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| Manitoba | 26e  | 5e  | Discours sur le Budget | 26 avril 1962 | Duff Roblin | Premier ministre et Trésorier provincial | Progressive Conservative Party of Manitoba |

Mr. Speaker:

This is the fourth time I have had the honour to rise in this House to make the traditional motion on the ways and means of meeting the requirements of Her Majesty's Government in Manitoba for another fiscal year.

In doing so on this occasion, Mr. Speaker, I shall begin with a review of our overall economic circumstances and progress for the past year, following which I wish to focus the attention of the House on particular aspects of our financial policies as these have been developed in the light of those economic circumstances and in relation to our objectives for development in Manitoba.

In addition, I will table a supplementary report on the general progress in our affairs since 1958. The subject matter of this supplementary review has been dealt with at considerable length in the Committee of Supply but will, I think, form a useful reference to the progress of our programmes.

THE ECONOMIC REVIEW

Mr. Speaker, at the time of the Budget presentation last year we were concerned with an obvious slackening in the pace of activity and progress in Canada's economy. While this Province had fared rather better than m any other parts of the country, we recognized the effects on our Provincial economy of any protracted down-turn at the national level. However, because, of the inherent strengths of the Canadian economy, we emphasized our confidence in the eventual outcome.

Events and circumstances recorded for the year since my last review have borne out this confidence. I do not suggest, Mr. Speaker, that we have solved all of the problems facing us. But we have resumed a forward momentum in our economic affairs and, with this resumption of a higher rate of growth and development, we have moved toward greater strength with which we may confidently and effectively meet other problems and other objectives.

Manitoba's agricultural economy experienced a severe test through drought during 1961. This condition, the most general of its kind experienced by this province in the present century, has been reflected not only in hardship for many farmers but in less evident effects felt by business and industry closely associated with agriculture. The shortage of moisture prevailed over the whole of the province, with the most severe effects being experienced in the north-west and western portion of the agricultural area. The reduced yields of cereal and forage crops, although of high quality, brought the net value of farm production to $202 million for an average per farm which was only a little more than the lowest figure in the last ten years.

The shortages of livestock feed supplies and of water were the most pressing problems which developed. This Government moved quickly in introducing emergency measures to lessen the severity of the situation. In co-operation with the Government of Canada and the two major railways, transportation was provided for the movement of fodder by rail. Financial assistance was also provided in the truck transportation of feed supplies, haying equipment and livestock and in the development of community wells to provide additional water supplies. The assistance provided through these programmes by the two Governments will amount to approximately $770,000.

The effects of contraction on the farm were inevitably reflected in other sectors of the Provincial economy. Retail trade totals, for example, showed the understandable restraint imposed by the drought conditions on purchases. Over the year, 1961 retail sales were about three percent below 1960.

It will be many months before the full cost of the 1961 crop losses will have had an opportunity to work through the economy. In fact, it is always very difficult to get a final cost for such occurrences. What may be said, however, is that the unfavourable effects of the drought would have been much more extensively felt in the economy had not the increasingly diversified urban and rural industry in Manitoba aided in offsetting those effects. Municipal tax collections, loan repayments, accounts receivable and related indicators all showed a stability that would have been beyond most optimistic expectations not many years past.

We do not minimize the seriousness of the drought losses. We do emphasize that the economy has sustained them well. However, the farmers' reserves have been lowered. Poor moisture effects in 1962 will be more difficult to meet from this point of view. But other factors tend to mitigate this danger to some extent. We are for the first time in many years able to encourage full planting -- in the absence of grain surpluses. Government measures played a significant part in the successful retention last summer of livestock herds and we have moved again in recent weeks to ensure sustained feed supplies for these herds. This will mean that the livestock farmers of Manitoba in 1962 will be able to share in the good market created by rising meat consumption.

The other principal economic aspect of 1961's dry weather was the substantial resource loss in our forests as a result of fire. The immediate cost to the Provincial treasury was set at a preliminary $1.2 million. We are not yet in a position to measure the final cost either to the Treasury directly or to the wider interests of business, tourism, recreation and other activities based on or related to forest economies, either wholly or in part. Last summer's fire losses will indeed cost much to make good.

Our confidence in a recovery of pace in the general economy during 1961 was well founded. Mid-way through the second quarter, the national accounts of economic activity showed the reversal of the slide in many indicators. The period since May of last year has been one of upward trends in many sectors. Aggregate individual income continued to rise and there were substantial recoveries in corporate earnings, although the extension of the previous decline into the early months of 1961 meant that for many firms, profit records would not surpass the 1960 levels until 1962.

Canada's gross national product againrosa over the past year by between two and three percent. However, the share of the gross national product accruing from non-farm activity began in the third quarter to approximate the five percent growth rate deemed essential to sustained national progress. In Manitoba, in spite of the substantial loss of agricultural production, preliminary estimates of gross provincial income -- our estimated provincial share of the gross national product -- indicated a rise of about 2-1/2 percent to some $1,841 million in 1961 over the $1,796 million estimated for 1960. The gains were largely in the non-farm volume of output, and did not reflect wide price variations. It was a mixed year of gains and weaknesses, but the total effect pointed toward sustained growth.

As a general measure of the pace of business in the province, the total for cheques passed through clearing centres reached a record level well above $20 billion last year. Personal income in the province is now estimated to have reached $1,413 million or $41 million above 1960. Even farm difficulties incurred as a result of drought losses were eased by interim payments on excellent grain sales. Estimates by the Dominion Bureau of Statistics, made following the 1961 Census, placed the Provincial population at over 921,000 in June of last year, with adjustments still to come in the detailed analysis of the census. And I may say that I think this puts us ahead of the Province of Saskatchewan for the, first time in the last 50 years. The census data available to date indicates a continuing increase in the urban centres at the expense of rural communities.

As we noted in reference to the agricultural conditions, there was some softening of retail sales during 1961 -- $818 million as compared to $843 million in 1960. Manufacturing shipments in Manitoba rose from $728 million in 1960 to $770 million last year, reflecting forward momentum in much of the, processing sector of the economy. Construction values remained above the $400 million mark in the Province as housing starts rose by 10 percent over 1960 and industrial building permits issued more than doubled in value over the year.

More than 80 individuals, community corporations and new or established enterprises have been aided by the Manitoba Development Fund since its inception, and this work continued in 1961. The total of Fund investments now either committed or approved approximates $10 million. These investments have created more than 1,200 new jobs and very nearly a matching dollar amount investment by the enterprises receiving the Development Fund support. More than $18.2 million has been invested by the partnership of the Fund and private enterprise. In turn, this has given rise to $12.7 million in new factory output and nearly $600,000 in new direct tourist revenue annually. The added industrial strength has been a significant offset to the agricultural difficulties occasioned by the drought. Not the least important consideration has been the continuing confidence in Manitoba's future that the new enterprises confirm.

No single year can reasonably be cited as the measure of overall progress in any economy. This is particularly true for a transitional economy wherein many new and extended undertakings are being committed for the first time to cover what will ultimately be a span of several years. In such circumstances, it is as well to judge progress by a brief review of some principal indicators for the years from the inception of new conditions, in comparison with a similar period preceding the new phase.

For Manitoba, we might suggest a comparison of the period 1952-1956 inclusive with the period 1957-1961. This comparison actually comprises two quinquennial census periods.

In the main, it can be said that, for the principal indicators of economic activity, there has been higher growth in the last five years than in the preceding five years in Manitoba. In the period 1957-1961 inclusive, during which time the structural adjustments in the national economy have had their effect on all Provincial experience, Manitoba nonetheless was able to show a 20 percent greater rate of expansion in personal income than for the previous inclusive five year span. In dollar value of retail trade, the rate of expansion for the 1957-1961 period has been higher by more than two thirds as compared to the 1952-1956 period.

The labour force has grown by more than six percent in the period since 1957 whereas in the preceding period from 1952-1956 inclusive, the work force increased by less than one half of one percent. Employment, while unfortunately not keeping pace with the growth in the labour force, nonetheless expanded between 1957 and 1961 at more than 2-1/2 times the rate of growth realized between 1952 and 1956. Recent indications suggest a levelling out in the numbers en­ering the labour force as younger people stay longer at their studies in training for the more exacting demands of a modern economy, The steps now being pressed to bring a better balance between the growth in the number of workers and the expansion of opportunity must, however, be judged against the increase in the work force over the past few years. Too often, the fact that jobs have also increased substantially is minimized by this growth in the labour force itself.

In the country as a whole, during 1961, employment reached new highs -- totals for every month were above corresponding 1960 levels. From the end of July, there were consistently fewer unemployed than for the previous year as the totals for job-seekers were substantially reduced both in absolute numbers and in relation to the total labour force. On the average, some six million workers held jobs last year in Canada, for the best on-the-job record in the nation's history. However, while the later trends have reduced the percentage of the labour force idle from the peaks of last winter, the job-seekers still averaged 7.2 percent of the total for Canadian workers during 1961. We are still faced with a serious need to absorb new and displaced workers into new employment. Of course I would like to interject here that the experience of the last three months is certainly of some reassurance in that particular respect.

In Manitoba, the employment picture was complicated by agricultural problems, but nonetheless we estimate that our total work force averaged some 334,000 persons in 1961 of whom 95 percent on the average were employed throughout the year. Our position relative to the Prairie Region was satisfactory and it was also considerably better than for most other regions in Canada during 1961. On the average, some 4,000 more persons were at work during last year than in 1960 but the basic task of finding the necessary new job opportunities to absorb all the growing work force remains with us.

In the period 1958-59 through 1962-63 inclusive, the Provincial Government and its utilities and other agencies will have made capital expenditures on both current and capital account totalling more than· $500 million. These investments in the capacity of the community to support employment-creating activities have touched every important public sector of the provincial economy. They include commitments for power and communications alone of nearly a quarter of a billion dollars. Another $170 million commitment for roads is included in the half billion dollar total. More than $24 million of the total has been advanced through the efforts of the Manitoba Development Fund and the Agricultural Credit Corporation. We have contributed to winter works programmes which have provided jobs for more than 10,500 men in aggregate since 1958 or an average of better than 2,500 jobs each year during the critical off-season. We have, in addition, guaranteed $33 million investment in school, hospital and university development since 1958. And I pause to interject that a recital of those figures gives some indication of the effect of the capital investments of the Province of Manitoba on the employment picture and on the provision of thousands of jobs in the creative employment of this $500 million investment.

The Committee on Manitoba's Economic Future arid the Trade Mission to the European Common Market area will provide the necessary information upon which to base further progress. All of these commitments must be recognized as taking place in a wider range of economic activity than that originating in Manitoba alone. The problems of employment are at the very least national in scope and in turn must be considered in those wider contexts when we look for ultimate solutions to problems in this area.

We must also think in terms of usefulness rather than only in terms of employment. We must make our main effort in sectors where markets for our products can most reasonably be anticipated. We must develop our skills in areas where the needs for their application are most likely to continue and to grow. In particular, we must emphasize the mobility of both labour and capital in this period of change.

There have been many important advances in agriculture over the past five years and more. Diversification has increased the opportunities and capacities of the farming community. New products have been developed and marketed and new markets have been found for established products. However, there has al so been much expansion in costs and other burdens for the farmers. The result has been that the farming economy has not reflected the same degree of progressive strength developed in the over-all economy. The problem is not one to be solved easily or in a short time nor can it be resolved by domestic efforts alone. We recognize the urgency of the need to find means to provide better prospects for the future of agriculture.

This is a challenge receiving the most intensive attention by both the Provincial Government and, I may say, the Government of Canada. Since 1958-59 and including 1962-63, the Province has made commitments on both current and capital account of more than $51 million in direct support of agriculture and conservation activities, including substantial research expenditures and assistance to the related university programmes. In the period 1957-58 through 1962-63 the Federal Government will have committed a share estimated at $6 million in contributions to these agricultural programmes in Manitoba alone. In addition, many millions of dollars have been provided from the federal treasury in price support and market stabilization programmes.

There were other trends that were not progressive within the 1952-1961 period other factors, such as unemployment, showed weaknesses in our economic posture that can not and should not be lost sight of; We have much more ground to cover in respect of resource development. We need far more secondary industry and more labour absorption in all aspects of our economic growth.

We can conclude, however, that, in a period of greatly increased competition from abroad, and in the face of extensive technological adjustment in the Canadian economy, the economy of this Province has grown in strength, in depth of activity and in flexibility.

We cannot overlook the fact that, in 1960, and continuing into 1961, there was a falling off in new capital investment in private enterprise in Canada -- and in Manitoba. The massive stimulus of public capital investment in which Manitoba has shared is not in itself enough to offset hesitancy in the private sector. Last year, the Dominion Bureau of Statistics estimated new investment in the Province from combined public and private sources at $422 million. While the outlook is for some improvement in 1962, we still seek that rate of development in the private sector that growth in Manitoba requires.

New trading patterns are developing which will inevitably affect the agricultural, extractive and manufacturing industries in Manitoba. We believe that wider and freer trading arrangements are in the interest of the people of Manitoba. In our efforts to enhance the development of the provincial economy, we must give full recognition to these trends.

These conceptions underly our decision to sponsor a trade mission to Europe. They motivate the work of the Committee on Manitoba's Economic Future. They are the basis for our continued public investment in all of the physical and human resources that give strength to our Province and its economy.

We intend to provide new, and we believe more productive, support to the renewal of our urban communtties in respect of public housing for low income families -- some $1.1 million has been included. in capital supply for this purpose. By providing authority to assist the muni­cipalities in the provision of adequate low income housing, we hope to assist and encourage lo­cal governments to come to grip with the pressing needs for the re-Iocation and rehabilitation of housing for their citizens.

As evidence of our continuing confidence in the future of agriculture in Manitoba, we will be providing in the year ahead over $1 million in support of specific research projects and facilities at the University. We have invested $14.5 million in the future prosperity of over 1,300 farmers through loans extended by the Agricultural Credit Corporation. To find the means with which to attack the problems of the continuing cost-price squeeze on our farms, we have been instrumental in establishing support for a national Agricultural Economic Research Council.

Last summer's drought dramatized the value of our crop insurance policy. The insurance programme substantially reduced the immediate impact of drought losses in the five test areas with payment of $1.6 million in indemnified claims last summer. Some $6.7 million of insurance coverage was provided for more than 3,600 farmers of whom more than 2,000 benefitted directly from the insurance reimbursement of losses.

We have continued the organization of water supply and control in Manitoba. The $1.5 million Seine diversion scheme was completed in 1961, and we provided some $600,000 in support of regional and local water control works and drainage projects which in total aggregated about $1 million in 1961-62. Two more communities have been added to those served by projects completed by the Manitoba Water Supply Board. The Pembina Watershed is receiving priority attention and some $71,500 has been set aside for study of the best future development alternatives for this area. The Honourable Members will have had much of this information in more detail. I wish to cite these things as part of our Provincial effort to sustain the momentum of our economy and our preparedness for the future.

We have done our best to enable the municipalities to take advantage of the opportunities offered through winter works projects to establish new and improved local facilities while reducing localized seasonal employment slack. By extending both the categories of approved projects and the terms of support, the joint Federal and Provincial effort has materially strengthened the municipal self-help undertakings to minimize unemployment.

Our basic commitment to provide the highways we need has been maintained throughout the past year when more than $21 million was invested in the highway programme. All estimated $9.4 million was given to support of municipal roads and to maintenance of highways. In the coming year, our road construction programme will receive additional in vestment of $23.7 million gross or over $22 million net Provincial expenditure with nearly $10 million additional sup­port for municipal roads and maintenance activity.

The measure of our need for a good road system is shown in part from the statistics of growth in the use of our public thoroughfares. For example, motor vehicle registrations have risen from 271,000 in 1958, to nearly 320,000 in the last year. Trucking licence revenues rose to $1.6 million in 1961 -- up $500,000 from 1958 -- while the numbers of licenced commercial vehicles rose from less than 4,200 to over 5,000.

Some $2.8 million was invested last year either in new public buildings and facilities or in renovation of existing accommodation for education, reform and rehabilitation, health, recreation and other public services. In the coming year, we expect to expend about $6 million for construction, repair and renovation of public accommodation in order to maintain the efficiency of services throughout the Province.

Previous investment in power facilities inter-connecting with neighbouring Provinces again returned full value as low water levels were registered last summer. We realized a saving of $1 million last year alone. The provision of new generating facilities in the north continued at full pace and we realized another 16 percent increase in total quantity and seven percent increase in value for firm energy made available for Manitoba industry and homes. Some 7,600 new customers were served by Manitoba Hydro facilities last year and the growth in consumption continues unabated. The total contribution of hydro-electric power to the provincial economy is now valued at about $38 million annually.

Honourable Members who have seen the issue of the Financial Post of March 24, 1962, will perhaps have noted with interest, and I think with some satisfaction, the table relating costs of power provided to residential users including farms. Manitoba's cost, at 1.15¢ per kilowatt-hour, is the lowest in Canada, being 0.19¢ below Ontario which is the next lowest and 0.46¢ below the Canadian average. This is a tremendous advantage to our people and a tribute to the efficiency of our power system and that of the City of Winnipeg. I do not think that people in Manitoba are always fully aware of the advantages they enjoy in respect to economical power.

I have pleasure in acknowledging the part played by my predecessor, the Honourable Member for Lakeside, in this development.

In 1961, 16,000 new ‘phones were placed in service by the Manitoba Telephone System. We are approaching the 300,000 mark for in-service telephones as traffic continues to rise. The $16 million capital investment in new telephone equipment and plant in 1961 is a measure of our need for the most up-to-date and efficient communications. We consider that our programmes for constant improvement and expansion of these facilities are obligations essential to our progress. We believe the establishment of the Manitoba Telephone System Board, which has been approved this year, will improve the efficiency and economy of the system.

Some measure of the return for our investments in new communications, power, and highway facilities as aids in development can be seen in the 1961 production value for natural resources -- $130 million as compared to $90.6 million in 1960. Mineral production values alone increased by over $40 million from 1960 levels as the Thompson and Chisel Lake activity expanded.

The purposes of these investments in the public sector are to provide the necessary services demanded by our community and to maintain the conditions and bases for private enterprise to grow and prosper. The Government is determined to encourage, to stimulate and to contribute to sustained progress in creation of employment opportunities. Manitoba's Committee on the Economic Future is focussing the search on economic prospects most likely to serve our needs, but every individual and every group throughout the economic community must share in this effort. We must all play our full parts if the future success of the Provincial endeavour is to be secured. Our commitments to expanding programmes for power, communications, roads, health, sanitation, welfare, education and the vast complex of municipal services supported by the Government are all part of this effort.

Some measure of our achievements in these endeavours to date will be found in the report supplemental to this Budget Statement. However, before turning to the analysis of the financial programmes and policies by which we intend to sustain and expand our drive for development in Manitoba, I wish briefly to summarize the high points of the departmental programmes that have been adopted for the coming year. These form the latest instalment in our investment in progress.

In the field of fundamental human resource development, the combined programmes for education, health and welfare will receive a total of $77.7 million supporting current and capital commitment over the coming fiscal year -- 1962-63.

In education, total current and capital expenditures of over $38 million have been programmed -- approximately a third of the total budgetary revenues of the Government forecast for the year ahead. We consider that this investment in the future progress of our young citizens is among the most productive and most necessary commitments within our responsibility.

Three full years of operation of the division plan have demonstrated the new opportunities made available through this form of organization and through the additional financial assistance provided by the Province. Sorely needed school accommodation has been provided; enrolments, particularly at the high school level, have shown marked increases; desirable and necessary educational services have been planned and provided by educational authorities at the local level which would otherwise not have been possible. In short, there has been, over the past three years, a rekindling of interest on the part of Manitobans and their elected local officials which will have far-reaching beneficial effects upon our young people themselves and on the economic, social and cultural development of our Province.

I am pleased to note that our plan for sending teachers to Ceylon is now in operation, with the Provincial Government paying the basic salary of the teachers and peripheral expenses being paid by the Government of Canada. In addition, at the request of the Federal Government, we have recruited and sent teachers to Kuala Lumpur, Malaya, to assist the Malayan Government in training Industrial Arts teachers. The total cost will be recovered from the Government of Canada. This is a worthwhile contribution to world development and goodwill among the nations.

Additional school grants in 1962-63 will expand programmes over the 1961-62 year by $2.3 million. We will increase by over $400,000 the University of Manitoba general grants. We have added close to $4,000,000 in vocational education commitments and total Provincial expenditures on vocational education will be almost $6,000,000 with provision for much of the new commitment to be recovered from the Government of Canada.

The new $5,000,000 Manitoba Institute of Technology, situated in Brooklands, is being built on schedule and it is anticipated that construction will be completed by March 31, 1963, with the first classes entering the institution not later than September of that year.

Since the fiscal year 1958-59, school grants have almost doubled. The University of Manitoba general grants have been increased to a level some 2-1/4 times the 1958-59 commitment. Our annual expenditures on vocational education are now 6-1/2 times what they were four years ago. This last is most significant in the light of the special requirements posed by the increasingly specialized nature of our economy which underlies much of our present unemployment. We refer the Honourable Members to the supplement for a more detailed review of our progress in education. We are certain that there is no more important single programme in our entire Provincial investment undertaking.

We have provided for expansion in 1962-63 in services under the Health Department, as well, in our over-all commitment on current account of $20.4 million in support for hospitals, medical and nursing training, health units, hospital and medical care and for all the many other aspects of the health programme. This represents, in aggregate, some 67.8 percent or $8.3 million greater health investment than for 1961-62, with the increase supported in large part by the Hospital Tax revenue.

The Government has given approval to some 25 construction projects involving general and extended treatment hospitals for the mentally-ill and other public health facilities. Most of these projects will extend beyond the 1962-63 period. The ultimate cost of the 25 projects is estimated to be nearly $9 million. Aside from providing facilities for the care and treatment of Manitoba residents, this programme also means employment for thousands of construction workers and additional jobs for Manitobans in the operation of the expanded facilities once they have been built.

In the welfare field we have provided for a commitment of $16.2 million in 1962-63 on current account for social allowances, medicare, care of the aged and disabled, special aid for Metis and Indian citizens, and all of the other aspects of this comprehensive foundation programme respecting human resources in the Province. This is an investment of an additional $3 million over the 1961-62 commitment and we regard it as good business for we feel that it is fundamental to our economic well-being that we take these steps to prevent individual social dependency from retarding the over-all growth of the community. In the coming year, we will have put in place more housing accommodation for our elderly citizens than in any previous year in Manitoba's history. The programme to promote fitness and participation in amateur sport will benefit many of our young and adult population alike, and the Community Development programmes will expand the emphasis on creating employment opportunities for the Metis and Indians in our Province.

The outlook for 1962 is framed by the forecast of events in Europe and elsewhere beyond the immediate context of the Canadian economy. We believe that there are ample reasons for confidence for the economic future of our Province and of the nation in spite of obviously wide-ranging changes that must occur in our own economic environment as a result of these wider influences.

Provincial-Municipal Co-operation

Of fundamental importance in the programme of this Government is the sustained and increasing assistance to the progressive development of our municipalities. Again in 1961-62, to the full extent of its ability, the Provincial Government has continued to aid local governments in financing their essential projects. In reviewing this co-operative effort we note that the aggregate financial capacities of our local communities have continued to reflect increased strength. In 1961, taxable assessments reached beyond $1,100 million. These tax resources are Increasing at a pace which has doubled the total assessment value in the past ten years.

Despite these facts, there is increased concern in some quarters as to the burden of municipal taxation. Costs rising out of urbanization, shifting and growing populations and higher standards of services must be met. All these factors compound our difficulties, although it is not our problem alone. It is a significant feature of modern development. In fact, comparisons of per capita costs of local government will show that we in Manitoba are better off than most, and I include herewith part of a table from the Dominion Bureau of Statistics, being the Estimated Gross Current Expenditure Per Capita of Municipal Government for Selected Provinces in 1961.

And in the provinces compared we find that Ontario has a per capita gross current expenditure for municipal government of $136.00; Alberta is a little less at $129.92; Saskatchewan is less again at $118.50; and Manitoba has the lowest gross current expenditure per capita for municipal government in this area, being $104.94. So in spite of our troubles, we are still considerably better off in this table than our neighbouring provinces.

In spite of increased Provincial aid and the assumption of responsibilities by the Province that have traditionally been municipal, the problem of local cost continues to exist and we cannot be satisfied while it remains. It is a problem that must have our continuing concern and increasing study now and in the future. It is in this connection that we await with interest the findings of the Municipal Enquiry Commission. It is to be hoped that it will bring forward some useful ideas leading toward the ultimate solution of the problem.

The latest statistics -- those for 1961 -- show that the cost of local government to the municipal taxpayer in Manitoba, including local education levies is now about $75 million a year. This figure does not include the nearly $60 million in Provincial aid, both direct and indirect, made available in 1961 in support of local development. This Provincial aid represented an amount equal to 80 percent of the contribution by local taxpayers for their government and continues to account for more than one half of every dollar of Provincial revenue.

The importance that we attach to municipal support is borne out by the substantial contributions to local undertakings that have been made since this Government took office. Expanded aid will continue in 1962-63, taking the many forms of direct and indirect support necessary to sound local progress.

Education will receive more than $28 million grant support from the Provincial Government. In 1958-59 such support amounted to $14.8 million. Many local programmes including drainage and conservation projects, local road work and welfare programmes have all received greater support both from Provincial programmes directly and through Provincial-Municipal co-operation under which the Province has assumed an increasingly greater share of the many co-operative undertakings in the field of health and social aid.

In combination, programmes of direct and indirect Provincial current and capital assistance to municipal development are approaching $70 million per annum. Since 1958-59, this aid has increased by over $25 million -- an average increment of $6.2 million annually. We shall, in the future, continue building upon this solid foundation of co-operative and practical effort.

Dominion-Provincial Relations

The new fiscal arrangements and the collection agreement which have occupied so much of our energies in negotiation over the past two years or more are now in effect. The provincial personal and corporation income taxes, authorized by the Legislature at the Special Session of last autumn, are now being collected on our behalf by the Department of National Revenue of the Government of Canada, without cost to the Province.

As these matters were discussed at considerable length at the Special Session, I shall not pursue these aspects further now. I need only add that the new fiscal arrangements appear to be working out in a relatively satisfactory manner. This is particularly so in comparison with what the situation would have been had we continued under the original terms of the 1957 Agreement concluded between the St. Laurent and Campbell Governments. If those arrangements had been continued, we would be receiving only $38,958,000 for 1962-63 as against the $43,401,000 that we anticipate. This represents a gain of $4.4 million.

I would also draw the attention of the Honourable Members to the data pertaining to conditional grants in the table dealing with receipts by Manitoba under other Dominion-Provincial financial arrangements. The very large growth in the financial co-operation received from Canada over the last few years is clearly indicated. While a substantial part of the increase was in respect of hospital insurance, the general improvement in these conditional grants to Manitoba is evident throughout. Shared cost and conditional grant contributions from Canada have risen from $7,982,000 in 1957 -58 to $38,295,000 in 1962-63 -- an increase of over 380 percent or by very nearly four times in five years.

FINANCIAL REVIEW

It has been basic in the philosophy of this Government that one of its principal purposes is to provide the economic and social climate in which the private enterprise system can flourish for the greatest good of the greatest number.

This concept has guided our activities from the beginning and we are continuing our programme of developing and improving governmental services and facilities with this end in view. The results speak for themselves and the people of Manitoba can judge the merits of the changes effected in the life and economy of this province.

Public Debt

I pointed out in my address last year that while our capital investment had increased this, was a deliberate policy based on our assessment of our needs -- needs that were neglected over many years when money could have been obtained at a much lower cost. It is my view that this policy has been fully justified by the progress of our development and that the capital investment of the Government in the economy of Manitoba will provide a return, direct and indirect, to offset -- and much more -- any costs that may be incurred.

The ability of the Province to meet its commitments does not need to depend on my judgment alone. That the money markets of this country reflect this judgement is shown by the high regard in which Manitoba securities are held. Our issues are consistently over-subscribed and, once marketed, tend to be closely held. Our costs compare favourably with other similar jurisdictions in Canada. For example, on March 15th, 20 year 5 1/2 percent Manitoba Bonds were bid at 101.50; Quebec Hydro's were bid at the same price; and Ontario's were bid at 102, while Nova Scotia's and Saskatchewan's were bid at 100.50.

It has been amply demonstrated in the past that you must sow in order to reap - that Governments must spend to provide the economic climate for industrial, agricultural, and social development. Our guiding principle has been and will be that based upon the net return from our investment. The economic justification of borrowing is in the end results. .

In the light of results, it is a matter of considerable satisfaction to us that we have been able to sustain our capital investment in the Province's future. This satisfaction is particularly warranted when we consider that the alternatives are stagnation or a burden of taxation which could seriously retard economic growth in Manitoba. And here in this statement, Sir, I include a comparison of the Public Debt for the last three years, as is customary, arid members will be able to read this table for themselves.

Judgements of the acceptable levels of public liabilities cannot be made in absolute terms but rather they must be based on the ability to carry the costs of interest and the amortization of discounts. In the next fiscal year these costs will amount to only 3.6 percent of the total current revenue of the Province of Manitoba and, as such, I suggest are eminently within our ability to carry.

Furthermore, while in respect of the situation in 1945 it would have taken over 2 1/2 years to retire the outstanding net debt from annual current revenue, in 1961 this could have been accomplished in less than 1 1/4 years.

A reduction of about $18 million has occurred in our direct utility investment in the past year. This is the result of the utilities having assumed direct responsibility for new borrowing and the repayment of outstanding loans as they fall due. Roads and bridges are up about $24 million -- the extent of our yearly programme -- while buildings, drainage and water projects and other public works are up some $6.5 million. Grants and advances to the credit corporations are increased by about $4 million, These facts confirm the productive nature of the purposes for which our investments have been made.

Debt Transactions

The increased stability of the Canadian bond market in the past year has been most welcome and has contributed much to the orderliness of financial transactions. At present the market is showing strength and while interest rates are still relatively high there appears to be a good reception available to credit-worthy borrowers, I am also happy to note a considerable improvement in the market for municipals although important problems remain in respect to issues of the smaller and less well-known jurisdictions.

Manitoba in 1961-62 confined its public offerings largely to utility financing, the direct demands of the Province having been met through the very successful issue of Savings Bonds. For the first time the Manitoba Telephone System issued bonds under its own name with a Provincial guarantee. This issue received an immediate acceptance on the market and has been regarded 'on the street' as one of the most successful financing operations of the year.

Honourable Members will recall that I referred to the Manitoba Savings Bond issue of 1961 in my Budget Speech last year. This was an overwhelming success, bringing in over $40,800,000 in a very short time. This year, with a strong market prevailing, we cut the rate from 5 percent to 4 3/4 percent. We fully appreciated that this, along with the more limited supply of accumulated savings available for investment, would reduce the demand, but as our requirements were substantially less at this time, this lower volume of demand was quite adequate. The 1962 issue was closed on April 4th, with a total subscription in excess of $20 million.

Manitoba, concurrently with Saskatchewan, pioneered a further venture in the field of Provincial finance. On February 5th, 1962, the Province offered, through two selected dealers in the money market, $1 million of Manitoba 91 day Treasury Bills. These are being issued regularly each week and when fully marketed after thirteen weeks will provide a floating fund of $13 million at relatively attractive rates of interest. The bills have been issued at between 3.10 percent and 3.37 percent as against a long term market rate of from 5.30 percent to 5.50 percent in the same period. The venture has been a satisfactory one and an effective secondary market in these bills is gradually being established.

Sinking Fund and Debt Retirement

An examination of the moneys available for servicing the public debt will show that very substantial sums are being set aside each year for debt repayment. For 1962-63, we have as a statutory charge $6,349,736 to be provided for the sinking fund to offset debt outstanding. Of this total, $1,044,379 is attributable to debt incurred on behalf of the Manitoba Telephone System, and $1,571,077 in respect of Manitoba Hydro advances. Both these amounts are recoverable from the respective utilities. The net charge on the Consolidated Fund is $3,734,280 - up $500,373 over last year.

In addition to retirement of debt through sinking fund, there are outstanding serial debt payments of $1,084,640 provided for' in the year.

Sinking funds with respect to dead-weight debt are accumulated on the basis of a minimum of 3 percent of the principal amount outstanding annually on all borrowings over a one year term. These funds are invested in appropriate securities. In the case of utilities, 1 percent of the amount outstanding at the end of the preceding fiscal year for the debt and advances for each utility is set aside annually together with 4 percent of the accumulated sinking funds of the utility.

We have continued our policy of restricting our guarantees to those agencies of government where there is a clear distinction in function from that of a normal government department.

Increases have occurred since last year principally in respect of Manitoba Hydro where $45 million in financing is reflected, and in respect of the University and certain hospitals where the increase is approximately $7 million.

No additional guarantees have been required for school districts or municipalities -- in fact, there has been a reduction, as a result of maturities. It is encouraging to see the improvement in the local authorities' financial status over the period. And here follows, Mr. Speaker, a chart of the outstanding guarantees of the Province by class of borrower, which members may read.

Local Government Borrowings

I am pleased to be able to report to this House that there has been a continued improvement in the prices and rates of interest for local government borrowings in the past year.

This has been most noticeable in the case of the school districts and divisions. Improved information sources and better methods of marketing have proved most valuable. These, along with the trustee agreements and with the whole-hearted assistance of The Municipal Board where necessary, made it possible to sell $8.9 million of school bonds in the calendar year 1961 at increasingly favourable rates. As an example of the continuing improved conditions, only last month on two occasions, the bonds of school districts have sold at a cost of under 5 1/2 percent on their own credits -- a rate comparable to that available to any local government of equivalent size anywhere in Canada.

Incidentally, Sir, I received a letter the other day from a financial associate of mine in the Province of Ontario pointing out that the best rural Manitoba Municipal school district bonds were selling at a rate as good or better than their equivalent in the Province of Ontario. And when one considers the gap that existed up until quite recently, I think that is a very satisfactory situation.

It is now approximately two years since we adopted the trustee method of school financing. By this method, the School authority voluntarily accepts the placing in trust from its school grants amounts sufficient to meet the debt service charges. This, along with the improved information sources and better marketing procedures, has been a most important influence in rehabilitating the whole credit structure of the school districts and divisions. The method has saved many thousands of dollars in interest costs. So successful has it been that steps are being taken to apply this method to hospital financing where large increases in requirements must be faced in the next few years.

Now, Mr. Speaker, I come to those items of revenue and expenditure that I think will interest members more.

Revenue and Expenditure -- 1961-62.

Revenue for the fiscal year just closed was originally estimated at $105,773,400. Latest indications, before final closing of the books, are that this will be exceeded and that it will total about $112,600,000. This is an increase of about $6,800,000. This has largely been due to $1,500,000 increase in the amount received under the tax agreement: $2,838,000 increase in surplus carried forward from the previous year; $350,000 more in gasoline tax and $100,000 increase in motive-fuel tax; $1,000,000 in liquor profit; $163,000 in mining revenue; $150,000 in motor carrier fees; and a large number of smaller amounts. So it is to be seen that revenues were buoyant. Offsetting the increases were losses of $107,000 in water power rentals and $175,000 in forest revenue, in addition to a smaller number of miscellaneous reductions.

On the expenditure side, the main estimates for 1961-62 totalled $103,856,514. The latest revision is for a total expenditure of $105,021,000 -- an increase of close to $1. 2 million. This provides a surplus on current account of about $7,600,000 which, in accordance with the authority in The Treasury Act, will be carried forward into the next fiscal year as a stabilizing measure.

Revenue and Expenditure -- 1962-63. Revenue

Now, Sir, we come to the current year 1962-63 -- Revenue -- and I think the House will be interested in this fact. No increases in taxation are proposed for the 1962-63 fiscal year. There will be, in fact, some noteworthy tax decreases proposed for both individuals and corporations in line with changes announced in the recent Federal Budget. It is my intention that these should be fully reflected in the Manitoba law.

These changes affect two areas in particular individuals benefit by an increase of $50.00 in the allowances for dependent children and corporations benefit by new incentives based on increased sales by manufacturers and processers and on research and exploration allowances.

While we must await the Federal law and regulations, it would appear from preliminary information that insofar as Provincial revenues under Dominion-Provincial fiscal arrangements are concerned, the reduction in Provincial income taxes in 1962-63 of about $200,000 will be compensated for by an increase in the equalization and stabilization guarantee. And I would like to add, Sir that the reduction quoted is, of course, for the Provincial share of the tax only and is very much larger when one considers that the Federal share of the tax is the major portion. So there is this reduction in Provincial income taxes which will be compensated insofar as we are concerned by an increase in this equalization and stabilization guarantee.

The corporation tax incentives to manufacturers and processers based on increased sales will, we understand, take the form of tax rebates or remissions. Thus they apply only to the Federal share of corporation income tax. Without specific Provincial action this change has no effect on the tax imposed under the Provincial statute. It will not be possible at the present Session to take any action insofar as the Provincial Act is concerned. However, when details become available, the proposals will receive close study and retroactive adjustments suitable to Manitoba will be recommended. These Provincial tax reductions would amount to between $300,000 and $400,000 in a year and this has been taken into account in the estimates of our revenue. And again I say the gross effect when the Federal corporation tax has taken its effect is, of course, much longer.

Similar steps will be taken to provide that the special incentives for research and for oil and gas exploration may apply for purposes of the Provincial tax. I expect that this will amount to further tax reductions of some one hundred thousand dollars.

I wish to make it quite clear, Mr. Speaker, that the above reductions in standard taxes also will be made to apply to the special hospital service taxes. The reductions here will be about $135,000 in 1962-63, the greater part of which is to the credit of personal incomes.

It is also my intention to place before the Legislature an amendment to The Amusements Act effective June 1, 1962, which will reduce the level of taxation from about 10 percent on admissions of $1.00 or less, to about 5 percent on all admissions. The approximation is used as the tax is levied in the form of a schedule and the exact percentages do not always apply.

Under The Amusements Act as it is at present, all admissions to places of amusement, unless granted specific exemption, are liable to a tax on a price of 619 or more. With the great increase in charitable and community-sponsored events and the full impact of television, all of which are free of tax, there has been a corresponding deterioration in the relative position of those commercial amusement enterprises whose admissions are still subject to tax. This applies particularly to the moving-picture theatres.

While I do not consider that full exemption is justified in such cases of commercial entertainment, I believe that a good case has been made for some alleviation of the burden on admissions to such places of entertainment. The aforementioned reduction by 50 percent of the tax in these lower brackets will therefore be recommended.

Our estimate of aggregate current revenue for the fiscal year 1962-63 is $121,520,300 or an increase of $15,746,900 over the estimate for the previous year. This, of course, is due in substantial part to the proceeds of the hospital service taxes which will yield about $7,240,000 in the fiscal year.

There are some substantial increases in existing revenue sources which represent a continuing process of growth in the province and a reflection of the improving levels of economic activity.

These increases are as follows: Gasoline Tax, $750,000; Motive Fuel Users Tax, $275,000; Land Titles Fees, $100,000; Liquor Control, $904,000; Mining Royalty Tax, $140,000; other Mining Revenue, $113,000; Motor Carrier Licences and Fees, $275,000; and the Canada-Manitoba Unemployment Assistance Agreement, $500,000.

Only two decreases of importance are to be noted -- $300,000 In Automobile and Drivers' Licences (1962 being an off year for drivers' licences) and $125,000 in forest revenue.

Particular reference should be made at this time to the return under the new fiscal arrangements between Canada and Manitoba covering the 1962-67 period. Whereas in 1961-62, the last year of the old agreement, we anticipated a return of about $39,000,000, we now expect in 1962-63 to receive $43,401,000 before allowing for special hospital taxes of $7,240,000. This return is made up of the following: Individual Income Tax, $14,988,000; Corporation Income Tax, $14,576,000; and Succession Duties, $1,886,000. This is a total yield from the standard taxes of $31,450,000. In addition, we will receive in equalization and guarantee pay­ments, $11,951,000 -- for a total return of $43,401,000.

To those who insist that we came away from the lengthy Dominion-Provincial tax negotiations with less than we had previously, these figures should prove informative. At the same time, as the critics consider them, they might give some thought to the table of grants and payments from Canada referred to earlier, the table of which is reproduced herein. The actual figures for the return from the original 1957 agreement, when set beside those for the new arrangement, with both applying to the same fiscal year of 1962-63, will show how much better off we are -- even though we did not attain all that we set out to achieve.

And here follows in this table, Sir, a comparison of the tax yields for the current fiscal year as it would have been under the old agreement; as It is under the new one; and an indication of an increase under the new agreement of $4,443,000. And what I particularly wish to draw attention to is the item under equalization and stabilization guarantee. To listen to some of the comments that were made about the fiscal arrangements that we recommended to this House not too long ago, one would have come to the conclusion that equalization and stabilization and all those essential factors had disappeared; that we had lost them never to see them again. And yet, 10 and behold, here in the tabulation for this year we

It should be noted that these figures do not take into account the additional revenue from the Hospital Services Tax nor the increase in the shared cost programmes. And I repeat again over the last five years the shared cost program contribution from Ottawa has gone up from $7.9 million to $38.3 million, an increase getting close to four times during those five years. I also repeat that allowance has been made in these aforesaid figures for the reduction in personal income tax and for the provision of incentives in the field of corporation taxation.

Expenditure

As the expenditure estimates have already been discussed in detail in Committee of the Whole prior to granting of supply, I do not propose to refer to them here in detail. Reference to the accompanying tables and charts will show that despite an increase on current account we are once again able to present a balanced budget even after allowing for the tax reductions previously referred to, and I anticipate a surplus of something over a quarter of a million dollars.

Taxation

Earlier in this session, I stated that, while the subject of taxation was not perhaps strictly within the purview of the Royal Commission on Banking and Finance under its terms of reference, it was my intention to urge in the Province's submission their consideration of taxation reorganization as a part of the necessary solution to the many financial problems facing the economic regions in Canada.

There has developed quite recently an increasingly vocal reaction to our tax system as a whole. Attention has been directed in particular to the income tax -- both personal and corporation. Although there have been no fundamental changes in either tax in recent years, the increasingly competitive nature of trade -- international trade -- has brought home to us the need for some careful re-examination of the whole structure of taxation. And I may say that this matter takes on particular significance with the return of the Provinces to the direct use of tax fields which in large part they had vacated under the tax-rental agreements. Co-operation and the co-ordination of government activities in this area of fiscal policy and practices assume increased importance in the new circumstances.

Canada is facing an increasingly competitive world. To be successful, we must be as efficient in our trading methods and as low in our costs as our competitors. Incentive plays an important part in producing efficiency and it is my view that we have neglected to pay sufficient attention to the real need for incentive in the development of our taxation system.

Therefore, I am very much in favour of the objectives of the extended and newly established incentives to business announced in the Federal Budget for 1962. The Minister of Finance for Canada has given substantial support to the concept that business growth can and should be stimulated through the practical means of fiscal policy. And let me say again that the whole purpose of this desire of business growth is because of the employment opportunities for the productive use of the people of Canada that is attached to it. The final effects of these measures are undetermined and we continue to regard it as a matter of paramount importance that there should be a full and continuing study of the whole fiscal system of the country. This should extend not only to the form of taxation but to the questions concerning their effect and application and by whom they are best collected and applied.

I have, however, one word of warning lest our enthusiasms swing the pendulum too far in the opposite direction. We should not let this desire for fiscal reasonableness blind us to the fact that taxes are to raise revenue. And, while we must try to collect that revenue in the most efficient and equitable way possible, the revenue must be raised if our services are to continue.

Capital Programme

The' capital works programme for 1962-63 has been dealt with in detail by the responsible Ministers. It is not my intention to repeat what has already been said. However, I think it will be useful, if only for the record, for me to outline in broad terms the programme provided for in capital supply.

Once more our self-sustaining public utilities will be making the heaviest demands on our capital. A blanket authority of two years ago covers the needs of the. Manitoba Hydro-Electric Board. Since amalgamation of the electric utilities, this authority includes the needs of the distribution system formerly covered by the Manitoba Power Commission. The Hydro Board programme, which is now approaching a peak on the Grand Rapids project, will require $48.2 million of its capital authority in 1962-63 in addition to about $8.0 million from internal reserves, to meet a capital programme of $56.2 million. Extensions and improvements in the Telephone System will require about $12.5 million in addition to $5 million capital generated internally from various reserves and the carry-forward of $1 million in unused authority from the previous year. The Manitoba Water Supply Board will require authority for $204 million of which $1.4 million is already authorized. And it is some comfort to know that all these facilities are self-supporting.

Once again, I must add that these investments are necessary to our continued growth and they place no burden on the. Consolidated Fund.

The highways programme of just over $22 million net Provincial expenditure has been placed before you in considerable detail and is covered by outstanding authorities except for about $700,000. We have asked for an additional authority of $18 million which will permit forward planning and commitments for the programme for the year ahead.

Land acquisition and other natural resource projects will require $145,000 authority over and above the $165,000 already available from previous years. The various drainage and flood control projects need $3 million in addition to the $2,166,330 now at hand to fulfill commitments in 1962-63.

Expenditures on public buildings, including $1,100, 000· for the Manitoba Institute of Technology, will require an additional $1.650,000. Agricultural research needs total $600,000. A new item appears this year, as the House knows in the amount of $1,100,000 provided for costs involved in the housing and rehabilitation programme.

It will be necessary that we supplement the existing authority under Grants, Loans and Advances by $2,485,000 in the case of the University of Manitoba together with $395.000 for Brandon College and $348,275 for the Affiliated Colleges. In the case of hospitals and construction of Homes for the Aged; the total requirement is $2,126,800 for which additional authority of $1,810,000 is needed.

Both the Agricultural Credit Corporation and the Business Development Fund will require additional funds to continue their important activities. The Agricultural Credit Corporation expects to advance about $3 million in 1962-63. The Business Development Fund will also be making loans totalling to a similar amount. Additional authority for advances to these bodies has been requested, however so that amounts which have been advanced from the War and Post

War Reserve can be repaid and that fund established on a more liquid basis. Allowing for the carry-forward of existing authority, there will be required for the Agricultural Credit Corporation, $6,850,000, and for the Business Development Fund, $7,800,000.

The programme set out is one further step in our plans for the growth and development of this Province. It involves substantial capital financing, but I have every assurance that the confidence of investors in Manitoba will remain unimpaired and in fact will be increased by this tangible evidence of our determination to progress.

One of the responsibilities that increasingly falls to the lot of Governments is the creation of an economic climate suitable for and encouraging to the investment of private capital in the development of industry and agriculture and of our resources generally. We accept this as one of our prime functions. It is a particularly important task in Manitoba’s period of transition as we move from what was a relatively simple economy to one increasingly complex. This transition must be stimulated and supported. Our efforts have been and continue to be so directed.

Now, what do these efforts involve? They involve the provision of the capital assets which make a modern economic community possible. Roads, schools, universities, hospitals, water conservation and control, electric power, telephones -- all these things are essential to our progress. They involve, in fact, support of all public services and utilities without which no community can exist. All in all, the programme means the expenditure of large sums -- capital as well as current. While these needs are extensive -- particularly in the field of utility expansion -- they do not make a burden for the people of this Province. Rather, they are a positive element in our progressive growth.

CONCLUSION

This Budget, Mr. Speaker, continues the theme of progress which has been established in all my previous Budgets. We have accomplished much since assuming office and, while essential tasks remain, these matters will continue to have our earnest and constant attention.

We are, as I pointed out in the Economic Review, starting a year in which prospects are brighter than a year ago, although certainly we have had little to complain about in terms relative to others' experiences. Given any kind of fortunate development in weather, 1962 should be a good year for Manitoba and we look to it with increasing confidence and anticipation.

Mr. Speaker, I now move, seconded by the Honourable the Minister of Education, that the House resolve itself into a Committee; that Mr. Speaker do now leave the Chair and the House resolve itself into Committee to consider of Ways and Means for raising of the Supply to be granted to Her Majesty.