair and maintenance for all sectors, reached an estimated $6.37 million last year in Manitoba. This increasing evidence of confidence on the part of private investors underlines the growth potential. Indeed, the sharp upturn in new investment by Manitoba business generally in 1959 is a very encouraging portent for the future.

There is further evidence of this confidence and strength in the economy. Manufacturing operations in Manitoba expended throughout 1959 and reached production valued at an estimated $744 million for the year - 10.2 per cent above the 1958 total of $675 million. This production expansion made possible increased earnings for the workers in our Province. Manufacturing payrolls were estimated at $157 million for 1959, some 12 per cent above the $140 million earned during 1958. Employment, sales and corporation profits recorded substantial gains in 1959, and preliminary indications for the first quarter of this year are that the expansion is continuing.

We have maintained our efforts to diversify and strengthen the industrial complex in this Province and to attract new enterprise. In 1959, more than half a hundred new organizations entered production in Manitoba. Among these were firms manufacturing such products as steel railway wheels, hydraulic pumps and valves, blowers, and insulated metal chimneys: other new production now supplies plastic vials for chemical and pharmaceutical use and printing inks for the increasing publishing activities in Manitoba. In refection of the expanding complexity of our commercial community, a new manufacturer of business forms began operations in the Province last year. Food processors were represented in the new organizations joining the ranks of Manitoba's fast-growing secondary industries based on the products of agriculture.

These enterprises underline the confidence of new investors in the future of our Province. Our new provincial agencies engaged in the promotion of industrial development have extended practical assistance and the results are most encouraging.

During 1959, an estimated $3.31 million was invested in new construction in the Provincial. Housing starts were down tor the country as a whole after the record year in 1958 but Manitoba showed continued improvement. Indeed, 1959 was the best year in our history for home building starts.

New machinery and equipment purchases totalled an estimated $158 million last year arid we anticipate about the same level for purchases in 1960. Capital investment and expenditures in the primary sector of over $100 million during 1959 sustained the accelerating development of Manitoba's natural resources and the industries immediately concerned. We anticipate further expansion in this area during 1960. With major operations developing in the North, other types of investment are expected and further industrial enterprise will be attracted. There has been no decline in investor interest in Manitoba despite the difficulties in the money market.

Commercial and financial services in this Province invested capital in 1959 estimated to total nearly $56 million - up 14 per cent from a total in the previous year of $49 million.

Investment in power, transportation, communications and all of the other vital services flowing from our utilities and supplied by institutions and by Government departments with their associated agencies, rose sharply in 1959. With repair expenditures included, this investment in the public sector is entered at over $306 million. This year we anticipate further public investment of $324 million. Manitoba's manufacturers made investments for additions and repairs to plant and equipment. totalling over $70 million last year - a 14 per cent rise over the expenditures on manufacturing facilities in 1958.

The activity in the business sectors of the provincial economic community is supported by the continuing increase in Manitoba's population. We are adding people at a rate substantially higher than for most of the past 15 years. Indeed, the annual increase of some 15,000 last year was more than one third above the average tor the full post-war period. By December 1st, we were able to confirm that the rate of growth was continuing. We expect that by late April there will be over 900,000 people in this Province.

Trading statistics reflect this business and population growth. Over the past year Manitoba has consistently lead the nation in the increase of retail sales volume and value. The estimated retail spending in this Province reached an aggregate of $820 million last year - more than 8.6 per cent above the previous year and representing an annual rate of growth of nearly 3 per cent above the national expansion rate. Supporting this sales record has been the continuing growth of personal income. The 12 months of 1959 brought more than $1.3 billion in wage, salary and other income to Manitoba people. While the continuing outlook for expansion in the income sector suggests that we may expect the rate of growth in our consumption patterns to continue along substantially the same lines during 1960, we cannot overlook the effects on net farm earnings occasioned by the poor harvest, and the continuing inability of the agricultural sector to share fully in the general expansion of income.

Bank clearings in Manitoba have emphasized the healthy state of the economy. The more than $16.7 billlon in cheques cashed in Manitoba during 1959 represented one half of the total of such transactions in Manitoba, Saskatchewan and Alberta. This was an increase of nearly $1 billion or about 5.6 per cent above the 1958 level of business. Another indication of the sustained strength of income in the Province was the record of some $191 million in life insurance purchased during 1959. Bank savings deposits continue to represent another great reserve.

All the evidence in Manitoba points to continued sound economic growth. Over 165,000 people were gainfully employed in the Province during the past six months, a number appreciably higher than during the same period of a year earlier. However, we must continue to seek a long term solution to problems facing these of our working force who find themselves temporarily deprived of their normal opportunities during the oft-season periods. Probably the best solution will be found in sustained growth itself. Our efforts as a Government are predicated on this premise.

AGRICULTURAL RESOURCES

Agriculture and the people who maintain that important sector of our national and provincial life must receive the continued attention of government so that the influence of natural difficulties and economic adjustments may be brought under better control. The farm economy in Manitoba is in the forefront of the Government's considerations. While short term aid has been a matter of particular concern in recent months, the emphasis has been and will continue to be on programes and policies which are basic to the long term development of our agriculture. We do not anticipate that difficulties will disappear overnight. However, I wish to direct the attention of the Honourable Members to sources of strength in Manitoba's agricultural sector - not with any intention of minimizing the problems, but in order that we may have a realistic appreciation of the continuing development and strength within the farming community in this Province.

Manitoba's farm output showed growth in the past year in spite of adverse harvesting weather. The total value of agricultural production in the Province last year was estimated at $323 million - about $1 million above the total tor 1958. We anticipate that in 1960 agricultural production will be not less than $325 million. It is encouraging to note that more than 50 per cent of farm cash income was derived from sources other than field crops in 1959. This continuing trend toward diversification in farm production gives hope for increased stability.

Adverse weather conditions affected the total farm production as everyone is well aware. We are equally aware of the prompt action of the Manitoba and Dominion Governments to alleviate the distress caused by the crop losses. Our programme of special relief is expected to benefit some 6,000 Manitoba farmers. We will distribute compensation and emergency assistance totalling more than $1,300,000.

The index of prices received by farmers declined somewhat from the 1958 level in 1959, while the index of prices paid by farmers increased. Farm cash income in the Province was improved over the previous year, but 1959 did not bring improvement in the net return to the farmer from his overall. investment in labour, land and money - net farm income fell from $121 m1lllon in 1958 to $102 million in 1959. Although there was no substantial drop in cattle prices last year, marketings to the United States were lower than in 1958. There was less unsold wheat on Manitoba farms in 1959 than at any time since 1953, but damage to crops by weather detracted from this improvement. The recent changes in Dominion price support policies are having a marked effect on agricultural producers, but it is too early to determine whether the ultimate outcome will be beneficial to agriculture. The short and long term effects of these changes must be evaluated as they appear. The many favourable factors in the Manitoba agricultural sector are conditioned by problems for which solutions must be found. We face a continuing need to locate and develop new outlet for agricultural products, to protect our traditional markets and to improve farm technology. To accomplish these purposes, we must have the fullest measure of co-operation among levels of government and from the farm operators themselves.

The Government has extended substantial aid to the university agricultural research programme with an aim to increase further the diversification and effectiveness of our farming operations. In the research agencies co-operating with the Government, land use studies are being carried out. The creation of secondary school divisions has meant that more and better facilities are available for the education of the young people in our farm communities. The 4-H programme, the expanding farm business clubs, the rural sociology studies, and the advisory functions of the farm extension service are all important part of our farm programme. Our bursary and scholarship programmes are making university education available to many young farm people, training them to use more effectively the skills and knowledge that are as important farming tools as a tractor or a plow.

The Manitoba Agricultural Credit Corporation is proving farmers with additional credit facilities to encourage enlargement of farming operations. As a result of special provisions in the agricultural credit legislation, capital has been made available for young farmers at reduced rates of interest. This will ensure that many of our able younger people who might otherwise have been forced off the land will be able to buy a farm and there establish a home. Approved loans now stand at over $4 million. The Honourable Members will be aware that we are engaged in a carefully planned test programme leading to the development of a comprehensive crop insurance system. We are mending our programme of flood control and. soil and water conservation throughout the Province.

Agriculture, more than many industries, faces changing markets. Various estimates have been made as to what might be the size of Canada's population· by the end of the decade. The Royal Commission on Canada's Economic Prospects predicted that we would be a nation of over twenty million by 1970. Indications offered by the most recent income and consumption projections are that we will eat more of a greater variety of foods. Our agricultural experts forecast increases in the demand for livestock and livestock products while the staples will have less relative importance in the total diet of the nation. With this hanging product emphasis will come changes in the size and organization of farms which we must be prepared to meet.

POWER AND COMMUNICATIONS

This Government has insisted from the first that the development of our natural resources is one of its most important charges. In this context, the development of Power is fundamental. Manitoba has an abundance of water power sources, but these must be developed it we are to have the energy resources necessary to power an expanding community. Development must anticipate demand, and we have planned accordingly. In a context of expanding population and growing industry hydro-electric expansion must be maintained. The $150 million to be invested in electric development over the next five years, which includes the great new development at Grand Rapids on the Saskatchewan River, is an example of our determination in this field.

Power has been the key to this new wealth at Thompson, a burgeoning industrial and community development in the North. We are completing the main development at Kelsey to supply hydro-electric power for the Thompson operation. Early this summer, with the commissioning of two units, the first stage of the five unit project will be almost completed, by which 210,000 H.P. will be added to the energy capacity in the Province. Generation facilities at Selkirk, now being completed, represent investment of some $27 million and another 176,000 H.P. of generating capacity.

Another major step in ensuring adequate future supplies of hydro-electric energy is the interconnection of the Manitoba Hydro-Electric Board's system with the Saskatchewan Power Corporation network. This two-province power grid is rapidly taking shape as the new facilities are advanced, and power from the Ontario border to the Alberta border will be soon available on a single network. The value of electrical interconnections between provinces was demonstrated in the past year when Manitoba purchased about 50 mullion kilowatt-hours from the Hydro-electric Power Commission of Ontario. If the Manitoba-Ontario arrangements had not been in existence, this energy would have had to be produced by thermal generation at a much higher cost. The interconnection made use of a resource - water in the English River – that would otherwise have been wasted.

The Manitoba-Saskatchewan interconnection will transfer economically the energy required at emergency periods. It will make satisfactory use of excess generating capacity in either provincial system possible.

The demand for primary electrical energy rose by 7 per cent in 1959 to 3.2 billion kilowatt-hour as compared to 3.0 billion kilowatt-hours in 1958. Gross output reached some 3.6 billion kilowatt-hours last year. In 1959, an estimated $27 million or about 4 percent of the net value of industrial output in Manitoba was represented by electrical energy utilized in the production of goods and services. The value of power contribution is growing with each passing year. Output of electrical energy for all purposes - industrial, commercial and residential - represented an estimated $30 million in value in 1959.

If we compare the value of the contribution that power is making to productivity in Manitoba, the $150 million authorized for new investment in generation and distribution in the next five years assumes its proper perspective. We estimate that electrical energy of not less than $32 million in value will be working to produce goods and provide jobs and convenience for Manitobans during 1960. This is the true return on our investment - a growing return and one likely to expand ever more sharply as new industry enters production in the Province and as our northern projects move toward completion.

Power generation and distribution has continued to keep pace with the expansion in the demand for electrical energy. Distribution facilities have been increased to power the new fixtures and appliances being added annually in unprecedented numbers in Manitoba homes. New lines and service provisions supply new industrial and commercial installations. All of these developments give the measure of progress in the past twelve months. The Power Commission has reported that the reconstruction project for transmission lines between Winnipeg and Portage la Prairie is now almost completed. More lines have been brought to summer resorts during the oft-months to provide the benefit of expanded services from the beginning of the tourist season. The project to carry supplementary power the 95 miles from Brandon to Dauphin is now finished.

The Manitoba Telephone System has continued to expand facilities for the needs of new industry and of the general public. Last year, 8,000 additional miles of long distance message circuits were established in the Province, comprising both land lines and radio carrier systems. New customers joined the thousands of subscribers now using telephone facilities in the Province, and more phones were supplied to current subscribers - in all, a record total of nearly 19,000 new installations were made last year. The year 1959, in fact, marked the greatest annual expansion in service and facilities in the history of the Manitoba Telephone System.

Such expansion in fundamental facilities is basic. It is not something that can be deferred to a more convenient fiscal climate. We have, therefore, so managed the Province’s capital financing operations as to ensure that there will be no interruption in the vital progress of utility development.

DEVELOPMENT, INTEGRATION AND CONSOLIDATION

The Manitoba Development Fund was created in December of 1958. By the end of the 1959-60 fiscal year, loans totalling approximately $3 million will have been approved for new or developing enterprise in our Province. We have assisted 45 firms and individuals to establish or expand their operations. Of the total loans approved, 60 per cent have been for enterprises outside Greater Winnipeg, with 40 per cent inside the metropolitan area. Every loan has been considered as a specific investment. We have created partnerships in progress. These enterprises and the Province both benefit tram these activities.

To attract and fully utilize new capital, we are encouraging diversification and decentralization of industry. The Development Fund partnership helps to distribute the new development across the Province. Small but growing industries will be the basis for new community strength, attracting further industry as this process continues.

The facilities of the Department of Industry & Commerce have been expanded and reorganized to provide new services and further assist provincial growth. In the past year, the new Regional Planning Branch has begun mapping economic regions in Manitoba. These will be the basis for future community development. Our various developmental programmes are being so organized that they will take advantage of the particular strengths and needs of each region. In this planning process, we will be aided by a reorganized and integrated town planning service. Not only do we intend to bring industry to more and more communities, but we intend that the industrial growth should be both efficient and attractive. Urban and suburban economies should be integrated with the agricultural economy in the best interests of all.

Mr. Speaker, I have sketched the economic background against which our development programmes are being built. It is an economic situation in which confidence is warranted. But there can be no mistaking the need for care in plotting our course. The restraints upon financing imposed by the unprecedented demands tor capital funds throughout Canada have their effects in Manitoba as well. We must weigh carefully our immediate needs as a Province against the broader aspects of economic policy and the wider national interest.

Progress planned for the first fiscal year of our administration has become a reality. We have passed through the initial stage of our comprehensive attack on underdevelopment in this Province. These undertakings that we have instituted will be of continuing and increasing benefit to Manitoba. The extensive redevelopment and expansion of our provincial highway system will provide for the requirements of a future economy now being created by our other development programmes. The roads being constructed to our northern resource areas will open a new phase in Manitoba's economic history. The advancing lines of telephone and power services - in fact, the full range of our developmental activities - are doing more than catch up on our backlog of demands. These projects represent capacity for expansion. They are aimed to do more than meet the demands of tomorrow. They are also designed to create in Manitoba a richer future of more investment, more jobs and more potential for growth.

HIGHWAYS

In the fiscal year drawing to a close, we will have completed over 960 miles of major highway construction, with a further 1,280 miles of subsidiary road work having been completed in the same period. The combined total of over 2,240 miles of highway road work exceeds the completed mileage of either of the two previous years. In the fiscal year 1957-58, the comparable totals were 676 miles of major construction and 751 miles of subsidiary work for a combined total of 1,427 miles completes. The 1958-59 fiscal year recorded some 880 miles of major work and just over 1,120 miles of subsidiary work for a total of 2,000 miles of construction. Had bad weather not hampered our operations, we would have surpassed by a much greater margin the total construction of the two earlier years. Greatly improved standards of construction have been adopted without a more than proportionate increase in current costs. Long term continuing costs will, of course, be appreciably reduced by the longer life of this improved construction. Standards have been upgraded by wider shoulders, more material and strengthened base courses, making for better roads able to withstand the strains and wear of heavy traffic over the years.

CONSERVATION AND DEVELOPMENT OF HUMAN RESOURCES

Upon taking office, we were faced by the almost overwhelming array of things that needed to be done and had not been done. The lack of a programme for economic development was matched by the shortcomings in social policy. Many of the essential needs of our people had been overlooked, and often with regrettable though predictable results. All progress must be geared to the human needs it serves. Highways, power and resource development programmes are designed to meet the economic needs of the people. Programmes in education, health and welfare meet the immediate social and human requirements.

EDUCATION

We have now completed a full year under the new education system with its secondary division school plan as approved overwhelmingly by the people in February 1959. During the fiscal period ending on March 31 of this year, we will have made an investment in equal educational opportunity for Manitoba children totaling in excess of $30 million. In the coming fiscal period we plan to maintain and expand that support.

The improved school system produces many young men and women trained and eager to enter University. The Government intends to maintain support for higher learning of proportions that will enable the University to be prepared to provide full opportunity for these people.

Bursaries and scholarships will continue to be provided. For 1960-61, we have allocated in the Estimate sums totalling $200,000 to aid in giving qualified students opportunity to advance themselves through higher learning. I might remark here, Mr. Speaker, that our contribution to education will aggregate $32 million on revenue account in 1960-61 and will represent some 34 per cent of the total provincial budget. This compares with the $l9.6 million allocated in 1958-59 or 24 per cent of that budget. But more than money is represented in the advancement - far more. What we have done is to give recognition to the most essential need of a modern community - the education of the children.

We have not neglected our young people who wish technical training. To ensure that the qualified young people are able to find suitable trades training, the Department of Labour has developed an improved apprenticeship system in Manitoba. Under a cost-sharing agreement with the Federal Government, 148,000 hours of class training were provided in 1959 tor apprentices employed in trades designated under The Manitoba Apprenticeship Act. In-class training is coupled with job experience. At the beginning of this year, 1,620 young men were working toward completion of apprentices in 16 different trades. We shall continue our efforts to improve the skills and knowledge of our moat valuable assets - the young people of our Province.

HEALTH

The year and a half that has passed since the establishment of a provincial hospital services insurance programme in Manitoba has been a period of continuing increase in the vigour and efficiency of our Hospital Plan. We have been firm in negotiations with the Dominion Government to widen the shared benefits under the hospital services programme.

We have underway a comprehensive survey of existing and potential hospital requirements, the completion of which will enable us to draw a blueprint for the future development for hospital facilities in Manitoba. In the meanwhile, we have not allowed emergency situations to continue unrelieved. Special legislation will enable the Province to assist certain major local hospitals to provide the expanded accommodation urgently required by their respective communities. These particular cases - in hand before the survey began - were reported on and found to be in need of immediate attention.

Hospitals alone are not the only aspect to be considered in the maintenance of health in Manitoba. In the coming fiscal year, we will be allocating some $800,000 to the support of health units and allied laboratory and research services - an increase of 37 per cent over the 1959-60 appropriation. Research and training continue to be among the principal responsibilities supported by the Department of Health & Public Welfare. The training of nurses, doctors, dentists and others in this field, is given substantial support by the Province.

SOOIAL WELFARE

As the Honourable Members know, the first of February this year was a milestone in our provincial social development. The Social Allowances Act became effective on that date and human resources were given full recognition as important assets in our community. No longer will we be satisfied with meagre expedients. Our social allowances programme is designed to meet real need when and where it exists, in such a manner as to encourage the beneficiaries of social assistance to contribute of themselves to the improvement of their situation.

For those who are unable to maintain themselves in the community, we will provide their basic human needs. We count the benefits distributed as being every bit as important as any investment in a material resource or revenue producing asset. Careful planning assures the best possible administrative arrangements. Great care has been taken to devise legislation that is clear and fair in order to avoid injustice and listed effort. By relieving the municipalities of much of the inequitable burden that they have so long carried, we improve the ability of our local governments to meet their financial responsibilities in other fields.

Education, health and human welfare programmes of this Government will receive continuing emphasis within our policy of progress for Manitoba. Successful economic development depends upon the full utilization of all resources including human resources. Much of our Budget has, therefore, been allocated to the support of these as the only foundation upon which our material progress can be lastingly built.

PROVINCIAL-MUNICIPAL RELATIONS

Mr. Speaker, prime importance must be attached to the maintenance of sound financial contrbution at the local level. The effectiveness of many of our most important undertaking must be judged by the benefits extended to the community.

Despite high interest rates, rising service requirements and increasing costs, our municipalities approached the problems of 1959 from a position of strength. These difficulties have been countered by an increased financial capacity as shown by the rise ill the municipal assessment to beyond the $1 billion mark in 1958, and expansion which last year brought municipal tax resources to a level nearly double those of just ten years earlier.

While local governments have had to spend more to finance their expanding activities and the higher costs of operation, they had a more adequate cash position to meet the problems encountered in 1959. Provincial financial aid has been greatly expanded to help maintain and expand the growth of the local community. There is ample evidence of the success that we have realized in providing genuine support for the sound development of Manitoba's municipalities.

The last budget statement under the previous Government contained reference to the level of provincial aid to local governments. Using the same basis of computation as my predecessor, I can report that there has been very substantial improvement in assistance to municipalities and other local authorities in the twenty months of our responsibility.

In the field of education, the next fiscal year will see an increase of about $10 million from the amounts available when we took office. Local drainage and conservation projects have been provided with an additional half million dollars more than in 1958-59. Support for local road work has been sustained and substantial highway mileage, formerly a municipal responsibility, has been absorbed as a direct provincial cost.

Over and above these direct aids, many provincial programmes have been expanded to provide substantial relief to municipalities by the assumption on the part of the Province of a greater share of responsibility in joint projects and undertakings.

For example, our social welfare programme will require $4.6 million more in provincial expenditure next year than was required two years ago, and much of this is due to the assumption of welfare responsibilities formerly borne by local governments.

As we did in the present fiscal year, we will again in the year ahead provide new support, to many programmes of direct and indirect benefit to local progress. In the estimates for the year ending March 31st, 1961, we have included sums that will maintain sound development in agricultural and water conservation and control programmes. For the capital requirements for schools, and sewer and water facilities, we will continue to provide where necessary, substantial assistance through the guarantee on purchase of bonds issued for purposes of these undertakings.

In the calendar year 1959, there was a total of $3,161,562 in municipal bonds issued for sewer and water purposes. We purchased $2,535,290. Of the $9,689,550 in bonds issued by school units in the same period, the Government took up $4,323,963.

When the combined programme of assistance to local development - direct and indirect - is considered, the $57.8 million to be directed to such programmes in the forthcoming fiscal year will represent an increase of more than $15 million over and above such aid provided two years ago.

Mr. Speaker, for this next fiscal period, we shall be extending in this manner aid which totals more than one half of our current provincial revenue. By this means, local authorities will be able to continue to meet their responsibilities of development. It will go far in maintaining the financial health of municipalities, school units, and other local authorities.

To look at this in another way, in 1958, the latest year for which complete statistics are available, local tax levies totalled just over $56 million. A preliminary estimate for 1959 indicated local levies of about $59 million and tor 1960 about $6 million. If we consider the $57.8 million in provincial aid planned for the coming year in this context, we can easily see that if it were not for this provincial assistance, taxes on local resources would have to have been practical doubled. This $15 million increase in our assistance over the last two fiscal periods represents approximately 2½ times the estimated increase in local taxation in that time.

From this it is clearly evident that this Government is expanding aid to local development. It is obvious that we are giving essential support to the efforts of local governments. On their part, we would expect the same careful examination of their financial policies that we have given this provincial budget. With these factors given full weight, our basic policy to develop, in partnership, with the local authorities the total provincial community, will continue to bear fruit.

FEDERAL-PROVINCIAL RELATIONS

The problems of inter-governmental relations in the past year have bulked large on the governmental scene. There has been some progress. Honourable Members will recall that, following the plenary Dominion-Provincial Fiscal Conference of November, 1957, it was expected the Conference would be re-convened early in 1958 to examine fully the requirements for improvement in the financial status of the provinces. This meeting did not materialize. It was not until mid-summer of 1959 that a Committee of Ministers of Finance and Provincial Treasurers met in Ottawa.

This Committee by its very nature as it became clear, could not resolve the issues at stake. It did, however, look carefully at the existing problems and, in the following October, again met, to consider more fully the questions at issue. While little of a concrete nature was accomplished, there was some progress toward technical improvement in the conditional grant zone and an assurance from Canada that the 13 per cent renewed rate for standard individual income tax would be continued until 1961-62.

I do not want to minimize the worth of such meetings, but they do not serve the purpose of a full conference of governments at which decisions on matters of vital policy may be reached. We have continued to urge upon the Government of Canada that such a conference should be held.

It is not practicable to report in detail discussions which took place. Nevertheless, I will point up a few of the highlights that reflect on the Province's position.

Manitoba’s representatives concentrated their attention upon two major matters. Firstly, we stressed the urgent need of the provinces and, through them, the municipalities for a greater share of the taxation revenue available to governments in Canada. Secondly, we stressed the capital requirements of provincial and municipal governments.

As to the first, we have continued to press for a larger share of individual and corporation income taxes. As Honourable Members know, we are limited at the present time to 13 per cent of the 1956 level of the Dominion tax on individual incomes and to the equivalent of a tax of 9 per cent on corporation profits earned in the Province, plus about 50 per cent of the Estate Tax. On the basis of an increase of 2 per cent on the individual income rate and 6 per cent on corporation profits - a formula of l5-l5-50 - there would be a gain in revenue of close to $13 million a year in returns to the Province. This, as a minimum, we regard as being more in line with our provincial responsibilities.

Our claim for increased revenues from this source received short shrift at the hands of the Minister of Finance. He maintained that his own budgetary situation would not permit any further "concessions" to the provinces. This was a position we could not in all logic accept. This stand suggests that a province's entitlement to a share of taxation revenue is based on whether or not Canada feels she can afford it. But the provinces are not mere residual partners in the Canadian Confederation. We cannot, accept the implication that we must wait for some unstated level of Dominion revenue before we receive recognition of our just rights. To do so would be contrary to the whole principle and spirit of Confederation. I venture to suggest, it would be contrary to the interests of Canada itself.

We were unable to persuade the Minister of Finance to recommend to his colleagues any further changes in the level of tax-sharing. We have not given up hope for an improvement in 1961-62, but it likely will be 1962-63 before we can expect to secure a more realistic share of the taxation pool.

The second matter - the supply of capital - has been of grave concern to most provinces and municipalities of Canada. Elsewhere, I deal at more length with the difficulties and some of the possible solutions to the problem of capital procurement. I need only state here, that at these meetings, Manitoba has pressed for some co-operative solution to the financing of economic and social growth.

May I quote from a recent issue of the Montreal Gazette: “… Over the years just ahead the costs of Canada's growth are going to fall (as they are already falling) most heavily upon regional and local governments. This is because growth is demanding many outlays tor capital expenditures for traffic improvements, schools, hospitals, and other imperative construction. Such expenditures can scarcely be postponed if the growth is to take place. If the growth tried to take place without this improvement, the result will be chaos."

National growth, as well as provincial and local development, is bound up in this problem. Provinces willingly accept their full share of the responsibilities and benefits of Confederation. But Federal economic and financial policies closely affect their financial capacities. The provinces require greater consideration than they have yet received.

We will be meeting this summer again with representatives of the Dominion Government to study those financial, economic and constitutional problems which face us in the Canadian Nation. It is our hope that, through these Conferences, a further advance may be made toward a full recognition of the provinces place in governmental structure. In these negotiations we will - as in the past - hold to those basic principles which the fundamental interests of Manitoba demand.

One of the advances made in the 1955 and 1956 negotiations was the recognition of the principles of equalization and stabilization. It is true that there was a substantial element of fiscal need contained within the rental payments of the 1947 and 1952 tax agreements but it was not until The Federal-Provincial Tax-Sharing Agreements Act of 1956 that these two principles received open statutory acceptance.

However, the actual implementation was somewhat less than satisfactory. The principles were applied in a much too limited range. Some further advances were made in 1957, not only in the improvement of the rate of standard individual income tax but in the extension of equalization. This was done through the medium of the Atlantic Provinces Adjustment. Grants. Unfortunately, Canada was not prepared to accept the logic of its own conclusions. The payments were limited to the four eastern provinces and were not extended to any other that might, under like conditions, be able to qualify under the formula. We may, however, reasonably hope that the principle having once been accepted will in the next fiscal arrangement be carried to its logical and equitable conclusion.

The continued acceptance and extension of the joint principles of equalization and stabilization are basic principles on which any Manitoba case must be founded. These are not concessions to this Province, either on the part of Canada or any other province. They are essential factors in maintaining the rightful status of the provinces in the Canadian economy. These principles remain paramount. It will be our objective to see that they are applied in a formula more effective than that existing at the present time.

There are many other areas of mutual interest in which we hope to make continued progress in our relations with Canada and other provinces. We look to improvement in the development and operation of conditional grants and shared-cost programmes. We anticipate further arrangements for the development of our natural resources in an orderly manner, in co-operation with Canada - something that is essential to the future growth of this country as a whole, and Manitoba in particular. We are also continuing our efforts to have that anomalous situation corrected whereby Canada imposes sales taxes on Provincial Crown Agencies but refuses to pay provincial taxes in like circumstances.

The progress that has been made in our financial relations with Canada in the last two years should, of course, be acknowledged. Our direct return has increased by 23 per cent - from $34.4 million in the year ended March 31st, 1958, to an estimated $42.3 million in the year ahead. Indirect assistance, through the medium of the various cost-sharing agreements, has grown even more - from $8.0 million to over $26 million in the same period.

The next year may be a decisive one in the long history of Dominion-Provincial relations. This Government will press Manitoba's case tor a just and proper allocation of revenues and responsibilities, fully conscious of the tact that what is good for the provinces will likely be good for Canada as well.

FINANCIAL REVIEW

While serious problems in this connection have been notably absent in the first dozen post-war years, the provision of capital to finance development in Canada has always been of great importance.

This Government has never made any secret of the fact that a considerable capital investment would be necessary it Manitoba were to be able to assume her proper place in the Canadian economy. We have consistently maintained that inadequate capital investment in recent years has handicapped the growth of the Province. Now not only is the Province faced with the present-day needs of capital improvements, it is also faced with a formidable accumulation of untilled capital needs, inherited from a period of governmental inactivity and stringency. With statesmanlike foresight these capital charges could have been met at very much lower costs. Parsimony is rarely true economy. When such parsimony operates to inhibit normal growth, it can become the very opposite of true economy.

PUBLIC DEBT

Much as we might wish to avoid contracting additional obligations, it must be obvious to any person willing to give the matter objective consideration, that needed capital additions and improvements cannot now be financed from revenue in view of the heavy and unavoidable current demands. As a result of these accumulated needs and the measures necessary to relieve them, together with the demands of recent economic development, our public debt has risen, as indicated by the following table.

Debt, however, cannot be assessed merely in dollar terms. It must be weighed in relation to the ability of the economy to support it through the benefits flowing from its creation. An examination of the outstanding debt of the Province of Manitoba will show that the growth of the debt has been almost entirely connected -with the creation of public assets. For example, at December 31st, 1959, outstanding gross debt was attributable as follows:

* Public Utilities, $20.3 million
* Provincial Buildings, $11 million
* Roads and Bridges, $70 million
* Other Capital Works, $1½ million

Only about $20 million out of a gross debt totalling $306 million could be said to be for non-asset creating purposes, largely unemployment relief - $12 million (a debt of long standing), and debt discount expense - $8 million. As to the cost of debt support, we realize how small this 1s in the light of our current ability to bear these charges. Net interest and amortization of discount costs for the next fiscal year will only take about 2 per cent of revenue compared with a figure of about 24 per cent twenty years ago. This we can certainly afford to carry.

DEBT TRANSACTIONS

In the last calendar year, the following transactions relating to the public debt took place. All these were for productive purposes of capital betterment. To the extent that they have been related to self-supporting enterprises, they have not constituted a charge on the Consolidated Fund of the Province.

While we have funded our debt for periods related to the life of the asset for which the debts were incurred, Where conditions made it desirable and where it seemed likely overall costs would be reduced, short term financing has been used.

Questions that inevitably must be answered when a borrowing programme is being considered are:

1. Is the proposed expenditure good in itself?

2. Can the Province afford it?

3. Will the return on the investment compensate for the costs involved?

In formulating our proposed capital programme for the coming fiscal year each item has been examined against the background of these criteria. The cost-benefit relationship has been a foremost consideration in all our judgements.

Our public utility requirements total $45.3 million in the year, made up of $29.3 million for the Hydro-Electric Board, $8.0 million for the Telephone System, $7.7 million for the Power Commission and $275 thousand for the Manitoba Water Supply Board, These are an essential part, of the rapidly evolving pattern of growth in this Province. They must be planned and undertaken well in advance of need for it is our firm intention that the development of Manitoba shall not be hindered or delayed by any deficiency in the public utility services. That they are self-supporting and thus fully with our financial ability is clearly shown by past experience.

For direct government capital we will require $26.4 million. The principal item here is $20 million for the continued development of the Manitoba highway system - a development no one would suggest we can afford to neglect. Important also are the expenditures on government buildings $576,350; land projects $300,000; natural resources and recreational projects $477,400; soil erosion, water control, and drainage projects $311,000; flood control for the Seine River, Red River, and Lake Manitoba $3,000,000; and agricultural research $1,700,000. Each one of these projects is essential in its own way to the economic well-being of this Province, and their costs are well within our financial capacity. Those who would disagree with this view should in their turn be prepared to say which of them they consider to be unessential, which of them they believe is incapable of compensating us for the costs involved.

Under the heading of, Grants, Loans, Advances or Guarantees, we are proposing that $5.9 million be provided. Assistance to the University of Manitoba of $4,225,250 and to Brandon College of $240,000 is an essential contribution to this Province's growth, culturally and economically. Similarly the assistance available to hospitals and homes for the aged $1,470,000 makes a definite if indirect contribution to our continued development. That these expenditures are good in themselves, no one will likely question. That the Province can afford such expenditures or that it will be fully compensated for them in the long run, seems equally beyond argument.

Funds are also to be made available to The Manitoba Agricultural Credit Corporation and The Manitoba Development Fund. To the extent that funds are available, expenditures made by these bodies are to be charged on the War and Post-War Reserve and in the last analysis should be largely self-supporting. The authority here, which is for $6 million in the case of the Agricultural Credit Corporation and $4 million for the Development Fund, is necessary so that liquidation of securities held in the reserve fund may be avoided when circumstances are unfavourable.

The case for restraint in capital expenditure has been strongly made by the Minister of Finance and by the Governor of the Bank of Canada, and we would agree as to the validity of much that they have said. We have in the development of our 1960 programme given all possible weight to the factors they have stressed. However, it would be a good deal easier for us to accept their views if this Province were not faced with exploding demands for capital improvements, some of a present nature, but many the heritage of past indifference and parsimony. Perhaps it would be more practicable tor us to reduce our borrowing tor capital if Canada would see fit to provide the Province with a more realistic share of those important revenue fields which it now controls.

In the matter of restraint, one of the most difficult problems is the effective allocation of the limited capital funds available. Here again, failing artificial and arbitrary controls, which few would support in peace-time, the competitive, forces enter into full play, not necessarily to the greatest public interest in every case.

One sometimes hears the view expressed that under present conditions capital borrowing should be restricted as far as possible to those productive enterprises which can be considered self-supporting in the business or profit-making sense, While there is something to be said tor this, it must not be over­simplified.

There is a serious difficulty in definition; for what is a productive and self-supporting enterprise? Must we assume that investment for growth can only be justified when it can be supported by a statement of profit and loss? Is it not true that the cost of not doing may well, in the long run, be heavier than the cost of doing? There is a true benefit to the economy, even if not measurable in dollar terms, in capital being put to work in the development of essential services necessary to growth such as roads, schools, universities, hospitals, power, water systems, and the like.

The question there is much more difficult to resolve. Who can say what the monetary cost is of not building a road, a school, or a hospital? Nevertheless, this factor is as real as any reflected in a profit and loss statement. We have, I think, had an object lesson in the past few years of the ultimate cost of “putting off ‘til tomorrow".

It is in this field that the burden falls most heavily on provincial and local governments. A reasonable balance of all factors that will lead to the highest degree of development attainable must be our aim. This is our objective and in reaching for it the Province will not endanger her credit by borrowing one dollar more than she must. But neither will she stand hesitantly by, as has been done in other days, watching those of more realistic spirit forge ahead.

All the factors must be weighed, the direct and· indirect benefits offset against the costs. We have taken these into full consideration and have approved only those projects where the balance is clearly in the best interests of the Province.

GUARANTEED DEBT

In addition to the direct obligations of the Province, there are a number of guarantees outstanding on the obligations of certain bodies which have received government, support. Foremost among these are those of The Manitoba Hydro-Electric Board, but substantial aid has also been extended to various municipalities, school units, the University, and the like. Some guarantees have covered interest only, but most have been for both principal and interest.

To the extent that these guarantees are necessary to provide reasonable marketability for subsidiary securities, the Government welcomes the opportunity to be of assistance.

The Province, in its best judgement, will continue to provide this support when it appears to be in the public interest to do so.

BORROWING POLICY

The credit position of any borrower is only partially governed by his own actions. Substantially, it is affected by the attitude of the investor and this, in turn, is a product of current economic conditions and the expectations of the future. The extent of these varying conditions is clearly illustrated by the bank rate which shortly after we first took office stood at 1.12 per cent and rose in August 1959 to a high of 6.41 per cent.

On the whole in recent years, governments have been used to an abundance of credit at what now seem rather low interest rates. Unfortunately, Manitoba failed to take reasonable advantage of these conditions when they existed.

The unfavourable course of the money market has had to be taken carefully into account in the formulation of provincial borrowing policies. The municipalities have faced an even more difficult problem. Not only have interest rates on local government borrowings been abnormally high, but in many cases, money has been extremely hard to get to meet the demands being made for essential local capital purposes.

In this Province, we have done much to ease the situation. In the past calendar year, the Government of Manitoba has guaranteed the interest of bonds of municipalities and school divisions to the principal amount of $2,174,420 and has purchased guaranteed and non-guaranteed bonds which could not be sold within the support rate to the amount of $6,859,253. The resources of the Province to meet these needs are, of course, limited and it is for this reason that we have continued our efforts to have the Dominion Government take some active remedial action either by the creation of some preferred tax- position for such securities, or by the reactivation of The Municipal Improvements Assistance Act, or by some other method.

The municipalities are a vital factor in the development of our country. While restraint in capital demands must be exercised, there are distinct limits beyond which demands for schools, hospitals, roads, sewers, water systems, and the like cannot be postponed.

A further complicating factor in the money market has been the recent intense demand of the Federal Government for funds. Private corporations, too, have had heavy capital requirements. All these demands must be met out of the same money pool, and both these borrowers have advantages in their search for funds which provinces and municipalities do not enjoy. The Federal Government has a closer relationship to the monetary and financial structure of .our economy through its fiscal agent, the Bank of Canada, and, as well, enjoys seniority and size. Private corporations, in their turn, are not only less concerned with the level of interest costs by reason of their ability to offset these under the high income tax structure, but also have the ability to offer attractive "package deals" involving stock options and other inducements.

The problem of attracting savings into investments in provincial and municipal securities has been given a good deal of attention in the past few months. Various possibilities present themselves, but in most cases these involve intergovernmental co-operation which has not been forthcoming.

For example, Manitoba has for some time been looking at a method commonly used in the United States, that of providing exemption from income tax for state and municipal securities. In the United States, this is a constitutional privilege, but in Canada, action could only be taken with Federal acquiescence while there are certain obvious disadvantages, it would appear that the idea is worthy of a good deal more serious consideration than Canada has been willing to accord it up to the present time. Support tor such an examination can be found in two quarters not associated with the espousal of radical financial causes.

In his annual address to the shareholders in January, 1958, Mr. James Muir. President of The Royal Bank of Canada, said in part, in particular reference to such borrowings:

"One device that might be justified is the application of a lower rate of income tax on interest carried on these securities. With proper safeguards, this could provide an inducement to the freer purchase of these securities and ease the burden of financing for the small municipality.

"If the principles involved in this scheme were found by actual experience in this restricted field to be sound and constructive, a future study of its wide application might also prove worthwhile."

Again, at a conference of The Institute of Public Administration of Canada, in Toronto, last October, Mr. R. M. MacIntosh, Supervisor of Investments for The Bank of Nova Scotia, brought forward the same general idea.

It is not our view that such an exemption should be extended indiscriminately. It might, however, be well justified in the case of borron1ngs made for schools, universities, hospitals, sewer and water systems, roads and other forms of essential social capital.

Another possible approach that has occurred to us would be the extension of the "dividend credit", as provided in The Income Tax Act of Canada, to certain classes of provincial and municipal securities. We fully appreciate that in theory the "dividend credit" is a device to offset the burden of double taxation of income earned through corporate investment. Actually, I suspect its main purpose has been to encourage investment in Canadian equities. The burden of double taxation tends to be sharply reduced by the admitted ability of corporations to pass taxes on in their cost structure, even when imposed on a basis of profits. This has been the case under the market conditions that have existed in most of the post-liar period.

What the effect of this equity preference has been is difficult to measure. It does seem reasonable to assume that it has had a real effect in channelling investment funds away from provincial, municipal, and other fixed income securities, and into Canadian corporate shares, common or preferred. If we accept, at least in some degree, that a basic purpose of the “dividend credit" has been to encourage investment in Canadian growth, surely we must accept that it is equally important to provide a like incentive for the investor in the growth that is produced through the medium of provincial and municipal investment.

I intend to urge again on the Minister of Finance the full study and consideration of both these ideas, Greater weight should be given to the provincial and municipal interests when considering monetary and fiscal policies, both by Canada and by the central bank.

It has been the policy of this Province to sell its issues on the Canadian market by public tender, although on occasions arrangements have been made for private sale when this was considered advantageous.

Under normal market conditions, the tender system has much to recommend it, but it does not get the broad market coverage that is obtained through fiscal agency methods and which is so essential under present market conditions.

After a full study of this matter based on the best dis-interested advice available from well qualified sources, we came to the conclusion that it would be in our interests to appoint a group of dealers, who have shown continuing activity in Manitoba securities, as a Management Committee for the marketing of public obligations of the Province of Manitoba and its utilities in Canada.

For this purpose we asked Wood, Gundy and Company, Limited, to organize and chair a committee to be made up of representatives of their own and the following syndicates: - Equitable Securities Canada, Limited - Burns Bros. & Denton, Limited; Royal Securities Corporation, Limited - James Richardson & Sons; and Bell, Gouinlock & Company, Limited. The group was successfully formed last month. These firms will have associated with them most of the banks and leading dealers in government securities. The arrangement is effective for one year, subject to the right of cancellation on sixty days notice.

I think it is well to recall in this connection that this method of financing has been widely used by many governments in Canada and throughout the world. Canada operates through its fiscal agent, the Bank of Canada. All British Dominion and Colonial Governments borrow in London by negotiations rather than by competitive bidding. The International Bank for Reconstruction and Development now uses this method. Several Canadian provinces, including Ontario, Alberta, New Brunswick, Nova Scotia, and British Columbia, have used this method consistently or as occasion warranted. Several important Canadian cities operate in a similar way, including Ottawa, Toronto, Hamilton, Regina, and Saskatoon.

The duty of this Committee is to advise the Province on market conditions, and to make proposals for the timing of issues and their size. It will make recommendations as to term and rate of interest and all other pertinent conditions and undertake the marketing. The final decision, of course, always remains with the Province.

We believe that this system is the best under present circumstances, and this view is supported by the outstanding success of our first issue under it. On March 3rd, a public issue of $15,000,000 in Manitoba securities was announced. Despite what had been a very slow market, the issue was an immediate success. The institutional participation was indeed unusually high - a clear sign of market acceptance.

U.S. FINANCING

As Honourable members are a ware, Manitoba last November closed a private placement in New York with the issuance of $20 million of debentures payable in 25 years in United States funds. These debentures are callable after 15 years.

The Leader of the Opposition has been critical of this operation, although apparently it was quite in order for the Government of which he was a member to take similar steps in 1951, the last occasion on which Manitoba had borrowed in the United States. We believe, however, that we can still save money for the taxpayers of Manitoba by doing some of our necessary borrowing in the United States. This is the principle that must guide a Provincial Treasurer.

Before undertaking to raise funds in the United States, we considered alternative sources. It was our own view that the compensating advantages more than made up for the risks involved.

At the time the need for funds arose, it was evident that they would not be available in Canada except at extremely high rates of interest. In October, when the negotiations were undertaken, we were told that we would find difficulty in raising $10 million in Canada even at an interest cost considerably in excess of that prevailing in New York. This was not a condition peculiar to Manitoba, but was a general one prevailing over the whole range of comparable securities.

The rate Offered to us in New York was more favourable, and the volume 10fas more in line with our needs. Even with the exchange factor to be weighed, this was a more acceptable prospect and as it turned out we were able to secure $20 million in United States funds, at a yield to the investor of 5 3/8 per cent and at a cost to the Province of 5.41 per cent. It has been calculated that with the U.S. dollar at a discount of 5 per cent, with an interest differential of about 1 per cent such as now prevails, it could return to a premium of about 6 per cent - a swing of 11 points - without the Province being adversely affected, even though this differential continued throughout the whole life of the issue. Further, for every year the United States dollar remains at a discount the exchange risk will be proportionately reduced and the advantage increased. Under these circumstances, a calculated risk was well worth taking.

We have endeavoured to develop a further protection against this uncontrollable factor of the exchange rate. While it is difficult to provide full coverage for liabilities incurred in a foreign currency, it is our intention to provide this to the greatest measure possible by the investment of the annual sinking fund instalment in Canadian securities payable in United States funds. It would seem likely that over the life of issues, we would be able to cover our position to the extent that any adverse exchange bias will be minimized.

It is an interesting commentary on the availability and cost of capital in Canada that in the past three years every Province of Canada, and many of the major cities, have borrowed on at least one occasion in the New York market. Even the Minister of Finance has combined his plea for restraint with an acknowledgement of the need for "a climate hospitable to investment from abroad".

REVENUE AND EXPENDITURE - FISCAL 1959

The Main Estimates of expenditure for the fiscal year ending March 31st, 1960, totalled $84,601,442. Our revised estimate, which takes into account all anticipated expenditures to the closing of the books of the Province, is $87,895,000.

Revenue was estimated at $89,949,l90, but it is now believed it will reach $93,062,000.

Honourable members will recall that for the current fiscal year, I estimated a surplus, based on Main Estimates, of $5,347,748 on current account. Based on the revised figures for revenue and expenditure for the current year it would now appear that we will have a surplus of $5,167,000. In accordance with our tax stabilization policy, this amount will be carried forward to the next fiscal period.

REVENUE AND EXPENDITURE - FISCAL 1960.

I am happy to be able to announce that without any increase in taxes and despite the heavily increased costs of education and public welfare, we are again able to present a. balanced budget. In fact, for fiscal 1960 we are estimating a surplus on revenue account of over $3 million.

Mr. Speaker, the Estimates of Expenditure for the forthcoming year have been before the Legislature for some time and our estimates of anticipated revenue for the same period are now available to Honourable Members.

Manitobans continue in the fortunate position of living under one of the most moderate systems of provincial taxation in Canada. This is a desirable state of many attractions, but it does limit the level of service that we can provide. Before too long, we hope and believe that the economic development which we have encouraged, and particularly the development of our natural resources, will help substantially to improve our revenue position. To this end, the large capital investments we are now making on hydro-electric power, telephones; roads, and northern development as well as in improved educational and social services will have contributed. Our situation should also be substantially improved when there is more realistic recog­nition of provincial needs by the Government of Canada.

REVENUE

For the next fiscal year we have budgeted tor revenue on current account totalling $98,395,000.

The principal increases over the previous year are -

1. Payments under the tax-sharing arrangements with Canada $2,096,000;
2. Liquor control $2,350,000;
3. Gasoline and Motive Fuel Tax $860,000;
4. Transfer of the previous year's tax stabilization revenue surplus $1,426,000;
5. Canada-Manitoba Unemployment Assistance Agreement $913,000; and
6. Motor Carrier Licences $249,000.

The only notable decrease that is anticipated is in Drivers' Licences, where, due to 1960-61 being an off-year for Drivers’ Licences, collections should be down $350,000.

I would like to refer briefly to the expected returns under The Federal-Provincial Tax-Sharing Arrangements Act. This is always a difficult estimate, as it depends not only upon the level of economic activity as reflected in Corporation and individual income tax returns but also on the distribution of this activity among the various provinces. For this reason, we have adopted what we think is a reasonably conservative policy in making this estimate. It is, in fact, based upon the amount which Canada has estimated will accrue to this Province in the coming year under present rates of standard taxes plus a small amount for our share of the profits tax on privately-owned utilities.

EXPENDITURE

Expenditure on current account in the year ahead is estimated at $95,382,970. Honourable Members have already had these estimates before them now for some little time, and have had full opportunity for their consideration. I do not think that any detailed comment is, therefore, necessary and I propose only to make reference to some of the more important changes.

The principal increase by departments are in Education $6,590,632, a reflection of the higher grants and improved standards of the new system which was introduced last year; Health and Public welfare $2,575,233, largely a result of the nevi welfare policy; Agriculture and Conservation $263,990; Attorney-General $342,582; Mines and Natural Resources $145,761; Public Works $164,487; and Public Debt $2,683,246 following on the increased investment in capital assets and the higher rate of interest prevailing. Of this total, $1,120,215 represents the higher costs of interest and $1,563,031 is directly attributed to sinking fund and debt redemption costs which are being fully maintained at the required level.

Important reductions are to be noted in Legislation, Executive Council, Public utilities and Labour.

The year has seen a continuation and expansion of the efforts of Treasury Board and the staff of the Treasury working under its direction to control governmental expenditure. These duties have not been exercised in a negative way, and with the earnest co-operation of all operating departments in .the strict analysis of all programmes it is our belief that continuing progress has been made toward the better application of public funds. Control of these expenditures is not a simple matter. Not only are there many different judgement values to be weighed, but there are many fixed and relatively uncontrollable items in a government budget. These tend to put definite limits on what can be accomplished by any form of administrative control. Substantial economies, however, have been realized in various areas of expenditure.

While some members opposite have criticized us for not doing enough, and some for doing too much, on balance the people of Manitoba will be better served than at any previous time in this Province's history. To this extent, the process of control will have served its intended purpose.

CAPITAL SUPPLY

Very careful consideration has been given to the capital requirements of the Province, both by the Departments directly concerned and by Treasury Board. The essential needs of the Province have had to be evaluated in relation to the continuing stringencies of the money market and the attendant high interest costs. Only where it would be more costly in broad economic terms not to proceed than to proceed, have capital authorizations been approved for submission to this Legislature.

Unlike ordinary expenditures, authorizations for capital items do not lapse at the end of the fiscal year. They are carried forward until exhausted, or until-they are revoked by the Legislature. In view of this, it has been the custom in some provinces to authorize large borrowing powers for particular purposes which are sufficiently large to cover the requirements for a number of years. I mention this at this time because in one particular item in the Capital Supply Estimates we are requesting authority for an amount to cover the needs of The Manitoba Hydro-Electric Board in the next five years in order that provision may be made for bringing the new Grand Rapids Development into operation, plus such other miscellaneous capital needs as may be anticipated. In this instance the amount requested will be $150,000,000 - although expenditures in the coming year are not expected to exceed about $30 million. We believe that once a continuing commitment of this nature has been made, it is desirable that adequate authority should be obtained.

The Capital Supply Estimates have been before the House and have been the subject of previous consideration. For this reason, I do not think it necessary for me to make further detailed reference to them here. The programme of capital expenditure which they reflect is admittedly a substantial one but there is no “fat” in it. In every respect, I repeat, it is necessary if we are to carry on the social and economic advances which are so essential to this Province's growth. Once the back-log of unfilled needs is taken care of, an expenditure on capital account of more modest proportion will be feasible.

CONCLUSION

Mr. Speaker, we have completed a year of solid progress. Manitoba is changing rapidly with respect to its economy, its organizational and administrative structure, and most important of all, in terms of the enthusiasm and spirit of its people. We are providing more essential financial support for continuing development of resources than has ever before been available in the Province. Every dollar is being spent and invested in a way carefully selected for the potential of its contribution to the total and cumulative development of Manitoba.

We have learned much, Mr. Speaker - and let there be no mistake; this Government is fully aware of the need to review various aspects of its programmes. It would be inefficiency of the grossest type to be unable to change administrative arrangements as circumstances indicate that changes should be made. But I wish to assure the Honourable Members most emphatically that our ultimate objectives remain as firm after 20 months as on the day When we assumed office. We will be satisfied with nothing less than the maximum development of all the potential strengths which this Province has in such abundance.

The theme of progress which was incorporated throughout the Budget last year has been continued and strengthened in the material and programmes placed before you for the coming year. Progress requires care. We have a responsibility to the people of our Province to assure the stability of their development. By failing to plan properly, we would be endangering not only the progress accomplished so far, but very possibly the future itself. We have made the start on long-overdue progress, Mr. Speaker, and that was perhaps the hardest task of all. We came into office facing an abundance of need. We have striven to meet that need to the best of our ability. At the same time, we have been endeavouring to serve the future rather than the past. Our finances are planned in the fullest confidence that Manitobans will make the most of the potential of their Province. Today, we have even more confidence than ever before that by the co-operation of all the people of Manitoba we will achieve that potential in a future bright and fair.

Mr. Speaker, I do now move that this House resolve itself into Committee of Ways and Means to consider the revenue estimates for the support of Her Majesty's Government in Manitoba for the fiscal year 1960-61.